

MONTREAL MUSEUM OF FINE ARTS FOUNDATION

MANAGEMENT REPORT

FINANCIAL STATEMENTS

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MONTREAL
MUSEUM OF
FINE ARTS

MANAGEMENT REPORT OF THE MONTREAL MUSEUM OF FINE ARTS FOUNDATION

FISCAL YEAR 2022-2023 | APRIL 1, 2022, TO MARCH 31, 2023

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

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

Over the course of fiscal 2022-2023, the Foundation fully resumed its regular activities in everything from its fundraising campaigns to its charity and donor recognition events. The Museum Ball, back after a two-year hiatus, and the second Fête Champêtre, which finally took place after multiple postponements since May 2020, were both successful in achieving their objectives. The proceeds from the two events are recognized in the financial statements. The return to “normal” also meant the Foundation was able to renew ties with donors and take up its solicitation activities on a more consistent basis.

The positive ripple effects from 12 months of uninterrupted Museum visitation were likewise felt in donor numbers: these more than doubled, when accounting for point-of-sale donations made in online and in-person ticket purchases.

Also of note this year was the retirement of Danielle Champagne, who had been the Foundation’s Director General for nine years. The leadership transition and resulting shifts in roles played out smoothly and transparently from the perspectives of donors and internal and external partners. Several key Foundation employees received promotions, which helped ensure continuity in the organization’s carrying out of best practices in philanthropy and sound governance. In addition, new recruits with experience in complementary areas were hired to round out and strengthen the philanthropic development team, in preparation for a new major campaign set to launch in 12 to 18 months.

The Foundation reported an administrative cost ratio of 8.5% for the fiscal year ending March 31, 2023.¹

¹ The administrative cost ratio corresponds to the total administrative costs (\$703,276) divided by the total revenues reported in the financial statements, excluding investment and grant income (\$8,219,218).

SUMMARY OF THE 2022-2023 PERFORMANCE

Paid contributions, pledges generated and investment income: \$11,943,058

- Total cashed revenues from donations and sponsorships:² \$9,128,701
- Pledged donations and sponsorships generated in 2022-2023 (unpaid): \$515,000
- Investment income: \$1,948,642
- Grants: \$350,704
- Administrative cost ratio: 8.5%

Donations and sponsorships: \$7,708,095

- Donations remitted to the Museum: \$6,798,612
- Sponsorships paid directly to the Museum: \$909,483

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 generated by the sponsorships and partnerships team in 2022-2023 totalled \$1,318,796 across various campaigns.

OVERALL PERFORMANCE OF THE MUSEUM FOUNDATION

1. ANNUAL CAMPAIGNS

Annual Fundraising Campaign: \$802,425

- This year's campaign had close to 29,000 donors, with 8,085 of them donating over \$20. There was a 28% increase over the previous year in the number of donors who gave more than \$20, but an almost 10% drop in total revenues for the annual campaign. These numbers reflect a return to a pre-pandemic picture, in which the annual fundraising campaign typically generates around \$800,000, and Philanthropic Circles campaign revenues hover around \$1 million.

Philanthropic Circles Campaign: \$1,104,157

- Circle community membership grew by about 35% this year from last, for a total of 766 active donors over the course of the year. Again, these results mimic pre-pandemic times.

The Museum Ball campaign and other fundraising events: \$2,546,056

- The Museum Ball generated \$1.7 million in gross revenues in its grand comeback after the two-year pandemic-imposed hiatus.
- For its part, the second edition of the Fête Champêtre raised close to \$800,000 for the Museum's priority needs, in addition to \$164,000 for acquisitions, bringing the total proceeds from the event to almost \$1 million.
- A fundraiser held in the Museum's galleries raised another \$135,000 in donations.

2. SPONSORSHIPS³

The Foundation's Sponsorships and Partnerships team brought in \$1.3 million through different activities in fiscal 2022-2023, markedly exceeding its initial target of \$800,000. Of the amounts raised, \$909,483 was recognized directly in the Museum's books and will be recorded as income when the sponsored activities take place. In addition, a further \$409,312 was received in the form of donations, which are shown in the "Annual campaigns" line in the Foundation's financial statements.

Sponsorship and partnership revenues can fluctuate significantly from year to year. Annual targets are determined according to the upcoming programming this funding would be attributed to (chiefly, major exhibitions). As mentioned in previous management reports, to ensure consistency in solicitation approaches and promote higher returns, two members of the Foundation team are dedicated to sponsorships and partnerships.

Revenues from the 2022-2023 annual campaigns and sponsorships totalled \$5,771,434.

