
Financial statements of The Royal Ontario Museum

March 31, 2021

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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, 2021, 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, 2021, 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.

Original signed Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 15, 2021

The Royal Ontario Museum
Statement of financial position

As at March 31, 2021
(In thousands of dollars)

	Notes	2021 \$	2020 \$ Restated Note 11
Assets			
Current assets			
Investments	2	24	27
Accounts receivable		4,915	2,476
Deferred exhibition costs and other assets		1,098	1,849
Due from The Royal Ontario Museum Foundation	3	2,183	—
		8,220	4,352
Pension assets	4	—	—
Capital assets	5	199,724	204,093
		207,944	208,445
Liabilities			
Current liabilities			
Bank indebtedness	6(a)	6,266	3,255
Accounts payable and accrued liabilities		11,508	8,928
Supplemental pension liability	4	2,626	2,342
Deferred revenue		3,003	3,794
Deferred contributions	7	5,133	4,488
Due to The Royal Ontario Museum Foundation	3	—	55
		28,536	22,862
Long-term debt	6(b)	23,434	23,534
Deferred capital contributions	8	188,924	194,652
Accrued non-pension liability	4	10,102	10,053
		250,996	251,101
Commitments	10		
Net deficit			
Operating Fund		(39,249)	(38,890)
Restricted Fund		1,622	2,014
Capital Fund		(5,424)	(5,780)
		(43,051)	(42,656)
		207,944	208,445

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

_____, Trustee

The Royal Ontario Museum

Statement of operations

Year ended March 31, 2021

(In thousands of dollars)

	Notes	2020 Total \$
Revenue		
Grants		Restated Note 11
Province of Ontario		27,307
The Royal Ontario Museum Foundation	3	7,236
Others	12	688
Amortization of deferred capital contributions	8	12,562
		61,245
Self-generated revenue		
Admission fees		11,056
Event and concession		8,622
Membership fees		3,999
Programs and education		2,559
Other		1,001
Donations		512
		3,435
		64,680
Expenses		
Salaries and benefits		38,914
Amortization of capital assets		12,944
General administration		5,114
Supplies and cost of goods sold		3,971
Marketing and promotions		4,390
Objects and specimens		1,040
Utilities		3,183
Repairs, maintenance and – exhibition development		3,453
Telephone, equipment and information technology		2,389
Freight and transportation		2,425
Interest and other bank charges	6(b)	971
Other expenses		2,598
		81,392
Deficiency of revenue over expenses		(395)

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, 2021
(In thousands of dollars)

	Operating Fund \$	Restricted Fund \$	Capital Fund \$	2021 Total \$	2020 Total \$
					Restated Note 11
Balance, beginning of year, as previously stated	(38,890)	2,014	(5,780)	(42,656)	(16,903)
Restatement (Note 11)	—	—	—	—	(19,903)
Balance, beginning of year, as restated	(38,890)	2,014	(5,780)	(42,656)	(36,806)
(Deficiency) excess of revenue over expenses	(359)	(392)	356	(395)	(5,850)
Balance, end of year	(39,249)	1,622	(5,424)	(43,051)	(42,656)

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

The Royal Ontario Museum

Statement of cash flows

Year ended March 31, 2021

(In thousands of dollars)

	Notes	2021 \$	2020 \$
			Restated Note 11
Operating activities			
Excess of revenue over expenses		(395)	(5,850)
Items not involving cash			
Amortization of capital assets		13,680	12,944
Amortization of deferred capital contributions	8	(13,238)	(12,562)
Increase in accrued non-pension liability		49	85
Change in non-cash operating working capital			
Accounts receivable		(2,439)	(185)
Deferred exhibition costs and other assets		751	559
Due from/to The Royal Ontario Museum Foundation		(2,238)	1,303
Accounts payable and accrued liabilities		2,580	(1,661)
Supplemental pension liability		284	240
Deferred contributions		645	1,938
Deferred revenue		(791)	(452)
		(1,111)	(3,641)
Capital activities			
Contributions received for capital asset purchases	8	7,510	10,919
Purchase of capital assets		(9,313)	(8,691)
		(1,803)	2,228
Financing activities			
Repayments of long-term debt		(100)	(100)
		(100)	(100)
Investing activity			
Change in investments		3	(3)
Change in cash position		(3,011)	(1,516)
Bank indebtedness, beginning of year		(3,255)	(1,739)
Bank indebtedness, end of year		(6,266)	(3,255)

