

THE MUSEUM OF ONTARIO ARCHAEOLOGY

FINANCIAL STATEMENTS

APRIL 30, 2019



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The Museum of Ontario Archaeology

Opinion

We have audited the accompanying financial statements of The Museum of Ontario Archaeology (the "Museum"), which comprise:

- the statement of financial position as at April 30, 2019
- the statement of operations and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Museum as at April 30, 2019, and its results of operations and changes in fund balances 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. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Museum 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 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 Museum'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 Museum or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Museum's financial reporting process.

Auditors' 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 auditors' 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 generally accepted auditing standards 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, 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 Museum'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 Museum's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Museum 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

June 20, 2019

THE MUSEUM OF ONTARIO ARCHAEOLOGY

Statement 1

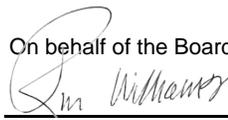
Incorporated without share capital under the laws of Ontario
Statement of Financial Position

As at April 30, 2019, with comparative information for 2018

	2019				2018
	Operating Fund	Capital Fund	Endowed Fund	Total	Total
	\$	\$	\$	\$	\$
Assets:					
Current					
Cash	150,817	-	-	150,817	842
Accounts receivable	17,774	-	-	17,774	5,418
Inventories	4,227	-	-	4,227	6,394
Due from the University [note 6]	224,801	-	-	224,801	-
Short-term investment [note 3]	109,000	-	-	109,000	288,092
	<u>506,619</u>	<u>-</u>	<u>-</u>	<u>506,619</u>	<u>300,746</u>
Investments [note 4]	-	-	2,311,054	2,311,054	1,879,067
Capital Assets [note 9]	-	3,061,330	-	3,061,330	1,317,784
	<u>506,619</u>	<u>3,061,330</u>	<u>2,311,054</u>	<u>5,879,003</u>	<u>3,497,597</u>
Liabilities and Fund Balances:					
Current:					
Accounts payable and accrued liabilities [note 8]	11,586	-	-	11,586	10,947
Due to the University [note 6]	-	-	-	-	13,812
Deferred revenue	23,316	-	-	23,316	13,335
Deferred capital grants [note 10]	-	1,960,972	-	1,960,972	182,000
	<u>34,902</u>	<u>1,960,972</u>	<u>-</u>	<u>1,995,874</u>	<u>220,094</u>
Employee Future Benefits [note 5]	125,200	-	-	125,200	109,000
Fund Balances	<u>346,517</u>	<u>1,100,358</u>	<u>2,311,054</u>	<u>3,757,929</u>	<u>3,168,503</u>
	<u>506,619</u>	<u>3,061,330</u>	<u>2,311,054</u>	<u>5,879,003</u>	<u>3,497,597</u>

(See accompanying notes to the financial statements)

On behalf of the Board:



Director



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, 2019, with comparative information for 2018

	2019			2018	
	Operating Fund	Capital Fund	Endowed Fund [Note 7]	Total	Total
	\$	\$	\$	\$	\$
Revenues:					
Provincial grants	47,183	-	-	47,183	51,536
Federal grants	43,564	-	-	43,564	39,781
Municipal grants	26,300	-	-	26,300	16,300
Amortization of deferred capital grants	-	76,173	-	76,173	22,750
The University	243,497	-	-	243,497	90,000
Donations and sponsorships	46,567	-	-	46,567	28,113
Sustainable Archaeology	68,041	-	533,332	601,373	116,516
Tours and admissions	53,633	-	-	53,633	60,483
Programs and workshops	43,705	-	-	43,705	52,516
Merchandise sales	28,870	-	-	28,870	35,731
Facility rentals	66,746	-	-	66,746	65,375
Interest	2,839	-	-	2,839	-
Investment Returns	6,103	-	48,655	54,758	111,590
	677,048	76,173	581,987	1,335,208	690,691
Expenses:					
Salaries, wages and benefits	394,536	-	-	394,536	420,193
Amortization	-	111,599	-	111,599	57,958
Equipment and vehicles	3,946	-	-	3,946	5,242
Interest	-	-	-	-	96
Building operation	76,677	-	-	76,677	46,530
Supplies and printing	37,774	-	-	37,774	43,923
Telephone	2,461	-	-	2,461	2,462
Travel	1,339	-	-	1,339	1,343
Cost of sales	14,566	-	-	14,566	19,806
Legal and audit	10,612	-	-	10,612	8,296
University administration	29,785	-	-	29,785	26,725
Lawson Chair [note 6]	45,000	-	-	45,000	45,000
Miscellaneous	8,787	-	-	8,787	6,500
	625,483	111,599	-	737,082	684,074
Excess (deficiency) of revenue over expenses	51,565	(35,426)	581,987	598,126	6,617
Transfers [note 7]	150,000	-	(150,000)	-	-
Excess (deficiency) of revenue over expenses after transfers	201,565	(35,426)	431,987	598,126	6,617
Fund balances, beginning of year	153,652	1,135,784	1,879,067	3,168,503	3,161,886
Employee future benefits - actuarial losses [note 5]	(8,700)	-	-	(8,700)	-
Fund balances, end of year	346,517	1,100,358	2,311,054	3,757,929	3,168,503

