



Consolidated Financial Statements of

**THE NEW BRUNSWICK MUSEUM /  
LE MUSÉE DU  
NOUVEAU-BRUNSWICK**

Years ended March 31, 2013 and 2012

**KPMG LLP**

Frederick Square  
77 Westmorland Street Suite 700  
Fredericton NB E3B 6Z3  
Telephone (506) 452-8000  
Fax (506) 450-0072  
Internet www.kpmg.ca

One Factory Lane  
Place Marven's  
PO Box 827  
Moncton NB E1C 8N6  
Telephone (506) 856-4400  
Fax (506) 856-4499

Harbour Building  
133 Prince William Street  
PO Box 2388 Stn Main  
Saint John NB E2L 3V6  
Telephone (506) 634-1000  
Fax (506) 633-8828

## INDEPENDENT AUDITORS' REPORT

To the Directors of The New Brunswick Museum / Le Musée du Nouveau-Brunswick

We have audited the accompanying consolidated financial statements of The New Brunswick Museum / Le Musée du Nouveau-Brunswick, which comprise the consolidated statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the consolidated statement of remeasurement gain for the year ended March 31, 2013, the consolidated statements of financial operations and changes in fund balances and cash flows for the year ended March 31, 2013 and 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The New Brunswick Museum / Le Musée du Nouveau-Brunswick as at March 31, 2013, March 31, 2012 and April 1, 2011, and its consolidated remeasurement gains for the year ended March 31, 2013, and its consolidated results of operations for the years ended March 31, 2013 and 2012, in accordance with Canadian public sector accounting standards.

The consolidated statement of financial position as at April 1, 2011 was audited by another firm of chartered accountants.

Chartered Accountants

June 14, 2013

Saint John, Canada

# THE NEW BRUNSWICK MUSEUM / LE MUSÉE DU NOUVEAU-BRUNSWICK

Consolidated Financial Statements

Years ended March 31, 2013 and 2012

---

Consolidated Statements of Financial Position	1
Consolidated Statements of Operations and Changes in Fund Balances	2
Consolidated Statements of Cash Flows	3
Consolidated Statement of Remeasurement Gains	4
Notes to the Consolidated Financial Statements	5 - 12

# THE NEW BRUNSWICK MUSEUM / LE MUSÉE DU NOUVEAU-BRUNSWICK

Consolidated Statements of Financial Position

March 31, 2013, March 31, 2012 and April 1 2011

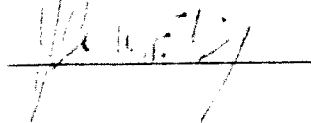
	General Fund	Property and Equipment Fund	Restricted Fund	Endowment Fund	March 31, 2013	March 31, 2012	April 1, 2011
<b>Assets</b>							
Current assets:							
Cash	\$ -	\$ -	\$ 5,031	\$ 1,766	\$ 6,797	\$ 51,531	\$ 161,927
Short-term investments (note 3)	-	-	13,137	184,803	197,940	208,223	428,087
Accounts receivable:							
Trade	64,955	-	-	-	64,955	64,748	62,663
Grants	5,518	-	225,891	10,694	242,103	141,720	144,244
Due from Province of New Brunswick	-	-	290,872	-	290,872	266,925	59,505
Prepaid expenses	48,312	-	-	-	48,312	56,864	82,683
Inventory	43,480	-	-	-	43,480	38,384	43,745
	162,265	-	534,931	197,263	894,459	828,395	982,854
Investments (note 3)	-	-	-	1,629,039	1,629,039	1,540,160	1,342,574
Property and equipment (note 4)	-	45,944	-	-	45,944	50,175	57,965
Collection and accessions	2	-	-	-	2	2	2
	\$ 162,267	\$ 45,944	\$ 534,931	\$ 1,826,302	\$ 2,569,444	\$ 2,418,732	\$ 2,383,395

## Liabilities and Fund Balances

Current liabilities:							
Cheques issued in excess of funds on deposit	\$ 3,447	\$ -	\$ -	\$ -	\$ 3,447	\$ -	\$ -
Accounts payable and accrued liabilities	179,014	-	7,091	-	186,105	207,064	217,306
Due to Province of New Brunswick	-	-	-	-	-	-	60,492
Interfund loans	(44,963)	-	54,621	(9,658)	-	-	-
	137,498	-	61,712	(9,658)	189,552	207,064	277,798
Fund Balances:							
Unrestricted	24,769	-	-	-	24,769	21,111	18,630
Internally restricted	-	-	86,555	24,191	110,746	114,746	85,866
Externally restricted	-	-	386,664	-	386,664	312,810	231,381
Endowments	-	-	-	1,570,278	1,570,278	1,515,270	1,501,718
Accumulated rereasurement gains	-	-	-	241,491	241,491	197,556	210,037
Property and equipment	-	45,944	-	-	45,944	50,175	57,965
	24,769	45,944	473,219	1,835,960	2,379,892	2,211,668	2,105,597
	\$ 162,267	\$ 45,944	\$ 534,931	\$ 1,826,302	\$ 2,569,444	\$ 2,418,732	\$ 2,383,395

