



MONTREAL
MUSEUM OF
FINE ARTS

THE MONTREAL MUSEUM OF FINE ARTS FOUNDATION

- **MANAGEMENT REPORT**
- **FINANCIAL STATEMENTS**

MANAGEMENT REPORT OF THE MONTREAL MUSEUM OF FINE ARTS FOUNDATION

FISCAL YEAR 2021-2022 | APRIL 1, 2021, TO MARCH 31, 2022

This management report is intended as a complement to the financial statements. Inspired by the CPA Canada Handbook, it aims to facilitate a fuller understanding of the overall performance of the Montreal Museum of Fine Arts Foundation (the "Foundation"). It reflects the views of the management team and of the Board of Trustees of the Foundation, and its objectives are to:

- Report on the Foundation's overall performance, commitments and cash flows
- Present the Foundation's context, issues and outlook

The start of fiscal 2021-2022 was marked by the ongoing pandemic. Activities were slow to resume, and the Foundation therefore ramped up its efforts to raise the necessary operating funds for the Museum, whose visitor numbers had fallen off due to months of closures and visitor capacity restrictions, in compliance with public health regulations. Although it was a challenge to hold fundraising and recognition events, the Foundation neared its pre-pandemic results, which is a testament to the MMFA donor community's ongoing commitment.

This is the last year of the current Director General, who has headed the Foundation for the past nine years. Following the announcement of her departure, the organization proceeded to reconfigure its teams and hire new professionals with solid philanthropy experience. These initiatives, undertaken several months before the changeover, will ensure a smooth transition for the Foundation and Museum teams and for our donors. Under the leadership of the outgoing Director General, the Foundation has grown in revenue and expertise, and become more dynamic. This new chapter will continue along this path, building on what we have learned and gained and fuelled by our desire to pursue philanthropic development by leveraging the expertise on our team.

The Foundation reported an administrative cost ratio of 8% for the fiscal year ending March 31, 2022.⁽¹⁾

⁽¹⁾ The administrative cost ratio corresponds to the total administrative costs (\$666,828) divided by the total revenues reported in the financial statements, excluding investment and grant income (\$8,462,526).

SUMMARY OF THE 2021-2022 PERFORMANCE

Paid contributions, pledges generated and investment income: \$15,594,342

- Total cashed revenues from donations and sponsorships:⁽²⁾ \$8,741,525
- Pledged donations and sponsorships generated in 2021-2022 (unpaid): \$2,114,000
- Investment income: \$4,272,745
- Grants: \$516,070
- Administrative cost ratio: 8%

Donations and sponsorships: \$3,915,858

- Donations remitted to the Museum: \$3,636,858
- Sponsorships paid directly to the Museum: \$279,000

Sponsorship revenues are solicited by the Foundation team but paid directly to the Museum. As such, they are included in the Museum's financial statements and are not taken into account in calculating the Foundation's administrative cost ratio. The revenues secured by the team responsible for sponsorships and partnerships for 2021-2022 totalled \$754,000 across different campaigns.

Membership and Customer Service

- The activities of the Membership and Customer Service department are also managed by the Foundation.
Revenues: \$3,072,660

These revenues are not included in the Foundation's financial statements but in those of the MMFA and are not taken into account in calculating the administrative cost ratio.

⁽²⁾ Total revenues from donations and sponsorships, including payments from pledges concluded in previous fiscal years.

OVERALL PERFORMANCE OF THE MUSEUM FOUNDATION

1. ANNUAL CAMPAIGNS

Annual Fundraising Campaign: \$879,633

- While 6,310 donors gave over \$20, the total number of donors for all donation amounts numbered upwards of 12,000, including 3,842 first-time donors. There was a 14% increase over the previous year in terms of the number of donors who gave more than \$20, and a 17% increase in overall revenue for the annual campaign. This represents an increase over pre-pandemic years – an excellent sign of economic recovery and the strong community spirit around the MMFA.
- The average gift per donor was \$125, a drop by \$60 over the previous year; however, this decrease is attributable to the significant increase in the number of donors. A common saying in philanthropy is that, beyond donations, organizations need donors. From this standpoint, more donors and good donor retention is preferable to a high average donation.

