
Financial statements of The Royal Ontario Museum

March 31, 2022

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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, 2022, 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, 2022, 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 16, 2022

The Royal Ontario Museum
Statement of financial position

As at March 31, 2022
(In thousands of dollars)

	Notes	2022 \$	2021 \$
Assets			
Current assets			
Investments	2	24	24
Accounts receivable		6,317	4,915
Deferred exhibition costs and other assets		2,224	1,098
Due from The Royal Ontario Museum Foundation	3	655	2,183
		9,220	8,220
Capital assets	5	199,154	199,724
		208,374	207,944
Liabilities			
Current liabilities			
Bank indebtedness	6(a)	4,948	6,266
Accounts payable and accrued liabilities		6,112	11,508
Supplemental pension liability	4	2,412	2,626
Deferred revenue		2,653	3,003
Deferred contributions	7	5,162	5,133
		21,287	28,536
Long-term liabilities	11	14,136	—
Long-term debt	6(b)	23,334	23,434
Deferred capital contributions	8	183,134	188,924
Accrued non-pension liability	4	10,135	10,102
		252,026	250,996
Commitments	10		
Net deficit			
Operating Fund		(39,952)	(39,249)
Restricted Fund		1,340	1,622
Capital Fund		(5,040)	(5,424)
		(43,652)	(43,051)
		208,374	207,944

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

 _____, Trustee

The Royal Ontario Museum

Statement of operations

Year ended March 31, 2022

(In thousands of dollars)

	Notes	2022 Total \$	2021 Total \$
Revenue			
Grants			
Province of Ontario		43,605	37,665
The Royal Ontario Museum Foundation	3	3,029	3,313
Other	11	6,598	7,029
Amortization of deferred capital contributions	8	13,147	13,238
		66,379	61,245
Self-generated revenue			
Admission fees		5,001	1,028
Event and concession		2,035	111
Membership fees		2,034	907
Programs and education		141	66
Other		1,295	872
Donations		20	450
		10,526	3,435
		76,905	64,680
Expenses			
Salaries and benefits		35,506	30,937
Amortization of capital assets		13,897	13,680
General administration		2,725	2,283
Supplies and cost of goods sold		1,675	602
Marketing and promotions		3,791	2,028
Objects and specimens		193	954
Utilities		2,982	3,191
Repairs, maintenance and – exhibition development		3,361	2,578
Telephone, equipment and information technology		1,044	1,323
Freight and transportation		366	1,332
Interest and other bank charges	6(b)	1,328	687
Other expenses	11	10,638	5,480
		77,506	65,075
Deficiency of revenue over expenses		(601)	(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, 2022

(In thousands of dollars)

	Operating Fund \$	Restricted Fund \$	Capital Fund \$	2022 Total \$	2021 Total \$
Balance, beginning of year	(39,249)	1,622	(5,424)	(43,051)	(42,656)
(Deficiency) excess of revenue over expenses	(703)	(282)	384	(601)	(395)
Balance, end of year	(39,952)	1,340	(5,040)	(43,652)	(43,051)

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

The Royal Ontario Museum

Statement of cash flows

Year ended March 31, 2022

(In thousands of dollars)

	Notes	2022 \$	2021 \$
Operating activities			
Deficiency of revenue over expenses		(601)	(395)
Items not involving cash			
Amortization of capital assets		13,897	13,680
Amortization of deferred capital contributions	8	(13,147)	(13,238)
Increase in accrued non-pension liability		33	49
Change in non-cash operating working capital			
Accounts receivable		(1,402)	(2,439)
Deferred exhibition costs and other assets		(1,126)	751
Due from The Royal Ontario Museum Foundation		1,528	(2,238)
Accounts payable and accrued liabilities		8,740	2,580
Supplemental pension liability		(214)	284
Deferred contributions		29	645
Deferred revenue		(350)	(791)
		7,387	(1,111)
Capital activities			
Contributions received for capital asset purchases	8	7,357	7,510
Purchase of capital assets		(13,326)	(9,313)
		(5,969)	(1,803)
Financing activities			
Repayments of long-term debt		(100)	(100)
Investing activity			
Change in investments		—	3
Change in cash position		1,318	(3,011)
Bank indebtedness, beginning of year		(6,266)	(3,255)
Bank indebtedness, end of year		(4,948)	(6,266)

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

The Royal Ontario Museum

Notes to the financial statements

March 31, 2022

(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.

