

CANADIAN MUSEUM OF HISTORY

Quarterly Financial Statements

For the six month period ended September 30, 2017

Unaudited

NARRATIVE DISCUSSION

These quarterly financial statements must be read in conjunction with the March 31, 2017 audited financial statements of the Canadian Museum of History (CMH) and with this narrative discussion.

OVERVIEW

The Corporation is committed to sustaining a strong financial and operational foundation for the delivery of quality museum programs and services. Responding to the Strategic Directions of its Board of Trustees, the Corporation builds accountability into its operational planning and reporting. The Corporation has at its core, a management culture that fosters excellence and adaptation of best practices for continued improvement. It is accountable to Parliament and Canadians in implementing its mandate.

STRATEGIC DIRECTION

In June 2014, the Corporation's Board of Trustees unveiled five Strategic Directions that introduced new priorities and broadened the Corporation's scope of activities. A detailed set of goals and objectives addresses each direction. The Corporation's five Strategic Directions are as follows:

Establish the Museum as a hub of Canadian history for Canada and the world.

Connect Canadians to their history and reflect this personal connection in all aspects of the Museum experience.

Develop a collection that better reflects Canada's history and distinctiveness.

Engage dynamic partnerships and networks across Canada and internationally for mutual benefit.

Ensure the Museum has the financial resources to carry out its Mandate.

FINANCIAL OVERVIEW

During the second quarter of 2017-18, the Canadian Museum of History and the Canadian War Museum welcomed a record number of visitors.

The Museum marked the second quarter of 2017-18 fiscal year with the opening of the Canadian History Hall, the largest and most ambitious exhibition on Canadian history ever created. Canada's 150th anniversary of confederation in 2017 was also an opportunity for the Museum to increase the number of visitors and develop partnership and outreach opportunities.

The Canadian War Museum was also presenting a strong line-up of exhibitions in the second quarter, notably, the critically successful *Vimy – Beyond the Battle*, which sheds light on how and why we commemorate *by exploring private and collective memories of the Battle of Vimy Ridge, the First World War and more recent conflicts*.

The exceptional attendance during the second quarter of 2017-18 at both museums favourably impacted audience-driven revenues such as admissions, boutique sales, and parking.

STATEMENT OF OPERATIONS

The Corporation's net results of operations for the six month period ended September 30, 2017 reflect a surplus of \$4.0 million, compared to \$3.0 million for the prior fiscal year.

Revenues for the period total \$16.7 million, compared to \$10.4 million for the same period of the previous fiscal year. The 60% increase in revenues is primarily attributable to the following:

- Strong attendance led to increased General admission and programmes revenue;
- Recognition of donations received towards the Canadian History Hall project resulted in an increase in donations revenues;
- Increased in-kind sponsorships and artifact donations.

Operating expenses for the period total \$52.1 million, compared to \$44.6 million for the comparative period of the previous fiscal year. The increase is mainly explained by salary increases resulting from new collective agreements signed in 2016-17 and higher collection acquisition costs following the acquisition of the Mike Wilson and Debra Thuet Hockey collection.

Parliamentary appropriations for the period total \$39.4 million, an amount comparable to the \$37.2 million total for the same period in the previous fiscal year. The 2017-18 parliamentary appropriations include the second year of a five year approval for additional capital funding, approved in Budget 2016, to address urgent health and safety related capital projects.

FINANCIAL POSITION

Cash, restricted cash and investments decreased by \$2.8 million, when compared to the March 31, 2017 balance, mainly due to the use of funding received in past fiscal years for the transformation of the Canadian History Hall.

Accounts payable and accrued liabilities decreased by \$4.4 million, when compared to March 31, 2017, mainly explained by seasonal fluctuations.

The decrease in deferred contributions of \$3.4 million is mainly explained by the recognition of the donations received towards the Canadian History Hall.

The Museum's unrestricted net assets as of September 30, 2017 represent \$13.9 million. The Museum also has restricted net assets, totalling \$15 million, for the refurbishment of permanent exhibition galleries, including the transformation of the Canadian Children's Museum.

CHANGE IN ACCOUNTING POLICY

On April 1, 2017, the Corporation reviewed its accounting policy regarding the classification of investments under the Canadian public sector accounting standards applicable to government-not-for-profit organizations to determine if existing classifications remain appropriate based on the nature of the investments held.