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

The Royal Ontario Museum

Notes to the financial statements

March 31, 2021

(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) 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 Museum receives significant funding in the form of grants from the Ministry of Heritage, Sport, Tourism and Culture Industries, making it significantly dependent on the Province of Ontario.

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.

Government assistance related to wage subsidies are recorded as Other revenue on the statement of operations.

(b) 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.

The Royal Ontario Museum
Notes to the financial statements

March 31, 2021
(In thousands of dollars)

1. Significant accounting policies (continued)

(b) Financial instruments (continued)

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, 2021 and 2020, there are no derivative instruments held by the Museum.

(c) 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.

(d) 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.

Effective April 1, 2020, the Museum is accounting for its participation in the CAAT Plan as a defined contribution pension plan, where contributions are expensed as incurred (refer to Note 11a for further information).

The Royal Ontario Museum
Notes to the financial statements

March 31, 2021
(In thousands of dollars)

1. Significant accounting policies (continued)

(e) 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

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.

(f) 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.

(g) 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.

(h) 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 \$277 (\$433 in 2020) have been recorded as revenue and expenses.

(i) 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.

The Royal Ontario Museum
Notes to the financial statements

March 31, 2021

(In thousands of dollars)

2. Investments

Investments consist of level 1 preferred securities with a fair value of \$24 (\$27 in 2020).

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, 2021 and 2020 is as follows:

	2021	2020
	\$	\$
Total assets	86,557	66,887
Total liabilities	2,740	374
	83,817	66,513
Fund balances		
General Fund	(271)	(1,003)
Expendable Fund	19,124	21,238
Endowment Fund	64,964	46,278
	83,817	66,513

During the year ended March 31, 2021, the Foundation granted \$6,769 (\$15,251 in 2020) to the Museum as follows:

	2021	2020
	\$	\$
Operating	3,027	5,184
Restricted	1,053	3,868
Capital (deferred capital contributions)	2,689	6,199
	6,769	15,251

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, 2021

(In thousands of dollars)

4. Employee benefits

Pension Plans

- a) The Museum participates in The CAAT Plan, which is a multi-employer pension plan. Effective this year, the Museum changed its accounting policy to account for the plan as a defined contribution plan, which retroactive application. Refer to Note 11 a) for further information. The Museum's contribution to the plan during the year amounted to \$2,798 (\$3,524 in 2020) and is included in salaries and benefits in the statement of operations. Based on the most recent actuarial valuation as at January 1, 2021, the CAAT Plan has a funding excess of \$3,270 (funding excess of \$2,858 as at January 1, 2020).
- b) The supplemental pension plans are unfunded with benefits paid directly by the Museum. Information for these plans are as follows:

	2021			2020		
	Supplementary pension			Supplementary pension		
	Defined benefit	Defined contribution	Total pension	Defined benefit	Defined contribution	Total pension
	\$	\$	\$	\$	\$	\$
Accrued benefit obligation	1,781	678	2,459	2,064	526	2,590
Market value of plan assets	—	—	—	—	—	—
Funded status – plan surplus (deficit)	(1,781)	(678)	(2,459)	(2,064)	(526)	(2,590)
Unamortized net actuarial gain (loss)	(167)	—	(167)	248	—	248
Financial position – asset (liability)	(1,948)	(678)	(2,626)	(1,816)	(526)	(2,342)

The benefits expense arising during the year for the Museum's supplemental pension plan is as follows:

