

CANADIAN MUSEUM OF HISTORY

Quarterly Financial Statements

For the nine month period ended December 31, 2019

Unaudited

NARRATIVE DISCUSSION

These quarterly financial statements must be read in conjunction with the March 31, 2019 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 nine month period ended December 31, 2019 reflects a surplus of \$4.0 million, compared to a surplus of \$4.2 million for the comparative period of the previous fiscal year.

Revenues for the period total \$15.9 million, compared to \$16.6 million for the same period of the previous fiscal year. The 4.1% decrease in revenues is primarily attributable to lower attendance driven revenues and donation in 2019-20 partially offset by higher interest revenues.

Operating expenses for the period total \$73.0 million, compared to \$74.3 million for the comparative period of the previous fiscal year. The decrease is mainly explained by higher personnel costs as a result of salary increases negotiated as part of collective agreements partially offset by lower collection acquisition costs and a decrease in payments in lieu of property taxes.

Parliamentary appropriations for the period total \$61.1 million, compared to the \$61.8 million for the same period in the previous fiscal year. The 2019-20 parliamentary appropriations include the fourth 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

The Museum's unrestricted net assets as of December 31, 2019 represent \$16.8 million. The Museum also has a restricted net assets balance of \$14.8 million, for the renovation of permanent exhibition galleries, including the transformation of the Canadian Children's Museum. The decrease in restricted net assets, when compared to the balance as of March 31, 2019, is equivalent to the amortization of the capital costs invested in the permanent exhibition gallery update at the Canadian War Museum.

OUTLOOK

The Corporation continues to be challenged by escalating non-discretionary inflationary increases for utilities, building maintenance, and security costs.

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

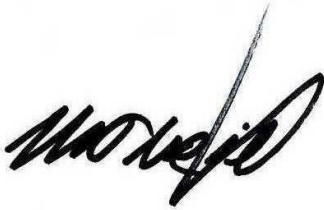
Management has put in place a plan that addresses immediate risks to the buildings. Management has maintained a comprehensive maintenance program over its facilities, which has reduced the need for extensive repairs, lengthened the life of the components of the building and ensured that issues are identified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



Mark O'Neill
President and Chief Executive Officer



Marie-Josée Lacombe, CPA, CGA
Chief Financial Officer and Vice-President of Finance

Gatineau, Quebec

February 28, 2020

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Statement of Financial Position

As at

(In thousands of dollars)

	December 31, 2019	March 31, 2019
Assets		
Current assets		
Cash	\$ 15,395	\$ 12,277
Restricted cash	3,379	2,311
Restricted investments	2,682	1,706
Investments	8,238	10,885
Accounts receivable	1,992	2,285
Inventories	889	863
Prepaid expenses	694	955
	33,269	31,282
Restricted investments	9,734	10,651
Investments	52,896	50,127
Collections	1	1
Capital assets	217,363	226,460
	\$ 313,263	\$ 318,521
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 11,532	\$ 13,445
Deferred contributions (note 3)	12,003	12,145
Deferred revenues	863	1,309
	24,398	26,899
Deferred contributions - National Collection Fund (note 4)	10,683	10,497
Deferred contributions related to capital assets (note 5)	194,871	202,358
Employee future benefits	10,792	10,208
	240,744	249,962
Net assets		
Unrestricted	16,807	12,800
Restricted for permanent exhibit renewal	14,844	14,891
Investment in capital assets	40,868	40,868
	72,519	68,559
	\$ 313,263	\$ 318,521

