

CANADIAN MUSEUM OF HISTORY

Quarterly Financial Statements

For the six month period ended September 30, 2018

Unaudited

NARRATIVE DISCUSSION

These quarterly financial statements must be read in conjunction with the March 31, 2018 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.

STATEMENT OF OPERATIONS

The Corporation's net results of operations for the six month period ended September 30, 2018 reflects a surplus of \$3.4 million, compared to \$4.0 million for the prior fiscal year.

Revenues for the period total \$11.8 million, compared to \$16.7 million for the same period of the previous fiscal year. The decrease in revenues is primarily attributable to the following:

- Lower donation and sponsorship revenues in 2018-19. The 2017-18 donation revenues included donations towards the Canadian History Hall project recognition in the second quarter of 2017-18 based on the completion and opening of the Canadian History Hall;
- Decrease in attendance in 2018-19 resulted in lower admission revenues when compared to the same period in the prior fiscal year. The Museum achieved exceptional attendance results in the prior fiscal year, as a result of the opening of the Canadian History Hall and Canada's 150th celebrations;
- Smaller scale facility rental events in 2018-19;
- Lower attendance in 2018-19 leading to a decrease in attendance driven revenues such as boutique and parking revenues.

Operating expenses for the period total \$49.0 million, compared to \$52.1 million for the comparative period of the previous fiscal year. The decrease is mainly explained by lower collection acquisition costs in 2018-19, partially offset by higher amortization expense in 2018-19 due to the completion of the Canadian History Hall. The 2017-18 results included the acquisition of the Wilson hockey collection.

Parliamentary appropriations for the period represent \$40.6 million, compared to the \$39.4 million for the same period in the previous fiscal year. The 2018-19 parliamentary appropriations include the third 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

Accounts payable and accrued liabilities decreased by \$6.5 million, when compared to March 31, 2018, mainly explained by seasonal fluctuations.

The Museum's unrestricted net assets as of September 30, 2018 represent \$14.2 million. The Museum also has \$14.9 million of restricted net assets, for the refurbishment of permanent exhibition galleries, including the transformation of the Canadian Children's Museum. The Museum completed in 2017-18, the update of the permanent Gallery 4 at the Canadian War Museum. The decrease in restricted net assets is equivalent to the amortization of the capital costs related to this permanent exhibition gallery update.

OUTLOOK

The Corporation continues to be challenged by escalating non-discretionary inflationary increases for utilities, building maintenance, and security costs, in part, as a result of the minimum wage increases, effective January 1st, 2018, that are reflected in the Corporation's contracts.

The Corporation is responsible for two iconic national sites, one of which – the CMH – is almost thirty years old, and therefore many of its components have reached or will soon be reaching the end of their expected life cycle.

Management has put in place a plan that addresses immediate risks to the buildings. Management has maintained a comprehensive maintenance program over its facilities, which has reduced the need for extensive repairs, lengthened the life of the components of the building and ensured that issues are identified in a timely manner.

The Corporation will not be able to rely on revenue growth to cover these escalating non-discretionary costs. The Corporation is working with the Department of Canadian Heritage on a long-term solution to costs and aging infrastructure.

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 21, 2018

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Statement of Financial Position

As at

(In thousands of dollars)

	September 30, 2018	March 31, 2018
Assets		
Current assets		
Cash	\$ 3,626	\$ 9,376
Restricted cash	2,399	1,821
Restricted investments	800	1,808
Investments	7,707	3,755
Accounts receivable	1,767	2,914
Inventories	907	806
Prepaid expenses	1,050	592
	18,256	21,072
Restricted investments	11,588	10,610
Investments	53,001	53,013
Collections	1	1
Capital assets	232,134	238,727
	\$ 314,980	\$ 323,423
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 9,735	\$ 16,201
Deferred contributions (note 3)	9,837	10,157
Deferred revenues	1,340	1,597
	20,912	27,955
Deferred contributions - National Collection Fund (note 4)	10,412	10,295
Deferred contributions related to capital assets (note 5)	203,666	208,963
Employee future benefits	9,968	9,571
	244,958	256,784
Net assets		
Unrestricted	14,229	10,813
Restricted for permanent exhibit renewal	14,925	14,958
Investment in capital assets	40,868	40,868
	70,022	66,639
	\$ 314,980	\$ 323,423

