

THE MUSEUM OF ONTARIO ARCHAEOLOGY

FINANCIAL STATEMENTS

APRIL 30, 2015



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INDEPENDENT AUDIT REPORT

To Board of Directors of The Museum of Ontario Archaeology

We have audited the accompanying financial statements of The Museum of Ontario Archaeology, which comprise the statements of financial position as at April 30, 2015, the statements of operations 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 audits. We conducted our audits 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 in our audits 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 Museum of Ontario Archaeology as at April 30, 2015, and its financial performance 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

August 4, 2015
London, Canada

THE MUSEUM OF ONTARIO ARCHAEOLOGY

Statement 1

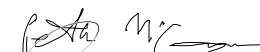
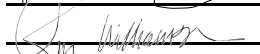
Incorporated without share capital under the laws of Ontario
Statement of Financial Position

As at April 30, 2015, with comparative amounts for 2014

	2015			2014
	Operating Fund	Capital Fund	Endowed Fund	Total
	\$	\$	\$	\$
Assets:				
Current				
Cash	862			800
Accounts receivable	4,143			5,890
Inventories	4,233			4,630
Due from the University [note 7]	661			-
	<u>9,899</u>	-	-	<u>11,320</u>
Investments [note 5]			2,214,049	2,073,021
Capital Assets:				
Land		900,000		900,000
Buildings		772,816		772,816
Computers		98,294		98,294
Equipment		34,328		34,328
Accumulated amortization		<u>(743,697)</u>		<u>(719,258)</u>
		<u>1,061,741</u>		<u>1,086,180</u>
	<u>9,899</u>	<u>1,061,741</u>	<u>2,214,049</u>	<u>3,170,521</u>
Liabilities, deferred revenue and fund balances:				
Current:				
Accounts payable and accrued liabilities	7,481			4,955
Due to the University [note 7]	-			109,723
Deferred revenue	64,120			25,690
	<u>71,601</u>	-	-	<u>140,368</u>
Employee Future Benefits	142,000			98,000
Fund Balances	<u>(203,702)</u>	<u>1,061,741</u>	<u>2,214,049</u>	<u>2,932,153</u>
	<u>9,899</u>	<u>1,061,741</u>	<u>2,214,049</u>	<u>3,170,521</u>

(See accompanying notes to the financial statements)

On behalf of the Board:

 Peter McCann Director
 Ron Williamson Director

THE MUSEUM OF ONTARIO ARCHAEOLOGY

Statement 2

Incorporated without share capital under the laws of Ontario
Statement of Operations and Changes in Fund Balances

For the year ended April 30, 2015, with comparative amounts for 2014

	2015			2014	
	Operating Fund	Capital Fund	Endowed Fund [Note 8]	Total	Total
	\$	\$	\$	\$	\$
Revenues:					
Provincial grants	92,717			92,717	105,049
Federal grants	36,235			36,235	28,425
Municipal grants	14,800			14,800	19,300
The University	90,000			90,000	90,000
Donations and sponsorships	34,280			34,280	27,272
Consulting	87,095			87,095	79,119
Tours and admissions	44,250			44,250	48,956
Programs and workshops	36,707			36,707	47,125
Merchandise sales	28,835			28,835	27,814
Facility rentals	61,570			61,570	61,553
Investment Returns	-		259,028	259,028	306,753
	526,489	-	259,028	785,517	841,366
Expenses:					
Salaries, wages and benefits	422,985			422,985	387,189
Amortization	-	24,439		24,439	25,490
Equipment and vehicles	3,026			3,026	3,211
Interest	1,067			1,067	668
Building operation	35,943			35,943	40,076
Supplies and printing	43,026			43,026	41,106
Telephone	2,501			2,501	2,477
Travel	610			610	319
Cost of sales	16,555			16,555	13,852
Legal and audit	3,500			3,500	3,500
University administration	17,332			17,332	17,018
Lawson Chair [note 7]	-		45,000	45,000	45,000
Miscellaneous	4,798			4,798	7,409
	551,343	24,439	45,000	620,782	587,315
Excess (deficiency) of revenue over expenses [note 4]	(24,854)	(24,439)	214,028	164,735	254,051
Transfers [note 8]	73,000	-	(73,000)	-	-
Excess of revenue over expenses after transfers	48,146	(24,439)	141,028	164,735	254,051
Fund balances, beginning of year [note 4]	(227,048)	1,086,180	2,073,021	2,932,153	2,691,002
Employee future benefit remeasurements and other items	(24,800)	-	-	(24,800)	(12,900)
Fund balances, end of year	(203,702)	1,061,741	2,214,049	3,072,088	2,932,153