As of April 1, 2017, the vast majority of investments held were fixed income in nature with the expectation of minimal fluctuations between cost and market value. In this regard, the Corporation has elected to change its investment classification and value its investments under the amortized cost method whereby all investments will be presented at their cost upon recognition rather than at their market value as of the financial statement date. This change in accounting policy will be applied retroactively.

The impact of this change in accounting policy is explained in note 3 of the financial statements.

OUTLOOK

The Corporation was fortunate to receive new funding identified in Budget 2016 amounting to \$15.5 million over five years to address the Corporation's most urgent capital repairs. This positive decision reflects the most urgent health and safety capital needs of the Corporation. Because of the aging buildings, management is regularly uncovering new issues that need to be addressed. The current annual capital funding requirements exceed the annual capital funding received. As a result, capital projects identified in the long-term capital plan will be prioritized and only the most critical ones will be performed.

The Museum continues to face non-funded financial pressures relating to inflationary increases for utilities, building maintenance, and security costs. Given that government funding for operating and capital expenditures remains stable, the Museum will need to find solutions with Canadian Heritage to avoid longer term financial challenges.

STATEMENT OF MANAGEMENT RESPONSIBILITY

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations, changes in net assets and cash flows of the Corporation, as at the date of and for the periods presented in the quarterly financial statements.



David Loye, CPA, CGA
Chief Operating Officer and Senior Vice-President



Marie-Josée Lacombe, CPA, CGA
Chief Financial Officer

Gatineau, Quebec

November 29, 2017

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Statement of Financial Position

As at

(In thousands of dollars)

	September 30, 2017	March 31, 2017 Restated Note 3
Assets		
Current assets		
Cash	\$ 4,094	\$ 4,449
Restricted cash and investments	2,673	5,078
Investments	1,686	3,719
Accounts receivable	1,541	2,847
Inventories	957	843
Prepaid expenses	749	720
	11,700	17,656
Restricted cash and investments	12,453	12,490
Investments	54,972	53,232
Collections	1	1
Capital assets	242,523	247,181
	\$ 321,649	\$ 330,560
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 10,857	\$ 15,252
Deferred contributions (note 4)	9,043	12,402
Deferred revenues	1,532	1,557
	21,432	29,211
Deferred contributions - National Collection Fund (note 5)	10,546	10,458
Deferred contributions related to capital assets (note 6)	210,509	216,107
Employee future benefits	9,365	8,976
	251,852	264,752
Net assets		
Unrestricted	13,929	9,940
Restricted for permanent exhibit renewal	15,000	15,000
Investment in capital assets	40,868	40,868
Accumulated remeasurement gains	-	-
	69,797	65,808
	\$ 321,649	\$ 330,560

The accompanying notes and schedules form an integral part of the financial statements.

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Statement of Operations

For the three and six month periods ended September 30

(In thousands of dollars)

	Three month period ended September 30		Six month period ended September 30	
	2017	2016	2017	2016 Restated Note 3
Revenues				
Donations and sponsorships (note 7)	\$ 3,698	\$ 139	\$ 4,252	\$ 582
Net investment income	430	333	825	721
Operating (schedule 1)	6,676	4,889	11,630	9,123
	10,804	5,361	16,707	10,426
Expenses (schedule 2)				
Collect and research	\$ 5,083	\$ 2,857	\$ 8,759	\$ 5,955
Exhibit, educate and communicate	6,471	5,781	13,121	11,644
Accommodation	10,634	9,244	20,643	18,527
Corporate management	4,796	4,232	9,563	8,423
	26,984	22,114	52,086	44,549
Net result of operations before parliamentary appropriations	(16,180)	(16,753)	(35,379)	(34,123)
Parliamentary appropriations (note 8)	21,394	19,968	39,368	37,169
Net result of operations	\$ 5,214	\$ 3,215	\$ 3,989	\$ 3,046

The accompanying notes and schedules form an integral part of the financial statements.