3. REVENUES FROM MAJOR CAMPAIGNS

Commitments related to the 2014-2019 major campaign to support the Michal and Renata Hornstein Pavilion for Peace and the Museum's education and art therapy programs are nearing their end. Contributions to this campaign totalled \$415,000.

Outside of the major campaigns, the Foundation's team also continuously works on soliciting major donations to support the MMFA. In the current major gifts campaign – excluding donations for acquisitions and life insurance specified below – payments totalled \$1,411,374 for the year.

For fiscal 2022-2023, owing to the gradual ebbing of instalments paid to the 2014-2019 major campaign, contributions from Major Gifts were down from last year, totalling \$1,826,364 (\$2,302,239 in 2021-2022).

4. MONETARY DONATIONS FOR THE ACQUISITION OF ARTWORKS

Working closely with the Museum's curatorial team and management, the Foundation raised \$578,247 in donations dedicated to the acquisition of artworks in fiscal 2022-2023. Since the MMFA must raise nearly 100% of its own funds for acquisitions, these donations are vitally important for the enrichment of its encyclopaedic collection. These donations are recognized in the "Major campaigns" and "Succession campaigns" lines of the financial statements.

5. PLANNED GIFTS AND DONATIONS BY WILL

In recent years, the philanthropic development team has increased its focus on planned gifts, such as bequests or gifts of insurance policies or securities. This year, the Foundation received several large donations by will, totalling \$1,015,981. In addition, six pledged bequests were confirmed. In most of these cases, the amount is unknown, as residual bequests are often confidential.

A significant life insurance policy transaction concluded in fiscal 2017-2018 is also reflected in the financial statements by an amount of \$249,141 in the “Major campaigns” line.

6. OTHER CONTRIBUTIONS

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

Contribution levels in paid donations and sponsorships totalled \$9,128,712, up more than 4% from comparable revenues the previous year.

7. INVESTMENT INCOME AND GRANTS

The Foundation’s investment income in 2022-2023 was \$1,948,642 with a rate of return of 2.1% (year ended March 31, 2023).

A paid contribution as part of the Ministère de la Culture et des Communications du Québec’s matching program and a grant from the Conseil des arts et des lettres du Québec for hosting a cultural philanthropy intern are reflected in the financial statements by an amount of \$350,704 under in the “Grants” line.

8. PLEDGES

The Museum Foundation’s 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.

Pledged donations and sponsorships promised but uncashed by the Foundation in 2022-2023 totalled \$515,000.

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.

FINANCIAL STATEMENTS OF THE MONTREAL MUSEUM OF FINE ARTS FOUNDATION

MARCH 31, 2023

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, 2023, 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, 2023, 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 LLP

July 6, 2023

¹CPA auditor, public accountancy permit No. A120628

The Montreal Museum of Fine Arts Foundation

Statement of operations

Year ended March 31, 2023

	2023							2022
	Restricted Funds							
	General Fund	MCC Matching Fund	Pavilions Fund	Desmarais and Other Exhibitions Fund	Jarislowsky Chair	Acquisitions Fund	Educational Activities Fund	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Fundraising activities								
Contributions								
Major campaigns								
Annual campaigns	1,183,024	—	—	—	—	312,465	845,798	1,158,263
Succession campaigns	1,906,582	—	—	409,312	—	—	—	409,312
Benefit events	750,199	—	—	—	—	265,782	—	265,782
	2,546,056	—	—	—	—	—	—	2,546,056
	6,385,861	—	—	409,312	—	578,247	845,798	1,833,357
Expenses								
Financing campaigns	1,551,479	—	—	—	—	—	—	1,551,479
Benefit events	967,741	—	—	—	—	—	—	967,741
	2,519,220	—	—	—	—	—	—	2,519,220
Excess of revenues over expenses from fundraising activities	3,866,641	—	—	409,312	—	578,247	845,798	1,833,357
								5,699,998
								7,019,883

The Montreal Museum of Fine Arts Foundation
Statement of operations (continued)

