

**THE MUSEUM OF ONTARIO ARCHAEOLOGY**

**FINANCIAL STATEMENTS**

**APRIL 30, 2018**



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## INDEPENDENT AUDITORS' 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 statement of financial position as at April 30, 2018, 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, 2018, 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.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

London, Canada

June 21, 2018

# THE MUSEUM OF ONTARIO ARCHAEOLOGY

Statement 1

Statement of Financial Position

As at April 30, 2018, with comparative information for 2017

	2018			2017	
	Operating Fund	Capital Fund	Endowed Fund	Total	Total
	\$	\$	\$	\$	\$
<b>Assets:</b>					
Current					
Cash	842	-	-	842	805
Accounts receivable	5,418	-	-	5,418	31,776
Inventories	6,394	-	-	6,394	4,347
Due from the University [note 6]	-	-	-	-	92,512
Short-term investments [note 3]	288,092	-	-	288,092	185,351
	<u>300,746</u>	<u>-</u>	<u>-</u>	<u>300,746</u>	<u>314,791</u>
Investments [note 4]	-	-	1,879,067	1,879,067	1,870,224
Capital Assets [note 9]	-	1,317,784	-	1,317,784	1,367,655
	<u>300,746</u>	<u>1,317,784</u>	<u>1,879,067</u>	<u>3,497,597</u>	<u>3,552,670</u>
<b>Liabilities, deferred revenue and fund balances:</b>					
Current:					
Accounts payable and accrued liabilities [note 8]	10,947	-	-	10,947	60,600
Due to the University [note 6]	13,812	-	-	13,812	-
Deferred revenue	13,335	-	-	13,335	23,534
Deferred capital grant [note 10]	-	182,000	-	182,000	204,750
	<u>38,094</u>	<u>182,000</u>	<u>-</u>	<u>220,094</u>	<u>288,884</u>
Employee Future Benefits [note 5]	109,000	-	-	109,000	101,900
Fund Balances	<u>153,652</u>	<u>1,135,784</u>	<u>1,879,067</u>	<u>3,168,503</u>	<u>3,161,886</u>
	<u>300,746</u>	<u>1,317,784</u>	<u>1,879,067</u>	<u>3,497,597</u>	<u>3,552,670</u>

(See accompanying notes to the financial statements)

On behalf of the Board:

  
 \_\_\_\_\_ Director  
  
 \_\_\_\_\_ Director

# THE MUSEUM OF ONTARIO ARCHAEOLOGY

Statement 2

Statement of Operations and Changes in Fund Balances

For the year ended April 30, 2018, with comparative information for 2017

	2018				2017
	Operating Fund	Capital Fund	Endowed Fund [Note 7]	Total	Total
	\$	\$	\$	\$	\$
<b>Revenues:</b>					
Provincial grants	51,536	-	-	51,536	56,364
Federal grants	39,781	-	-	39,781	33,281
Municipal grants	16,300	-	-	16,300	16,300
Capital grants	-	22,750	-	22,750	22,750
The University	90,000	-	-	90,000	90,000
Donations and sponsorships	28,113	-	-	28,113	69,714
Consulting	116,516	-	-	116,516	56,629
Tours and admissions	60,483	-	-	60,483	47,481
Programs and workshops	52,516	-	-	52,516	42,625
Merchandise sales	35,731	-	-	35,731	30,166
Facility rentals	65,375	-	-	65,375	61,938
Investment Returns	747	-	110,843	111,590	245,929
	<u>557,098</u>	<u>22,750</u>	<u>110,843</u>	<u>690,691</u>	<u>773,177</u>
<b>Expenses:</b>					
Salaries, wages and benefits	420,193	-	-	420,193	338,978
Amortization	-	57,958	-	57,958	61,774
Building operation	46,530	-	-	46,530	83,453
Lawson Chair [note 6]	45,000	-	-	45,000	45,000
Supplies and printing	43,923	-	-	43,923	33,653
University administration	26,725	-	-	26,725	22,899
Cost of sales	19,806	-	-	19,806	15,867
Legal and audit	8,296	-	-	8,296	7,500
Miscellaneous	6,500	-	-	6,500	12,605
Equipment and vehicles	5,242	-	-	5,242	4,457
Telephone	2,462	-	-	2,462	2,486
Travel	1,343	-	-	1,343	2,536
Interest	96	-	-	96	492
	<u>626,116</u>	<u>57,958</u>	<u>-</u>	<u>684,074</u>	<u>631,700</u>
<b>Excess (deficiency) of revenue over expenses</b>	(69,018)	(35,208)	110,843	6,617	141,477
Transfers	(8,087)	8,087	-	-	-
<b>Excess (deficiency) of revenue over expenses after transfers</b>	<u>(77,105)</u>	<u>(27,121)</u>	<u>110,843</u>	<u>6,617</u>	<u>141,477</u>
<b>Fund balances, beginning of year</b>	230,757	1,162,905	1,768,224	3,161,886	3,004,309
<b>Employee future benefit remeasurements and other items</b>	-	-	-	-	16,100
<b>Fund balances, end of year</b>	<u>153,652</u>	<u>1,135,784</u>	<u>1,879,067</u>	<u>3,168,503</u>	<u>3,161,886</u>