Philanthropic Circles Campaign: \$880,507

- Circle community membership declined this year, with 568 active donors as of March 31, 2022. This may be because loyalty events could not be held for much of the year.
- Despite this decline, the total amount donated increased by 5% over the previous year, thanks to the generosity of many donors who increased their annual gifts to help alleviate the pandemic's impacts on the Museum and the Foundation.

The Museum Ball campaign and other fundraising events: \$1,270,911

- The Museum Ball was not held for a second consecutive year due to nationwide health measures.
- However, a campaign to raise donations from this target group did result in significant revenue for the MMFA. Another edition of the online auction was held this year.
- The fact that we maintained 89% of revenues over the previous year is a testament to the hard work of our teams, who succeeded in retaining the loyalty of donors and capturing their attention, despite widespread fatigue with virtual events and not being able to hold in-person functions.
- Since these fundraising events could not be held in person at the Museum, expenses associated with these activities were minimal.

2. SPONSORSHIPS⁽³⁾

With sponsorship and partnership revenues totalling \$754,000, the Foundation team greatly surpassed its initial goal for this area of activity of \$550,000. To a certain extent, sponsorship revenues do not lend themselves year-to-year comparisons, as annual targets are set according to the particular programming (mainly major exhibitions), projected attendance numbers, and financial needs of the Museum of the year in question. As is the case every year, a discrepancy was observed with the MMFA's financial statements, as exhibition sponsorship amounts are first recognized on a cash basis and then recorded by the Museum over the duration of the exhibitions, which frequently overlap fiscal years.

To ensure consistency of approach and greater returns, two members of the Foundation team are dedicated to soliciting sponsorships. Since sponsorship revenues are paid directly to the Museum, they do not appear in the Foundation's financial statements. However, some partnership revenues for exhibitions are given as donations (\$474,993 for 2021-2022), and these are reflected in the "Annual campaigns" line item of the financial statements.

Total revenues from the 2021-2022 annual campaigns and sponsorships: \$3,785,051.

⁽³⁾ The revenues from sponsorships are included in the MMFA's financial statements and not in those of the Foundation.

3. REVENUES FROM MAJOR CAMPAIGNS

Commitments related to the 2008-2012 major campaign (to support the Claire and Marc Bourgie Pavilion of Quebec and Canadian Art) concluded this year, while the 2014-2019 major campaign (for the Michal and Renata Hornstein Pavilion for Peace and the Museum's education and art therapy programs) are nearing their end. Contributions paid from these two major campaigns during fiscal 2021-2022 totalled \$1,019,945.

Despite the ongoing pandemic, the Foundation continued to solicit major gifts in support of the MMFA. In 2020-2021, the global economic slowdown and generalized sense of uncertainty were reflected in that year's results. This year, the gradual recovery of activities translated into a rebound in major gifts. For the current Major Gifts campaign, payments totalled \$1,282,293, up 44% from the year before.

For fiscal 2021-2022, contributions from these three major campaigns were up slightly over the previous fiscal year, totalling \$2,302,239.

4. MONETARY DONATIONS FOR THE ACQUISITION OF ARTWORKS

Working closely with the curatorial team and Museum management, the Foundation raised \$394,739 in monetary donations for the acquisition of works of art in fiscal 2021-2022. Since the MMFA must self-fund nearly 100% of its acquisitions, these donations are vitally important for the enrichment of its encyclopaedic collection.

5. PLANNED GIFTS AND DONATIONS BY WILL

In recent years, the philanthropic development team has invested its focus on planned gifts, such as bequests or gifts of insurance policies or securities. In previous fiscal years, donations by will were included in the revenues for major campaigns. This year, a separate campaign was created to provide a clearer breakdown of gifts from estates.

Our continued development in this area produced encouraging results this year, with the recording of several donations by will, for a total of \$2,129,716. Furthermore, a dozen or so donations by will were pledged, although most do not have a confirmed amount as they are residual bequests. Confirmed amounts total \$300,000.

A significant donation in the form of a life insurance policy concluded in fiscal 2017-2018 is also reflected in the financial statements in the "Major campaigns" line by a payment of \$102,938..

