

Financial Statements of

**THE ROYAL ONTARIO  
MUSEUM FOUNDATION**

Year ended March 31, 2015



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## INDEPENDENT AUDITORS' REPORT

To the Governors of The Royal Ontario Museum Foundation

We have audited the accompanying financial statements of The Royal Ontario Museum Foundation, which comprise the balance sheet as at March 31, 2015, the statements of revenue, expenses and changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Royal Ontario Museum Foundation as at March 31, 2015, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants, Licensed Public Accountants

June 17, 2015  
Toronto, Canada

# THE ROYAL ONTARIO MUSEUM FOUNDATION

Balance Sheet  
(In thousands of dollars)

March 31, 2015, with comparative information for 2014

	2015	2014
<b>Assets</b>		
Cash and cash equivalents	\$ 2,489	\$ 1,189
Investments (note 3)	52,689	43,921
Other	182	50
	<u>\$ 55,360</u>	<u>\$ 45,160</u>
<b>Liabilities and Fund Balances</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 252	\$ 247
Due to The Royal Ontario Museum (note 6(c))	716	70
	<u>968</u>	<u>317</u>
Fund balances:		
Unrestricted Fund	(932)	(2,315)
Restricted Fund (note 4)	12,613	10,694
Endowment Fund (note 5)	42,711	36,464
	<u>54,392</u>	<u>44,843</u>
	<u>\$ 55,360</u>	<u>\$ 45,160</u>

See accompanying notes to financial statements.

# THE ROYAL ONTARIO MUSEUM FOUNDATION

Statement of Revenue, Expenses and Changes in Fund Balances  
(In thousands of dollars)

Year ended March 31, 2015, with comparative information for  
period from July 1, 2013 to March 31, 2014

	Unrestricted Fund		Restricted Fund		Endowment Fund		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
<b>Revenue:</b>								
Donations (notes 6(a) and 8)	\$ 2,002	\$ 1,149	\$ 12,150	\$ 8,859	\$ 3,020	\$ 200	\$ 17,172	\$ 10,208
Investment income (note 5)	1,208	659	1,765	1,301	3,491	2,366	6,464	4,326
Fundraising events	148	200	1,758	724	–	–	1,906	924
Transfers from The Royal Ontario Museum	–	–	–	–	6	23	6	23
	<u>3,358</u>	<u>2,008</u>	<u>15,673</u>	<u>10,884</u>	<u>6,517</u>	<u>2,589</u>	<u>25,548</u>	<u>15,481</u>
<b>Expenses:</b>								
Grants to The Royal Ontario Museum	242	172	11,177	8,447	–	–	11,419	8,619
Administrative	2,461	1,364	953	999	–	–	3,414	2,363
Fundraising events	126	121	791	257	–	–	917	378
Investment management fees	46	48	68	94	135	171	249	313
	<u>2,875</u>	<u>1,705</u>	<u>12,989</u>	<u>9,797</u>	<u>135</u>	<u>171</u>	<u>15,999</u>	<u>11,673</u>
Excess of revenue over expenses	483	303	2,684	1,087	6,382	2,418	9,549	3,808
Fund balances, beginning of period	(2,315)	(2,687)	10,694	9,199	36,464	34,523	44,843	41,035
Interfund transfers (note 7)	900	69	(765)	408	(135)	(477)	–	–
<b>Fund balances, end of period</b>	<b>\$ (932)</b>	<b>\$ (2,315)</b>	<b>\$ 12,613</b>	<b>\$ 10,694</b>	<b>\$ 42,711</b>	<b>\$ 36,464</b>	<b>\$ 54,392</b>	<b>\$ 44,843</b>

See accompanying notes to financial statements.