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, 2022 and 2021, 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. The CAAT Plan has been accounted for as a defined contribution plan since it is a multi-employer plan.

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 \$nil (\$277 in 2021) 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 obligations related to employee future benefits. Actual amounts could differ from those estimates.

The Royal Ontario Museum
Notes to the financial statements

March 31, 2022

(In thousands of dollars)

2. Investments

Investments consist of level 1 preferred securities with a fair value of \$24 (\$24 in 2021).

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. 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, 2022 and 2021 is as follows:

	2022	2021
	\$	\$
Total assets	126,626	86,557
Total liabilities	1,093	2,740
	125,533	83,817
Fund balances		
General Fund	482	(271)
Expendable Fund	25,745	19,124
Endowment Fund	99,306	64,964
	125,533	83,817

The increase in total assets in 2022 was primarily due to new Endowment Funds raised.

During the year ended March 31, 2022, the Foundation granted \$5,975 (\$6,769 in 2021) to the Museum as follows:

	2022	2021
	\$	\$
Operating	2,524	3,027
Restricted	593	1,053
Capital (deferred capital contributions)	2,858	2,689
	5,975	6,769

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.

4. Employee benefits

Pension Plans

- (a) The Museum participates in The CAAT Plan, which is a multi-employer pension plan. The Museum's contribution to the plan during the year amounted to \$3,185 (\$2,798 in 2021) and is included in salaries and benefits in the statement of operations. Based on the most recent actuarial valuation as at January 1, 2022, the CAAT Plan has a funding excess of \$4,369 (funding excess of \$3,270 as at January 1, 2021).
- (b) The supplemental pension plans are unfunded with benefits paid directly by the Museum. Information for these plans are as follows:

	2022			2021		
	Supplementary pension		Total pension	Supplementary pension		Total pension
	Defined benefit	Defined contribution		Defined benefit	Defined contribution	
	\$	\$	\$	\$	\$	\$
Accrued benefit obligation	1,615	549	2,164	1,781	678	2,459
Funded status - plan (deficit)	(1,615)	(549)	(2,164)	(1,781)	(678)	(2,459)
Unamortized net actuarial gain (loss)	(248)	—	(248)	(167)	—	(167)
Financial position - asset (liability)	(1,863)	(549)	(2,412)	(1,948)	(678)	(2,626)

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

	2022			2021		
	Supplementary pension		Total pension	Supplementary pension		Total pension
	Defined benefit	Defined contribution		Defined benefit	Defined contribution	
Current period benefit cost	—	95	95	—	139	139
Interest cost on accrued benefit obligation	44	12	56	47	14	61
Expected return on market-related value of plan assets	—	—	—	—	—	—
Amortization of actuarial losses (gains)	17	—	17	167	—	167
Benefits expense	61	107	168	214	153	367

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:

	2022 Non-pension \$	2021 Non-pension \$
Accrued benefit obligation	7,423	7,437
Funded status – plan liability	(7,423)	(7,437)
Unamortized net actuarial loss	(2,712)	(2,665)
Financial position – liability	(10,135)	(10,102)

	2022 Non-pension \$	2021 Non-pension \$
Current period benefit cost	312	291
Interest cost on accrued benefit obligation	208	189
Amortization of actuarial losses (gains)	(314)	(227)
Benefits expense	206	253

Actuarial assumptions

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

	2022 Supplementary pension		2021 Supplementary pension	
	Defined Benefit \$	Defined Contribution \$	Defined Benefit \$	Defined Contribution \$
Discount rate	3.10%	n/a	2.30%	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