6. OTHER CONTRIBUTIONS

No other contributions, such as deferred contributions, payments or other programs, were made during the fiscal year.

**Contribution levels in paid donations and sponsorships totalled \$8,741,525,
up 11% from the previous year.**

7. INVESTMENT INCOME AND GRANTS

The Foundation's investment income was \$4,272,747 with a rate of return of 8.2% (year ended March 31, 2022). This represents a return to normal compared with the spectacular returns (24%) of the previous year.

Assistance from the federal government through the Canada Emergency Wage Subsidy (CEWS) and a contribution made by the Ministère de la Culture et des Communications du Québec under its grants matching program are reflected in the "Grants" line of the financial statements, in the amount of \$516,070..

8. PLEDGES

The Museum Foundation team continued its efforts to conclude agreements for major donations through multi-year commitments commonly referred to as "pledges." This strategy, which fosters lasting ties with major donors and longer-term planning, resumed in full force this year. Initiatives in this area had slowed due to the pandemic but then gradually picked up pace during the fiscal year.

Pledged donations and sponsorships promised but uncashed by the Foundation in 2021-2022 amounted to \$2,114,000.

The pledges generated this year – in addition to those confirmed in previous years – entails the management of approximately 100 files of major donors (individuals, businesses and foundations) by the Foundation team. Of the files of pledges not cashed during the fiscal year, approximately ten were confirmed during fiscal 2021-2022.

FINANCIAL STATEMENTS OF THE MONTREAL MUSEUM OF FINE ARTS FOUNDATION

MARCH 31, 2022

INDEPENDENT AUDITOR'S REPORT

To the Trustees of The Montreal Museum of Fine Arts Foundation

OPINION

We have audited the financial statements of The Montreal Museum of Fine Arts Foundation (the "Foundation"), which comprise the statement of financial position as at March 31, 2022, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte S.E.N.C.R.L./s.r.l.¹

June 15, 2022

¹ CPA auditor, public accountancy permit No. A120628

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2022

	Restricted Funds							2022		2021
	General Fund	MCC Matching Fund	Pavilions Fund	Desmarais and Other Exhibitions Fund	Jarislowsky Chair	Acquisitions Fund	Educational Activities Fund	Total	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Fundraising activities										
Contributions										
Major campaigns	1,244,209	—	—	—	—	395,960	1,186,594	1,582,554	2,826,763	2,680,089
Annual campaigns	1,760,141	—	—	474,994	—	—	—	474,994	2,235,135	2,249,318
Succession campaigns	1,347,191	—	—	—	—	720,000	62,526	782,526	2,129,717	—
Benefit events	1,270,911	—	—	—	—	—	—	—	1,270,911	1,420,422
	5,622,452	—	—	474,994	—	1,115,960	1,249,120	2,840,074	8,462,526	6,349,829
Expenses										
Financing campaigns	1,221,711	—	—	—	—	—	—	—	1,221,711	1,075,639
Benefit events	220,932	—	—	—	—	—	—	—	220,932	112,157
	1,442,643	—	—	—	—	—	—	—	1,442,643	1,187,796
Excess of revenues over expenses from fundraising activities	4,179,809	—	—	474,994	—	1,115,960	1,249,120	2,840,074	7,019,883	5,162,033
Investments and other activities										
Revenues										
Investment income (note 4)	54,185	140,774	1,582,678	1,555,572	179,237	662,586	97,713	4,218,560	4,272,745	12,140,594
Grants (notes 6 and 7)	199,291	316,779	—	—	—	—	—	316,779	516,070	1,116,319
	253,476	457,553	1,582,678	1,555,572	179,237	662,586	97,713	4,535,339	4,788,815	13,256,913
Expenses										
Investment management and safekeeping	14,425	10,733	114,226	105,814	32,824	44,837	6,709	315,143	329,568	311,690
Administrative expenses	666,828	—	—	—	—	—	—	—	666,828	453,463
	681,253	10,733	114,226	105,814	32,824	44,837	6,709	315,143	996,396	765,153
Excess (deficiency) of revenues over expenses from investments and other activities	(427,777)	446,820	1,468,452	1,449,758	146,413	617,749	91,004	4,220,196	3,792,419	12,491,760
Excess of revenues over expenses before donations to the Museum	3,752,032	446,820	1,468,452	1,924,752	146,413	1,733,709	1,340,124	7,060,270	10,812,302	17,653,793
Donations to the Museum	319,578	103,467	539,960	1,017,266	184,913	1,471,674	—	3,317,280	3,636,858	2,650,099
Excess (deficiency) of revenues over expenses	3,432,454	343,353	928,492	907,486	(38,500)	262,035	1,340,124	3,742,990	7,175,444	15,003,694