(See accompanying notes to the financial statements)

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Statement 3

Incorporated without share capital under the laws of Ontario
Statement of Cash Flows

For the year ended April 30, 2015, with comparative amounts for 2014

	<u>2015</u>	<u>2014</u>
	\$	\$
Operating activities:		
Excess of revenues over expenses	164,735	254,051
Add/(deduct) non-cash items:		
Amortization	24,439	25,490
Future employee benefits	19,200	7,100
Net change in non-cash balances related to operations [note 10]	43,100	(25,799)
Cash generated by/ (used in) operating activities	<u>251,474</u>	<u>260,842</u>
Investing activities:		
Change in investments	(141,028)	(211,753)
Cash (used in) investing activities	<u>(141,028)</u>	<u>(211,753)</u>
Financing activities:		
Change in due from/ to the University	(110,384)	(49,089)
Cash (used in)/ generated by financing activities	<u>(110,384)</u>	<u>(49,089)</u>
Net increase/(decrease) in cash during the year	62	-
Cash position, beginning of year	800	800
Cash position, end of year	<u>862</u>	<u>800</u>

(see accompanying notes to the financial statements)

THE MUSEUM OF ONTARIO ARCHAEOLOGY

Notes to the Financial Statements

Year ended April 30, 2015

1. DESCRIPTION:

The Museum of Ontario Archaeology (the "Museum") was incorporated in 1978 under the laws of Ontario without share capital for the purpose of promoting the study, practice and knowledge of archaeological research and to operate a museum for the display of archaeological materials, documents, pictures and specimens. The Museum is registered under the Income Tax Act, Canada as a registered charity and accordingly is exempt from taxes on income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements have been prepared in accordance with Canadian Accounting Standards for Not-For-Profit Standards in Part III of the CPA Canada Handbook - Accounting.

A summary of significant accounting policies is as follows:

(a) Fund accounting:

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Museum, the accounts of the Museum are maintained in accordance with the fund method of accounting. Under this method, resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund and the balance sheet is segregated by fund. The funds are as follows:

(i) Operating Fund:

The Operating Fund of the Museum accounts for the administrative and operational costs financed by grants and other general income and records the assets, liabilities, and net income relating to ongoing operations.

(ii) Capital Fund:

The Capital Fund of the Museum accounts for funds expended (equity in capital assets) for the acquisition of capital assets. The Capital Fund balance sheet includes the land, buildings, furnishings and equipment owned by the Museum.

(iii) Endowed Fund:

The Endowed Fund of the Museum accounts for the internally and externally restricted funds. The London Museum of Archaeology Fund and W. Jury Fund are externally restricted endowed funds. The capital of the E. Jury Fund is internally restricted and can be drawn upon subject to board approval. The W. Jury and E. Jury Funds were donated to the University of Western Ontario for the benefit of the Museum of Ontario Archaeology. The University of Western Ontario retains oversight on the use of these funds.

THE MUSEUM OF ONTARIO ARCHAEOLOGY

Notes to the Financial Statements

Year ended April 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Fund accounting (continued):

(iii) Endowed Fund (continued):

The current agreement between Western University and the Museum of Ontario Archaeology provides that, if Western raises \$2,500,000 to create an endowment to fund the Lawson Chair of Canadian Archaeology, \$1,000,000 may be taken from the London Museum of Archaeology Fund to complete the endowment for that chaired position. The Museum believes that the transfer of that amount is not imminent. The current agreement between the Museum of Ontario Archaeology and Western University expires October 31 2015 and will be renegotiated at that time.

(b) Revenue recognition and deferred contributions:

The Museum follows the deferral method of accounting for contributions, which include donations and government grants.

Income from operations is recognized in the Operating Fund when services are rendered and conditions of contracts have been fulfilled.

Unrestricted contributions to general operations are recognized as revenue in the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions related to general operations are deferred and recognized as revenue of the Operating Fund in the year in which the related expenses are incurred.

Restricted contributions received for the purpose of acquiring capital assets are recognized as revenue in the Capital Fund.

(c) Inventory valuation:

Inventories are stated at the lower of cost and net realizable value.