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	
	2019	2018	2019	2018
Revenues				
Donations and sponsorships (note 6)	\$ 714	\$ 902	\$ 1,455	\$ 1,883
Net investment income	481	436	1,416	1,267
Operating (schedule 1)	3,194	3,446	13,046	13,456
	4,389	4,784	15,917	16,606
Expenses (schedule 2)				
Collect and research	\$ 3,119	\$ 3,369	\$ 8,964	\$ 9,383
Exhibit, educate and communicate	6,743	7,460	21,002	21,578
Accommodation	8,683	9,877	28,433	29,433
Corporate management	4,717	4,529	14,609	13,859
	23,262	25,235	73,008	74,253
Net result of operations before parliamentary appropriations	(18,873)	(20,451)	(57,091)	(57,647)
Parliamentary appropriations (note 7)	20,754	21,226	61,051	61,805
Net result of operations	\$ 1,881	\$ 775	\$ 3,960	\$ 4,158

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	December 31 2019	December 31 2018
Net assets, beginning of period	\$ 14,910	\$ 14,860	\$ 40,868	\$ 70,638	\$ 70,022
Net result of operations	1,897	(16)	-	1,881	775
Net assets, end of period	\$ 16,807	\$ 14,844	\$ 40,868	\$ 72,519	\$ 70,797

For the nine month period ended	Unrestricted	Restricted for permanent exhibit renewal	Investment in capital assets	December 31 2019	December 31 2018
Net assets, beginning of period	\$ 12,800	\$ 14,891	\$ 40,868	\$ 68,559	\$ 66,639
Net result of operations	4,007	(47)	-	3,960	4,158
Net assets, end of period	\$ 16,807	\$ 14,844	\$ 40,868	\$ 72,519	\$ 70,797

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 nine month periods ended December 31

(In thousands of dollars)

	Three month period ended December 31		Nine month period ended December 31	
	2019	2018	2019	2018
Operating activities				
Cash receipts from clients and other receivables	\$ 4,408	\$ 4,239	\$ 16,472	\$ 17,311
Cash receipts from parliamentary appropriations	15,907	15,716	45,689	44,470
Cash paid to and on behalf of employees	(10,110)	(9,142)	(29,773)	(30,353)
Cash paid to suppliers	(8,461)	(10,246)	(33,607)	(35,134)
Restricted contributions and related investment income	974	1,260	1,997	1,923
Interest received	389	401	1,317	1,284
Net cash through operating activities	3,107	2,228	2,095	(499)
Investing activities				
Principal repayments of investments	-	-	-	3
Increase in investments and restricted investments	(1,000)	(1,501)	(4,810)	(6,508)
Decrease in investments and restricted investments	3,750	1,449	4,553	2,458
Net cash through investing activities	2,750	(52)	(257)	(4,047)
Capital activities				
Acquisition of capital assets	(1,932)	(1,495)	(4,618)	(5,963)
Financing activities				
Parliamentary appropriations for the acquisition of capital assets	2,258	2,684	6,966	8,702
Increase (decrease) in cash and restricted cash	6,183	3,365	4,186	(1,807)
Cash and restricted cash, beginning of period				
Cash	9,594	3,626	12,277	9,376
Restricted cash	2,997	2,399	2,311	1,821
	12,591	6,025	14,588	11,197
Cash and restricted cash, end of period				
Cash	15,395	6,395	15,395	6,395
Restricted cash	3,379	2,995	3,379	2,995
	\$ 18,774	\$ 9,390	\$ 18,774	\$ 9,390

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, 2019

(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, fundraising, 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, 2019
(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, 2019. 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 nine month period ended December 31, 2019

(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	December 31, 2019 (9 months)	March 31, 2019 (12 months)
Balance, beginning of period	\$ 4,260	\$ 7,885	\$ 12,145	\$ 10,157
Additions				
Amounts received during the period	943	-	943	4,817
Deferred investment income	78	-	78	97
	1,021	-	1,021	4,914
Deductions				
Amounts recognized as revenue	(73)	(1,090)	(1,163)	(2,926)
Balance, end of period	\$ 5,208	\$ 6,795	\$ 12,003	\$ 12,145

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the nine month period ended December 31, 2019

(In thousands of dollars)