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2022

	Restricted Funds										2022	2021
	General Fund	MCC Matching Fund	Pavilions Fund with clause	Desmarais and Other Exhibitions Fund with clause	Jarislowsky Chair with clause	Acquisitions Fund		Educational Activities Fund		Total Restricted Funds	Total	Total
						with clause	without clause	with clause	without clause			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Net assets, beginning of year	1,669,793	1,594,134	19,582,253	17,939,755	4,613,225	3,959,840	3,404,557	1,117,820	5,204,600	57,416,184	59,085,977	44,082,283
Excess (deficiency) of revenues over expenses	3,432,454	343,353	928,492	907,486	(38,500)	143,153	118,882	91,004	1,249,120	3,742,990	7,175,444	15,003,694
Interfund transfers	(250,000)	250,000	—	—	—	—	—	—	—	250,000	—	—
Net assets, end of year	4,852,247	2,187,487	20,510,745	18,847,241	4,574,725	4,102,993	3,523,439	1,208,824	6,453,720	61,409,174	66,261,421	59,085,977
Consisting of												
Endowments	—	921,993	—	—	2,000,000	—	—	—	—	2,921,993	2,921,993	2,605,214
Restricted, with clause	—	—	20,510,745	18,847,241	2,574,725	4,102,993	—	1,208,824	—	47,244,528	47,244,528	45,212,893
Endowments, without clause	—	265,494	—	—	—	—	3,523,439	—	6,453,720	10,242,653	10,242,653	8,848,077
Internally restricted	—	1,000,000	—	—	—	—	—	—	—	1,000,000	1,000,000	750,000
Unrestricted	4,852,247	—	—	—	—	—	—	—	—	—	4,852,247	1,669,793
	4,852,247	2,187,487	20,510,745	18,847,241	4,574,725	4,102,993	3,523,439	1,208,824	6,453,720	61,409,174	66,261,421	59,085,977

The accompanying notes are an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2022

	Restricted Funds							2022	2021
	General Fund	MCC Matching Fund	Pavilions Fund	Desmarais and Other Exhibitions Fund	Jarislowsky Chair	Acquisitions Funds	Educational Activities Fund	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assets									
Current assets									
Cash	11,523,151	—	—	—	—	—	—	11,523,151	7,951,706
Accounts receivable	42,510	748	7,339	7,371	2,287	3,123	466	21,334	63,844
Interfund advances	—	440*	727,864*	711,628*	—	—	6,498,053*	7,937,985*	—
	11,565,661	1,188	735,203	718,999	7,287	3,123	6,498,519	7,959,319	7,989,479
Investments (note 3)	2,934,525	2,186,299	19,775,542	18,128,242	4,586,635	7,640,306	1,164,025	53,481,049	53,351,799
	14,500,186	2,187,487	20,510,745	18,847,241	4,588,922	7,643,429	7,662,544	61,440,368	61,341,278
Liabilities									
Current liabilities									
Accounts payable and accrued liabilities	41,066	—	—	—	—	—	—	41,066	56,612
Deferred revenue	659,919	—	—	—	—	—	—	659,919	370,146
Due to the Museum	290,163	—	—	—	—	—	—	290,163	1,078,543
Interfund advances	7,906,791*	—	—	—	14,197*	16,997*	—	31,194*	—
	8,897,939	—	—	—	14,197	16,997	—	31,194	1,505,301
Deferred contributions – restricted 10 years – Mécénat Placements Culture Program (note 6)	750,000	—	—	—	—	—	—	750,000	750,000
	9,647,939	—	—	—	14,197	16,997	—	31,194	2,255,301
Net assets									
Endowments	—	921,993	—	—	2,000,000	—	—	2,921,993	2,605,214
Restricted, with clause	—	—	20,510,745	18,847,241	2,574,725	4,102,993	1,208,824	47,244,528	45,212,893
Restricted, without clause	—	265,494	—	—	—	3,523,439	6,453,720	10,242,653	8,848,077
Internally restricted (note 7)	—	1,000,000	—	—	—	—	—	1,000,000	750,000
Unrestricted	4,852,247	—	—	—	—	—	—	4,852,247	1,669,793
	4,852,247	2,187,487	20,510,745	18,847,241	4,574,725	7,626,432	7,662,544	61,409,174	59,085,977
	14,500,186	2,187,487	20,510,745	18,847,241	4,588,922	7,643,429	7,662,544	61,440,368	61,341,278

