
Financial statements of The Royal Ontario Museum

March 31, 2020

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Independent Auditor's Report

To the Trustees of
Royal Ontario Museum

Opinion

We have audited the financial statements of Royal Ontario Museum (the "Museum"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in net deficit and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Museum as at March 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the 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 audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matter

The financial statements of the Museum as at and for the year ended March 31, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on June 25, 2019.

The signature "Deloitte LLP" is written in a cursive, handwritten style in black ink.

Chartered Professional Accountants
Licensed Public Accountants
June 16, 2020

The Royal Ontario Museum

(Incorporated by Special Act of the Ontario Legislature as a corporation without share capital)

Statement of financial position


As at March 31, 2020

(In thousands of dollars)

	Notes	2020 \$	2019 \$
Assets			
Current assets			
Investments	2	27	24
Accounts receivable		2,476	2,291
Deferred exhibition costs and other assets		1,849	2,408
Due from The Royal Ontario Museum Foundation	3	—	1,248
		4,352	5,971
Pension assets, net	4	21,549	17,801
Capital assets	5	204,093	208,346
		229,994	232,118
Liabilities			
Current liabilities			
Bank indebtedness	6(a)	3,255	1,739
Accounts payable and accrued liabilities		8,928	10,589
Deferred revenue		3,794	4,246
Deferred contributions	7	2,545	2,550
Due to The Royal Ontario Museum Foundation	3	55	—
		18,577	19,124
Long-term debt	6(b)	23,534	23,634
Deferred capital contributions	8	194,652	196,295
Accrued non-pension liability	4	10,053	9,968
		246,816	249,021
Commitments	10		
Net deficit			
Operating Fund		(14,999)	(12,814)
Restricted Fund		3,957	2,011
Capital Fund		(5,780)	(6,100)
		(16,822)	(16,903)
		229,994	232,118

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

On behalf of the Board


_____, Trustee


_____, Trustee

The Royal Ontario Museum
Statement of operations

Year ended March 31, 2020
(In thousands of dollars)

	Notes	Operating Fund \$	Restricted Fund \$	Capital Fund \$	2020 Total \$	2019 Total \$
Revenue						
Grants						
Province of Ontario		27,307	—	—	27,307	27,590
The Royal Ontario Museum Foundation	3	5,311	3,868	—	9,179	8,979
Others		436	252	—	688	345
Amortization of deferred capital contributions	8	—	—	12,562	12,562	11,857
		33,054	4,120	12,562	49,736	48,771
Self-generated revenue						
Admission fees		11,056	—	—	11,056	12,523
Event and concession		8,621	1	—	8,622	9,562
Membership fees		3,999	—	—	3,999	4,129
Programs and education		2,511	48	—	2,559	2,838
Other		443	558	—	1,001	1,945
Donations		76	436	—	512	1,607
		26,706	1,043	—	27,749	32,604
		59,760	5,163	12,562	77,485	81,375
Expenses						
Salaries and benefits		34,333	593	—	34,926	37,206
Amortization of capital assets		702	—	12,242	12,944	12,432
General administration		4,493	621	—	5,114	5,136
Supplies and cost of goods sold		3,753	218	—	3,971	4,207
Marketing and promotions		4,390	—	—	4,390	4,086
Objects and specimens		—	1,040	—	1,040	2,909
Utilities		3,183	—	—	3,183	3,031
Repairs, maintenance and – exhibition development		3,408	45	—	3,453	3,752
Telephone, equipment and information technology		2,286	103	—	2,389	2,660
Rental and leases		1,755	—	—	1,755	1,666
Freight and transportation		2,416	9	—	2,425	1,682
Miscellaneous		102	323	—	425	784
Interest and other bank charges	6(b)	970	1	—	971	908
Research and training		154	264	—	418	567
		61,945	3,217	12,242	77,404	81,026
(Deficiency) excess of revenue over expenses		(2,185)	1,946	320	81	349

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

The Royal Ontario Museum
Statement of changes in net deficit

Year ended March 31, 2020
(In thousands of dollars)

	Operating Fund	Restricted Fund	Capital Fund	2020 Total	2019 Total
	\$	\$	\$	\$	\$
Balance, beginning of year	(12,814)	2,011	(6,100)	(16,903)	(17,252)
(Deficiency) excess of revenue over expenses	(2,185)	1,946	320	81	349
Balance, end of year	(14,999)	3,957	(5,780)	(16,822)	(16,903)