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Statement of Changes in Net Assets

For the three and six month periods ended September 30

(In thousands of dollars)

For the three month period ended	Unrestricted	Restricted for permanent exhibit renewal	Investment in capital assets	Accumulated remeasurement gains	September 30 2017	September 30 2016
Net assets, beginning of period, restated	\$ 8,715	\$ 15,000	\$ 40,868	\$ -	\$ 64,583	\$ 64,618
Net result of operations	5,214	-	-	-	5,214	3,215
Net assets, end of period	\$ 13,929	\$ 15,000	\$ 40,868	\$ -	\$ 69,797	\$ 67,833

For the six month period ended	Unrestricted	Restricted for permanent exhibit renewal	Investment in capital assets	Accumulated remeasurement gains	September 30 2017	September 30 2016 Restated Note 3
Net assets, beginning of period, restated	\$ 9,940	\$ 15,000	\$ 40,868	\$ -	\$ 65,808	\$ 64,787
Net result of operations	3,989	-	-	-	3,989	3,046
Net assets, end of period	\$ 13,929	\$ 15,000	\$ 40,868	\$ -	\$ 69,797	\$ 67,833

The accompanying notes and schedules form an integral part of the financial statements.

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Statement of Cash Flows

For the three and six month periods ended September 30

(In thousands of dollars)

	Three month period ended September 30		Six month period ended September 30	
	2017	2016	2017	2016
Operating activities				
Cash receipts from clients and other receivables	\$ 8,289	\$ 6,262	\$ 15,199	\$ 11,540
Cash receipts from parliamentary appropriations	15,957	14,537	28,556	28,570
Cash paid to and on behalf of employees	(10,090)	(8,431)	(19,225)	(17,264)
Cash paid to suppliers	(17,834)	(14,109)	(28,495)	(23,477)
Restricted contributions and related investment income	383	193	1,158	401
Interest received	304	318	711	646
Net cash through operating activities	(2,991)	(1,230)	(2,096)	416
Investing activities				
Principal repayments of investments	-	11	231	23
Increase in investments and restricted investments	(1,002)	-	(3,025)	(3,817)
Decrease in investments and restricted investments	1,013	-	3,079	1,595
Net cash through investing activities	11	11	285	(2,199)
Capital activities				
Acquisition of capital assets	(1,908)	(4,910)	(5,366)	(8,170)
Financing activities				
Parliamentary appropriations for the acquisition of capital assets	1,614	1,999	4,417	2,404
Decrease in cash and restricted cash	(3,274)	(4,130)	(2,760)	(7,549)
Cash and restricted cash, beginning of period				
Cash	4,189	16,855	4,449	20,481
Restricted cash	5,852	2,049	5,078	1,842
	10,041	18,904	9,527	22,323
Cash and restricted cash, end of period				
Cash	4,094	12,532	4,094	12,532
Restricted cash	2,673	2,242	2,673	2,242
	\$ 6,767	\$ 14,774	\$ 6,767	\$ 14,774

The accompanying notes and schedules form an integral part of the financial statements.

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the six month period ended September 30, 2017
(In thousands of dollars)

1. Mission and mandate

The Canadian Museum of History (the "Corporation"), formerly named the Canadian Museum of Civilization, was established on December 12, 2013 through an amendment to the *Museums Act*. The Canadian Museum of History is an agent Crown corporation named in *Part I of Schedule III to the Financial Administration Act* and is not subject to income tax under the provisions of the *Income Tax Act*. The Canadian Museum of History includes the Canadian War Museum.

The mission, as stated in the *Museums Act*, is as follows:

"to enhance Canadians' knowledge, understanding and appreciation of events, experiences, people and objects that reflect and have shaped Canada's history and identity, and also to enhance their awareness of world history and cultures."

The Canadian Museum of History's operations are divided into four mutually supportive activities which work together to meet all aspects of its mandate. These activities are:

Collect and research

Manages, develops, conserves, and undertakes research on the collections to enhance program delivery and augment the scientific knowledge base.

Exhibit, educate and communicate

Develops, maintains, and communicates exhibits, programs and activities to further knowledge, critical understanding, appreciation and respect for human cultural achievements and human behaviour.

Accommodation

Managing and maintaining all facilities and related security and hosting services.

Corporate management

Governance, corporate management, audit and evaluation, fund raising, commercial activities, finance and administration, human resources and information systems.

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the six month period ended September 30, 2017
(In thousands of dollars)

2. Significant accounting policies

Basis of accounting

These unaudited financial statements have been prepared in accordance with Canadian public sector accounting standards. The Corporation has elected to apply the Section 4200 series for government-not-for-profit organizations, and the deferral method of accounting for contributions.

Basis of preparation

These interim financial statements are intended to provide an update on the latest complete set of audited annual financial statements for the year ended March 31, 2017. Accordingly, they should be read in conjunction with the audited annual financial statements. The interim financial statements are unaudited for all periods presented. The accounting policies used in the preparation of these interim condensed financial statements are consistent with those disclosed in the Corporation's last audited annual financial statements.

