

CANADIAN MUSEUM OF HISTORY

Quarterly Financial Statements

For the nine month period ended December 31, 2021

Unaudited

NARRATIVE DISCUSSION

These quarterly financial statements must be read in conjunction with the March 31, 2021, 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.

During the current fiscal year, the Museum continued to be impacted by the COVID-19 pandemic. The Quebec and Ontario provincial governments have maintained restrictions around space capacity which has negatively impacted visitor levels at both Museums. The Canadian Children's Museum continues to remain closed to the public, due to the highly interactive experience it offers, and the way children and families use the space. This continued closure has impacted the ability to attract families to the Canadian Museum of History. This situation had significant negative effects on the Corporation's attendance, revenues and operations.

Relief funding of \$4.9 million, to support the national museums in facing the impacts of the COVID-19 pandemic, was confirmed through Federal Budget 2021. The Museum welcomes this funding which will alleviate some of the financial pressures the Corporation is currently experiencing. Additional funding of \$6.9 million was also approved to support the acquisition of the Canadian Sports Hall of Fame collection.

The Museum remains connected with its audience through its digital offer with Museum at Home, Digital Museums Canada and its online programming offer.

STRATEGIC DIRECTIONS

In September 2019, the Corporation's Board of Trustees unveiled six Strategic Directions, building on the previous ones, and maintaining their overall intent. A detailed set of goals and objectives addresses each direction. The Corporation's six Strategic Directions are as follows:

1. Inspire Canadians across the country to engage in a greater understanding of their shared history.
2. Position the Museum as a trusted source of research and knowledge about Canadian history.
3. Strengthen relationships with Indigenous peoples through respectful collaboration and shared stewardship of Indigenous collections and intangible heritage.
4. Build and share a collection that best reflects Canada's history and distinctiveness.
5. Pursue cultural diplomacy to exchange ideas and values and advance mutually beneficial projects, both nationally and internationally.
6. Ensure sustainability, capacity and museological excellence by continuing to develop an empowering corporate culture.

STATEMENT OF OPERATIONS

The Corporation's net results of operations for the nine-month period ended December 31, 2021, reflects a surplus of \$5.0 million, compared to a surplus of \$7.4 million for the comparative period of the previous fiscal year.

Parliamentary appropriations for the period total \$63.1 million, compared to the \$66.9 million for the same period in the previous fiscal year.

Revenues for the nine-month period total \$6.0 million, compared to \$2.2 million for the same period of the previous fiscal year, an increase of \$3.8 million. Revenue results for the current period reflect partial operations, with moderate capacity restrictions for most of the third quarter, at the Canadian Museum of History and the Canadian War Museum. The museums remained closed throughout the first quarter, for most of the second quarter, and with some limited on-site opportunities for visitors in the third quarter of the comparative year.

Operating expenses for the nine-month period total \$64.1 million, compared to \$61.7 million for the same period of the previous fiscal year, an increase of \$2.4 million. This increase is partly explained by the expenses incurred for the preparation of the *Queens of Egypt* exhibition, presented during the summer of 2021, and an increase in front-line operating costs. In the first and second quarters of 2020-2021, the Museum limited its expenses to essential services and business continuity.

STATEMENT OF FINANCIAL POSITION

The Museum's unrestricted net assets as of December 31, 2021, represent \$20.8 million, \$20.9 million as of December 31, 2020.

The Museum restricted net assets in 2016–2017, totaling \$15 million, for the renewal of permanent exhibition galleries, including the transformation of the Canadian Children's Museum. This project was suspended due to the pandemic and resumed in fall 2021. In 2017–2018, an upgrade to a permanent gallery was completed at the Canadian War Museum. The decrease of restricted net assets for permanent exhibit renewal is equivalent to the amortization of this upgrade and non-capital expenses incurred to date for the Children's Museum Renewal project.

OUTLOOK

The current situation related to the global pandemic continues to significantly impact the attendance and the operations of the Museum. It is anticipated that this situation will have a significant negative impact on the operating revenues of the 2021–2022 fiscal year and beyond.

In addition to the financial pressures caused by the COVID-19 pandemic, escalating non-discretionary accommodation costs and capital repairs also remain a challenge. The Corporation is responsible for two iconic national sites, one of which is 31 years old, and the other is 16 years old.

The Museum has returned to an annual base capital funding of \$2.5 million as 2020–2021 was the last year of the five-year one-time funding allocation, approved through Budget 2016 to complete health and safety related projects. Base funding remains below the level necessary to keep two aging buildings in good condition and to address the requirements associated with the IT and security infrastructure. The Corporation will continue to work with the Department of Canadian Heritage on a long-term solution to address operating challenges such as escalating non-discretionary costs and the need to address critical capital projects.