(See accompanying notes to the financial statements)

# THE MUSEUM OF ONTARIO ARCHAEOLOGY

Statement 3

## Statement of Cash Flows

For the year ended April 30, 2018, with comparative information for 2017

	<u>2018</u>	<u>2017</u>
	\$	\$
<b>Operating activities:</b>		
Excess of revenues over expenses	6,617	141,477
Add (deduct) non-cash items:		
Amortization of capital assets	57,958	61,774
Amortization of deferred capital grant	(22,750)	(22,750)
Employee future benefits	7,100	7,700
Net change in non-cash balances related to operations [note 11]	(35,541)	21,069
<b>Cash generated by operating activities</b>	<u>13,384</u>	<u>209,270</u>
<b>Investing activities:</b>		
Additions to capital assets	(8,087)	(391,185)
Change in investments	(111,584)	(200,940)
<b>Cash used in investing activities</b>	<u>(119,671)</u>	<u>(592,125)</u>
<b>Financing activities:</b>		
Receipt of deferred capital grant	-	227,500
Change in due from/to the University	106,324	155,341
<b>Cash from financing activities</b>	<u>106,324</u>	<u>382,841</u>
Net increase (decrease) in cash during the year	37	(14)
Cash position, beginning of year	805	819
<b>Cash position, end of year</b>	<u>842</u>	<u>805</u>

(see accompanying notes to the financial statements)

# THE MUSEUM OF ONTARIO ARCHAEOLOGY

Notes to the Financial Statements

Year ended April 30, 2018

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## 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 Organizations 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 MUSEUM OF ONTARIO ARCHAEOLOGY

Notes to the Financial Statements (continued)

Year ended April 30, 2018

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(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) Inventories:

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

(d) Capital assets:

Capital assets which 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.

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Amortization rates are as follows:

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

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# THE MUSEUM OF ONTARIO ARCHAEOLOGY

Notes to the Financial Statements (continued)

Year ended April 30, 2018

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

### (e) Investments

The Board of the Museum 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. In addition, the Museum holds various short-term investments directly, for which there is no oversight by the University. The value of the underlying investments held by the University investment portfolio, and those short-term investments held directly by the Museum, 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 of guaranteed investment certificates, 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. Short-term investments maturing within one year that are held for liquidity purposes have been recorded as current assets.

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

# THE MUSEUM OF ONTARIO ARCHAEOLOGY

Notes to the Financial Statements (continued)

Year ended April 30, 2018

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(f) 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.

Investment returns from short-term investments held directly by the Museum are recorded in the Operating Fund as they are earned.

(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.

# THE MUSEUM OF ONTARIO ARCHAEOLOGY

Notes to the Financial Statements (continued)

Year ended April 30, 2018

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

### (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.

### (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.

# THE MUSEUM OF ONTARIO ARCHAEOLOGY

Notes to the Financial Statements (continued)

Year ended April 30, 2018

## 3. SHORT-TERM INVESTMENT:

The short-term investment consists of two guaranteed Investment Certificates held with a major Canadian bank, having a maturity date of July 18, 2018. Interest rates on the investments range from 0.09% to 0.4%.

## 4. 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 aside from short-term investments, which are all held directly by the Museum, the underlying nature of the Museum's share of the University investment portfolio consists of the following:

	<u>2018</u>	<u>2017</u>
Equities	\$ 1,225,320	\$ 1,184,087
Fixed income	269,172	251,224
Real assets	287,962	249,787
Diversifiers	89,233	77,584
Short-term investments	7,380	107,542
	<u>\$ 1,879,067</u>	<u>\$ 1,870,224</u>

## 5. EMPLOYEE FUTURE 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, 2017 for the non-pension plans and December 31, 2015 for the pension plans. In the years between valuations, an extrapolation of the actuarial valuation is used to determine the projected benefit obligations.

### (a) Employee future benefits:

The accrued benefit liability relating to the non-pension plans is \$109,000 (2017 - \$101,900). This liability has been recorded in the financial statements. Total expense for these plans recognized in the statement of operations is \$7,100 (2017 - \$7,700). Remeasurements and other items of nil (2017 - \$16,100) related to actuarial gains have been recorded directly into the statement of changes in fund balances. There were no benefits paid during the year (2017 - nil).

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

	<u>2018</u>	<u>2017</u>
Discount rate	3.70%	3.70%
Medical trend rate	5.75%	6.00%
Dental trend rate	2.75%	2.75%

# THE MUSEUM OF ONTARIO ARCHAEOLOGY

Notes to the Financial Statements (continued)

Year ended April 30, 2018

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## 5. EMPLOYEE FUTURE BENEFITS (CONTINUED):

(b) Pension plans:

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

	<u>2018</u>	<u>2017</u>
Employer contributions	\$ 18,056	\$ 13,056
Employee contributions	7,767	6,126

Total expense for these plans is \$18,056 (2017 - \$13,056). Pension plan contributions and the associated obligation are transferred to and administered by the University Plan for Administrative Staff.