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

The Royal Ontario Museum

Statement of cash flows

Year ended March 31, 2020

(In thousands of dollars)

	Notes	2020 \$	2019 \$
Operating activities			
Excess of revenue over expenses		81	349
Items not involving cash			
Amortization of capital assets		12,944	12,432
Amortization of deferred capital contributions	8	(12,562)	(11,857)
Increase in pension assets		(3,748)	(2,358)
Increase (decrease) in accrued non-pension liability		85	(60)
Change in non-cash operating working capital			
Accounts receivable		(185)	(895)
Deferred exhibition costs and other assets		559	(1,117)
Due from/to The Royal Ontario Museum Foundation		1,303	(1,501)
Accounts payable and accrued liabilities		(1,661)	1,385
Deferred contributions		(5)	(722)
Deferred revenue		(452)	(86)
		(3,641)	(4,430)
Capital activities			
Contributions received for capital asset purchases	8	10,919	11,053
Purchase of capital assets		(8,691)	(8,666)
		2,228	2,387
Financing activities			
Repayments of long-term debt		(100)	(100)
Changes in bank indebtedness		1,516	1,739
		1,416	1,639
Investing activity			
Change in investments		(3)	—
Increase (decrease) in cash		—	(404)
Cash, beginning of year		—	404
Cash, end of year		—	—

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

The Royal Ontario Museum

Notes to the financial statements

March 31, 2020

(In thousands of dollars)

The Royal Ontario Museum (the "Museum") is an operating enterprise agency of the Province of Ontario incorporated without share capital by Special Act of the Ontario Legislature. Opened in 1914, the Royal Ontario Museum showcases art, culture and nature from around the world and across the ages. Among the top 10 cultural institutions in North America, Canada's largest and most comprehensive museum is home to a world-class collection of 13 million art objects and natural history specimens, featured in 40 gallery and exhibition spaces. As the country's preeminent field research institute and an international leader in new and original findings, the ROM plays a vital role in advancing our understanding of the artistic, cultural and natural world.

The Museum is registered as a charitable organization under the Income Tax Act (Canada) (the "Act") and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Museum must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

1. Significant accounting policies

The financial statements have been prepared in accordance with Canadian public sector accounting standards, including the 4200 standards for government not-for-profit organizations ("Standards").

(a) Fund accounting

For financial reporting purposes, the accounts have been classified into the following funds:

(i) Operating Fund

The Operating Fund accounts for the Museum's general programs, fundraising and administrative activities. The Operating Fund reports resources available for immediate purposes, including furniture and equipment and related amortization.

(ii) Restricted Fund

The Restricted Fund consists of those funds where resources are to be used for an identified purpose outside the regular operations of the Museum.

(iii) Capital Fund

The Capital Fund reports the revenue and expenses related to the Museum's building, building improvements, galleries and the Renaissance ROM Project ("ROM Project").

(b) Revenue recognition

The Museum follows the deferral method of accounting for contributions, which include grants and self-generated revenue. Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Donations are recorded on a cash basis since pledges are not legally enforceable claims.

Externally restricted contributions are deferred and recognized as revenue in the year in which the related expenses are recognized. Externally restricted contributions for the purchase of land are credited directly to net assets. Externally restricted contributions for the purchase of other capital assets are deferred and amortized over the life of the related capital asset.

The Royal Ontario Museum
Notes to the financial statements

March 31, 2020

(In thousands of dollars)

1. Significant accounting policies (continued)

(b) Revenue recognition (continued)

Membership fees are deferred and recognized as revenue over the term covered by the fees.

Admission fees, museum programs and ancillary services revenue are recorded as revenue when the services have been provided or the goods and services delivered.

(c) Financial instruments

Financial instruments are recorded at fair value on initial recognition. Subsequently, all derivative instruments and equity instruments that are quoted in an active market are reported at fair value. Additionally, management also records all investments at fair value as they are managed and evaluated on a fair value basis.

All other financial instruments are subsequently reported at cost or amortized cost.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations. A statement of remeasurement gains and losses has not been included in these financial statements as the adjustments have been insignificant.

