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Financial statements of  
The Royal Ontario Museum  
Foundation

March 31, 2022

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## Independent Auditor's Report

To the Governors of  
The Royal Ontario Museum Foundation

### Opinion

We have audited the financial statements of The Royal Ontario Museum Foundation (the "Foundation"), which comprise the statement of financial position as at March 31, 2022, and the statements of revenue, expenses and changes in fund balances, 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.

**[Original Signed Deloitte LLP]**

Chartered Professional Accountants  
Licensed Public Accountants  
June 16, 2022

**The Royal Ontario Museum Foundation**  
**Statement of financial position**

As at March 31, 2022  
(In thousands of dollars)

	Notes	General Fund \$	Expendable Fund \$	Endowment Fund \$	2022 Total \$	2021 Total \$
<b>Assets</b>						
Current assets						
Cash and cash equivalents		808	1,201	30,523	32,532	17,249
Other assets		112	—	—	112	314
		<b>920</b>	<b>1,201</b>	<b>30,523</b>	<b>32,644</b>	17,563
Investments	3	—	25,249	68,733	93,982	68,994
		<b>920</b>	<b>26,450</b>	<b>99,256</b>	<b>126,626</b>	86,557
<b>Liabilities</b>						
Current liabilities						
Accounts payable and accrued liabilities		438	—	—	438	457
Deferred revenue		—	—	—	—	100
Due to the Royal Ontario Museum	7	—	655	—	655	2,183
		<b>438</b>	<b>655</b>	<b>—</b>	<b>1,093</b>	2,740
<b>Fund balances</b>						
General Fund – Operations		1,579	—	—	1,579	871
General Fund – RenROM		(1,097)	—	—	(1,097)	(1,142)
Expendable Fund	5	—	25,795	—	25,795	19,124
Endowment Fund	6	—	—	99,256	99,256	64,964
		<b>482</b>	<b>25,795</b>	<b>99,256</b>	<b>125,533</b>	83,817
		<b>920</b>	<b>26,450</b>	<b>99,256</b>	<b>126,626</b>	86,557

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

Approved by the Board

\_\_\_\_\_, Director

\_\_\_\_\_, Director

## The Royal Ontario Museum Foundation

### Statement of revenue, expenses and changes in fund balances

Year ended March 31, 2022

(In thousands of dollars)

	Notes	General Fund		Expendable Fund	Endowment Fund	Total 2022	Total 2021
		Operations	RenROM				
		\$	\$	\$	\$	\$	\$
<b>Revenue</b>							
Donations	9	3,264	45	10,976	34,113	48,398	10,086
Fundraising events		1,165	—	—	—	1,165	193
Investment gain	3	93	—	906	2,022	3,021	17,081
Unrealized gain on foreign currency contracts	4(b)	—	—	—	—	—	(226)
Federal government grant		424	—	—	—	424	815
Contributions from the Royal Ontario Museum		—	—	—	—	—	30
		<b>4,946</b>	<b>45</b>	<b>11,882</b>	<b>36,135</b>	<b>53,008</b>	<b>27,980</b>
<b>Expenses</b>							
Salaries and benefits		3,648	—	—	—	3,648	3,229
Goods and services		861	—	—	—	861	431
Investment counsel fees		—	—	20	221	241	211
Fundraising events		567	—	—	—	567	36
		<b>5,076</b>	<b>—</b>	<b>20</b>	<b>221</b>	<b>5,317</b>	<b>3,907</b>
Excess (deficiency) of revenue over expenses before the undernoted		(130)	45	11,862	35,914	47,691	24,073
Grants to the Royal Ontario Museum		21	—	4,528	1,426	5,975	6,769
Excess (deficiency) of revenue over expenses		(151)	45	7,334	34,488	41,716	17,304
Fund balances, beginning of year		871	(1,142)	19,124	64,964	83,817	66,513
Interfund transfers	6 and 8	859	—	(713)	(146)	—	—
<b>Fund balances, end of year</b>		<b>1,579</b>	<b>(1,097)</b>	<b>25,745</b>	<b>99,306</b>	<b>125,533</b>	<b>83,817</b>