4. Deferred contributions - 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 deducted 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, 2019 (9 months)	March 31, 2019 (12 months)
Balance, beginning of period	\$ 9,306	\$ 1,191	\$ 10,497	\$ 10,295
Additions				
Amounts received during the period	-	5	5	153
Deferred investment income	160	21	181	232
	160	26	186	385
Deductions				
Amounts recognized as revenue	-	-	-	(183)
Balance, end of period	\$ 9,466	\$ 1,217	\$ 10,683	\$ 10,497

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the nine month period ended December 31, 2019

(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 for capital asset acquisitions</u>		December 31,	March 31,
	Non- government sources	Parliamentary appropriations	Parliamentary appropriations	Parliamentary appropriations	2019 (9 months)	2019 (12 months)
Balance, beginning of period	\$ 1,708	\$ 182,316	\$ 18,334	\$ 202,358	\$ 208,963	
Additions						
Capital asset acquisitions	-	3,035	-	3,035	4,468	
Parliamentary appropriations deferred for capital asset acquisitions in future periods	-	-	3,300	3,300	7,983	
	-	3,035	3,300	6,335	12,451	
Deductions						
Amounts used during the period	(48)	(12,823)	(951)	(13,822)	(19,056)	
Balance, end of period	\$ 1,660	\$ 172,528	\$ 20,683	\$ 194,871	\$ 202,358	

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, 2019

(In thousands of dollars)

6. Donations and sponsorships

Donations and sponsorships revenue is composed of:

	December 31, 2019	December 31, 2018
Cash donations and sponsorships	\$ 1,025	\$ 1,296
In-kind sponsorships and artifact donations	430	587
	\$ 1,455	\$ 1,883

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.

	December 31, 2019	December 31, 2018
Main Estimates amount provided for operating and capital activities	\$ 52,522	\$ 52,898
Supplementary estimates and transfers	-	161
Less current period Parliamentary appropriations not recognized as revenue:		
Used for capital asset acquisitions	(2,084)	(1,694)
Deferred for future capital asset acquisitions	(3,300)	(4,000)
Add prior period Parliamentary appropriations recognized as revenue in current period:		
Amortization of deferred capital funding	12,823	13,099
Restricted amounts used in current period	1,090	1,341
Parliamentary appropriations recognized as revenue	\$ 61,051	\$ 61,805

8. Comparative figures

Certain comparative figures have been reclassified to conform with 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
(In thousands of dollars)

	Three month period ended		Nine month period ended	
	December 31		December 31	
	2019	2018	2019	2018
General admission and programmes	\$ 1,286	\$ 1,336	\$ 6,152	\$ 6,472
Facility rental, events and concessions	845	789	2,596	2,415
Boutique sales	413	465	1,802	1,916
Parking	437	480	1,519	1,627
Travelling exhibits	62	204	467	423
Memberships	126	140	396	476
Other	25	32	114	127
	\$ 3,194	\$ 3,446	\$ 13,046	\$ 13,456

Schedule 2 - Expenses

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

	Three month period ended		Nine month period ended	
	December 31		December 31	
	2019	2018	2019	2018
Personnel costs	\$ 9,705	\$ 9,270	\$ 29,655	\$ 28,517
Amortization of capital assets	4,272	4,409	12,905	13,181
Payments in lieu of property taxes	1,204	2,422	6,264	7,235
Building operations	1,590	1,464	4,870	4,728
Exhibit fabrication and rental	696	1,015	2,737	2,882
Online programs assistance	799	1,082	2,663	2,917
Professional and special services	1,039	1,066	2,629	2,535
Repairs and maintenance	740	828	2,245	2,240
Utilities	771	750	2,197	2,145
IT infrastructure and systems	533	569	1,598	1,738
Marketing and advertising	540	532	1,220	1,362
Cost of goods sold	190	235	894	963
Travel and hospitality	263	393	826	921
Collection acquisitions	305	609	685	1,267
Materials and supplies	257	308	682	792
Rentals and leases	98	76	207	259
Royalties	19	15	133	66
Other	241	192	598	505
	\$ 23,262	\$ 25,235	\$ 73,008	\$ 74,253