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Director



Director

# THE NEW BRUNSWICK MUSEUM / LE MUSÉE DU NOUVEAU-BRUNSWICK

Consolidated Statement of Operations and Changes in Fund Balances

Years ended March 31, 2013 and 2012

	General Fund	Property and Equipment Fund	Restricted Fund	Endowment Fund	2013	2012
<b>Revenues:</b>						
Grants:						
Provincial	\$2,231,000	\$ -	\$ 477,011	\$ -	\$ 2,708,011	\$ 2,675,840
Federal	-	-	82,878	-	82,878	20,078
Interest income	1,982	-	46	57,623	59,651	60,521
Webster Foundation	-	-	-	38,835	38,835	37,245
Museum services (note 5)	186,948	-	6,390	-	193,338	174,835
Other grants	-	-	142,961	-	142,961	148,765
Bequests and donations	-	-	56,139	20,126	76,265	94,150
	<u>2,419,930</u>	<u>-</u>	<u>765,425</u>	<u>116,584</u>	<u>3,301,939</u>	<u>3,211,434</u>
<b>Expenditures:</b>						
Salaries and benefits	1,965,115	-	107,737	-	2,072,852	2,145,781
Materials, supplies and services	485,668	-	527,493	14,944	1,028,105	879,819
Amortization	-	33,404	-	-	33,404	31,243
Collections and accessions	32,638	-	23,046	-	55,684	28,225
Research grants	-	-	4,000	-	4,000	3,000
	<u>2,483,421</u>	<u>33,404</u>	<u>662,276</u>	<u>14,944</u>	<u>3,194,045</u>	<u>3,088,068</u>
Excess (deficiency) of revenues over expenditures	(63,491)	(33,404)	103,149	101,640	107,894	123,366
Gain (loss) on sales of investments	-	-	-	16,395	16,395	(4,814)
Net surplus (deficit)	(63,491)	(33,404)	103,149	118,035	124,289	118,552
Fund balance, beginning of year	21,111	50,175	381,976	1,758,406	2,211,668	2,105,597
	(42,380)	16,771	485,125	1,876,441	2,335,957	2,224,149
Interfund transfers	67,149	29,173	(11,906)	(84,416)	-	-
Remeasurement gains (losses)	-	-	-	43,935	43,935	(12,481)
Fund balance, end of year	\$ 24,769	\$ 45,944	\$ 473,219	\$ 1,835,960	\$ 2,379,892	\$ 2,211,668

See accompanying notes to consolidated financial statements.

# THE NEW BRUNSWICK MUSEUM / LE MUSÉE DU NOUVEAU-BRUNSWICK

Consolidated Statements of Cash Flows

Years ended March 31, 2013 and 2012

	2013	2012
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	\$ 124,289	\$ 118,552
Items not involving cash:		
Amortization of property and equipment	33,404	31,243
Loss (gain) on sale of investments	(16,395)	4,814
	<u>141,298</u>	<u>154,609</u>
Change in non-cash operating working capital:		
Accounts receivable:		
Trade	(207)	(2,085)
Grants	(100,383)	2,524
Due from Province of New Brunswick	(23,947)	(207,420)
Prepaid expenses	8,552	25,819
Inventory	(5,096)	5,361
Accounts payable and accrued liabilities	(20,959)	(10,242)
Due to Province of New Brunswick	-	(60,492)
	<u>(742)</u>	<u>(91,926)</u>
Investments:		
Proceeds from sale of investments	286,137	431,679
Purchase of investments	(304,403)	(426,696)
	<u>(18,266)</u>	<u>4,983</u>
Capital activities		
Property and equipment acquired	(29,173)	(23,453)
	<u>(48,181)</u>	<u>(110,396)</u>
Decrease in cash	(48,181)	(110,396)
Cash, beginning of year	51,531	161,927
Cash, end of year	<u>\$ 3,350</u>	<u>\$ 51,531</u>
Cash at the end of the year consists of:		
Cash	\$ 6,797	\$ 51,531
Cheques issued in excess of funds on deposit	(3,447)	-
	<u>\$ 3,350</u>	<u>\$ 51,531</u>

See accompanying notes to consolidated financial statements.

