

CANADIAN MUSEUM OF HISTORY

Quarterly Financial Statements

For the three month period ended June 30, 2020

Unaudited

NARRATIVE DISCUSSION

These quarterly financial statements must be read in conjunction with the March 31, 2020 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 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:

Inspire Canadians across the country to engage in a greater understanding of their shared history

Position the Museum as a trusted source of research and knowledge about Canadian history

Strengthen relationships with indigenous peoples through respectful collaboration and shared stewardship of indigenous collections and intangible heritage

Build and share a collection that best reflects Canada's history and distinctiveness

Pursue cultural diplomacy to exchange ideas and values and advance mutually beneficial projects, both nationally and internationally

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 three month period ended June 30, 2020 reflects a surplus of \$2.9 million, compared to a surplus of \$0.6 million for the comparative period of the previous fiscal year.

On March 11, 2020, the World Health Organization declared the new coronavirus (COVID-19) a global pandemic. Based on public health recommendations, and along with the other national museums, the Corporation made the decision to close its two sites to visitors and non-essential staff on March 14, 2020, until further notice.

The Museum's closure had a significant negative impact on the revenues generated in the first quarter. Revenues for the period total \$0.8 million, compared to \$5.6 million for the same period of the previous fiscal year.

The Museum also experienced a reduction in operating expenses during the closure. Operating expenses for the period total \$20.2 million, compared to \$25.2 million for the comparative period of the previous fiscal year.

Parliamentary appropriations for the period total \$22.2 million, compared to the \$20.2 million for the same period in the previous fiscal year. The 2020-21 parliamentary appropriations include the fifth year of a five-year approval for additional capital funding, approved in Budget 2016, to address urgent health and safety related capital projects.

STATEMENT OF FINANCIAL POSITION

The Museum's unrestricted net assets as of June 30, 2020 represent \$16.4 million. The Museum also has a restricted net assets balance of \$14.8 million, for permanent exhibition galleries renewal, including the transformation of the Canadian Children's Museum. In 2017-18, an upgrade to a permanent gallery was completed at the CWM. The decrease in restricted net assets, when compared to the balance as of March 31, 2020, is equivalent to the amortization of this upgrade and non-capital expenses incurred to date for the Children's Museum Renewal project.

OUTLOOK

As the current situation related to the global pandemic continues to evolve, the extent of its impact on Museum operations is not yet completely known. It is anticipated that this situation will have a significant negative impact on the current fiscal year results and subsequent fiscal years.

On June 18, 2020, the Honourable Steven Guilbeault, Minister of Canadian Heritage announced an emergency investment intended to support the national museums to face the impacts of COVID-19 pandemic. The Museum welcomes this new funding of \$4.3 million, that will alleviate some of the financial pressures the Corporation is experiencing in the current fiscal year.

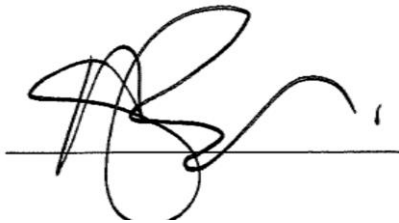
In addition to the financial pressures caused by the Covid-19 pandemic, escalating non-discretionary accommodation costs and capital repairs remain a challenge. The Corporation is responsible for two iconic national sites, one of which is 31 years old and the other 15 years old.

The Museum will return to an annual base capital funding of \$2.5 million in future years as 2020-21 is 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 levels necessary to keep aging infrastructure in good condition. 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, 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.

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Heather Paszkowski
Acting President and Chief Executive Officer

A handwritten signature in black ink, featuring a large initial 'M' and 'J' followed by a long, sweeping horizontal stroke.

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

Gatineau, Quebec

August 27, 2020

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Statement of Financial Position

As at

(In thousands of dollars)

	June 30, 2020	March 31, 2020
Assets		
Current assets		
Cash	\$ 21,428	\$ 19,869
Restricted cash	3,106	2,515
Restricted investments	3,660	3,667
Investments	14,140	14,139
Accounts receivable	1,244	2,469
Inventories	833	832
Prepaid expenses	940	580
	45,351	44,071
Restricted investments	8,732	8,737
Investments	46,010	46,018
Collections	1	1
Capital assets	212,946	216,506
	\$ 313,040	\$ 315,333
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 12,072	\$ 13,782
Deferred contributions (note 3)	14,699	14,508
Deferred revenues	817	825
	27,588	29,115
Deferred contributions – National Collection Fund (note 4)	10,771	10,714
Deferred contributions related to capital assets (note 5)	191,400	195,335
Employee future benefits	11,229	10,983
	240,988	246,147
Net assets		
Unrestricted	16,359	13,482
Restricted for permanent exhibit renewal	14,825	14,836
Investment in capital assets	40,868	40,868
	72,052	69,186
	\$ 313,040	\$ 315,333

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

(In thousands of dollars)

	2020	2019
Revenues		
Donations and sponsorships (note 6)	\$ 405	\$ 600
Net investment income	396	460
Operating (schedule 1)	13	4,539
	<u>814</u>	<u>5,599</u>
Expenses (schedule 2)		
Collect and research	2,554	2,987
Exhibit, educate and communicate	5,844	7,749
Accommodation	8,144	9,571
Corporate management	3,633	4,920
	<u>20,175</u>	<u>25,227</u>
Net result of operations before parliamentary appropriations	(19,361)	(19,628)
Parliamentary appropriations (note 7)	22,227	20,240
Net result of operations	<u>\$ 2,866</u>	<u>\$ 612</u>

