

CANADIAN MUSEUM OF HISTORY

Quarterly Financial Statements

For the nine month period ended December 31, 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 nine month period ended December 31, 2018 reflects a surplus of \$4.2 million, compared to \$3.2 million for the prior fiscal year.

Revenues for the period total \$16.6 million, compared to \$21.2 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 \$74.3 million, compared to \$78.5 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 \$61.8 million, compared to the \$60.6 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

The Museum's unrestricted net assets as of December 31, 2018 represent \$15.0 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.

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

February 22, 2019

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Statement of Financial Position

As at

(In thousands of dollars)

	December 31, 2018	March 31, 2018
Assets		
Current assets		
Cash	\$ 6,395	\$ 9,376
Restricted cash	2,995	1,821
Restricted investments	1,709	1,808
Investments	9,115	3,755
Accounts receivable	2,085	2,914
Inventories	912	806
Prepaid expenses	922	592
	<u>24,133</u>	<u>21,072</u>
Restricted investments	10,663	10,610
Investments	51,623	53,013
Collections	1	1
Capital assets	<u>228,926</u>	<u>238,727</u>
	<u>\$ 315,346</u>	<u>\$ 323,423</u>
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 11,440	\$ 16,201
Deferred contributions (note 3)	9,620	10,157
Deferred revenues	1,192	1,597
	<u>22,252</u>	<u>27,955</u>
Deferred contributions - National Collection Fund (note 4)	10,621	10,295
Deferred contributions related to capital assets (note 5)	201,510	208,963
Employee future benefits	10,166	9,571
	<u>244,549</u>	<u>256,784</u>
Net assets		
Unrestricted	15,022	10,813
Restricted for permanent exhibit renewal	14,907	14,958
Investment in capital assets	40,868	40,868
	<u>70,797</u>	<u>66,639</u>
	<u>\$ 315,346</u>	<u>\$ 323,423</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	
	2018	2017	2018	2017
Revenues				
Donations and sponsorships (note 6)	\$ 902	\$ 508	\$ 1,883	\$ 4,760
Net investment income	436	400	1,267	1,225
Operating (schedule 1)	3,446	3,599	13,456	15,229
	4,784	4,507	16,606	21,214
Expenses (schedule 2)				
Collect and research	\$ 3,369	\$ 3,692	\$ 10,129	\$ 12,451
Exhibit, educate and communicate	7,460	8,548	20,832	21,669
Accommodation	9,877	9,523	29,433	30,166
Corporate management	4,529	4,689	13,859	14,252
	25,235	26,452	74,253	78,538
Net result of operations before parliamentary appropriations	(20,451)	(21,945)	(57,647)	(57,324)
Parliamentary appropriations (note 7)	21,226	21,203	61,805	60,571
Net result of operations	\$ 775	\$ (742)	\$ 4,158	\$ 3,247

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 2018	December 31 2017
Net assets, beginning of period	\$ 14,229	\$ 14,925	\$ 40,868	\$ 70,022	\$ 69,797
Net result of operations	793	(18)	-	775	(742)
Net assets, end of period	\$ 15,022	\$ 14,907	\$ 40,868	\$ 70,797	\$ 69,055

For the nine month period ended	Unrestricted	Restricted for permanent exhibit renewal	Investment in capital assets	December 31 2018	December 31 2017
Net assets, beginning of period	\$ 10,813	\$ 14,958	\$ 40,868	\$ 66,639	\$ 65,808
Net result of operations	4,209	(51)	-	4,158	3,247
Net assets, end of period	\$ 15,022	\$ 14,907	\$ 40,868	\$ 70,797	\$ 69,055

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	
	2018	2017	2018	2017
Operating activities				
Cash receipts from clients and other receivables	\$ 4,239	\$ 4,350	\$ 17,311	\$ 19,549
Cash receipts from parliamentary appropriations	15,716	16,513	44,470	45,069
Cash paid to and on behalf of employees	(9,142)	(9,975)	(30,353)	(29,200)
Cash paid to suppliers	(10,246)	(11,519)	(35,134)	(40,014)
Restricted contributions and related investment income	1,260	724	1,923	1,882
Interest received	401	392	1,284	1,103
Net cash through operating activities	2,228	485	(499)	(1,611)
Investing activities				
Principal repayments of investments	-	-	3	231
Increase in investments and restricted investments	(1,501)	-	(6,508)	(3,025)
Decrease in investments and restricted investments	1,449	-	2,458	3,079
Net cash through investing activities	(52)	-	(4,047)	285
Capital activities				
Acquisition of capital assets	(1,495)	(1,281)	(5,963)	(6,647)
Financing activities				
Parliamentary appropriations for the acquisition of capital assets	2,684	1,179	8,702	5,596
Increase (decrease) in cash and restricted cash	3,365	383	(1,807)	(2,377)
Cash and restricted cash, beginning of period				
Cash	3,626	4,094	9,376	4,449
Restricted cash	2,399	2,673	1,821	5,078
	6,025	6,767	11,197	9,527
Cash and restricted cash, end of period				
Cash	6,395	4,187	6,395	4,187
Restricted cash	2,995	2,963	2,995	2,963
	\$ 9,390	\$ 7,150	\$ 9,390	\$ 7,150