* These amounts are not included in the Total column since they offset each other.

The accompanying notes are an integral part of the financial statements.

Approved by the Board,



Sylvie Demers
President
Trustee



Henry Mizrahi
Chair of the Budget, Audit
and Allocation Committee
Trustee

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2022

	2022	2021
	\$	\$
Operating activities		
Excess of revenue over expenses	7,175,444	15,003,694
Adjustments for:		
Change in realized fair value of investments	(3,577,586)	(2,451,748)
Change in unrealized fair value of investments	1,197,819	(8,207,386)
	4,795,677	4,344,560
Net change in non-cash operating working capital items		
Accounts receivable	(26,071)	3,884
Advance to the Museum	—	808,461
Accounts payable and accrued liabilities	(15,546)	44,076
Deferred revenue	289,773	155,000
Due to the Museum	(788,380)	1,078,543
	4,255,453	6,434,524
Investing activities		
Net change in investments	(684,008)	735,571
Net increase in cash	3,571,445	7,170,095
Cash, beginning of year	7,951,706	781,611
Cash, end of year	11,523,151	7,951,706

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2022

1. STATUS AND NATURE OF ACTIVITIES

The Montreal Museum of Fine Arts Foundation (the "Foundation") is incorporated as a not-for-profit organization under Part III of the *Companies Act* (Quebec). The Foundation is recognized as a registered charity and public foundation within the meaning of the *Income Tax Act*. The Foundation is involved mainly in soliciting and collecting donations, bequests, and other contributions for the Montreal Museum of Fine Arts (the "Museum") and in administering its funds. In addition, under Article 4 of the agreement between the Foundation and the Museum, the Museum has entrusted the Foundation with the administration of certain investments. These investments are excluded from the Foundation's financial statements.

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following significant accounting policies:

ADOPTION OF AMENDMENTS MADE TO SECTION 3856, "FINANCIAL INSTRUMENTS," FOR FINANCIAL INSTRUMENTS ORIGINATED OR EXCHANGED IN A RELATED PARTY TRANSACTION

On April 1, 2021, the Foundation adopted amendments to Section 3856, "Financial Instruments," of the CPA Canada Handbook ("Section 3856") with respect to financial instruments originated or exchanged in a related party transaction.

The amendments made to Section 3856 provide guidance on measuring a financial instrument in a related party transaction. The amendments require that such a financial instrument be initially measured at cost. Cost depends on whether or not the instrument has repayment terms.

The adoption of these amendments had no material impact on the disclosures or the amounts recognized in the Foundation's financial statements in the current period.

RESTRICTED FUND ACCOUNTING

The Foundation follows the restricted fund method of accounting whereby resources are classified into the various funds according to their respective activities or objectives.

GENERAL FUND

The General Fund presents the assets, liabilities, revenues, and expenses related to the Foundation's day-to-day operating activities as well as any other unrestricted fund item or restricted fund item, the materiality of which does not justify separate reporting.

RESTRICTED FUNDS

Each restricted fund presents the assets, liabilities, revenues, and expenses related to its own transactions in accordance with its activities and objectives.

The funds separately present the allocation of donations with a minimum ten-year conservation clause as well as those without a similar clause but containing a designation. These donations are recorded in the statement of operations of the fund corresponding to their designation.