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

All financial assets carried at cost or amortized cost are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 – unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 – observable or corroborated inputs, other than Level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

Derivative financial instruments are contracts that provide the opportunity to exchange cash flows that are determined by applying certain rates, indices or changes to notional contract amounts. From time to time, the Museum uses interest rate swaps to manage exposure to fluctuations in interest rates and forward foreign currency contracts to manage exposure to fluctuations in exchange rates.

As at March 31, 2020 and 2019, there are no derivative instruments held by the Museum.

(d) Deferred exhibition costs

Costs of exhibitions are deferred until the exhibitions are opened to the public and then are expensed over the duration of the exhibitions to which they relate.

The Royal Ontario Museum
Notes to the financial statements

March 31, 2020

(In thousands of dollars)

1. Significant accounting policies (continued)

(e) Employee future benefits

The Museum provides retirement and other future benefits for substantially all retirees and employees. These future benefits include registered and supplemental defined benefit pensions, which are based on a formula that takes into account earnings and length of service, supplemental defined contribution pension benefits, which are based on earnings in excess of those covered under the registered plan, and post-employment and postretirement health and dental benefits. The supplemental pension plans and the other future benefits are unfunded with benefits paid directly by the Museum.

The Museum participates in The Colleges of Applied Arts and Technology Pension Plan (the "CAAT Plan"). The CAAT Plan is a multi-employer, jointly sponsored pension plan which is financed by contributions from participating members and participating employers, and by investment earnings. Information on the funding policy and total financial status of the CAAT Plan can be found in the CAAT Plan's Annual Report. Obligations for current and former Museum employees represent approximately 1.13% (1.21% in 2019) of total CAAT Plan obligations.

The Museum is accounting for its participation in the CAAT Plan as a defined benefit pension plan.

The Museum accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the pension, compensated absences and other retirement benefits. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors).

The most recent full actuarial valuation for accounting purposes was as at January 1, 2020 for the CAAT Plan, as at March 31, 2020 for the supplementary pension arrangement, and as at March 31, 2018 for the non-pension plans. Actuarial valuations are performed at least every three years.

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. Actuarial gains (losses) in a year are amortized over the average remaining service period of active employees beginning in the following year. The estimated average remaining service period as at April 1, 2019 of the active employees covered by the pension plans is 9 years for the registered plan and 1 year for the supplemental plan. The estimated average remaining service period at March 31, 2020 of the active employees covered by the non-pension plan is 12 years.

Past service costs arising from plan amendments are recognized immediately in the year the plan amendments occur.

(f) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Capital assets are amortized on a straight-line basis over the estimated useful lives of the assets as follows:

Building	40 years
Galleries	20 years
Building improvements	5 – 10 years
Furniture and equipment	3 – 10 years
Ancillary services	10 years

The Royal Ontario Museum
Notes to the financial statements

March 31, 2020

(In thousands of dollars)

1. Significant accounting policies (continued)

(f) Capital assets (continued)

Ancillary services include retail, store, and food operations.

Assets under construction comprises direct construction and other costs, including capitalized interest. Interest costs are capitalized during the construction period.

No amortization is recorded until construction is substantially complete and the assets are ready for use.

(g) Foreign currency translation

Foreign currency translations are recorded at the exchange rate at the time of the transaction.

Assets and liabilities denominated in foreign currencies are recorded at fair value using the exchange rate at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses.

In the year of settlement, the realized foreign exchange gains and losses are recognized in the statement of operations and the unrealized balances are reversed from the statement of measurement gains and losses. A statement of remeasurement of gains and losses has not been included in these financial statements as the adjustments have not been significant.

(h) Objects and specimens

The value of objects and specimens has been excluded from the statement of financial position. Gifted objects and specimens are recorded as revenue at values based on appraisals by independent appraisers. The acquisition cost of both gifted and purchased objects and specimens is expensed.

(i) Contributed materials and services

Contributed materials and services are recorded only if the fair value can be reasonably estimated at the date of contribution and when the materials and services are used in the normal course of the Museum's operations. Contributed materials and services in the amount of \$433 (\$1,363 in 2019) have been recorded as revenue and expenses.

(j) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the useful lives of capital assets, accounts receivable, accrued liabilities, and assets and obligations related to employee future benefits. Actual amounts could differ from those estimates.