Contingencies

In the normal course of its operations, the Corporation becomes involved in various claims or legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded in the Corporation's financial statements.

Measurement uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards applicable for government not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses for the period. Employee future benefits, contingent liabilities, valuation of Master Asset Vehicle notes, artifact donations and the estimated useful lives of capital assets are the most significant items where estimates are used. Actual results could differ significantly from those estimated.

3. Change in accounting policy

On April 1, 2012, as of PSAS transition, the Corporation elected fair value classification for its investments. Consequently, the unrealized gains or losses arising from changes in the fair value of investments were recognized through the Statement of Remeasurement Gains and Losses at each period end.

As of April 1, 2017, the Corporation reviewed its accounting policy regarding the classification of investments under the Canadian public sector accounting standards applicable to government-not-for-profit organizations to determine if existing classifications remain appropriate based on the nature of the investments held.

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the six month period ended September 30, 2017

(In thousands of dollars)

3. Change in accounting policy (continued)

As of April 1, 2017, the vast majority of investments held were fixed income in nature with the expectation of minimal fluctuations between cost and market value. In this regard, the Corporation has elected to change its investment classification and value its investments under the amortized cost method whereby all investments will be presented at their cost upon recognition rather than at their market value as of the financial statement date. This change in accounting policy will be applied retroactively. Consequently, the Statement of Remeasurement Gains and Losses will no longer exist.

The impact of this accounting policy change on the comparative figures is as follows:

	March 31, 2017 Restated	Adjustments: Investments	March 31, 2017 As previously stated
Statement of Financial Position			
Current assets:			
Investments	3,719	(51)	3,770
Long-term assets:			
Restricted cash and investments	12,490	(193)	12,683
Investments	53,232	(1,621)	54,853
Liabilities and net assets:			
Deferred contributions – National Collection Fund	10,458	(193)	10,651
Net assets:			
Unrestricted	9,940	22	9,918
Accumulated remeasurement gains	-	(1,694)	1,694

	September 30, 2016 Restated	Adjustments: Investments	September 30, 2016 As previously stated
Statement of Operations			
Revenues:			
Net investment income	721	39	682
Statement of Changes in Net Assets			
Net assets, beginning of period	64,787	(3,873)	68,660
Net result of operations	3,046	39	3,007
Net change in accumulated remeasurement gains (losses)	-	(260)	260
Net assets, end of period	67,833	(4,094)	71,927

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the six month period ended September 30, 2017

(In thousands of dollars)

4. Deferred contributions

Deferred contributions represent contributions from non-government sources and Parliamentary appropriations received by the Corporation that are restricted for specific purposes.

Changes in the deferred contributions balance during the period were as follows:

	Non- government sources	Parliamentary appropriations	September 30, 2017 (6 months)	March 31, 2017 (12 months)
Balance, beginning of period	\$ 7,110	\$ 5,292	\$ 12,402	\$ 7,770
Additions				
Amounts received during the period	975	-	975	7,389
Deferred investment income	68	-	68	96
	1,043	-	1,043	7,485
Deductions				
Amounts recognized as revenue	(3,572)	(830)	(4,402)	(2,853)
Balance, end of period	\$ 4,581	\$ 4,462	\$ 9,043	\$ 12,402

5. National Collection Fund

The National Collection Fund represents funds for the acquisition of artifacts by the Canadian Museum of History and the Canadian War Museum. Funds are removed from the National Collection Fund upon acquisition of selected artifacts.

Changes in the National Collection Fund balance during the period were as follows:

	Parliamentary appropriations	Non- government entities	September 30, 2017 (6 months)	March 31, 2017 (12 months) Restated
Balance, beginning of period, restated	\$ 8,880	\$ 1,578	\$ 10,458	\$ 10,352
Additions				
Amounts received during the period	-	-	-	1
Deferred realized investment income	98	17	115	245
	98	17	115	246
Deductions				
Amounts recognized as revenue	-	-	-	(93)
Amortization of premiums/discounts	(27)	-	(27)	(47)
	(27)	-	(27)	(140)
Balance, end of period	\$ 8,951	\$ 1,595	\$ 10,546	\$ 10,458

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the six month period ended September 30, 2017

(In thousands of dollars)