# THE ROYAL ONTARIO MUSEUM FOUNDATION

Statement of Cash Flows  
(In thousands of dollars)

Year ended March 31, 2015, with comparative information for  
period from July 1, 2013 to March 31, 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 9,549	\$ 3,808
Change in unrealized gain on investments	(2,753)	(869)
Change in non-cash operating working capital:		
Due to The Royal Ontario Museum	646	(458)
Other assets	(132)	233
Accounts payable and accrued liabilities	5	(147)
	<u>7,315</u>	<u>2,567</u>
Investing activities:		
Increase in investments	(6,015)	(3,771)
Increase (decrease) in cash and cash equivalents	1,300	(1,204)
Cash and cash equivalents, beginning of period	1,189	2,393
Cash and cash equivalents, end of period	<u>\$ 2,489</u>	<u>\$ 1,189</u>

See accompanying notes to financial statements.

# THE ROYAL ONTARIO MUSEUM FOUNDATION

Notes to Financial Statements  
(In thousands of dollars)

Year ended March 31, 2015

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## 1. Incorporation and organization:

The Royal Ontario Museum Foundation, 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 for enhancing exhibitions and public programs, research, acquisitions and capital projects.

The Royal Ontario Museum 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 Unrestricted Fund reports unrestricted resources available for immediate purposes.

The Restricted 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.

# THE ROYAL ONTARIO MUSEUM FOUNDATION

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended March 31, 2015

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## 2. Significant accounting policies (continued):

### (b) Revenue recognition:

Donor-restricted donations are recognized as revenue of the Restricted 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 Unrestricted Fund in the year received since pledges are not legally enforceable claims.

### (c) Cash and cash equivalents:

Cash and cash equivalents consist of cash and short-term interest-bearing deposits with original maturities of 90 days or less at the date of purchase.

### (d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. 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 any such financial instruments 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.

# THE ROYAL ONTARIO MUSEUM FOUNDATION

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended March 31, 2015

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## 2. Significant accounting policies (continued):

### (e) Grants:

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

### (f) 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.

### (g) Contributed goods and services:

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

## 3. Investments:

	2015	2014
Cash	\$ 7,569	\$ 3,850
Foreign equities:		
Australian	287	202
U.S.	13,603	12,890
Asian	4,888	4,593
Fixed income:		
Canadian	15,383	14,735
U.S.	10,959	7,651
	<u>\$ 52,689</u>	<u>\$ 43,921</u>

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



# THE ROYAL ONTARIO MUSEUM FOUNDATION

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended March 31, 2015

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### 3. Investments (continued):

Foreign equities have been converted to Canadian dollars as at March 31, 2015, using the applicable exchange rates at that date.

(a) Maturity and interest rate risk:

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 2.50% to 3.125% (2014 - 2.75% to 3.13%) and maturing from 2042 to 2045 (2014 - 2025 to 2042). There has been no change to the risk exposure from 2014.

(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 investments are denominated. There has been no change to the risk exposure from 2014.

(c) Market risk:

Market risk arises as a result of trading fixed income investments. Fluctuation in the market exposes ROM Governors to a risk of loss. There has been no change to the risk exposure from 2014.

### 4. Restricted Fund:

The Restricted Fund consists of externally restricted funds held for the following purposes:

	2015	2014
Acquisitions and research	\$ 4,762	\$ 3,970
Exhibitions and public programs	4,478	3,769
Gallery development	3,426	2,810
Renaissance ROM	(53)	145
	<hr/>	<hr/>
	\$ 12,613	\$ 10,694

# THE ROYAL ONTARIO MUSEUM FOUNDATION

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended March 31, 2015

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## 5. 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. For internally endowed funds, the preservation of capital is recorded as income of the Unrestricted Fund or Restricted Fund and transferred to the Endowment Fund in the statement of revenue, expenses and changes in fund balances. In any period, should net investment income not be sufficient to fund the amount required for spending, an amount is transferred to the Unrestricted Fund or Restricted Fund from the Endowment Fund for this purpose.

The amount available for spending is calculated based on 5.0% of the market value of individual funds, with 3.75% available for grants and 1.25% for administrative expenses of the Unrestricted Fund.