	2021			2020		
	Supplementary pension			Supplementary pension		
	Defined benefit	Defined contribution	Total pension	Defined benefit	Defined contribution	Total pension
Current period benefit cost	—	139	139	—	151	151
Interest cost on accrued benefit obligation	47	14	61	54	15	69
Expected return on market-related value of plan assets	—	—	—	—	—	—
Amortization of actuarial losses (gains)	167	—	167	110	—	110
Benefits expense	214	153	367	164	166	330

The Royal Ontario Museum
Notes to the financial statements

March 31, 2021

(In thousands of dollars)

4. Employee benefits (continued)

Non-Pension plans

The non-pension arrangements include post-employment and post-retirement health and dental benefits. The liability and benefit expense arising during the year are as follows:

	2021	2020
	Non-pension	Non-pension
	\$	\$
Accrued benefit obligation	7,437	8,194
Market value of plan assets	—	—
Funded status – plan surplus	(7,437)	(8,194)
Unamortized net actuarial loss	(2,665)	(1,859)
Financial position – liability	(10,102)	(10,053)

	2021	2020
	Non-pension	Non-pension
	\$	\$
Current period benefit cost	291	358
Interest cost on accrued benefit obligation	189	201
Amortization of actuarial losses (gains)	(227)	(275)
Benefits expense	253	284

Actuarial assumptions

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

	2021		2020	
	Supplementary pension		Supplementary pension	
	Defined	Defined	Defined	Defined
	Benefit	Contribution	Benefit	Contribution
	\$	\$	\$	\$
Discount rate	2.30%	n/a	2.80%	n/a
Expected long-term rate of return on plan assets	n/a	n/a	n/a	n/a
Rate of compensation increase	2.00%	n/a	2.00%	n/a
Rate of long-term inflation	2.00%	n/a	2.00%	n/a

	2021		2020	
	Non-pension		Non-pension	
	Post-	Post-	Post-	Post-
	employment	retirement	employment	retirement
Discount rate	2.20%	2.40%	2.70%	2.90%

The Royal Ontario Museum
Notes to the financial statements

March 31, 2021

(In thousands of dollars)

4. Employee benefits (continued)

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

	2021 Supplementary pension		2020 Supplementary pension	
	Defined Benefit	Defined Contribution	Defined Benefit	Defined Contribution
Discount rate	2.60%	n/a	2.30%	n/a
Rate of compensation increase	n/a	n/a	2.00%	n/a
Rate of long-term inflation	n/a	n/a	2.00%	n/a

	2021 Non-pension		2020 Non-pension	
	Post-employment	Post-retirement	Post-employment	Post-retirement
Discount rate	2.40%	2.90%	2.20%	2.40%
Weighted average increase in the cost of health care and dental benefits	4.99% in 2021 4.00% in and after 2040		4.94% in 2020 4.00% in and after 2040	

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

	2021 Supplementary pension			2020 Supplementary pension		
	Defined benefit \$	Defined contribution \$	Total pension \$	Defined benefit \$	Defined contribution \$	Total pension \$
Employee contributions	—	—	—	—	—	—
Employer contributions	82	1	83	89	—	89
Benefits paid	82	1	83	89	—	89
Loss during the period on accrued benefit obligation	(247)	—	(247)	138	—	138
Actual return on market value of plan assets	—	—	—	—	—	—

The Royal Ontario Museum
Notes to the financial statements

March 31, 2021
(In thousands of dollars)

4. Employee benefits (continued)

	2021	2020
	Non-pension	Non-pension
	\$	\$
Employer contributions	204	200
Benefits paid	204	200
(Gain)/loss during the period on accrued benefit obligation	(1,033)	575

The measurement date for the non-pension plans was March 31, 2021.