THE MUSEUM OF ONTARIO ARCHAEOLOGY

Notes to the Financial Statements

Year ended April 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investments

The Board of The Museum of Ontario Archaeology has established that the endowed funds be invested under the supervision of the Investment Committee of the University of Western Ontario (“the University”), in accordance with the University’s Statement of Investment Objectives, Policies and Governance. The Museum’s funds are comingled with the University’s investments and invested by professional external investment managers according to an approved policy asset mix. The portfolio is rebalanced to the approved policy asset mix level under the direction of the Investment Committee. The policy asset mix has been established to represent a balance between the need to generate investment returns within an acceptable level of risk or volatility of returns from year to year. By providing funds to be invested, the Museum is entitled to a share of the University’s investment portfolio and annual investment returns. The value of the underlying investments held by the University investment portfolio is determined as follows:

- (i) Equities consist of Canadian, U.S., Non-North American and private equities. Canadian, U.S. and Non-North American equities are traded on the open market. Their values are based on the latest closing price. Private equities are valued based on the latest valuation provided by the external investment manager, reflecting any impairment.
- (ii) Fixed income includes Canadian bonds and mortgages. Canadian bonds are traded in the open market and their values are based on the latest closing price. Mortgages are valued at their net asset value per unit valued based on the latest valuation provided by the external investment manager, reflecting any impairment.
- (iii) Real assets consist of real estate and infrastructure investments. Both are valued based on the latest valuation provided by the external investment manager, reflecting any impairment.
- (iv) Diversifiers include absolute return strategies which are valued based on the latest valuation provided by the external investment manager, reflecting any impairment, and cash that is held for investment rather than liquidity purposes.
- (v) Short-term investments, which consist primarily of savings accounts and money market funds, are valued based on cost plus accrued interest which together approximates fair value. Some of these short-term investments meet the definition of cash and cash equivalents but are held for investment rather than liquidity purposes and are classified as investments.

Transactions are recorded on a trade date or settlement date basis and any transaction costs are expensed against investment returns when incurred.

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Notes to the Financial Statements

Year ended April 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Investment returns:

Investment returns are distributed annually and are recorded based on the allocation from the University investment pool. The Museum's investment returns in the endowed fund are added (deducted) from the Museum's proportionate share of the University's investment pool.

The allocated investment returns are treated as pooled fund distributions. The nature of the underlying investment returns from the University portfolio are made of up interest, dividends, income distributions from pooled funds, realized and unrealized capital gains and losses and realized and unrealized currency gains and losses.

(f) Capital assets:

Capital assets which are both greater than \$2,000 and have an estimated useful life in excess of one year are recorded in the capital fund at cost and amortized in accordance with the rates set out below. The land on which the Museum is situated is recorded at deemed cost, being fair value at May 1, 2011, the transition date to Canadian accounting standards for not-for-profit organizations. The land is registered in the name of the Museum. Should the land no longer be used for the Museum, ownership will revert to the University. The Museum holds archaeological materials, documents, pictures and specimens, which are not recorded as assets in these financial statements due to the difficulty in determining the fair value of these artifacts. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Museum's ability to provide services, its carrying amount is written down to its residual value.

Amortization rates are as follows:

Buildings	40 years – straight-line
Building improvements	10% - declining balance
Computers	30% - declining balance
Equipment	20% - declining balance
Vehicles	30% - declining balance

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Notes to the Financial Statements

Year ended April 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(g) Retirement and post-employment benefits:

(i) Employee future benefits:

The Museum provides medical, dental and life insurance benefits to eligible employees. The Museum accrues for these obligations using accounting assumptions, with the cost of these benefits being actuarially determined using the projected benefit method pro-rated on service using best estimates of salary escalation, retirement ages of employees and expected health care costs. Remeasurements and other items, including plan amendments and actuarial gains and losses are recognized directly in fund balances in the statement of financial position and are presented as a separately identified line item in the statement of changes in fund balances. These benefits parallel those of the University.

(ii) Pension plans:

Certain employees of the Museum participate in the defined contribution pension plans sponsored by the University for faculty and staff.

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship 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 Museum has elected to carry all of its investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

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 Museum 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 Museum expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

THE MUSEUM OF ONTARIO ARCHAEOLOGY

Notes to the Financial Statements

Year ended April 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(i) 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 revenues and expenses during the year. Significant items subject to the use of management estimates and assumptions include the determination of the useful lives of capital assets for amortization and the amortization of deferred capital contributions, determination of the fair value of financial instruments, and the valuation of retirement and post-employment benefits. Actual results could differ from those estimates.