2. Investments

Investments consist of level 1 preferred securities with a fair value of \$27 (\$24 in 2019).

The Royal Ontario Museum
Notes to the financial statements

March 31, 2020

(In thousands of dollars)

3. The Royal Ontario Museum Foundation

The Royal Ontario Museum Foundation (the "Foundation") was incorporated on July 1, 1992 to coordinate all private-sector fundraising activities undertaken on behalf of the Museum and its affiliates. The Foundation is a registered charity under the Act. The objective of the Foundation is to raise funds available for enhancing exhibitions and public programs, research, acquisitions and capital projects.

The accounts of the Foundation are presented separately and are not consolidated in these financial statements, as the Museum and the Foundation do not share common control.

A summary of the financial information for the Foundation for the years ended March 31, 2020 and 2019 is as follows:

	2020	2019
	\$	\$
Total assets	66,887	66,493
Total liabilities	374	1,850
Fund balances		
General Fund	(1,003)	6,001
Restricted Fund	21,238	2,899
Endowment Fund	46,278	4,704
	66,513	13,604

During the year ended March 31, 2020, the Foundation granted \$15,251 (\$13,604 in 2019) to the Museum as follows:

	2020	2019
	\$	\$
Operating	5,184	6,001
Restricted	3,868	2,899
Capital (deferred capital contributions)	6,199	4,704
	15,251	13,604

Operating grants include certain contributions received for operating purposes, such as programs and education. These amounts are reported in deferred contributions until such time that the intended use of the funds has been fulfilled, upon which revenue will be recognized.

Amounts due from (to) the Foundation are non-interest bearing and have no fixed terms of repayment. These amounts include reimbursement of operating costs paid on behalf of the Foundation and unpaid grants owing to the Museum at year end. The Museum provides space and certain administrative support to the Foundation at no cost.

The Royal Ontario Museum
Notes to the financial statements

March 31, 2020

(In thousands of dollars)

4. Employee benefits

Information about the Museum's pension and non-pension plans is as follows:

	2020				2019			
	Registered Pension – Defined benefit	Supplementary pension		Total pension	Registered Pension – Defined benefit	Supplementary pension		Total pension
	\$	Defined benefit \$	Defined contribution \$	\$	\$	Defined benefit \$	Defined contribution \$	\$
Accrued benefit obligation	126,911	2,064	526	129,501	115,559	1,962	360	117,881
Market value of plan assets	139,851	–	–	139,851	139,993	–	–	139,993
Funded status – plan surplus (deficit)	12,940	(2,064)	(526)	10,350	24,434	(1,962)	(360)	22,112
Unamortized net actuarial gain (loss)	10,951	248	–	11,199	(4,531)	220	–	(4,311)
Financial position – asset (liability)	23,891	(1,816)	(526)	21,549	19,903	(1,742)	(360)	17,801

Included in the pension assets on the statement of financial position is a liability of \$2,342 (\$2,102 in 2019) in connection with supplementary pension arrangements.

	2020 Non-pension \$	2019 Non-pension \$
Accrued benefit obligation	8,194	7,260
Market value of plan assets	–	–
Funded status – plan surplus	(8,194)	(7,260)
Unamortized net actuarial loss	(1,859)	(2,708)
Financial position – liability	(10,053)	(9,968)

The benefits expense arising during the year for the Museum's pension and non-pension plans is as follows:

	2020				2019			
	Registered Pension – Defined benefit	Supplementary pension		Total pension	Registered Pension – Defined benefit	Supplementary pension		Total pension
	\$	Defined benefit \$	Defined contribution \$	\$	\$	Defined benefit \$	Defined contribution \$	\$
Current period benefit cost	500	–	151	651	975	–	102	1,077
Interest cost on accrued benefit obligation	6,425	54	15	6,494	6,188	56	9	6,253
Expected return on market-related value of plan assets	(7,570)	–	–	(7,570)	(7,000)	–	–	(7,000)
Amortization of actuarial losses (gains)	180	110	–	290	478	406	–	884
Benefits expense	(465)	164	166	(135)	641	462	111	1,214

	2020 Non-pension \$	2019 Non-pension \$
Current period benefit cost	358	173
Interest cost on accrued benefit obligation	201	213
Amortization of actuarial losses (gains)	(275)	(254)
Benefits expense	284	132

The Royal Ontario Museum
Notes to the financial statements

March 31, 2020

(In thousands of dollars)

4. Employee benefits (continued)

The market-related value of plan assets used to determine the following year pension expense is \$145,247 (\$136,868 in 2019) and reflects smoothing of investment gains and losses relative to assumed returns over a 3-year period.