The Foundation contributes to the financing of the Museum's operations through the earnings on the investments in accordance with the objective of each fund.

FINANCIAL INSTRUMENTS

INITIAL MEASUREMENT

Financial assets and financial liabilities originated or exchanged in arm's length transactions are initially recognized at fair value when the Foundation becomes a party to the contractual provisions of the financial instrument. Financial instruments originated or exchanged in related party transactions are initially measured at cost.

The cost of a financial instrument in a related party transaction depends on whether or not the instrument has repayment terms. If it does have repayment terms, cost is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. Otherwise, cost is determined using the consideration transferred or received by the Foundation as part of the transaction.

SUBSEQUENT MEASUREMENT

All financial instruments are recorded at amortized cost except for investments, which are recorded at the reporting date fair value. The fair value of pooled funds is determined using the fair value of the units established by the fund manager. Fair value fluctuations, which include interest earned, accrued interest, disposal gains and losses, and unrealized gains and losses, are included in investment income.

TRANSACTION COSTS

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any discount or premium related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the statement of operations as interest income or expense.

IMPAIRMENT

With respect to financial assets measured at cost or amortized cost, the Foundation recognizes an impairment, if any, in the statement of operations when it determines that a significant adverse change has occurred during the period in the expected timing or amount of the future cash flows. When the extent of impairment of a previously written-down asset decreases and this decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in the statement of operations in the period the reversal occurs.

REVENUE RECOGNITION

CONTRIBUTIONS

Donations and bequests are recorded in the year they are received. Revenues from benefit events are recorded in the year during which the event takes place.

INVESTMENT INCOME

Investment income is recognized as revenue when earned.

CONTRIBUTED SERVICES

Volunteers contribute a significant amount of time each year to the Foundation, and the Museum's resources and premises are made available to the Foundation. Because of the difficulty in determining the fair value of contributed services, such services are not recognized in the financial statements.

BREAKDOWN OF EXPENSES

The Foundation presents expenses in the statement of operations by function. The costs of each function include staff costs and other expenses directly related thereto as well as a portion of the Foundation's administrative salary expenses. The administrative salary expenses charged to the various functions are allocated proportionally based on the estimated time devoted to each function.

USE OF ESTIMATES

When preparing financial statements in accordance with Canadian accounting standards for not-for-profit organizations, management must make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

3. INVESTMENTS

	2022	2021
	\$	\$
Cash	683,431	889,109
Canadian bonds	6,981,523	8,266,133
Canadian equity securities	24,910,918	21,221,775
U.S. and international equity securities	9,495,403	8,833,898
Canadian Equity Pooled Fund	7,627,252	7,590,168
International Equity Pooled Fund	2,196,022	2,094,788
Units of the Foundation of Greater Montreal Investment Fund	4,521,025	4,455,928
	56,415,574	53,351,799

4. INVESTMENT INCOME

The investment income is as follows:

	2022	2021
	\$	\$
Interest and dividends	1,892,978	1,481,460
Change in realized fair value	3,577,586	2,451,748
Change in unrealized fair value	(1,197,819)	8,207,386
	4,272,745	12,140,594

5. RELATED PARTY TRANSACTIONS

The Museum is considered, for accounting purposes, as an organization related to the Foundation since certain members of the Museum's Board of Trustees are also part of the Foundation's Board of Trustees and since the Museum holds an economic interest given the nature of the Foundation's activities.

Donations paid by the Foundation to the Museum are presented separately in the statement of operations. The statement of financial position items related to these transactions, if any, are also presented separately.

During the year, the Museum charged administrative fees of \$100,000 (nil in 2021) to the Foundation. These administrative fees are presented in the "Administrative expenses" item of the statement of operations.

These transactions are carried out in the normal course of the Foundation's operations and are recorded at the exchange amount.

6. MÉCÉNAT PLACEMENTS CULTURE PROGRAM

The Foundation has participated five times in the Mécénat Placements Culture Program of the Conseil des arts et des lettres du Québec (CALQ) and of the Ministère de la Culture et des Communications (MCC). For this purpose, fund management agreements were reached with the Foundation of Greater Montreal (FGM).

