

CANADIAN MUSEUM OF HISTORY

Quarterly Financial Statements

For the nine month period ended December 31, 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 nine month period ended December 31, 2017 the Canadian Museum of History and the Canadian War Museum welcomed a record number of visitors.

The Museum marked the third quarter of the 2017-18 fiscal year with the opening of *DreamWorks Animation: The Exhibition*, featuring rare and never-before-seen concept drawings, models and original artworks, interviews and interactive displays from DreamWorks much-loved and favourite animated classics.

The Canadian War Museum presented a strong line-up of exhibitions in the third quarter, notably, the very successful *War Flowers: A Touring Art Exhibition*, a multi-sensory experience which explores human nature in wartime through floriography, sculpture and scent.

The exceptional attendance to date in 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 nine month period ended December 31, 2017 reflects a surplus of \$3.2 million, compared to \$8.9 million for the prior fiscal year. The surplus in 2016-17 was primarily due to the receipt of \$7.2 million of non-recurring parliamentary appropriations, confirmed in the Budget 2016, to address the Corporation's accumulated Payment in lieu of taxes (PILT) payable.

Revenues for the period total \$21.2 million, compared to \$14.2 million for the same period of the previous fiscal year. The 50% 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 \$78.5 million, compared to \$68.3 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 and two Victoria Cross medal sets.

Parliamentary appropriations for the period total \$60.6 million, compared to the \$63.1 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 \$2.4 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 \$3.1 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 December 31, 2017 represent \$13.2 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 Loyer, CPA, CGA
Chief Operating Officer and Senior Vice-President



Marie-Josée Lacombe, CPA, CGA
Chief Financial Officer

Gatineau, Quebec

March 1, 2018

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Statement of Financial Position

As at

(In thousands of dollars)

	December 31, 2017	March 31, 2017 Restated Note 3
Assets		
Current assets		
Cash	\$ 4,187	\$ 4,449
Restricted cash and investments	2,963	5,078
Investments	3,140	3,719
Accounts receivable	1,775	2,847
Inventories	912	843
Prepaid expenses	807	720
	<u>13,784</u>	<u>17,656</u>
Restricted cash and investments	12,435	12,490
Investments	53,488	53,232
Collections	1	1
Capital assets	<u>239,376</u>	<u>247,181</u>
	<u>\$ 319,084</u>	<u>\$ 330,560</u>
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 12,181	\$ 15,252
Deferred contributions (note 4)	8,973	12,402
Deferred revenues	1,450	1,557
	<u>22,604</u>	<u>29,211</u>
Deferred contributions - National Collection Fund (note 5)	10,605	10,458
Deferred contributions related to capital assets (note 6)	207,264	216,107
Employee future benefits	9,556	8,976
	<u>250,029</u>	<u>264,752</u>
Net assets		
Unrestricted	13,187	9,940
Restricted for permanent exhibit renewal	15,000	15,000
Investment in capital assets	40,868	40,868
Accumulated remeasurement gains	-	-
	<u>69,055</u>	<u>65,808</u>
	<u>\$ 319,084</u>	<u>\$ 330,560</u>

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 nine month periods ended December 31

(In thousands of dollars)

	Three month period ended December 31		Nine month period ended December 31	
	2017	2016	2017	2016 Restated Note 3
Revenues				
Donations and sponsorships (note 7)	\$ 508	\$ 348	\$ 4,760	\$ 930
Net investment income	400	369	1,225	1,090
Operating (schedule 1)	3,599	3,025	15,229	12,148
	4,507	3,742	21,214	14,168
Expenses (schedule 2)				
Collect and research	\$ 3,692	\$ 3,252	\$ 12,451	\$ 9,207
Exhibit, educate and communicate	8,548	6,275	21,669	17,919
Accommodation	9,523	9,772	30,166	28,299
Corporate management	4,689	4,480	14,252	12,903
	26,452	23,779	78,538	68,328
Net result of operations before parliamentary appropriations	(21,945)	(20,037)	(57,324)	(54,160)
Parliamentary appropriations (note 8)	21,203	25,885	60,571	63,054
Net result of operations	\$ (742)	\$ 5,848	\$ 3,247	\$ 8,894