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

Statement of Changes in Net Assets

For the three month period ended June 30

(In thousands of dollars)

	Unrestricted	Restricted for permanent exhibit renewal	Investment in capital assets	2020	2019
Net assets, beginning of year	\$ 13,482	\$ 14,836	\$ 40,868	\$ 69,186	\$ 68,559
Net result of operations	2,877	(11)	-	2,866	612
Net assets, end of period	<u>\$ 16,359</u>	<u>\$ 14,825</u>	<u>\$ 40,868</u>	<u>\$ 72,052</u>	<u>\$ 69,171</u>

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

(In thousands of dollars)

	2020	2019
Operating activities		
Cash receipts from clients and other receivables	\$ 2,010	\$ 5,572
Cash receipts from parliamentary appropriations	16,083	14,423
Cash paid to and on behalf of employees	(10,351)	(10,593)
Cash paid to suppliers	(6,440)	(12,023)
Restricted contributions and related investment income	585	546
Interest received	436	568
Net cash through operating activities	2,323	(1,507)
Investing activities		
Increase in investments and restricted investments	-	(3,810)
Decrease in investments and restricted investments	-	803
Net cash through investing activities	-	(3,007)
Capital activities		
Acquisition of capital assets	(2,106)	(2,118)
Financing activities		
Parliamentary appropriations for the acquisition of capital assets	1,933	1,945
Increase (decrease) in cash and restricted cash	2,150	(4,687)
Cash and restricted cash, beginning of year		
Cash	19,869	12,277
Restricted cash	2,515	2,311
	22,384	14,588
Cash and restricted cash, end of period		
Cash	21,428	7,370
Restricted cash	3,106	2,531
	\$ 24,534	\$ 9,901

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, 2020
(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 three month period ended June 30, 2020
(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, 2020. 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 three month period ended June 30, 2020

(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, 2020 (3 months)	March 31, 2020 (12 months)
Balance, beginning of year	\$ 4,286	\$ 10,222	\$ 14,508	\$ 12,145
Additions				
Amounts received during the period	501	-	501	4,792
Deferred investment income	20	-	20	106
	521	-	521	4,898
Deductions				
Amounts recognized as revenue	-	(330)	(330)	(2,535)
Balance, end of period	\$ 4,807	\$ 9,892	\$ 14,699	\$ 14,508

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the three month period ended June 30, 2020

(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	June 30, 2020 (3 months)	March 31, 2020 (12 months)
Balance, beginning of year	\$ 9,481	\$ 1,233	\$ 10,714	\$ 10,497
Additions				
Amounts received during the period	-	1	1	29
Deferred investment income	49	7	56	240
	49	8	57	269
Deductions				
Amounts recognized as revenue	-	-	-	(52)
Balance, end of period	\$ 9,530	\$ 1,241	\$ 10,771	\$ 10,714

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the three month period ended June 30, 2020

(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>	June 30, 2020 (3 months)	March 31, 2020 (12 months)
	Non- government sources	Parliamentary appropriations	Parliamentary appropriations		
Balance, beginning of year	\$ 1,643	\$ 170,928	\$ 22,764	\$ 195,335	\$ 202,358
Additions					
Capital asset acquisitions	-	411	-	411	5,616
Parliamentary appropriations deferred for capital asset acquisitions in future periods	-	-	-	-	6,170
	-	411	-	411	11,786
Deductions					
Amounts used during the period	(16)	(4,157)	(173)	(4,346)	(18,809)
Balance, end of period	\$ 1,627	\$ 167,182	\$ 22,591	\$ 191,400	\$ 195,335

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, 2020

(In thousands of dollars)

6. Donations and sponsorships

Donations and sponsorships revenue is composed of:

	June 30, 2020	June 30, 2019
Cash donations and sponsorships	\$ 317	\$ 424
In-kind sponsorships and artifact donations	88	176
	\$ 405	\$ 600

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, 2020	June 30, 2019
Main Estimates amount provided for operating and capital activities	\$ 17,979	\$ 16,235
Deductions		
Current period Parliamentary appropriations not recognized as revenue:		
Used for capital asset acquisitions	(239)	(722)
Additions		
Prior period Parliamentary appropriations recognized as revenue in current period:		
Amortization of deferred capital funding	4,157	4,306
Restricted amounts used in current period	330	421
Parliamentary appropriations recognized as revenue	\$ 22,227	\$ 20,240

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Schedule 1 - Operating Revenues

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

	2020	2019
General admission and programmes	\$ -	\$ 2,109
Facility rental, events and concessions	-	993
Boutique sales	-	617
Parking	2	467
Travelling exhibits	-	175
Memberships	-	132
Other	11	46
	\$ 13	\$ 4,539

Schedule 2 - Expenses

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

	2020	2019
Personnel costs	\$ 10,100	\$ 10,298
Amortization of capital assets	4,184	4,333
Payments in lieu of property taxes	2,038	2,144
Online programs assistance	855	946
Building operations	794	1,646
Utilities	528	713
IT infrastructure and systems	467	524
Professional and special services	325	753
Repairs and maintenance	315	799
Materials and supplies	286	210
Collection acquisitions	88	208
Exhibit fabrication and rental	57	1,293
Rentals and leases	46	56
Marketing and advertising	16	425
Travel and hospitality	9	362
Cost of goods sold	1	309
Royalties	-	41
Other	66	167
	\$ 20,175	\$ 25,227