# THE NEW BRUNSWICK MUSEUM / LE MUSÉE DU NOUVEAU-BRUNSWICK

Consolidated Statement of Remeasurement Gains

Year ended March 31, 2013

	2013
Accumulated remeasurement gains, beginning of the year	\$ 197,556
Unrealized gains (losses) attributable to:	
Long-term investments	
Fixed income	(3,056)
Equity instruments	46,991
	43,935
Accumulated remeasurement gains, end of the year	\$ 241,491

See accompanying notes to consolidated financial statements.

# THE NEW BRUNSWICK MUSEUM / LE MUSÉE DU NOUVEAU-BRUNSWICK

Notes to Consolidated Financial Statements

Years ended March 31, 2013 and 2012

---

The New Brunswick Museum / Le Musée du Nouveau-Brunswick (the "Museum") is incorporated under the laws of the Province of New Brunswick. As New Brunswick's provincial museum, it is the principal repository and steward of material that documents or represents the natural and human history of New Brunswick and other related regions. The Museum works in partnership with institutions and communities to collect, preserve, research and interpret material to foster a greater understanding and appreciation of New Brunswick provincially and globally.

The Museum is registered as a charitable organization under the Income Tax Act (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.

On April 1, 2012, the Museum adopted Canadian Public Sector Accounting Standards. The Museum has also elected to apply the 4200 standards for government not-for-profit organizations. These are the first financial statements prepared in accordance with these public sector accounting standards.

In accordance with the transitional provisions in Public Sector Accounting Standards, the Museum has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying public sector accounting standards.

## 1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards. The Museum has elected to apply the section 4200 series for government not-for-profit organizations.

### (a) Financial statement presentation:

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Museum, the accounts of the Museum are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into separate funds. These funds are held in accordance with the objectives specified by the Board of Directors (the "Board"), and/or with directives issued by various funding authorities, and/or by donors.

These consolidated financial statements include the accounts of the Museum and its subsidiary, The New Brunswick Museum Foundation, Inc.

For financial reporting purposes, the accounts have been classified into the following four groupings.

#### (i) General Fund:

This fund reflects the day-to-day operating transactions of the Museum.



# THE NEW BRUNSWICK MUSEUM / LE MUSÉE DU NOUVEAU-BRUNSWICK

Notes to Consolidated Financial Statements (continued)

Years ended March 31, 2013 and 2012

---

## 1. Significant accounting policies (continued):

### (a) Financial statement presentation (continued):

#### (ii) Property and Equipment Fund:

This fund reports the property and equipment owned by the Museum. The Museum's premises are provided by the Province of New Brunswick.

Assets are stated at cost and are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Rate
Computer equipment	33%
Equipment	20%
Furniture	10%

---

In the year of acquisition, amortization is calculated over the number of months the related asset is available for use.

#### (iii) Restricted Fund:

This fund includes amounts received by the Museum which are designated to be for certain restricted activities. Such restricted activities include the following:

*Grants* - Amounts received from various governments and private agencies to finance specific projects.

*Department of Canadian Heritage* - Amounts received from the Department of Canadian Heritage for specific projects that foster access by present and future generations of Canadians to their human, natural, artistic and scientific heritage.

*Bequests and donations* - Amounts received from sources which place specific restrictions on their use.

*Internally restricted funds* - Amounts restricted by the Board for exhibitions and gallery upgrades. This also includes funds received from activities of the staff to assist in financing specific project expenditures.

# THE NEW BRUNSWICK MUSEUM / LE MUSÉE DU NOUVEAU-BRUNSWICK

Notes to Consolidated Financial Statements (continued)

Years ended March 31, 2013 and 2012

---

## 1. Significant accounting policies (continued):

### (a) Financial statement presentation (continued):

#### (iv) Endowment Fund:

This fund includes amounts held for the long-term benefit of the Museum, the income from which is to be used for various restricted purposes. The Endowment Fund includes the following individual funds whose stated purpose is as follows:

*General Donation Fund* - All undesignated donations are applied to this Fund upon receipt. Board Resolution may subsequently transfer these donations to the Legacy Collection or Named Donor Endowment Funds. Principal and income deriving from the Fund may be used for programs or collections of the Museum at the discretion of the Board.

*Legacy Endowment Fund* - Income from the Legacy Endowment Fund is used to fund programs of the Museum.

*Collection Endowment Fund* - Income from the Collections Fund is designated for the acquisition of artifacts for the Museum's collection.