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

## The Royal Ontario Museum Foundation

### Statement of cash flows

Year ended March 31, 2022

(In thousands of dollars)

	Notes	2022 \$	2021 \$
<b>Operating activities</b>			
Excess of revenue over expenses		<b>41,716</b>	17,304
Items not involving cash			
Unrealized gain on foreign currency contracts	4(b)	—	226
Change in net unrealized losses (gains) on investments	3	<b>436</b>	(11,259)
Net realized gains on sale of investments	3	<b>(2,429)</b>	(1,202)
Change in non-cash operating working capital			
Other assets		<b>202</b>	(115)
Accounts payable and accrued liabilities		<b>(19)</b>	83
Deferred Revenue		<b>(100)</b>	100
Due to the Royal Ontario Museum		<b>(1,528)</b>	2,238
		<b>38,278</b>	7,375
<b>Investing activity</b>			
Increase in investments, net		<b>(22,995)</b>	(4,380)
Increase in cash and cash equivalents		<b>15,283</b>	2,995
Cash and cash equivalents, beginning of year		<b>17,249</b>	14,254
<b>Cash and cash equivalents, end of year</b>		<b>32,532</b>	17,249
<b>Cash and cash equivalents comprised of:</b>			
Cash		<b>6,209</b>	10,244
Cash equivalents		<b>26,323</b>	7,006
<b>Cash and cash equivalents</b>		<b>32,532</b>	17,249

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

# The Royal Ontario Museum Foundation

## Notes to the financial statements

March 31, 2022

(In thousands of dollars)

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### 1. Incorporation and organization

The Royal Ontario Museum Foundation (the "Foundation" or "ROM Governors"), which operates under the name of ROM Governors, was incorporated under the Corporations Act (Ontario) on July 1, 1992 to coordinate all private-sector fundraising activities undertaken on behalf of the Royal Ontario Museum (the "Museum"), and its affiliates. The Foundation was continued under the Canada Not-for-profit Corporations Act in November 2014. The objective of ROM Governors is to raise funds to be available to enhance exhibitions and public programs, research, acquisitions and capital projects.

The Foundation is registered as a public foundation under the Income Tax Act (Canada) and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

### 2. Significant accounting policies

The financial statements of ROM Governors have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

#### (a) Fund accounting

ROM Governors follows the restricted fund method of accounting for contributions.

The General Fund reports unrestricted resources available for operations and Renaissance ROM Campaign operations.

The Expendable Fund reports resources that are to be used for specific purposes, as specified by the donor or as determined by the Board of Governors (the "Board").

The Endowment Fund reports resources where either donor or internal restrictions require that the principal must be maintained permanently.

#### (b) Revenue recognition

Donor-restricted donations are recognized as revenue of the Expendable Fund unless the capital is to be maintained permanently, in which case, donations are recognized as revenue of the Endowment Fund. Unrestricted donations are recognized as revenue of the General Fund in the year received.

ROM Governors completed the Renaissance ROM Campaign on June 30, 2010. Donations to the campaign and related fundraising expenses are recorded in the General Fund. ROM Governors continues to collect on pledges, which are recorded as donations in the Expendable Fund when collected. 10% of donations to the Renaissance ROM Campaign is made available to cover fundraising costs related to the campaign.

A percentage of restricted donations is made available to cover current fundraising costs and for the Museum's debt reduction, 10% for ROM Governors' administrative costs and 5% for the Museum's debt reduction.

Investment income, which is recorded on the accrual basis, includes interest income, dividends, net realized gains (losses) on the sale of investments and change in net unrealized gains (losses) on investments. Investment income earned is recognized in the Expendable Fund or in the General Fund – Operations, depending on donor restriction.

Government assistance related to wage subsidies are recorded as Other revenue on the statement of operations.