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 nine month periods ended December 31

(In thousands of dollars)

For the three month period ended	Unrestricted	Restricted for permanent exhibit renewal	Investment in capital assets	Accumulated remeasurement gains	December 31 2017	December 31 2016
Net assets, beginning of period, restated	\$ 13,929	\$ 15,000	\$ 40,868	\$ -	\$ 69,797	\$ 67,833
Net result of operations	(742)	-	-	-	(742)	5,848
Net assets, end of period	\$ 13,187	\$ 15,000	\$ 40,868	\$ -	\$ 69,055	\$ 73,681

For the nine month period ended	Unrestricted	Restricted for permanent exhibit renewal	Investment in capital assets	Accumulated remeasurement gains	December 31 2017	December 31 2016 Restated Note 3
Net assets, beginning of period, restated	\$ 9,940	\$ 15,000	\$ 40,868	\$ -	\$ 65,808	\$ 64,787
Net result of operations	3,247	-	-	-	3,247	8,894
Net assets, end of period	\$ 13,187	\$ 15,000	\$ 40,868	\$ -	\$ 69,055	\$ 73,681

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 nine month periods ended December 31

(In thousands of dollars)

	Three month period ended December 31		Nine month period ended December 31	
	2017	2016	2017	2016
Operating activities				
Cash receipts from clients and other receivables	\$ 4,350	\$ 4,088	\$ 19,549	\$ 15,628
Cash receipts from parliamentary appropriations	16,513	26,805	45,069	55,375
Cash paid to and on behalf of employees	(9,975)	(9,558)	(29,200)	(26,822)
Cash paid to suppliers	(11,519)	(9,816)	(40,014)	(33,293)
Restricted contributions and related investment income	724	4,049	1,882	4,450
Interest received	392	363	1,103	1,009
Net cash through operating activities	485	15,931	(1,611)	16,347
Investing activities				
Principal repayments of investments	-	2,547	231	2,570
Increase in investments and restricted investments	-	(5,203)	(3,025)	(9,020)
Decrease in investments and restricted investments	-	1,967	3,079	3,562
Net cash through investing activities	-	(689)	285	(2,888)
Capital activities				
Acquisition of capital assets	(1,281)	(5,064)	(6,647)	(13,234)
Financing activities				
Parliamentary appropriations for the acquisition of capital assets	1,179	1,029	5,596	3,433
Decrease in cash and restricted cash	383	11,207	(2,377)	3,658
Cash and restricted cash, beginning of period				
Cash	4,094	12,532	4,449	20,481
Restricted cash	2,673	2,242	5,078	1,842
	6,767	14,774	9,527	22,323
Cash and restricted cash, end of period				
Cash	4,187	20,422	4,187	20,422
Restricted cash	2,963	5,559	2,963	5,559
	\$ 7,150	\$ 25,981	\$ 7,150	\$ 25,981

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 nine month period ended December 31, 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 nine month period ended December 31, 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 nine month period ended December 31, 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 is applied retroactively. Consequently, the Statement of Remeasurement Gains and Losses is no longer presented.

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

	December 31, 2016 Restated	Adjustments: Investments	December 31, 2016 As previously stated
Statement of Operations			
Revenues:			
Net investment income	1,090	9	1,081
Statement of Changes in Net Assets			
Net assets, beginning of period	64,787	(3,873)	68,660
Net result of operations	8,894	9	8,885
Net change in accumulated remeasurement gains (losses)	-	669	(669)
Net assets, end of period	73,681	(3,195)	76,876

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the nine month period ended December 31, 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	December 31, 2017 (9 months)	March 31, 2017 (12 months)
Balance, beginning of period	\$ 7,110	\$ 5,292	\$ 12,402	\$ 7,770
Additions				
Amounts received during the period	1,330	-	1,330	7,389
Deferred investment income	96	-	96	96
	1,426	-	1,426	7,485
Deductions				
Amounts recognized as revenue	(3,743)	(1,112)	(4,855)	(2,853)
Balance, end of period	\$ 4,793	\$ 4,180	\$ 8,973	\$ 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	December 31, 2017 (9 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	-	8	8	1
Deferred realized investment income	157	27	184	245
	157	35	192	246
Deductions				
Amounts recognized as revenue	-	-	-	(93)
Amortization of premiums/discounts	(45)	-	(45)	(47)
	(45)	-	(45)	(140)
Balance, end of period	\$ 8,992	\$ 1,613	\$ 10,605	\$ 10,458