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	
	2018	2017	2018	2017
Revenues				
Donations and sponsorships (note 6)	\$ 203	\$ 3,698	\$ 981	\$ 4,252
Net investment income	425	397	831	825
Operating (schedule 1)	5,716	6,676	10,010	11,630
	<u>6,344</u>	<u>10,771</u>	<u>11,822</u>	<u>16,707</u>
Expenses (schedule 2)				
Collect and research	\$ 2,877	\$ 5,083	\$ 6,760	\$ 8,759
Exhibit, educate and communicate	6,875	6,471	13,372	13,121
Accommodation	9,773	10,634	19,556	20,643
Corporate management	4,748	4,796	9,330	9,563
	<u>24,273</u>	<u>26,984</u>	<u>49,018</u>	<u>52,086</u>
Net result of operations before parliamentary appropriations	(17,929)	(16,213)	(37,196)	(35,379)
Parliamentary appropriations (note 7)	20,472	21,394	40,579	39,368
Net result of operations	<u>\$ 2,543</u>	<u>\$ 5,181</u>	<u>\$ 3,383</u>	<u>\$ 3,989</u>

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	September 30 2018	September 30 2017
Net assets, beginning of period	\$ 11,674	\$ 14,937	\$ 40,868	\$ 67,479	\$ 64,616
Net result of operations	2,555	(12)	-	2,543	5,181
Net assets, end of period	\$ 14,229	\$ 14,925	\$ 40,868	\$ 70,022	\$ 69,797

For the six month period ended	Unrestricted	Restricted for permanent exhibit renewal	Investment in capital assets	September 30 2018	September 30 2017
Net assets, beginning of period	\$ 10,813	\$ 14,958	\$ 40,868	\$ 66,639	\$ 65,808
Net result of operations	3,416	(33)	-	3,383	3,989
Net assets, end of period	\$ 14,229	\$ 14,925	\$ 40,868	\$ 70,022	\$ 69,797

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	
	2018	2017	2018	2017
Operating activities				
Cash receipts from clients and other receivables	\$ 6,844	\$ 8,289	\$ 13,072	\$ 15,199
Cash receipts from parliamentary appropriations	15,403	15,957	28,754	28,556
Cash paid to and on behalf of employees	(9,903)	(10,090)	(21,211)	(19,225)
Cash paid to suppliers	(13,661)	(17,834)	(24,888)	(28,495)
Restricted contributions and related investment income	315	383	663	1,158
Interest received	313	304	883	711
Net cash through operating activities	(689)	(2,991)	(2,727)	(2,096)
Investing activities				
Principal repayments of investments	3	-	3	231
Increase in investments and restricted investments	(1,013)	(1,002)	(5,007)	(3,025)
Decrease in investments and restricted investments	1,009	1,013	1,009	3,079
Net cash through investing activities	(1)	11	(3,995)	285
Capital activities				
Acquisition of capital assets	(584)	(1,908)	(4,468)	(5,366)
Financing activities				
Parliamentary appropriations for the acquisition of capital assets	2,785	1,614	6,018	4,417
Increase (decrease) in cash and restricted cash	1,511	(3,274)	(5,172)	(2,760)
Cash and restricted cash, beginning of period				
Cash	2,424	4,189	9,376	4,449
Restricted cash	2,090	5,852	1,821	5,078
	4,514	10,041	11,197	9,527
Cash and restricted cash, end of period				
Cash	3,626	4,094	3,626	4,094
Restricted cash	2,399	2,673	2,399	2,673
	\$ 6,025	\$ 6,767	\$ 6,025	\$ 6,767

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, 2018
(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, 2018

(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, 2018. 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, 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.

