

CANADIAN MUSEUM OF HISTORY

Quarterly Financial Statements

For the three month period ended June 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.

CANADIAN HISTORY HALL

As part of the transformation from the Canadian Museum of Civilization to the Canadian Museum of History, the Corporation received \$25 million over four years to help transform two of its permanent galleries (the Canada Hall and Face to Face) into one major permanent exhibition focusing on Canadian history. The \$25 million in funding was allocated as follows: \$1 million in 2012–2013, \$1.5 million in 2013–2014, \$5.5 million in 2014–2015 and \$17 million in 2015–2016. The new gallery opened for Canada's 150th Anniversary of Confederation on July 1st, 2017.

STATEMENT OF OPERATIONS

The Corporation's net results of operations for the three month period ended June 30, 2017 reflect a deficit of \$1.3 million, compared to a deficit of \$0.2 million in the comparative period of the prior fiscal year. The deficit is mainly due to the timing of parliamentary appropriation draws, which are done on a pre-determined schedule based on anticipated need, not on an accrual basis as used in the preparation of the financial statements.

Parliamentary appropriations for the period total \$18.0 million, in comparison to \$17.2 million total for the same period of the previous fiscal year. Parliamentary appropriations include additional funding received through Budget 2016 to address urgent health and safety related capital projects.

Revenues for the period total \$5.8 million, compared to \$5.0 million in the previous fiscal year. The 16% increase is primarily attributable to the following:

- Strong attendance, leading to increased General admission and programmes revenue; and
- Increased Facility rental, events and concessions revenue

Operating expenses for the period total \$25.1 million, in comparison to \$22.4 million for the comparative period of the prior year.

STATEMENT OF FINANCIAL POSITION

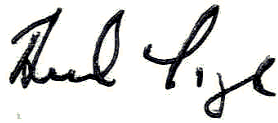
The National Collection Fund represents funds for the acquisition of artifacts by the Canadian Museum of History and the Canadian War Museum. At June 30, 2017, the balance of the National Collection Fund stands at \$10.6 million.

The impact of seasonal fluctuations is also of note when comparing balances at June 30, 2017 against those at March 31, 2017.

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, remeasurement gains and losses, 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

August 25, 2017

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Statement of Financial Position

As at

(In thousands of dollars)

	June 30, 2017	March 31, 2017
Assets		
Current assets		
Cash	\$ 4,189	\$ 4,449
Restricted cash and investments	5,852	5,078
Investments	1,717	3,770
Accounts receivable	1,880	2,847
Inventories	1,043	843
Prepaid expenses	783	720
	15,464	17,707
Restricted cash and investments	12,592	12,683
Investments	56,256	54,853
Collections	1	1
Capital assets	245,708	247,181
	\$ 330,021	\$ 332,425
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 16,078	\$ 15,252
Deferred contributions (note 3)	12,662	12,402
Deferred revenues	1,649	1,557
	30,389	29,211
Deferred contributions – National Collection Fund (note 4)	10,615	10,651
Deferred contributions related to capital assets (note 5)	213,978	216,107
Employee future benefits	9,171	8,976
	264,153	264,945
Net assets		
Unrestricted	8,606	9,918
Restricted for permanent exhibit renewal	15,000	15,000
Investment in capital assets	40,868	40,868
Accumulated remeasurement gains	1,394	1,694
	65,868	67,480
	\$ 330,021	\$ 332,425

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

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Statement of Operations

For the three month period ended June 30, 2017

(In thousands of dollars)

	June 30, 2017	June 30, 2016
Revenues		
Donations and sponsorships (note 6)	\$ 554	\$ 443
Net investment income	308	322
Operating (schedule 1)	4,954	4,234
	<u>5,816</u>	<u>4,999</u>
Expenses (schedule 2)		
Collect and research	3,676	3,098
Exhibit, educate and communicate	6,650	5,863
Accommodation	10,009	9,283
Corporate management	4,767	4,191
	<u>25,102</u>	<u>22,435</u>
Net result of operations before parliamentary appropriations	(19,286)	(17,436)
Parliamentary appropriations (note 7)	17,974	17,201
Net result of operations	<u>\$ (1,312)</u>	<u>\$ (235)</u>

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

Statement of Remeasurement Gains and Losses

For the three month period ended June 30, 2017

(In thousands of dollars)

	June 30, 2017	June 30, 2016
Accumulated remeasurement gains, beginning of period	\$ 1,694	\$ 3,989
Unrealized gains (losses) attributed to investments	(408)	237
Amounts reclassified to the Statement of Operations – investments	108	84
Net change in accumulated remeasurement gains (losses) for the period	<u>(300)</u>	<u>321</u>
Accumulated remeasurement gains, end of period	<u>\$ 1,394</u>	<u>\$ 4,310</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 month period ended June 30, 2017

(In thousands of dollars)

	Unrestricted	Restricted for permanent exhibit renewal	Investment in capital assets	Accumulated remeasurement gains	2018	2017
Net assets, beginning of period	\$ 9,918	\$ 15,000	\$ 40,868	\$ 1,694	\$ 67,480	\$ 68,660
Net result of operations	(1,312)	-	-	-	(1,312)	(235)
Net change in accumulated remeasurement gains (losses)	-	-	-	(300)	(300)	321
Net assets, end of period	\$ 8,606	\$ 15,000	\$ 40,868	\$ 1,394	\$ 65,868	\$ 68,746