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, 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, 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, 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 nine month period ended December 31, 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	December 31, 2018 (9 months)	March 31, 2018 (12 months)
Balance, beginning of period	\$ 4,030	\$ 6,127	\$ 10,157	\$ 12,371
Additions				
Amounts received during the period	1,130	-	1,130	3,960
Deferred investment income	69	-	69	107
	1,199	-	1,199	4,067
Deductions				
Amounts recognized as revenue	(395)	(1,341)	(1,736)	(6,281)
Balance, end of period	\$ 4,834	\$ 4,786	\$ 9,620	\$ 10,157

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the nine month period ended December 31, 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	December 31, 2018 (9 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	152	153	9
Deferred investment income	152	21	173	212
	153	173	326	221
Deductions				
Amounts recognized as revenue	-	-	-	(415)
Balance, end of period	\$ 9,255	\$ 1,366	\$ 10,621	\$ 10,295

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the nine month period ended December 31, 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 for capital asset acquisitions</u>	December 31,	March 31,
	Non- government sources	Parliamentary appropriations	Parliamentary appropriations	2018 (6 months)	2018 (12 months)
Balance, beginning of period	\$ 1,774	\$ 195,263	\$ 11,926	\$ 208,963	\$ 216,107
Additions					
Capital asset acquisitions	-	2,955	-	2,955	7,364
Parliamentary appropriations deferred for capital asset acquisitions in future periods	-	-	4,000	4,000	4,923
	-	2,955	4,000	6,955	12,287
Deductions					
Amounts used during the period	(48)	(13,099)	(1,261)	(14,408)	(19,431)
Balance, end of period	\$ 1,726	\$ 185,119	\$ 14,665	\$ 201,510	\$ 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 nine month period ended December 31, 2018

(In thousands of dollars)

6. Donations and sponsorships

Donations and sponsorships revenue is composed of:

	December 31, 2018	December 31, 2017
Cash donations and sponsorships	\$ 1,296	\$ 4,212
In-kind sponsorships and artifact donations	587	548
	\$ 1,883	\$ 4,760

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, 2018	December 31, 2017
Main Estimates amount provided for operating and capital activities	\$ 52,898	\$ 48,778
Supplementary estimates and transfers	161	1,887
Less current period Parliamentary appropriations not recognized as revenue:		
Used for capital asset acquisitions	(1,694)	(4,396)
Deferred for future capital asset acquisitions	(4,000)	-
Add prior period Parliamentary appropriations recognized as revenue in current period:		
Amortization of deferred capital funding	13,099	12,138
Restricted amounts used in current period	1,341	2,164
Parliamentary appropriations recognized as revenue	\$ 61,805	\$ 60,571

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Schedule 1 - Operating Revenues

For the three and nine month period ended December 31, 2018
(In thousands of dollars)

	Three month period ended		Nine month period ended	
	December 31		December 31	
	2018	2017	2018	2017
General admission and programmes	\$ 1,336	\$ 1,508	\$ 6,472	\$ 7,494
Facility rental, events and concessions	789	848	2,415	2,887
Boutique sales	465	475	1,916	2,257
Parking	480	451	1,627	1,687
Memberships	140	136	476	365
Travelling exhibits	204	133	423	298
Other	32	48	127	241
	\$ 3,446	\$ 3,599	\$ 13,456	\$ 15,229

Schedule 2 - Expenses

For the three and nine month period ended December 31, 2018
(In thousands of dollars)

	Three month period ended		Nine month period ended	
	December 31		December 31	
	2018	2017	2018	2017
Personnel costs	\$ 9,270	\$ 9,069	\$ 28,517	\$ 28,677
Amortization of capital assets	4,409	4,336	13,181	12,187
Payments in lieu of property taxes	2,422	2,113	7,235	7,065
Building operations	1,464	1,576	4,728	5,284
Online programs assistance	1,082	807	2,917	2,674
Exhibit fabrication and rental	1,015	1,224	2,882	2,657
Professional and special services	1,066	1,267	2,535	3,371
Repairs and maintenance	828	869	2,240	2,419
Utilities	750	749	2,145	2,156
IT infrastructure and systems	569	571	1,738	1,685
Marketing and advertising	532	1,441	1,362	2,467
Collection acquisitions	609	1,034	1,267	3,887
Cost of goods sold	235	216	963	1,090
Travel and hospitality	393	372	921	1,080
Materials and supplies	308	510	792	1,047
Rentals and leases	76	67	259	187
Royalties	15	30	66	61
Other	192	201	505	544
	\$ 25,235	\$ 26,452	\$ 74,253	\$ 78,538