(See accompanying notes to the financial statements)

THE MUSEUM OF ONTARIO ARCHAEOLOGY

Statement 3

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

For the year ended April 30, 2019, with comparative information for 2018

	<u>2019</u>	<u>2018</u>
	\$	\$
Operating activities:		
Excess of revenues over expenses	598,126	6,617
Add (deduct) non-cash items:		
Amortization of capital assets	111,599	57,958
Amortization of deferred capital grant	(76,173)	(22,750)
Future employee benefits	7,500	7,100
Net change in non-cash balances related to operations [note 11]	431	(35,541)
Cash generated by operating activities	<u>641,483</u>	<u>13,384</u>
Investing activities:		
Additions to capital assets	(1,855,145)	(8,087)
Change in investments	(252,895)	(111,584)
Cash used in investing activities	<u>(2,108,040)</u>	<u>(119,671)</u>
Financing activities:		
Receipt of deferred capital grant	1,855,145	-
Change in due to/from the University	(238,613)	106,324
Cash generated by financing activities	<u>1,616,532</u>	<u>106,324</u>
Net increase in cash during the year	149,975	37
Cash position, beginning of year	842	805
Cash position, end of year	<u>150,817</u>	<u>842</u>

(see accompanying notes to the financial statements)

THE MUSEUM OF ONTARIO ARCHAEOLOGY

Notes to the Financial Statements

Year ended April 30, 2019

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 statement of financial position includes the land, repository, 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.

Effective February 28, 2019, A Deed of Appointment between the Museum and the University of Western Ontario was signed to appoint the Museum of Ontario Archaeology as the sole trustee of the W. Jury and E. Jury Funds.

In April 2019, a new endowment fund was established for collections sustainability. These funds are internally restricted and can be drawn upon subject to board approval.

THE MUSEUM OF ONTARIO ARCHAEOLOGY

Notes to the Financial Statements (continued)

Year ended April 30, 2019

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.

Revenue from the long-term storage of artifacts is recorded as deferred revenue and is recognized on a straight-line basis across a 20-year period.

(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.

Amortization rates are as follows:

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

THE MUSEUM OF ONTARIO ARCHAEOLOGY

Notes to the Financial Statements (continued)

Year ended April 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(e) Investments and investment returns

Investment returns, which consist of interest, dividends, income distributions from investments and realized and unrealized capital gains and losses, are recorded in the statement of operations and changes in fund balances.

(f) 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.

(g) 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 (continued)

Year ended April 30, 2019

2. SUMMARY OF 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 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. SHORT-TERM INVESTMENT:

The short-term investment consists of one Guaranteed Investment Certificate held with a major Canadian bank, having a maturity date of September 16, 2019. Interest on the investment is earned at a rate of 2.05%.