In 2015, there was an investment gain of \$5,080 (2014 - \$3,521) on investments held for the Endowment Fund. A gain of \$3,491 (2014 - \$2,366) related to externally endowed funds is recorded as investment income in the Endowment Fund. Gains of \$1,258 (2014 - \$923) and \$331 (2014 - \$232) related to internally endowed funds are recorded as investment income in the Restricted Fund and Unrestricted Fund, respectively. An amount equal to the gains recorded in these funds has been transferred from the Endowment Fund (note 7). The amount available for spending of \$1,877 (2014 - \$1,607) calculated in accordance with ROM Governors' policy has been recorded as a transfer from the Endowment Fund to the Restricted Fund and Unrestricted Fund (note 7).

# THE ROYAL ONTARIO MUSEUM FOUNDATION

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended March 31, 2015

## 5. Endowment Fund (continued):

The Endowment Fund consists of the following:

	2015	2014
Externally endowed with income available for the following purposes:		
Endowed chairs	\$ 17,183	\$ 12,931
Acquisitions and research	8,726	8,107
Exhibitions and public programs	1,537	1,424
Gallery development	2,184	2,022
Unrestricted	1,621	1,510
	<u>31,251</u>	<u>25,994</u>
Internally endowed:		
Restricted funds	10,359	9,582
Unrestricted funds	1,101	888
	<u>11,460</u>	<u>10,470</u>
	<u>\$ 42,711</u>	<u>\$ 36,464</u>

## 6. Transactions with The Royal Ontario Museum:

- (a) ROM Governors completed the Renaissance ROM Campaign on June 30, 2010. Donations to the campaign and related fundraising expenses are recorded in the Restricted Fund. ROM Governors continues to collect on pledges, which will be recorded as donations to the Restricted Fund when collected. When received, a percentage of the donations are made available to cover fundraising costs related to the campaign. Effective June 1, 2006, the percentage is 10%. Prior to that date, the percentage was 7%.
- (b) The Museum provides space and certain administrative support to ROM Governors at no cost.
- (c) Amounts due to the Museum are non-interest bearing with no fixed terms of repayment. ROM Governors has provided an undertaking to transfer all of its unrestricted donations to the Museum under certain circumstances.

# THE ROYAL ONTARIO MUSEUM FOUNDATION

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended March 31, 2015

## 7. Interfund transfers:

Transfers between funds consist of the following:

	Unrestricted Fund		Restricted Fund		Endowment Fund	
	2015	2014	2015	2014	2015	2014
Allocation of investment income (loss) in accordance with Board policy (note 5)	\$ (318)	\$ (216)	\$ (1,210)	\$ (856)	\$ 1,528	\$ 1,072
Amount made available for spending (note 5)	564	486	1,313	1,121	(1,877)	(1,607)
Board approved transfers	–	–	(214)	(58)	214	58
Other	654	(201)	(654)	201	–	–
	\$ 900	\$ 69	\$ (765)	\$ 408	\$ (135)	\$ (477)

## 8. Income beneficiary:

During 1999, RsOM Governors became the income beneficiary of an externally administered trust with an approximate market value of \$76,463 at March 31, 2015 (2014 - \$70,332). Income received from this trust is to be used for publications about the Museum and acquisitions of artifacts. During the year, \$2,253 (2014 - \$1,532) has been received and recorded as donations revenue in the Restricted Fund. This distribution from the trust represents dividends and interest earned during the year.

## 9. Financial risks:

ROM Governors is subject to market risk, foreign currency risk and interest rate price 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 exposure from 2014.

From time to time, the ROM Governors enters into derivative financial instruments to reduce its exposure to fluctuations in foreign currency exchange rates with its foreign currency investments and, therefore, is subject to gains and losses due to fluctuations in foreign currency exchange rates.

During the year, the ROM Governors entered into a foreign exchange contract to sell U.S. \$6,000 at an exchange rate of 1.2620%, with an expiry date of June 30, 2015, resulting in no gain as at March 31, 2015.