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 month period ended June 30, 2017

(In thousands of dollars)

	June 30, 2017	June 30, 2016
Operating activities		
Cash receipts from clients and other receivables	\$ 6,910	\$ 5,278
Cash receipts from parliamentary appropriations	12,599	14,033
Cash paid to and on behalf of employees	(9,135)	(8,833)
Cash paid to suppliers	(10,661)	(9,368)
Restricted contributions and related investment income	775	208
Interest received	407	328
Net cash through operating activities	895	1,646
Investing activities		
Principal repayments of investments	231	12
Increase in investments and restricted investments	(2,023)	(3,817)
Decrease in investments and restricted investments	2,066	1,595
Net cash through investing activities	274	(2,210)
Capital activities		
Acquisition of capital assets	(3,458)	(3,260)
Financing activities		
Parliamentary appropriations for the acquisition of capital assets	2,803	405
Increase (decrease) in cash and restricted cash	514	(3,419)
Cash and restricted cash, beginning of period		
Cash	4,449	20,481
Restricted cash	5,078	1,842
	9,527	22,323
Cash and restricted cash, end of period		
Cash	4,189	16,855
Restricted cash	5,852	2,049
	\$ 10,041	\$ 18,904

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 three month period ended June 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 three month period ended June 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.

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the three month period ended June 30, 2017

(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	June 30, 2017 (3 months)	March 31, 2017 (12 months)
Balance, beginning of period	\$ 7,110	\$ 5,292	\$ 12,402	\$ 7,770
Additions				
Amounts received during the period	685	-	685	7,389
Deferred investment income	34	-	34	96
	719	-	719	7,485
Deductions				
Amounts recognized as revenue	-	(459)	(459)	(2,853)
Balance, end of period	\$ 7,829	\$ 4,833	\$ 12,662	\$ 12,402

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the three month period ended June 30, 2017

(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	June 30, 2017 (3 months)	March 31, 2017 (12 months)
Balance, beginning of period	\$ 9,073	\$ 1,578	\$ 10,651	\$ 10,670
Additions				
Amounts received during the period	-	-	-	1
Deferred realized investment income	46	9	55	245
Unrealized loss on investments	(91)	-	(91)	(172)
	(45)	9	(36)	74
Deductions				
Amounts recognized as revenue	-	-	-	(93)
Balance, end of period	\$ 9,028	\$ 1,587	\$ 10,615	\$ 10,651

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the three month period ended June 30, 2017

(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>	June 30,	March 31,
	Non-	Parliamentary	Deferred	2017	2017
	government	appropriations	capital	(3 months)	(12 months)
	sources		funding		
			through		
			Parliamentary		
			appropriations		
Balance, beginning of period	\$ 1,840	\$ 204,303	\$ 9,964	\$ 216,107	\$ 217,171
Additions					
Capital asset acquisitions	-	2,042	-	2,042	18,995
Parliamentary appropriations deferred for capital asset acquisitions in future periods	-	-	-	-	6,832
	-	2,042	-	2,042	25,827
Deductions					
Amounts used during the period	(16)	(3,500)	(655)	(4,171)	(26,891)
Balance, end of period	\$ 1,824	\$ 202,845	\$ 9,309	\$ 213,978	\$ 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 three month period ended June 30, 2017

(In thousands of dollars)

6. Donations and sponsorships

Donations and sponsorships revenue is composed of:

	June 30, 2017	June 30, 2016
Cash donations and sponsorships	\$ 77	\$ 66
In-kind sponsorships and artifact donations	477	377
	\$ 554	\$ 443

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.

	June 30, 2017	June 30, 2016
Main Estimates amount provided for operating and capital activities	\$ 15,402	\$ 14,220
Less current period Parliamentary appropriations not recognized as revenue:		
Used for capital asset acquisitions	(2,042)	(3,091)
Deferred for future capital asset acquisitions	-	-
Restricted for specific purposes	-	(550)
Add prior period Parliamentary appropriations recognized as revenue in current period:		
Amortization of deferred capital funding	3,500	3,487
Restricted amounts used in current period	1,114	3,135
Parliamentary appropriations recognized as revenue	\$ 17,974	\$ 17,201

8. 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 month period ended June 30, 2017
(In thousands of dollars)

	June 30, 2017	June 30, 2016
General admission and programmes	\$ 2,120	\$ 1,733
Facility rental, events and concessions	1,084	979
Boutique sales	747	595
Parking	508	467
Giant screen theatre	196	215
Memberships	110	95
Travelling exhibits	28	87
Other	161	63
	\$ 4,954	\$ 4,234

Schedule 2 - Expenses

For the three month period ended June 30, 2017
(In thousands of dollars)

	June 30, 2017	June 30, 2016
Personnel costs	\$ 9,946	\$ 8,725
Amortization of capital assets	3,516	3,504
Payments in lieu of property taxes	2,475	2,361
Building operations	1,892	1,373
Professional and special services	1,018	854
Online programs assistance	975	804
Repairs and maintenance	786	616
Exhibit fabrication and rental	772	1,039
Collection acquisitions	724	451
Utilities	690	711
IT infrastructure and systems	595	507
Marketing and advertising	549	366
Materials and supplies	317	222
Travel and hospitality	302	366
Cost of goods sold	295	284
Rentals and leases	70	65
Royalties	21	47
Other	159	140
	\$ 25,102	\$ 22,435