	2022 Non-pension		2021 Non-pension	
	Post- employment	Post- retirement	Post- employment	Post- retirement
Discount rate	3.10%	3.20%	2.20%	2.40%

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:

	2022		2021	
	Supplementary pension		Supplementary pension	
	Defined Benefit	Defined Contribution	Defined Benefit	Defined Contribution
Discount rate	3.10%	n/a	2.60%	n/a
Rate of compensation increase	n/a	n/a	n/a	n/a
Rate of long-term inflation	n/a	n/a	n/a	n/a

	2022		2021	
	Non-pension		Non-pension	
	Post-employment	Post-retirement	Post-employment	Post-retirement
Discount rate	3.10%	3.20%	2.40%	2.90%
Weighted average increase in the cost of health care and dental benefits	4.97% in 2022 declining over time to 4.00% in and after 2040		4.99% in 2021 declining over time to 4.00% in and after 2040	

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

	2022			2021	
	Supplementary pension		Total pension	Supplementary pension	
	Defined benefit	Defined contribution		Defined benefit	Defined contribution
	\$	\$	\$	\$	\$
Employee contributions	—	—		—	—
Employer contributions	146	236	382	82	1
Benefits paid	146	236	382	82	1
Loss during the period on accrued benefit obligation	(64)	—	(64)	(247)	—

4. Employee benefits (continued)

	2022	2021
	Non-pension	Non-pension
	\$	\$
Employer contributions	173	204
Benefits paid	173	204
Gain during the period on accrued benefit obligation	(361)	(1,033)

The measurement date for the non-pension plans was March 31, 2022.

5. Capital assets

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
	\$	\$	\$	\$
Land	931	—	931	931
Building	240,421	115,237	125,184	130,418
Galleries	94,923	65,657	29,266	26,775
Building improvements	74,414	36,528	37,886	34,928
Ancillary services	5,723	5,723	—	—
Furniture and equipment	14,610	8,723	5,887	6,673
	431,022	231,868	199,154	199,725

Included in capital assets are assets under construction as follows:

	2022	2021
	\$	\$
Galleries	697	1,385
Building improvements	8,963	8,265
Furniture and equipment	—	300
	9,660	9,950

The Royal Ontario Museum
Notes to the financial statements

March 31, 2022

(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, 2022, the outstanding balance in connection with this facility was \$4,948 (\$6,266 in 2021).
 - (ii) \$2,000 letter of credit facility. As at March 31, 2022 and 2021, the Museum had no letters of credit outstanding.
 - (iii) As at March 31, 2022, the Museum had two letters of guarantee outstanding, totaling \$125 (\$125 in 2021).
- (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 2021–2022 was set at 1.71% and the floating rate for 2022–2023 has been set as 3.54%. 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. Management believes the Museum is in substantial compliance with all covenants at March 31, 2022 and any non-compliance would not have a significant impact on the Museum.

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 \$402 (\$518 in 2021) 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.

	2022	2021
	\$	\$
Balance, beginning of year	5,133	4,488
Recognized as revenue	(1,062)	(1,870)
Amounts received	1,091	2,515
Balance, end of year	5,162	5,133

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, 2022, unspent grants of \$2,744 (\$7,817 in 2021) are included in deferred capital contributions. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

	2022 \$	2021 \$
Balance, beginning of year	188,924	194,652
Amortization of deferred capital contributions	(13,147)	(13,238)
Contributions received for capital asset purchases	7,357	7,510
Balance, end of year	183,134	188,924

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 2022.

(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 2021 due to the COVID-19 pandemic, as disclosed in Note 11.

(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 2021 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 Royal Ontario Museum
Notes to the financial statements

March 31, 2022

(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:

	<u>\$</u>
2023	80
2024	<u>1</u>
	<u>81</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.

During 2021 and 2022, the Museum received funding from the Government of Canada for the Canada Emergency Wage Subsidy ("CEWS"). The Canada Revenue Agency, which administered CEWS, is considering the Museum's eligibility. Pending the outcome, the total funding received of \$13,388 has been recorded as long-term liabilities.

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