4. INVESTMENTS:

Details of the fair values of the investments are as follows:

	2019	2018
	\$	\$
Equities	1,495,412	1,225,320
Fixed income	718,402	269,172
Real assets	5,788	287,962
Diversifiers	-	89,233
Short-term investments	91,452	7,380
	<u>2,311,054</u>	<u>1,879,067</u>

THE MUSEUM OF ONTARIO ARCHAEOLOGY

Notes to the Financial Statements (continued)

Year ended April 30, 2019

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, 2019 for the non-pension plans and December 31, 2016 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 \$125,200 (2018 - \$109,000). This liability has been recorded in the financial statements. Total expense for these plans recognized in the statement of operations is \$7,500 (2018 - \$7,100). Actuarial losses of \$8,700 (2018 - nil) have been recorded directly into the statement of changes in fund balances. There were no benefits paid during the year (2018 - nil).

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

	<u>2019</u>	<u>2018</u>
Discount rate	3.70%	3.70%
Medical trend rate	5.75%	5.75%
Dental trend rate	2.75%	2.75%

(b) Pension plans:

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

	<u>2019</u>	<u>2018</u>
	\$	\$
Employer contributions	16,651	18,056
Employee contributions	7,350	7,767

Total expense for these plans is \$16,651 (2018 - \$18,056). Pension plan contributions and the associated obligation are transferred to and administered by the University Plan for Administrative Staff.

THE MUSEUM OF ONTARIO ARCHAEOLOGY

Notes to the Financial Statements (continued)

Year ended April 30, 2019

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, 2019. The outstanding balance bears interest at the rate of prime, which was 3.95% on April 30, 2019. The interest expense in fiscal 2019 is nil (2018 - \$96). 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 2019, the Museum contributed \$45,000 (2018 - \$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. On December 1, 2018, the University transferred these assets to the Museum with a stated value of \$1,855,145.

THE MUSEUM OF ONTARIO ARCHAEOLOGY

Notes to the Financial Statements (continued)

Year ended April 30, 2019

7. ENDOWED FUND:

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

	2019	2018
	\$	\$
Balance, beginning of year	1,879,067	1,768,224
Net investment returns	48,655	
Contribution for Sustainable Archaeology	533,332	110,843
Transfer to operating fund	(150,000)	-
	<u>2,311,054</u>	<u>1,879,067</u>

(b) Endowments consist of:

	2019	2018
	\$	\$
Externally restricted funds:		
London Museum of Archaeology Fund	1,098,451	1,119,464
W. Jury Fund	434,834	472,597
	<u>1,533,285</u>	<u>1,592,061</u>
Internally restricted funds:		
Collections Sustainable Fund	533,332	
E. Jury Fund	244,437	287,006
	<u>777,769</u>	<u>287,006</u>
	<u>2,311,054</u>	<u>1,879,067</u>

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

Included in accounts payable and accrued liabilities are government remittances payable of \$3,063 (2018 - \$2,947), 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, 2019

9. CAPITAL ASSETS

Capital assets are comprised of the following:

	2019			2018		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$	\$	\$	\$
Land	900,000	-	900,000	900,000	-	900,000
Repository [note 6]	1,855,145	57,973	1,797,172	-	-	-
Buildings	606,140	587,682	18,457	606,140	572,482	33,658
Building improvements	565,947	220,351	345,597	565,947	181,951	383,996
Equipment	34,328	34,224	104	34,328	34,198	130
	<u>3,961,560</u>	<u>900,230</u>	<u>3,061,330</u>	<u>2,106,415</u>	<u>788,631</u>	<u>1,317,784</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:

	2019	2018
	\$	\$
Balance, beginning of year	182,000	204,750
Capital grant received	1,855,145	-
Less: amortization of deferred capital grants	(76,173)	(22,750)
Balance, end of year	<u>1,960,972</u>	<u>182,000</u>

THE MUSEUM OF ONTARIO ARCHAEOLOGY

Notes to the Financial Statements (continued)

Year ended April 30, 2019

11. SUPPLEMENTAL CASH FLOW INFORMATION:

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

	2019	2018
	\$	\$
Accounts receivable	(12,356)	26,358
Inventories	2,167	(2,047)
Accounts payable and accrued liabilities	639	(49,653)
Deferred revenue	9,981	(10,199)
	<u>431</u>	<u>(35,541)</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, 2019. 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, 2019

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.