## The Royal Ontario Museum Foundation

### Notes to the financial statements

March 31, 2022

(In thousands of dollars)

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## 2. Significant accounting policies (continued)

### (c) *Financial instruments*

Financial instruments are recorded at fair value on initial recognition. Foreign currency contracts and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The ROM Governors has elected to carry all financial investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the ROM Governors determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the ROM Governors expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

### (e) *Cash and cash equivalents*

Cash and cash equivalents consist of cash held at Canadian chartered banks in interest-bearing accounts and highly liquid short-term investments, such as guaranteed investment certificates.

### (d) *Grants*

Grants are recorded in the year payable based on the authorization of the Board.

### (e) *Fundraising expenses*

Costs incurred to carry out specific events held for fundraising initiatives in support of ROM Governors are recorded as fundraising events expenses in the statement of revenue, expenses and changes in fund balances. All other fundraising-related expenses are recorded as administrative expenses.

### (f) *Contributed goods and services*

The value of goods and services contributed to ROM Governors is not reflected in these financial statements.

### (g) *Translation of foreign currencies*

Assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at exchange rates prevailing at the year end date. Revenue and expenses and allocations have been translated using exchange rates prevailing on the transaction date.

## The Royal Ontario Museum Foundation

### Notes to the financial statements

March 31, 2022

(In thousands of dollars)

## 2. Significant accounting policies (continued)

### (h) Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant estimates include accounts payable and accrued liabilities and valuation of investments. Actual results could differ from those estimates.

## 3. Investments

	2022 \$	2021 \$
Cash	9,830	1,941
Canadian equities	18,117	9,847
Foreign equities	55,672	47,857
Canadian fixed income	10,363	9,349
	<b>93,982</b>	<b>68,994</b>

Certain investments are held in pooled funds and the underlying investments in these funds are allocated to the appropriate category in the table.

Investment gain/(loss) comprises the following:

	2022 \$	2021 \$
Interest and dividends	1,028	4,620
Net realized gains	2,429	1,202
Change in net unrealized (losses) and gains on investments	(436)	11,259
	<b>3,021</b>	<b>17,081</b>

## 4. Financial risks

ROM Governors is subject to interest rate risk and foreign currency risk with respect to its investment portfolio. To manage these risks, ROM Governors has established a target mix of investment types designed to achieve the optimal return within reasonable risk tolerances. There has been no change to the risk exposures from 2020.

### (a) Interest rate risk

The Foundation is exposed to interest rate risk on its fixed interest financial instruments given the value of fixed income investments will generally rise if interest rates fall and decrease if interest rates rise. Changes in interest rates may also affect the value of equity investments. The fixed income investments consist of bond funds and treasury bonds, bearing interest at rates ranging from 3.5% to 8.00% (2.71% to 8.00% in 2021) and maturing from 2022 to 2031 (2021 to 2050 in 2021).

## The Royal Ontario Museum Foundation

### Notes to the financial statements

March 31, 2022

(In thousands of dollars)

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#### 4. Financial risks (continued)

##### (b) Foreign currency risk

The value of investments denominated in a currency other than Canadian dollars will be affected by changes in the value of the Canadian dollar in relation to the value of the currency in which the investment is denominated. The Foundation mitigates foreign currency risk by hedging investments denominated in U.S. dollars. As at year end, the Foundation has a foreign currency contract outstanding to sell U.S. \$8,000 (U.S. \$8,000 in 2021) at rates of \$1.2620 (\$1.2538 in 2021) and an obligation to repurchase the same amount at a variable rate. The contract matures on June 30, 2022 (June 30, 2021 in 2021). As at March 31, 2022, an unrealized gain of \$ nil (\$226 in 2021) has been reported in the statement of revenue, expenses and changes in fund balances to reflect the mark-to-market adjustment on the contracts.