Year ended March 31, 2023

		2023										2022
		Restricted Funds										
Notes		Desmarais and Other Exhibitions					Educational Activities					
		General Fund	MCC Matching Fund	Pavilions Fund	Jarislowsky Chair	Acquisitions Fund		Fund		Total	Total	Total
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Investments and other activities												
	Revenues											
	Investment income	401,344	64,808	525,341	537,370	153,745	231,529	34,505	1,547,298	1,948,642		4,272,745
4	Grants	9,400	341,304	—	—	—	—	—	341,304	350,704		516,070
		410,744	406,112	525,341	537,370	153,745	231,529	34,505	1,888,602	2,299,346		4,788,815
6 and 7												
Expenses												
	Investment management and	17,335	11,909	106,526	98,750	31,853	41,757	6,341	297,136	314,471		329,568
	safeguarding	703,276	—	—	—	—	—	—	—	703,276		666,828
	Administrative expenses	720,611	11,909	106,526	98,750	31,853	41,757	6,341	297,136	1,017,747		996,396
Excess (deficiency) of revenues over expenses from investments and other activities												
		(309,867)	394,203	418,815	438,620	121,892	189,772	28,164	1,591,466	1,281,599		3,792,419
Excess of revenues over expenses before donations to the Museum												
		3,556,774	394,203	418,815	847,932	121,892	768,019	873,962	3,424,823	6,981,597		10,812,302
Donations to the Museum												
		2,489,716	109,310	988,750	1,315,722	77,269	913,847	903,998	4,308,896	6,798,612		3,636,858
Excess (deficiency) of revenues over expenses												
		1,067,058	284,893	(569,935)	(467,790)	44,623	(145,828)	(30,036)	(884,073)	182,985		7,175,444

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

The Montreal Museum of Fine Arts Foundation
Statement of changes in net assets

Year ended March 31, 2023

	2023										2022									
	Restricted Funds																			
	MCC		Pavilions		Desmarais and Other Exhibitions		Jarislowsky		Acquisitions Fund		Educational									
	General Fund	Matching Fund	with clause	with clause	Fund with clause	Chair with clause	with clause	with clause	without clause	without clause	Activities Fund with clause	without clause	Total	Total	Total	Total	Total	Total	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Net assets, beginning 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								
Excess (deficiency) of revenues over expenses	1,067,058	284,893	(569,935)	(467,790)	44,623	(88,164)	(57,664)	(30,036)	—	(884,073)	182,985	7,175,444								
Interfund transfers	(250,000)	250,000	—	—	—	—	—	—	—	250,000	—	—								
Net assets, end of year	5,669,305	2,722,380	19,940,810	18,379,451	4,619,348	4,014,829	3,465,775	1,178,788	6,453,720	60,775,101	66,444,406	66,261,421								
Consisting of																				
Endowments Restricted, with clause	—	1,263,297	—	—	2,000,000	—	—	—	—	3,263,297	3,263,297	2,921,993								
Endowments, without clause	—	—	19,940,810	18,379,451	2,619,348	4,014,829	—	1,178,788	—	46,133,226	46,133,226	47,244,528								
Internally restricted	—	209,083	—	—	—	—	3,465,775	—	6,453,720	10,128,578	10,128,578	10,242,653								
Unrestricted	—	1,250,000	—	—	—	—	—	—	—	1,250,000	1,250,000	1,000,000								
	5,669,305	—	—	—	—	—	—	—	—	—	5,669,305	4,852,247								
	5,669,305	2,722,380	19,940,810	18,379,451	4,619,348	4,014,829	3,465,775	1,178,788	6,453,720	60,775,101	66,444,406	66,261,421								



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

The Montreal Museum of Fine Arts Foundation
Statement of financial position
As at March 31, 2023

		2023										2022
		Restricted Funds										
	Notes	General Fund	MCC Matching Fund	Pavilions Fund	Desmarais and Other Exhibitions Fund	Jarislowsky Chair	Acquisitions Fund	Educational Activities Fund	Total	Total	Total	
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assets												
Current assets												
Cash		12,294,569	—	—	—	—	—	—	—	12,294,569	—	11,523,151
Accounts receivable		43,389	829	6,845	6,876	2,219	2,908	441	20,118	63,507	—	63,844
Interfund advances		—	1,189 *	648,702 *	719,000 *	—	—	6,498,519 *	7,867,410 *	—	—	—
		12,337,958	2,018	655,547	725,876	2,219	2,908	6,498,960	7,887,528	12,358,076	—	11,586,995
Investments	3	3,828,260	2,720,362	19,285,263	17,653,575	4,706,309	7,511,005	1,133,548	53,010,062	56,838,322	56,415,574	56,415,574
		16,166,218	2,722,380	19,940,810	18,379,451	4,708,528	7,513,913	7,632,508	60,897,590	69,196,398	68,002,569	68,002,569
Liabilities												
Current liabilities												
Accounts payable and accrued liabilities		9,428	—	—	—	—	—	—	—	9,428	—	41,066
Deferred revenue		90,000	—	—	—	—	—	—	—	90,000	—	659,919
Deferred revenue		1,902,564	—	—	—	—	—	—	—	1,902,564	—	290,163
Interfund advances		7,744,921 *	—	—	—	89,180 *	33,309 *	—	122,489 *	—	—	—
		9,746,913	—	—	—	89,180	33,309	—	122,489	2,001,992	—	991,148
Deferred contributions – restricted 10 years – Mécénat Placements Culture Program	6	750,000	—	—	—	—	—	—	—	750,000	—	750,000
		10,496,913	—	—	—	89,180	33,309	—	122,489	2,751,992	—	1,741,148
Net assets												
Endowments		—	1,263,297	—	—	2,000,000	—	—	3,263,297	3,263,297	—	2,921,993
Restricted, with clause		—	—	19,940,810	18,379,451	2,619,348	4,014,829	1,178,788	46,133,226	46,133,226	46,133,226	47,244,528
Restricted, without clause		—	209,083	—	—	—	3,465,775	6,453,720	10,128,578	10,128,578	10,128,578	10,242,653
Internally restricted	7	—	1,250,000	—	—	—	—	—	1,250,000	1,250,000	—	1,000,000
Unrestricted		5,669,305	—	—	—	—	—	—	—	5,669,305	—	4,852,247
		5,669,305	2,722,380	19,940,810	18,379,451	4,619,348	7,480,604	7,632,508	60,775,101	66,444,406	66,261,421	66,261,421
		16,166,218	2,722,380	19,940,810	18,379,451	4,708,528	7,513,913	7,632,508	60,897,590	69,196,398	68,002,569	68,002,569