The following table shows the historical participation of the Foundation and the grants received from the CALQ and the MCC as well as the accounting headings under which the various amounts are recorded in the financial statements.

Period	Foundation contribution	CALQ/MCC grant	
		Restricted funds 10 years	Restricted funds 2 years
	\$	\$	\$
Before October 1, 2013	500,000 ¹	375,000 ³	125,000 ⁵
After October 1, 2013	1,500,000 ²	750,000 ⁴	—
Total	2,000,000	1,125,000	125,000

1 From donations without external restriction. With the 10-year restriction period having elapsed, this amount was recognized as contribution revenue and is included in the net assets of the General Fund.

2 From donations with external restriction, recognized in revenue and added to the permanent capital of the Pavilions Fund.

3 With the 10-year restriction period having elapsed, this amount was recognized as grant revenue and is included in the net assets of the General Fund.

4 Presented under Deferred contributions – restricted 10 years – Mécénat Placements Culture Program in the General Fund.

5 With the 2-year restriction period having elapsed, this amount was recognized as grant revenue and is included in the net assets of the General Fund.

Investment income is recognized annually under the headings related to investment income in the statement of operations. The following table presents the changes in the investments:

	Contributions	Investment income	Withdrawals	2022	2021
	\$	\$	\$	\$	\$
Account					
Restricted funds 2 years	125,000	68,017	62,500	130,517	128,638
Restricted funds 10 years	3,125,000	1,726,537	461,029	4,390,508	4,327,290

7. MCC MATCHING PROGRAM

The Foundation participates in the MCC donations matching program to receive endowments in the form of matching grants (MCC Matching Fund). To satisfy the program criteria, the Foundation allocated an amount of \$1,000,000 (\$750,000 in 2021) related to this program. This amount must be maintained at all times.

The following table presents the history of the Foundation's participation and the grants received from MCC.

Period	Foundation contribution	MCC grant
	\$	\$
Fiscal year 2018-2019	250,000	—
Fiscal year 2019-2020	250,000	—
Fiscal year 2020-2021	250,000	605,214 ²
Fiscal year 2021-2022	250,000 ¹	316,779 ³
	1,000,000	921,993

1 The Foundation will submit a matching grant request during the 2022-2023 fiscal year.

2 In May 2020, the Foundation received \$285,714 for its grant matching request of 2018-2019, and in March 2021, it received \$319,500 for its grant matching request of 2019-2020.

3 In March 2022, the Foundation received \$316,779 for its grant matching request of 2020-2021.

Investment income is recognized annually under Investment income in the statement of operations. The following table presents the changes in the investments:

	Contributions	Investment income	Payments to the Museum	2022	2021
	\$	\$	\$	\$	\$
	1,921,933	367,833	103,467	2,186,299	1,568,707

8. FINANCIAL INSTRUMENTS

Due to its financial assets, the Foundation is exposed to the following risks related to its use of financial instruments:

MARKET RISK

Market risk is the risk that the fair value or the future cash flows of the Foundation's investments will fluctuate because of changes in market prices. Market risk includes currency risk, interest rate risk, and other price risk.

The Foundation is exposed to these risks, as described in the following paragraphs.

A) CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Certain investments and pooled funds in which the Foundation holds interests include foreign securities. The Foundation is therefore directly and indirectly subject to changes in exchange rates. The Foundation does not actively manage this risk.

B) INTEREST RATE RISK

The Foundation has fixed-income securities. The fair value of these bonds is therefore directly subject to changes in interest rates.

C) OTHER PRICE RISK

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

The Foundation is directly and indirectly exposed to this risk given that certain investments are listed shares and that certain pooled funds in which it holds interests include listed shares, the value of which fluctuates according to market price.

CREDIT RISK

Credit risk arises from the fact that the Foundation holds investments in bonds. There is therefore a risk that the issuer will be unable to pay its obligations towards the Foundation, and this would have an impact on the Foundation's assets.

9. COMPARATIVE FIGURES

Certain comparative figures from the previous year have been reclassified to conform to the presentation adopted in the current year.