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the six month period ended September 30, 2018

(In thousands of dollars)

3. 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, 2018 (6 months)	March 31, 2018 (12 months)
Balance, beginning of period	\$ 4,030	\$ 6,127	\$ 10,157	\$ 12,371
Additions				
Amounts received during the period	500	-	500	3,960
Deferred investment income	44	-	44	107
	544	-	544	4,067
Deductions				
Amounts recognized as revenue	(79)	(785)	(864)	(6,281)
Balance, end of period	\$ 4,495	\$ 5,342	\$ 9,837	\$ 10,157

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the six month period ended September 30, 2018

(In thousands of dollars)

4. 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, 2018 (6 months)	March 31, 2018 (12 months)
Balance, beginning of period	\$ 9,102	\$ 1,193	\$ 10,295	\$ 10,489
Additions				
Amounts received during the period	1	-	1	9
Deferred investment income	102	14	116	212
	103	14	117	221
Deductions				
Amounts recognized as revenue	-	-	-	(415)
Balance, end of period	\$ 9,205	\$ 1,207	\$ 10,412	\$ 10,295

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the six month period ended September 30, 2018

(In thousands of dollars)

5. 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, 2018 (6 months)	March 31, 2018 (12 months)
	Non- government sources	Parliamentary appropriations	<u>for capital</u> <u>asset</u> <u>acquisitions</u> Parliamentary appropriations		
Balance, beginning of period	\$ 1,774	\$ 195,263	\$ 11,926	\$ 208,963	\$ 216,107
Additions					
Capital asset acquisitions	-	1,903	-	1,903	7,364
Parliamentary appropriations deferred for capital asset acquisitions in future periods	-	-	2,500	2,500	4,923
	-	1,903	2,500	4,403	12,287
Deductions					
Amounts used during the period	(32)	(8,718)	(950)	(9,700)	(19,431)
Balance, end of period	\$ 1,742	\$ 188,448	\$ 13,476	\$ 203,666	\$ 208,963

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, 2018

(In thousands of dollars)

6. Donations and sponsorships

Donations and sponsorships revenue is composed of:

	September 30, 2018	September 30, 2017
Cash donations and sponsorships	\$ 557	\$ 3,724
In-kind sponsorships and artifact donations	424	528
	\$ 981	\$ 4,252

7. 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, 2018	September 30, 2017
Main Estimates amount provided for operating and capital activities	\$ 34,529	\$ 32,973
Less current period Parliamentary appropriations not recognized as revenue:		
Used for capital asset acquisitions	(953)	(3,202)
Deferred for future capital asset acquisitions	(2,500)	-
Restricted for specific purposes	-	-
Add prior period Parliamentary appropriations recognized as revenue in current period:		
Amortization of deferred capital funding	8,718	7,819
Restricted amounts used in current period	785	1,778
Parliamentary appropriations recognized as revenue	\$ 40,579	\$ 39,368

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Schedule 1 - Operating Revenues

For the six month period ended September 30, 2018
(In thousands of dollars)

	Three month period ended September 30		Six month period ended September 30	
	2018	2017	2018	2017
General admission and programmes	\$ 3,089	\$ 3,686	\$ 5,136	\$ 5,986
Facility rental, events and concessions	759	955	1,626	2,039
Boutique sales	882	1,035	1,451	1,782
Parking	665	728	1,147	1,236
Memberships	158	103	336	229
Travelling exhibits	114	137	219	165
Other	49	32	95	193
	\$ 5,716	\$ 6,676	\$ 10,010	\$ 11,630

Schedule 2 - Expenses

For the six month period ended September 30, 2018
(In thousands of dollars)

	Three month period ended September 30		Six month period ended September 30	
	2018	2017	2018	2017
Personnel costs	\$ 9,322	\$ 9,662	\$ 19,247	\$ 19,608
Amortization of capital assets	4,388	4,335	8,772	7,851
Payments in lieu of property taxes	2,422	2,477	4,813	4,952
Building operations	1,596	1,816	3,264	3,708
Exhibit fabrication and rental	824	661	1,867	1,433
Online programs assistance	1,061	892	1,835	1,867
Professional and special services	702	1,086	1,469	2,104
Repairs and maintenance	691	764	1,412	1,550
Utilities	699	717	1,395	1,407
IT infrastructure and systems	556	519	1,169	1,114
Marketing and advertising	521	477	830	1,026
Cost of goods sold	419	579	728	874
Collection acquisitions	301	2,129	658	2,853
Travel and hospitality	191	406	528	708
Materials and supplies	273	220	484	537
Rentals and leases	119	50	183	120
Royalties	13	10	51	31
Other	175	184	313	343
	\$ 24,273	\$ 26,984	\$ 49,018	\$ 52,086