3. CHANGE IN ACCOUNTING POLICY:

For the fiscal year ended April 30, 2015, the Museum has adopted Section 3463 – Reporting Employee Future Benefits by Not-for-Profit Organizations of the CPA Canada Handbook, applied retrospectively to May 1, 2013. In accordance with this standard, the immediate recognition method is used to account for employee future benefits. Remeasurements and other items are recognized directly in fund balances in the statement of financial position and are presented as a separately identified line item in the statement of changes in fund balances.

4. IMPACT OF CHANGES IN ACCOUNTING POLICY:

The following table summarizes the impact of adopting Section 3463 - Reporting Employee Future Benefits by Not-for-Profit Organizations on the Museum's fund balances as at May 1, 2013.

Fund balances		
As previously reported as at May 1, 2013	\$	2,743,002
Changes in accounting policy related to non-pension plan employee future benefits		(52,000)
Restated May 1, 2013	\$	2,691,002

Remeasurements and other items are now recognized immediately as a direct charge to fund balances while previously these were deferred and amortized over future periods and charged to excess of revenues over expenses. The following table summarizes the adjustment to the comparative year ended April 30, 2014 excess of revenue over expenses resulting from the retrospective application of the new standard.

Excess of revenue over expenses		
As previously reported for the year ended April 30, 2014	\$	250,451
Changes in accounting policy related to non-pension plan employee future benefits		3,600
Restated for the year ended April 30, 2014	\$	254,051

THE MUSEUM OF ONTARIO ARCHAEOLOGY

Notes to the Financial Statements

Year ended April 30, 2015

5. INVESTMENTS:

The Museum's share of the University investment portfolio is invested in a manner that is consistent with the long term nature of the endowed funds. The investments are recorded at fair value and the underlying nature of the Museum's share of the University investment portfolio consists of the following:

	<u>2015</u>	<u>2014</u>
Equities	\$ 1,463,734	\$ 1,336,126
Fixed income	449,357	391,955
Real assets	186,227	171,880
Diversifiers	105,919	165,366
Short-term investments	8,812	7,694
	<u>\$ 2,214,049</u>	<u>\$ 2,073,021</u>

6. RETIREMENT AND POST-EMPLOYMENT BENEFITS:

The interval between actuarial valuations for the non-pension plans does not exceed three years with the most recent valuation prepared as at April 30, 2014 for the non-pension plans and December 31, 2012 for the pension plans. In the years between valuations, an extrapolation of the actuarial valuation is used to determine the market related value of the plan assets and the projected benefit obligations.

(a) Employee future benefits:

The accrued benefit liability relating to the non-pension plans is \$142,000 (2014 - \$98,000). This liability has been recorded in the financial statements. Total expense for these plans is \$19,200 (2014 - \$7,100). There were no benefits paid during the year (2014 - nil).

The significant actuarial assumptions adopted in measuring the accrued benefit obligations are as follows:

	<u>2015</u>	<u>2014</u>
Discount rate	3.9%	4.6%
Medical trend rate	5.0%	5.0%
Dental trend rate	4.5%	4.5%

THE MUSEUM OF ONTARIO ARCHAEOLOGY

Notes to the Financial Statements

Year ended April 30, 2015

6. RETIREMENT AND POST-EMPLOYMENT BENEFITS (CONTINUED):

(b) Pension plans:

Contributions to the pension plans during the year are as follows:

	<u>2015</u>	<u>2014</u>
Employer contributions	\$ 12,794	\$ 10,569
Employee contributions	5,111	4,379

Total expense for these plans is \$12,794 (2014 - \$10,569). Pension plan contributions and the associated obligation are transferred to and administered by the University Plan for Administrative Staff.

7. RELATED PARTY TRANSACTIONS:

The University acts as fiscal agent for the Museum. Funds received are transferred to the University and expenditures are made by the University on the Museum's behalf. The amount due to the University represents the net amount on deposit or owing at April 30, 2015. The outstanding balance bears interest at the rate of prime, which was 2.85% on April 30, 2015. The interest expense in fiscal 2015 is \$1,067 (2014 - \$668).

An affiliation agreement with the University, signed on September 25, 2003, and renewed October 1, 2011, outlines terms and conditions concerning matters of governance, administration, budgeting, and property ownership. The agreement stipulates that the Lawson Chair in Canadian Archaeology shall be funded from an endowment to be secured jointly by the University and Museum. Until such time as the endowment has been fundraised and is fully in place, the Museum has agreed to contribute a portion of the interest earnings from the Museum's Lawson Endowment to help fund the Lawson Chair. During fiscal 2015, the Museum contributed \$45,000 for the 2015 Lawson Chair commitment.