#### Research Endowment Funds

*Matthew Research Fund* - Established by the New Brunswick Museum in 1987 to support geological research in New Brunswick by non-staff researchers. Research grants are reviewed and approved by Management upon recommendation of the Curator of Geology.

*Christie Research Fund* - Established by the New Brunswick Museum in 1987 to support research in natural science by non-staff researchers. Research grants are reviewed and approved by Management upon recommendation of the Curator of Zoology.

*Named Donor Endowment Funds* - These funds comprise individual trusts established to carry out the terms and conditions of certain bequests as required. Disbursements from these trusts are made in accordance with the terms set by the donor.

*Webster Fund* - Funds received from the Webster Foundation are applied toward certain humanities programs under the General Fund.

Interest income earned on these contributions is classified as externally restricted assets to be applied towards the programs described above. Amounts approved by the Board to be transferred to the General Funds in the following financial year to fund such projects are classified as internally restricted assets.

# THE NEW BRUNSWICK MUSEUM / LE MUSÉE DU NOUVEAU-BRUNSWICK

Notes to Consolidated Financial Statements (continued)

Years ended March 31, 2013 and 2012

---

## 1. Significant accounting policies (continued):

### (b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of remeasurement gains until they are realized, when they are transferred to the statement of operations.

Fair value is determined by reference to their quoted bid price. Sales and purchases of investments are recorded on the trade date, transactions costs are expensed.

### (c) Revenue recognition:

#### (i) General revenue:

Grants from the Province of New Brunswick and other government agencies are recognized when there is evidence that an arrangement exists, the services have been provided and collection is reasonably assured. Bequests and donations are recognized when received. Other revenue from sales and services is recognized when the transaction is completed and collection is reasonably assured.

#### (ii) Investment revenue:

Investment income comprises interest from fixed income investments dividends from equity investments and realized gains on the sale of investments. Revenue is recognized on an accrual basis. Interest on fixed income investments is recognized over the terms of these investments using the effective interest method.

### (d) Inventories:

Inventories are measured at the lower of cost and net realizable value, with cost being determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable variable selling costs. The cost of inventories comprised all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The costs of purchase comprise the purchase price, import duties and non-recoverable taxes directly attributable to the acquisition of inventory.

# THE NEW BRUNSWICK MUSEUM / LE MUSÉE DU NOUVEAU-BRUNSWICK

Notes to Consolidated Financial Statements (continued)

Years ended March 31, 2013 and 2012

---

## 1. Significant accounting policies (continued):

### (e) Collections and accessions:

Collections and accessions are recorded at a nominal value. Additions to the collections are expensed in the year of acquisition.

The collections of the Museum comprise a wide range of subject matter from the Humanities, Archives and Research, Library and Natural Science, which are relevant to New Brunswick and have been continually acquired since the institution's foundation in 1842. The humanities holdings include history and technology artifacts, fine and decorative arts. The Archives and Research library holds archival material, photographs, monographs including periodical titles. The Natural Science holdings include geological, palaeontological, botanical and zoological collections.

### (f) Contributed Services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

### (g) Management estimates:

The preparation of financial statements in conformity with Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures during the reporting period. Estimates are used for, but not limited to, provisions for doubtful accounts and inventory obsolescence and amortization. Actual results could differ from those estimates.

## 2. Adoption of new accounting standard:

Effective April 1, 2012, the Museum adopted Canadian public sector accounting standards for a government not-for-profit organization (GNPO) and elected to apply the section 4200 series. These are the first financial statements prepared in accordance with these public sector accounting standards.

In accordance with the transitional provisions in Canadian public sector accounting standards, the Museum has adopted the changes retrospectively. The transition date is April 1, 2011 and all comparative information provided has been presented by applying Canadian public sector accounting standards.

There are no adjustments to fund balances as at April 1, 2011 or to net surplus for the year ended March 31, 2012 as a result of the transition to Canadian public sector accounting standards.

# THE NEW BRUNSWICK MUSEUM / LE MUSÉE DU NOUVEAU-BRUNSWICK

Notes to Consolidated Financial Statements (continued)

Years ended March 31, 2013 and 2012

### 3. Investments:

	March 31, 2013	March 31, 2012	April 1, 2011
<b>Short-term investments:</b>			
Treasury bills and mutual funds	\$ 35,322	\$ 30,725	\$ 93,652
Bonds maturing within one year	162,618	177,498	334,435
	<u>\$ 197,940</u>	<u>\$ 208,223</u>	<u>\$ 428,087</u>
<b>Long-term investments:</b>			
Bonds	\$ 899,611	\$ 867,298	\$ 673,002
Equities	729,428	672,862	669,572
	<u>\$ 1,629,039</u>	<u>\$ 1,540,160</u>	<u>\$ 1,342,574</u>