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the nine month period ended December 31, 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>		December 31, 2017 (9 months)	March 31, 2017 (12 months)
	Non- government sources	Parliamentary appropriations	Deferred capital funding through Parliamentary appropriations			
Balance, beginning of period	\$ 1,840	\$ 204,303	\$ 9,964	\$ 216,107	\$ 217,171	
Additions						
Capital asset acquisitions	-	4,396	-	4,396	18,995	
Parliamentary appropriations deferred for capital asset acquisitions in future periods	-	-	-	-	6,832	
	-	4,396	-	4,396	25,827	
Deductions						
Amounts used during the period	(49)	(12,138)	(1,052)	(13,239)	(26,891)	
Balance, end of period	\$ 1,791	\$ 196,561	\$ 8,912	\$ 207,264	\$ 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 nine month period ended December 31, 2017

(In thousands of dollars)

7. Donations and sponsorships

Donations and sponsorships revenue is composed of:

	December 31, 2017	December 31, 2016
Cash donations and sponsorships	\$ 4,212	\$ 206
In-kind sponsorships and artifact donations	548	724
	\$ 4,760	\$ 930

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.

	December 31, 2017	December 31, 2016
Main Estimates amount provided for operating and capital activities	\$ 48,778	\$ 47,046
Supplementary estimates and transfers ¹	1,887	11,547
Less current period Parliamentary appropriations not recognized as revenue:		
Used for capital asset acquisitions	(4,396)	(11,285)
Restricted for specific purposes	-	(5,910)
Add prior period Parliamentary appropriations recognized as revenue in current period:		
Amortization of deferred capital funding	12,138	10,463
Restricted amounts used in current period	2,164	11,193
Parliamentary appropriations recognized as revenue	\$ 60,571	\$ 63,054

¹ 2016-17 supplementary estimates and transfers include funding approved under Budget 2016. This included non-recurring funding of \$7.2 million to address the accumulated Payment in lieu of taxes (PILT) payable.

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 nine month periods ended December 31, 2017
(In thousands of dollars)

	Three month period ended December 31		Nine month period ended December 31	
	2017	2016	2017	2016
General admission and programmes	\$ 1,508	\$ 1,102	\$ 7,494	\$ 5,530
Facility rental, events and concessions	848	871	2,887	2,616
Boutique sales	475	398	2,257	1,775
Parking	451	404	1,687	1,473
Memberships	136	97	365	287
Travelling exhibits	133	84	298	277
Other	48	69	241	190
	\$ 3,599	\$ 3,025	\$ 15,229	\$ 12,148

Schedule 2 - Expenses

For the three and nine month periods ended December 31, 2017
(In thousands of dollars)

	Three month period ended December 31		Nine month period ended December 31	
	2017	2016	2017	2016
Personnel costs	\$ 9,069	\$ 9,154	\$ 28,677	\$ 26,324
Amortization of capital assets	4,336	3,498	12,187	10,514
Payments in lieu of property taxes	2,113	2,361	7,065	6,938
Building operations	1,576	1,449	5,284	4,286
Collection acquisitions	1,034	351	3,887	981
Professional and special services	1,267	1,165	3,371	2,888
Online programs assistance	807	844	2,674	2,967
Exhibit fabrication and rental	1,224	1,131	2,657	2,846
Marketing and advertising	1,441	408	2,467	1,261
Repairs and maintenance	869	787	2,419	1,996
Utilities	749	775	2,156	2,202
IT infrastructure and systems	571	601	1,685	1,625
Cost of goods sold	216	206	1,090	852
Travel and hospitality	372	287	1,080	830
Materials and supplies	510	439	1,047	940
Rentals and leases	67	96	187	246
Royalties	30	37	61	146
Other	201	190	544	486
	\$ 26,452	\$ 23,779	\$ 78,538	\$ 68,328