An agreement with the University, signed on February 24, 2010, outlines the terms of a collaborative research initiative involving the construction of sustainable archaeology facility (artifact repository) on Museum land. The building and associated research equipment was funded jointly by the Canada Foundation for Innovation (CFI), the Ontario Ministry of Research and Innovation, the University, and in-kind contributions from suppliers. In accordance with CFI requirements, the assets will remain the property of UWO for a minimum of five years from the date of substantial completion. No specific plans to transfer the assets to the Museum beyond this date have been finalized at this time. All operating costs will be covered by the University from a \$550,398 grant obtained through the Infrastructure Operating Fund. Once this grant is fully depleted, the Museum will be responsible for covering all future operating costs. To provide a sustainable funding source to support the artifact repository, the Museum plans to establish an endowment fund derived from artifact storage and acquisition fees charged to commercial archaeological firms.

THE MUSEUM OF ONTARIO ARCHAEOLOGY

Notes to the Financial Statements

Year ended April 30, 2015

8. ENDOWED FUND:

(a) Details of the endowed fund are as follows:

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 2,073,021	\$ 1,861,268
Net investment returns	259,028	306,753
Transfer to capital fund	-	(31,486)
Transfer to operating fund	(73,000)	(18,514)
Contribution to the University for Lawson Chair	(45,000)	(45,000)
	<u> </u>	<u> </u>
Balance, end of year	<u>\$ 2,214,049</u>	<u>\$ 2,073,021</u>

(b) Endowments consist of:

	<u>2015</u>	<u>2014</u>
Externally restricted funds:		
London Museum of Archaeology Fund	1,284,607	1,246,816
W. Jury Fund	587,335	522,098
	<u>1,871,942</u>	<u>1,768,914</u>
Internally restricted funds:		
E. Jury Fund	342,107	304,107
	<u>\$ 2,214,049</u>	<u>\$ 2,073,021</u>

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

Included in accounts payable and accrued liabilities are government remittances payable of \$444 (2014 - \$614), which includes amounts payable for HST.

10. SUPPLEMENTAL CASH FLOW INFORMATION:

The net change in non-cash balances related to operations is as follows:

	<u>2015</u>	<u>2014</u>
Accounts receivable	\$ 1,747	\$ (3,985)
Inventories	397	3,128
Prepaid expenses	-	416
Accounts payable and accrued liabilities	2,526	630
Deferred revenue	38,430	(25,988)
	<u> </u>	<u> </u>
	<u>\$ 43,100</u>	<u>\$ (25,799)</u>

THE MUSEUM OF ONTARIO ARCHAEOLOGY

Notes to the Financial Statements

Year ended April 30, 2015

11. FINANCIAL RISKS:

The Museum, through its financial assets and liabilities, is exposed to various risks. The following analysis will provide a measurement of risks as at the balance sheet date, April 30, 2015. There has been no change to the Museum's risk exposure from the prior year.

(i) Credit risk:

Credit risk is the risk of financial loss to the Museum if counterparty to a financial instrument fails to meet its contractual obligation.

The Museum is exposed to credit risk related to its accounts receivable. Management believes that the credit risk is minimized by dealing mostly with creditworthy counterparties.

(ii) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Museum's debt, being due to the University, bears interest at prime. Fluctuations in the prime interest rate will cause fluctuations in future cash flows.

The Museum's short-term investments are subject to interest rate fluctuations as maturing investments are reinvested at new rates of interest. The market value of investments held in Fixed Income securities will fluctuate due to changes in market interest rates.

(iii) Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Museum's share of the University investment portfolio is subject to market risk. The University manages the investment on behalf of the Museum and mitigates this risk through diversification of the investments portfolio.

(iv) Liquidity risk:

Liquidity risk is the risk that the Museum will be unable to fulfill its obligations on a timely basis or at a reasonable cost when its obligations fall due.

The Museum manages its liquidity risk by monitoring its operating requirements. The Museum prepares a budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Additionally, the majority of the Museum's share of the University's investment portfolio are listed on public stock exchanges and are therefore considered to be liquid, except redemptions from the hedge funds and Private Equity investments which may be postponed or withheld by the manager under certain special circumstances.

Financial liabilities, being accounts payable and accrued liabilities and due to The University will all be financed through cash flows and available liquid investments.

THE MUSEUM OF ONTARIO ARCHAEOLOGY

Notes to the Financial Statements

Year ended April 30, 2015

12. COMPARATIVE AMOUNTS:

Certain of the comparative amounts have been reclassified to conform to the financial statement presentation adopted in the current year.