### 4. Property and equipment:

March 31, 2013	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 263,673	\$ 256,681	\$ 6,992
Equipment	419,437	384,725	34,712
Furniture	85,997	81,757	4,240
	<u>\$ 769,107</u>	<u>\$ 723,163</u>	<u>\$ 45,944</u>
March 31, 2012	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 256,911	\$ 249,708	\$ 7,203
Equipment	397,026	360,618	36,408
Furniture	85,997	79,433	6,564
	<u>\$ 739,934</u>	<u>\$ 689,759</u>	<u>\$ 50,175</u>
April 1, 2011	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 249,539	\$ 244,744	\$ 7,795
Equipment	380,943	340,742	40,201
Furniture	85,997	76,028	9,969
	<u>\$ 716,479</u>	<u>\$ 661,514</u>	<u>\$ 57,965</u>

# THE NEW BRUNSWICK MUSEUM / LE MUSÉE DU NOUVEAU-BRUNSWICK

Notes to Consolidated Financial Statements (continued)

Years ended March 31, 2013 and 2012

## 5. General Funds Revenues and Expenditures - Detailed Comparison to Budget:

	2013	2013
	Actual	Budget (unaudited)
<b>Revenues:</b>		
Provincial grants	\$ 2,231,000	\$ 2,231,000
Museum services	186,948	179,000
Interest income	1,982	2,500
	<u>2,419,930</u>	<u>2,412,500</u>
<b>Expenditures:</b>		
Salaries and benefits	1,965,115	2,037,575
Operations	275,841	240,000
Marketing and development	60,272	70,000
Curatorial and library	93,246	60,000
Exhibition and technical services	66,732	52,500
Visitor services	18,709	17,500
Outreach	3,506	10,000
	<u>2,483,421</u>	<u>2,487,575</u>
<b>Deficiency of revenues over expenditures</b>	<b>\$ (63,491)</b>	<b>\$ (75,075)</b>

## 6. Museum services:

Museum services consist of the following revenue and expenditures:

	2013	2012
<b>Revenues:</b>		
Gift shop, programs and other	\$ 293,359	\$ 219,629
Admissions	95,525	102,378
Facility rentals	18,994	21,823
Membership	12,703	9,608
	<u>420,581</u>	<u>353,438</u>
<b>Expenditures:</b>		
Gift shop, programs and other	233,633	178,603
	<u>\$ 186,948</u>	<u>\$ 174,835</u>

# THE NEW BRUNSWICK MUSEUM / LE MUSÉE DU NOUVEAU-BRUNSWICK

Notes to Consolidated Financial Statements (continued)

Years ended March 31, 2013 and 2012

---

## 7. Financial risks:

### (a) Credit risk:

The Museum is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. Specifically, the risk that bond issuers will default on the payment of interest or principal upon maturity, or that The Museum's accounts receivables will not be collected. Credit risk on bonds is largely mitigated by The Museum's investment policy which only allows high quality bonds to be purchased. Credit risk on accounts receivable is mitigated by the fact that 65% of accounts receivable are due from Canadian governments, governmental organizations, or related to the above mentioned bonds.

### (b) Currency risk:

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The functional currency of the Museum is the Canadian dollar. The Museum infrequently carries out transactions in U.S. dollars and does not use foreign exchange forward contracts. The investment portfolio of the Museum is held primarily in Canadian bonds and securities and is therefore exposed to minimal currency risk.

### (c) Market risk:

The Museum is exposed to market risk through the fluctuation of financial instrument fair values due to changes in market prices.

The Museum has an investment fund policy and the Endowment Fund investments are managed by a professional fund manager. The investment policy of the Museum is designed to ensure that the Museum's assets are invested in prudent manner. In order to optimise returns at an appropriate level of risk the policy provides guidelines for asset quality diversity and asset mix consisting of 0% to 10% cash and equivalent, 50% to 65% fixed income investments and 25% to 40% equities.

### (d) Interest rate risk:

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The interest rate exposure of the Museum arises from its interest bearing assets. The Museum has no interest bearing liabilities.

The Museum manages the interest rate risk exposure of its fixed income investments by using a laddered portfolio with varying terms to maturity. The laddered structure of maturities helps to enhance the average portfolio yield while reducing the sensitivity of the portfolio to the impact of interest rate fluctuations. Investments in equity securities are not exposed to significant interest rate risk.

Investments mature at varying dates ranging from June 2012 to January 2017 and yield interest at varying rates ranging from 2.40% to 5.25%.