The significant actuarial assumptions adopted to determine the expense for the Museum's benefit plans are as follows:

	2020			2019		
	Registered Pension – Defined Benefit	Supplementary pension Defined Benefit	Defined Contribution	Registered Pension – Defined Benefit	Supplementary pension Defined Benefit	Defined Contribution
	\$	\$	\$	\$	\$	\$
Discount rate	5.50%	2.80%	n/a	5.60%	3.00%	n/a
Expected long-term rate of return on plan assets	5.50%	n/a	n/a	5.60%	n/a	n/a
Rate of compensation increase	3.00%	2.00%	n/a	3.00%	2.00%	n/a
Rate of long-term inflation	2.00%	2.00%	n/a	2.00%	2.00%	n/a

	2020		2019	
	Post-employment	Post-retirement	Post-employment	Post-retirement
Discount rate	2.70%	2.90%	2.90%	3.10%

The significant actuarial assumptions adopted in measuring the accrued benefit assets and liabilities of the Museum's benefit plans are as follows:

	2020			2019		
	Registered Pension – Defined Benefit	Supplementary pension Defined Benefit	Defined Contribution	Registered Pension – Defined Benefit	Supplementary pension Defined Benefit	Defined Contribution
Discount rate	5.15%	2.30%	n/a	5.50%	2.80%	n/a
Rate of compensation increase	3.00%	2.00%	n/a	3.00%	2.00%	n/a
Rate of long-term inflation	2.00%	2.00%	n/a	2.00%	2.00%	n/a

	2020		2019	
	Post-employment	Post-retirement	Post-employment	Post-retirement
Discount rate	2.20%	2.40%	2.70%	2.90%
Weighted average increase in the cost of health care and dental benefits	4.94% in 2020 4.00% in and after 2040		4.97% in 2019 4.00% in and after 2040	

The Royal Ontario Museum
Notes to the financial statements

March 31, 2020

(In thousands of dollars)

4. Employee benefits (continued)

Other information about the Museum's pension and non-pension plans is as follows:

	2020			2019			
	Registered Pension - Defined benefit	Supplementary pension		Registered Pension - Defined benefit	Supplementary pension		Total pension
	\$	Defined benefit \$	Defined contribution \$	\$	Defined benefit \$	Defined contribution \$	\$
Employee contributions	3,524	—	—	3,120	—	—	3,120
Employer contributions	3,524	89	—	3,490	82	—	3,572
Benefits paid	6,132	89	—	5,670	82	—	5,752
Loss during the period on accrued benefit obligation	7,035	138	—	1,775	81	—	1,856
Actual return on market value of plan assets	(1,058)	—	—	8,704	—	—	8,704

	2020 Non-pension \$	2019 Non-pension \$
Employer contributions	200	192
Benefits paid	200	192
Loss (gain) during the period on accrued benefit obligation	575	(253)

The measurement date for the pension and non-pension plans was March 31, 2020. Based on the most recent full actuarial valuation as at January 1, 2020 for the CAAT Plan, there was a funding excess of \$2,857,800 (funding excess of \$2,618,300 as at January 1, 2019).

5. Capital assets

	Cost \$	Accumulated amortization \$	2020 Net book value \$	2019 Net book value \$
Land	931	—	931	931
Building	46,113	41,664	4,449	5,605
Galleries	46,101	30,766	15,335	16,120
Building improvements	62,579	29,863	32,716	28,242
ROM project				
Building	194,308	62,325	131,983	136,840
Galleries	40,629	27,138	13,491	15,563
Ancillary services	5,723	5,723	—	—
Furniture and equipment	11,975	6,787	5,188	5,045
	408,359	204,266	204,093	208,346

Furniture and equipment disclosed above pertain to the operating fund, while all other capital assets are reported in the capital fund.