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.



Caroline Dromaguet
Acting President and Chief Executive Officer



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

Gatineau, Quebec

February 25, 2022

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Statement of Financial Position

As at

(In thousands of dollars)

	December 31, 2021	March 31, 2021
Assets		
Current assets		
Cash	\$ 28,667	\$ 46,000
Restricted cash	4,148	7,293
Restricted investments	4,296	5,042
Investments	24,879	12,384
Accounts receivable	1,249	1,320
Inventories	657	740
Prepaid expenses	627	397
	64,523	73,176
Restricted investments	10,070	4,676
Investments	47,631	37,103
Collections	1	1
Capital assets	193,744	203,763
	\$ 315,969	\$ 318,719
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 15,193	\$ 13,672
Deferred contributions (note 3)	18,902	18,337
Deferred revenues	632	794
	34,727	32,803
Deferred contributions - National Collection Fund (note 4)	11,033	10,910
Deferred contributions related to capital assets (note 5)	181,356	191,736
Employee future benefits	12,400	11,848
	239,516	247,297
Net assets		
Unrestricted	20,825	15,761
Restricted for permanent exhibit renewal	14,760	14,793
Investment in capital assets	40,868	40,868
	76,453	71,422
	\$ 315,969	\$ 318,719

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	
	2021	2020	2021	2020
Revenues				
Donations and sponsorships (note 6)	\$ 599	\$ 111	\$ 1,215	\$ 553
Net investment income	375	403	1,119	1,206
Operating (schedule 1)	1,097	225	3,638	474
	<u>2,071</u>	<u>739</u>	<u>5,972</u>	<u>2,233</u>
Expenses (schedule 2)				
Collect and research	\$ 2,816	\$ 2,625	\$ 8,373	\$ 7,710
Exhibit, educate and communicate	5,885	5,838	17,410	16,887
Accommodation	8,633	8,282	25,468	25,310
Corporate management	4,689	4,382	12,825	11,821
	<u>22,023</u>	<u>21,127</u>	<u>64,076</u>	<u>61,728</u>
Net result of operations before parliamentary appropriations	(19,952)	(20,388)	(58,104)	(59,495)
Parliamentary appropriations (note 7)	20,922	21,648	63,135	66,851
Net result of operations	<u>\$ 970</u>	<u>\$ 1,260</u>	<u>\$ 5,031</u>	<u>\$ 7,356</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 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 2021	December 31 2020
Net assets, beginning of period	\$ 19,844	\$ 14,771	\$ 40,868	\$ 75,483	\$ 75,282
Net result of operations	981	(11)	-	970	1,260
Net assets, end of period	\$ 20,825	\$ 14,760	\$ 40,868	\$ 76,453	\$ 76,542

For the nine month period ended	Unrestricted	Restricted for permanent exhibit renewal	Investment in capital assets	December 31 2021	December 31 2020
Net assets, beginning of period	\$ 15,761	\$ 14,793	\$ 40,868	\$ 71,422	\$ 69,186
Net result of operations	5,064	(33)	-	5,031	7,356
Net assets, end of period	\$ 20,825	\$ 14,760	\$ 40,868	\$ 76,453	\$ 76,542

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	
	2021	2020	2021	2020
Operating activities				
Cash receipts from clients and other receivables	\$ 1,790	\$ 1,003	\$ 6,203	\$ 3,891
Cash receipts from parliamentary appropriations	16,329	16,620	50,332	52,276
Cash paid to and on behalf of employees	(9,042)	(8,992)	(27,940)	(29,054)
Cash paid to suppliers	(7,566)	(5,544)	(23,908)	(21,194)
Restricted contributions and related investment income	1,110	873	2,038	1,616
Interest received	361	307	1,061	1,021
Net cash through operating activities	2,982	4,267	7,786	8,556
Investing activities				
Increase in investments and restricted investments	(27,660)	-	(34,160)	-
Decrease in investments and restricted investments	2,190	6,020	6,290	6,020
Net cash through investing activities	(25,470)	6,020	(27,870)	6,020
Capital activities				
Acquisition of capital assets	(563)	(1,017)	(2,027)	(3,715)
Financing activities				
Parliamentary appropriations for the acquisition of capital assets	1,108	630	1,633	3,996
Increase (decrease) in cash and restricted cash	(21,943)	9,900	(20,478)	14,857
Cash and restricted cash, beginning of period				
Cash	46,565	24,075	46,000	19,869
Restricted cash	8,193	3,266	7,293	2,515
	54,758	27,341	53,293	22,384
Cash and restricted cash, end of period				
Cash	28,667	31,246	28,667	31,246
Restricted cash	4,148	5,995	4,148	5,995
	\$ 32,815	\$ 37,241	\$ 32,815	\$ 37,241