5. Capital assets

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
	\$	\$	\$	\$
Land	931	—	931	931
Building	46,113	42,820	3,293	4,449
Galleries	47,784	32,428	15,356	15,335
Building improvements	67,924	32,996	34,928	32,716
ROM project				
Building	194,308	67,183	127,125	131,983
Galleries	40,629	29,210	11,419	13,491
Ancillary services	5,723	5,723	—	—
Furniture and equipment	14,259	7,586	6,673	5,188
	417,671	217,947	199,724	204,093

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

Included in capital assets are assets under construction as follows:

	2021	2020
	\$	\$
Galleries	1,385	1,914
Building improvements	8,265	15,031
Furniture and equipment	300	1,020
	9,950	17,965

The Royal Ontario Museum
Notes to the financial statements

March 31, 2021

(In thousands of dollars)

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, 2021, the outstanding balance in connection with this facility was \$6,266 (\$3,255 in 2020).
 - (ii) \$2,000 letter of credit facility. As at March 31, 2021 and 2020, the Museum had no letters of credit outstanding.
 - (iii) As at March 31, 2021, the Museum had two letters of guarantee outstanding, totaling \$125 (\$125 in 2020).

- (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 2020–2021 was set at 2.20% and the floating rate for 2021–2022 has been set as 1.71%. 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. There are no recurring covenants for the year ending March 31, 2021.

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 \$518 (\$773 in 2020) of interest in long-term debt.

7. Deferred contributions

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

	2021	2020
	\$	\$
		Restated Note 11
Balance, beginning of year	4,488	2,550
Recognized as revenue	(1,870)	(1,750)
Amounts received	2,515	3,688
Balance, end of year	5,133	4,488

The Royal Ontario Museum
Notes to the financial statements

March 31, 2021

(In thousands of dollars)

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, 2021, unspent grants of \$7,817 (\$9,896 in 2020) are included in deferred capital contributions. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

	2021	2020
	\$	\$
Balance, beginning of year	194,652	196,295
Amortization of deferred capital contributions	(13,238)	(12,562)
Contributions received for capital asset purchases	7,510	10,919
Balance, end of year	188,924	194,652

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 2020.

(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 2020 due to the COVID-19 pandemic, as disclosed in Note 13.

(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 2020 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.

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(In thousands of dollars)

10. Commitments

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

	\$
2022	160
2023	80
2024	1
2025	—
	<u>241</u>

11. Prior period adjustments

- (a) Effective April 1, 2020, the Museum has changed its accounting policy to account for its participation in the CAAT pension plan using the defined contribution pension method. This has been applied retroactively. As such, the comparative amounts as at, and for the year ended March 31, 2020 have been restated as shown below.
- (b) During the year ended March 31, 2020, an externally restricted donation was received and recognized into revenue in error. Since specific donor restrictions were not met, the donation should have been deferred until such time as the related expenses were incurred. As such, the statement of financial position and statement of operations prior period comparatives are restated.

	March 31, 2020	Note 11 (a)	Note 11 (b)	Restated March 31, 2020
Pension assets	21,549	(21,549)	—	—
Supplemental pension liability	—	2,342	—	2,342
Deferred contributions	2,545	—	1,943	4,488
Net deficit - Operating fund	14,999	23,891	—	38,890
Net deficit - Restricted fund	3,957	—	(1,943)	2,014
Revenue - ROM Foundation Grant	9,179	—	(1,943)	7,236
Expenses - Salaries & Benefits	34,926	3,988	—	38,914
Deficiency of revenue over expenses	<u>81</u>	<u>(3,988)</u>	<u>(1,943)</u>	<u>(5,850)</u>

12. 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.

During the year, the Museum received funding from the Government of Canada for the Canada Emergency Wage Subsidy ("CEWS") which were provided to employers who experienced a decline in their operating revenues due to COVID-19. An amount of \$6,885 has been recorded as Grants revenue from Others in the Statement of operations.

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(In thousands of dollars)

12. Significant event (continued)

Further, due to the pandemic, there was been a significant impact on self-generated revenue; resulting in the Museum's increased dependence on the Province of Ontario.

13. Comparative information

Certain 2020 comparative information has been reclassified to conform with the financial statement presentation adopted for 2021.