The Royal Ontario Museum
Notes to the financial statements

March 31, 2020

(In thousands of dollars)

5. Capital assets (continued)

Included in capital assets are assets under construction as follows:

	2020	2019
	\$	\$
Galleries	1,914	1,854
Building improvements	15,031	7,771
Furniture and equipment	1,020	1,497
	17,965	11,122

6. Credit facilities

(a) The Museum has a credit agreement with the Museum's banker, as follows:

- (i) \$7,000 demand revolving operating credit facility with interest payable at prime less 10-basis-points. As at March 31, 2020, the outstanding balance in connection with this facility was \$3,255 (\$1,739 in 2019).
- (ii) \$2,000 letter of credit facility. As at March 31, 2020 and 2019, the Museum had no letters of credit outstanding.
- (iii) As at March 31, 2020, the Museum had two letters of guarantee outstanding, totaling \$125 (\$125 in 2019).

(b) On June 29, 2011, the Museum and the Ontario Financing Authority ("OFA") executed an amended agreement that includes a revised payment schedule through March 31, 2027. Under the terms of the agreement, the loan consists of fixed rate and floating rate portions. In 2017, the Museum paid off the remainder of the fixed rate portion of the loan.

The outstanding loan bears interest at the Province of Ontario's one-year cost of funds plus 150-basis-points, reset annually. The floating rate for 2019-2020 was set at 3.27% and the floating rate for 2020-2021 has been set as 2.2%. Under the terms of the facility, there is no minimum payment requirement providing the facility is fully paid by March 31, 2027.

The fair value of the floating rate portion is comparable to the carrying value as the rate fluctuates with current market rates.

The credit agreement includes covenants which must be met by the Museum and, if not met, the OFA has the right to demand repayment of the outstanding balance. These covenants were met by the Museum up until 2007, after which the credit agreement no longer specifies any covenant requirements. There are no recurring covenants for the current year.

As collateral for the credit facilities, the Foundation has provided an undertaking to transfer all of its unrestricted donations to the Museum under certain circumstances.

Included in interest and other bank charges on the statement of operations is \$773 (\$767 in 2019) of interest in long-term debt.

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(In thousands of dollars)

7. Deferred contributions

Deferred contributions represent grants which carry restrictions and are deferred until spent on the intended purpose.

	2020	2019
	\$	\$
Balance, beginning of year	2,550	3,272
Recognized as revenue	(1,750)	(3,187)
Amounts received	1,745	2,465
Balance, end of year	2,545	2,550

8. Deferred capital contributions

Deferred capital contributions represent the unamortized amount and unspent amount of grants and donations received for the purchase of capital assets. As at March 31, 2020, unspent grants of \$9,896 (\$10,757 in 2019) is included in deferred capital contributions. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

	2020	2019
	\$	\$
Balance, beginning of year	196,295	197,099
Amortization of deferred capital contributions	(12,562)	(11,857)
Contributions received for capital asset purchases	10,919	11,053
Balance, end of year	194,652	196,295

9. Financial risks

(a) Credit risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations, resulting in a financial loss. The Museum is exposed to credit risk with respect to accounts receivable. However, it does not expect counterparties to fail to meet their obligations given their high credit rating. There have been no significant changes to the credit risk exposure from 2019.

(b) 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. The Museum manages its liquidity risk by monitoring its operating requirements. The Museum prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. The contractual maturities of long-term debt are disclosed in Note 6. There have been significant changes to the liquidity risk exposure from 2019 due to the COVID-19 pandemic, as disclosed in Note 11.

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(In thousands of dollars)

9. Financial risks (continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates, will affect the Museum's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment. There have been significant changes to the market's risk exposures from 2019 due to the COVID-19 pandemic. The overall impact is insignificant given the value of the investment.

(i) Currency risk

The Museum is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates with respect to contractual obligations payable in foreign currencies.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates. Financial assets and financial liabilities with variable interest rates expose the Museum to interest rate risk. The Museum is exposed to this risk through its floating rate interest-bearing long-term debt. The Museum mitigates interest rate risk by entering into derivative financial instruments from time to time.

10. Commitments

The Museum's future commitments under long-term leases for equipment will terminate in 2024 and are as follows:

	<u>\$</u>
2021	170
2022	160
2023	80
2024	<u>1</u>
	<u>411</u>

11. Significant event

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