## 6. RELATED PARTY TRANSACTIONS:

The University provides financial and other services to the Museum. Certain funds received are transferred to the University and expenditures are made by the University on the Museum's behalf. An amount due from the University represents the net amount on deposit at April 30, 2018. The outstanding balance bears interest at the rate of prime, which was 3.45% on April 30, 2018. The interest expense in fiscal 2018 is \$96 (2017 - \$492). An amount due to the University represents outstanding amounts for services provided.

An agreement with the University, signed on July 23, 2016 (the "Agreement"), has changed the governance model of the Museum, such that the University no longer controls the Board of the Museum, but still has representation on the Board. The Agreement supersedes the previous one dated October 1, 2011. The Agreement outlines additional terms and conditions concerning matters of administration, budgeting, and other services that are offered between the parties. The Agreement stipulates that the Museum will also provide to the University \$45,000 annually towards the Lawson Chair in Canadian Archaeology. During fiscal 2018, the Museum contributed \$45,000 (2017 - \$45,000) for the Lawson Chair.

An agreement with the University, signed on February 24, 2010, outlines the terms of a collaborative research initiative involving the construction of sustainable archaeology (SA) 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. The transfer of these assets to the Museum is currently under consideration as part of the renewal of the affiliation agreement. Until such time as the assets transfer to the Museum, operating costs will be covered by the University from a \$550,398 grant obtained through the infrastructure Operating Fund, service fee revenue generated by the SA facility and investment returns generated from internally endowed artifact storage fees currently retained by the University.

# THE MUSEUM OF ONTARIO ARCHAEOLOGY

Notes to the Financial Statements (continued)

Year ended April 30, 2018

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## 7. ENDOWED FUND:

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

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 1,768,224	\$ 1,570,027
Net investment returns	110,843	243,197
Transfer to operating fund	-	-
Contribution to the University for Lawson Chair	-	(45,000)
	<u>                    </u>	<u>                    </u>
Balance, end of year	<u>\$ 1,879,067</u>	<u>\$ 1,768,224</u>

(b) Endowments consist of:

	<u>2018</u>	<u>2017</u>
Externally restricted funds:		
London Museum of Archaeology Fund	\$ 1,119,464	\$ 1,053,429
W. Jury Fund	472,597	444,719
	<u>1,592,061</u>	<u>1,498,148</u>
Internally restricted funds:		
E. Jury Fund	<u>287,006</u>	<u>270,076</u>
	<u>\$ 1,879,067</u>	<u>\$ 1,768,224</u>

## 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

Included in accounts payable and accrued liabilities are government remittances payable of \$2,947 (2017 - \$761), which includes amounts payable for HST. All amounts are current.

# THE MUSEUM OF ONTARIO ARCHAEOLOGY

Notes to the Financial Statements (continued)

Year ended April 30, 2018

## 9. CAPITAL ASSETS

Capital assets are comprised of the following:

	2018			2017		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$	\$	\$	\$
Land	900,000	-	900,000	900,000	-	900,000
Buildings	606,140	572,482	33,658	606,140	557,282	48,858
Building improvements	565,947	181,951	383,996	557,860	139,285	418,575
Computers	98,294	98,294	-	98,294	98,234	60
Equipment	34,328	34,198	130	34,328	34,166	162
	<u>2,204,709</u>	<u>886,925</u>	<u>1,317,784</u>	<u>2,196,622</u>	<u>828,967</u>	<u>1,367,655</u>

## 10. DEFERRED CAPITAL GRANT

Deferred capital contributions related to capital assets represent the unamortized amount of grants received for the purchase of building improvements. The amortization of capital grants is recorded as revenue in the statement of operations.

The changes in the deferred capital grant balance are as follows:

	2018	2017
	\$	\$
Balance, beginning of year	204,750	-
Capital grant received	-	227,500
Less amortization of deferred capital grant	(22,750)	(22,750)
Balance, end of year	<u>182,000</u>	<u>204,750</u>

# THE MUSEUM OF ONTARIO ARCHAEOLOGY

Notes to the Financial Statements (continued)

Year ended April 30, 2018

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## 11. SUPPLEMENTAL CASH FLOW INFORMATION:

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

	<u>2018</u>	<u>2017</u>
Accounts receivable	\$ 26,358	\$ (22,891)
Inventories	(2,047)	(78)
Accounts payable and accrued liabilities	(49,653)	53,945
Deferred revenue	(10,199)	(9,907)
	<u>\$ (35,541)</u>	<u>\$ 21,069</u>

## 12. 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, 2018. 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 a 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, when an amount is 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.

# THE MUSEUM OF ONTARIO ARCHAEOLOGY

Notes to the Financial Statements (continued)

Year ended April 30, 2018

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## 12. FINANCIAL RISKS (continued)

### (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, including accounts payable and accrued liabilities will all be financed through cash flows and available liquid investments.