* 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:  Trustee
 Trustee

The Montreal Museum of Fine Arts Foundation

Statement of cash flows

Year ended March 31, 2023

	2023	2022
	\$	\$
Operating activities		
Excess of revenues over expenses	182,985	7,175,444
Adjustments for:		
Change in realized fair value of investments	43,528	(3,577,586)
Change in unrealized fair value of investments and safekeeping	225,435	1,197,819
	451,948	4,795,677
Net change in non-cash operating working capital items		
Accounts receivable	337	(26,071)
Accounts payable and accrued	(31,638)	(15,546)
Deferred revenue	(569,919)	289,773
Due to the Museum	1,612,401	(788,380)
	1,463,129	4,255,453
Investing activities		
Net change in investments	(691,711)	(684,008)
Net increase in cash	771,418	3,571,445
Cash, beginning of year	11,523,151	7,951,706
Cash, end of year	12,294,569	11,523,151

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

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:

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.

2. Accounting policies (continued)

Financial instruments (continued)

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.

The Montreal Museum of Fine Arts Foundation

Notes to the financial statements

March 31, 2023

2. Accounting policies (continued)

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

	2023	2022
	\$	\$
Cash	723,969	683,431
Canadian bonds	5,468,724	6,981,523
Canadian equity securities	25,682,751	24,910,918
U.S. and international equity securities	10,482,188	9,495,403
Canadian Equity Pooled Fund	7,721,176	7,627,252
International Equity Pooled Fund	2,284,967	2,196,022
Units of the Foundation of Greater Montreal Investment Fund	4,474,547	4,521,025
	56,838,322	56,415,574

4. Investment income

The investment income is as follows:

	2023	2022
	\$	\$
Interest and dividends	2,217,605	1,892,978
Change in realized fair value	(43,528)	3,577,586
Change in unrealized fair value	(225,435)	(1,197,819)
	1,948,642	4,272,745

The Montreal Museum of Fine Arts Foundation

Notes to the financial statements

March 31, 2023

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 Directors 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 (\$100,000 in 2022) 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.

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

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6. Mécénat Placements Culture Program (continued)

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:

	Contribu- tions	Investment income	With- drawals	2023	2022
	\$	\$	\$	\$	\$
Account					
Restricted - 2 years	125,000	66,675	62,500	129,175	130,517
Restricted - 10 years	3,125,000	1,681,401	461,029	4,345,372	4,390,508

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 \$1,250,000 (\$1,000,000 in 2022) related to this program. This amount must be kept at all times.

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

	Foundation contribution	MCC grant
	\$	\$
Period		
Financial year 2018-2019	250,000	—
Financial year 2019-2020	250,000	—
Financial year 2020-2021	250,000	605,214 ²
Financial year 2021-2022	250,000	316,779 ³
Financial year 2022-2023	250,000 ¹	341,304 ⁴

¹ The Foundation will submit a grant matching request during the 2023-2024 financial 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.

⁴ In March 2023, the Foundation received \$341,304 for its grant matching request of 2021-2022.

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

Contribu- tions	Investment income	Payments to the Museum	2023	2022
\$	\$	\$	\$	\$
2,513,297	419,842	212,777	2,720,362	2,186,299

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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.