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, 2021
(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, 2021
(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, 2021. 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, 2021

(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, 2021 (9 months)	March 31, 2021 (12 months)
Balance, beginning of year	\$ 6,154	\$ 12,183	\$ 18,337	\$ 14,508
Additions				
Amounts received during the period	1,337	400	1,737	6,345
Deferred investment income	70	-	70	85
	1,407	400	1,807	6,430
Deductions				
Amounts recognized as revenue	(2)	(1,240)	(1,242)	(2,601)
Balance, end of period	\$ 7,559	\$ 11,343	\$ 18,902	\$ 18,337

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the nine month period ended December 31, 2021

(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, 2021 (9 months)	March 31, 2021 (12 months)
Balance, beginning of year	\$ 9,659	\$ 1,251	\$ 10,910	\$ 10,714
Additions				
Amounts received during the period	-	2	2	5
Deferred investment income	106	15	121	206
	106	17	123	211
Deductions				
Amounts recognized as revenue	-	-	-	(15)
Balance, end of period	\$ 9,765	\$ 1,268	\$ 11,033	\$ 10,910

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the nine month period ended December 31, 2021

(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	2021 (9 months)	2021 (12 months)
Balance, beginning of year	\$ 1,578	\$ 158,067	\$ 32,091	\$ 191,736	\$ 195,335	
Additions						
Capital asset acquisitions	-	2,270	-	2,270	3,776	
Parliamentary appropriations deferred for capital asset acquisitions in future periods	-	-	1,507	1,507	10,833	
	-	2,270	1,507	3,777	14,609	
Deductions						
Amounts used during the period	(49)	(12,208)	(1,900)	(14,157)	(18,208)	
Balance, end of period	\$ 1,529	\$ 148,129	\$ 31,698	\$ 181,356	\$ 191,736	

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, 2021

(In thousands of dollars)

6. Donations and sponsorships

Donations and sponsorships revenue is composed of:

	December 31, 2021	December 31, 2020
Cash donations and sponsorships	\$ 862	\$ 351
In-kind sponsorships and artifact donations	353	202
	\$ 1,215	\$ 553

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, 2021	December 31, 2020
Main Estimates amount provided for operating and capital activities	\$ 50,236	\$ 51,979
Supplementary estimates and transfers	1,728	4,624
Less current period Parliamentary appropriations not recognized as revenue:		
Used for capital asset acquisitions	(370)	(1,507)
Deferred for future capital asset acquisitions	(1,507)	(1,365)
Restricted for specific purposes	(400)	(680)
Add prior period Parliamentary appropriations recognized as revenue in current period:		
Amortization of deferred capital funding	12,208	12,510
Restricted amounts used in current period	1,240	1,290
Parliamentary appropriations recognized as revenue	\$ 63,135	\$ 66,851

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	
	2021	2020	2021	2020
General admission and programmes	\$ 479	\$ 52	\$ 1,781	\$ 140
Boutique sales	216	66	651	99
Parking	145	45	492	104
Facility rental, events and concessions	120	12	362	27
Memberships	96	-	224	-
Travelling exhibits	21	18	63	49
Other	20	32	65	55
	\$ 1,097	\$ 225	\$ 3,638	\$ 474

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	
	2021	2020	2021	2020
Personnel costs	\$ 9,112	\$ 9,566	\$ 27,972	\$ 29,193
Amortization of capital assets	4,049	4,201	12,289	12,592
Payments in lieu of property taxes	2,082	1,895	6,241	6,113
Building operations	1,306	977	3,327	2,905
Online programs assistance	1,015	1,173	2,796	2,865
Professional and special services	923	596	2,006	1,317
Utilities	589	545	1,733	1,658
IT infrastructure and systems	650	573	1,730	1,555
Exhibit fabrication and rental	532	310	1,637	471
Repairs and maintenance	731	613	1,604	1,423
Marketing and advertising	248	180	709	294
Collection acquisitions	168	95	623	202
Materials and supplies	231	145	494	635
Cost of goods sold	96	33	312	71
Rentals and leases	72	70	170	137
Royalties	6	2	25	2
Travel and hospitality	16	2	21	14
Other	197	151	387	281
	\$ 22,023	\$ 21,127	\$ 64,076	\$ 61,728