#### 5. Expendable Fund

The Expendable Fund (formerly the Restricted Fund) consists of externally restricted funds held for the following purposes:

	<b>2022</b>	2021
	\$	\$
General purpose	<b>2,313</b>	1,501
Acquisitions and research	<b>12,494</b>	7,637
Exhibitions and programs	<b>5,089</b>	4,193
Galleries and capital projects	<b>2,641</b>	3,541
Louise Hawley Stone Charitable Trust	<b>2,853</b>	2,252
Renaissance ROM	<b>405</b>	—
	<b>25,795</b>	19,124

#### 6. Endowment Fund

The Endowment Fund consists of amounts subject to donor and Board-imposed restrictions stipulating that the principal be maintained intact and the income used in accordance with the various purposes established by the donor or the Board.

The Board has a policy with the objective of protecting the real value of the Endowment Fund by limiting the amount of income made available for spending and requiring the reinvestment of any income earned in excess of this limit. This preservation of capital is recorded as revenue of the Endowment Fund for externally endowed funds.

The amount available for spending is calculated based on 5.0% of the market value of individual funds. Of this amount available for spending, 3.75% is maintained in the Endowment Fund to be expended on future grants, and 1.25% is subsequently transferred to the General Fund – Operations for administrative expenses.

## The Royal Ontario Museum Foundation

### Notes to the financial statements

March 31, 2022

(In thousands of dollars)

#### 6. Endowment fund (continued)

The Endowment Fund consists of the following:

	<b>2022</b>	2021
	\$	\$
Endowed with income available for the following purposes		
General purpose	<b>30,195</b>	435
OFA Levy	<b>612</b>	92
Acquisitions and research	<b>20,039</b>	19,193
Curatorial positions	<b>38,590</b>	35,555
Exhibitions and public programs	<b>3,225</b>	3,344
Galleries and capital projects	<b>6,595</b>	6,346
	<b>99,256</b>	64,964

An amount of \$ 11,193 (\$11,193 in 2021) of the above has been internally endowed by the Board.

#### 7. Transactions with the Royal Ontario Museum

- (a) The Museum provides space and certain administrative support to ROM Governors at no cost.
- (b) Amounts due from (to) the Museum include reimbursement of operating costs paid on behalf of the Foundation and unpaid grants owing to the Museum at year end. This amount is non-interest bearing with no fixed terms of repayment.

#### 8. Interfund transfers

Transfers between funds consist of the following:

	General Fund		Expendable Fund		Endowment Fund	
	<b>2022</b>	2021	<b>2022</b>	2021	<b>2022</b>	2021
	\$	\$	\$	\$	\$	\$
Administrative allocation (Note 6)	<b>590</b>	575		—	<b>(590)</b>	(575)
Other (a)	<b>269</b>	(29)	<b>(713)</b>	(92)	<b>444</b>	121
	<b>859</b>	546	<b>(713)</b>	(92)	<b>(146)</b>	(454)

- (a) The Board approves various transfers throughout the year, which include transfers to (from) the Expendable Fund for specific projects and transfers to (from) the internally restricted Endowment Funds. The internally restricted amounts are not available for other purposes without the approval of the Board.

# **The Royal Ontario Museum Foundation**

## **Notes to the financial statements**

March 31, 2022

(In thousands of dollars)

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### **9. Income beneficiary**

During 1999, ROM Governors became the income beneficiary of an externally administered trust with a market value of \$90,790 at March 31, 2022 (\$90,412 in 2021). Income received from this trust is to be used for the Museum's own publications relating to its collections or any part of them and for purchases of artifacts. During the year, \$1,560 (\$1,349 in 2021) has been received and recorded as donations revenue in the Expendable Fund and \$1,500 (\$1,500 in 2021) in the Endowment Fund. This distribution from the trust represents dividends and interest earned during the year.

### **10. Significant event**

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of ROM Governors in future periods.

During the year, the ROM Governors received funding from the Government of Canada for the Canada Emergency Wage Subsidy ("CEWS") which were provided to employers who experienced a decline in their operating revenues due to COVID-19.