6. Deferred contributions related to capital assets

Changes in the deferred contributions related to capital assets balance during the period were as follows:

	<u>Used for acquisitions</u>		<u>To be used</u>		September 30,	March 31,
	Non-	Parliamentary	Deferred capital	Parliamentary	2017	2017
	government	appropriations	funding through	appropriations	(6 months)	(12 months)
	sources		Parliamentary			
			appropriations			
Balance, beginning of period	\$ 1,840	\$ 204,303	\$ 9,964	\$ 216,107	\$ 217,171	
Additions						
Capital asset acquisitions	-	3,202	-	3,202	18,995	
Parliamentary appropriations deferred for capital asset acquisitions in future periods	-	-	-	-	6,832	
	-	3,202	-	3,202	25,827	
Deductions						
Amounts used during the period	(33)	(7,819)	(948)	(8,800)	(26,891)	
Balance, end of period	\$ 1,807	\$ 199,686	\$ 9,016	\$ 210,509	\$ 216,107	

Deferred capital contributions from non-government sources represent the unamortized portion of donations from non-government sources restricted and used to acquire depreciable capital assets.

Deferred capital funding through Parliamentary appropriations represents the unamortized portion of Parliamentary appropriations restricted and used to acquire depreciable capital assets or restricted to be used for future acquisitions of depreciable capital assets.

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the six month period ended September 30, 2017

(In thousands of dollars)

7. Donations and sponsorships

Donations and sponsorships revenue is composed of:

	September 30, 2017	September 30, 2016
Cash donations and sponsorships	\$ 3,724	\$ 107
In-kind sponsorships and artifact donations	528	475
	\$ 4,252	\$ 582

8. Parliamentary appropriations

The Corporation receives Parliamentary appropriations from the Government of Canada to support its operating and capital activities. The table below illustrates the Parliamentary appropriations received during the period, and the accounting adjustments required to arrive at the calculation of revenue that conforms to public sector accounting standards.

	September 30, 2017	September 30, 2016
Main Estimates amount provided for operating and capital activities	\$ 32,973	\$ 30,755
Less current period Parliamentary appropriations not recognized as revenue:		
Used for capital asset acquisitions	(3,202)	(6,307)
Deferred for future capital asset acquisitions	-	-
Restricted for specific purposes	-	(1,100)
Add prior period Parliamentary appropriations recognized as revenue in current period:		
Amortization of deferred capital funding	7,819	6,982
Restricted amounts used in current period	1,778	6,839
Parliamentary appropriations recognized as revenue	\$ 39,368	\$ 37,169

9. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Schedule 1 - Operating Revenues

For the three and six month periods ended September 30, 2017
(In thousands of dollars)

	Three month period ended September 30		Six month period ended September 30	
	2017	2016	2017	2016
General admission and programmes	\$ 3,670	\$ 2,480	\$ 5,986	\$ 4,428
Facility rental, events and concessions	955	766	2,039	1,745
Boutique sales	1,035	782	1,782	1,377
Parking	728	602	1,236	1,069
Memberships	119	95	229	190
Travelling exhibits	137	106	165	193
Other	32	58	193	121
	\$ 6,676	\$ 4,889	\$ 11,630	\$ 9,123

Schedule 2 - Expenses

For the three and six month periods ended September 30, 2017
(In thousands of dollars)

	Three month period ended September 30		Six month period ended September 30	
	2017	2016	2017	2016
Personnel costs	\$ 9,662	\$ 8,445	\$ 19,608	\$ 17,170
Amortization of capital assets	4,335	3,512	7,851	7,016
Payments in lieu of property taxes	2,477	2,216	4,952	4,577
Building operations	1,816	1,464	3,708	2,837
Collection acquisitions	2,129	179	2,853	630
Professional and special services	1,086	869	2,104	1,723
Online programs assistance	892	1,319	1,867	2,123
Repairs and maintenance	764	593	1,550	1,209
Exhibit fabrication and rental	661	676	1,433	1,715
Utilities	717	716	1,407	1,427
IT infrastructure and systems	519	517	1,114	1,024
Marketing and advertising	477	487	1,026	853
Cost of goods sold	579	362	874	646
Travel and hospitality	406	177	708	543
Materials and supplies	220	279	537	501
Rentals and leases	50	85	120	150
Royalties	10	62	31	109
Other	184	156	343	296
	\$ 26,984	\$ 22,114	\$ 52,086	\$ 44,549