

CANADIAN MUSEUM OF HISTORY

Quarterly Financial Statements

For the nine month period ended December 31, 2016

Unaudited

NARRATIVE DISCUSSION

These quarterly financial statements must be read in conjunction with the March 31, 2016 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:

1. Establish the Museum as a hub of Canadian history for Canada and the world.
2. Connect Canadians to their history and reflect this personal connection in all aspects of the Museum experience.
3. Develop a collection that better reflects Canada's history and distinctiveness.
4. Engage dynamic partnerships and networks across Canada and internationally for mutual benefit.
5. 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 is scheduled to be completed in time for the 150th anniversary of Confederation in 2017. The corporation has developed a \$5 million Fundraising campaign to supplement the one-time \$25 million funding from the Government of Canada.

STATEMENT OF FINANCIAL POSITION

The Corporation's cash and restricted cash and investment balance increased by \$3.7 million compared to March 31, 2016. At December 31, 2016, the Corporation had received significant donations towards the Canadian History Hall.

The impact of seasonal fluctuations is also of note when comparing balances at December 31, 2016 against those at March 31, 2016.

At December 31, 2016, the Corporation's investments include Master Asset Vehicle (MAV) notes. The fair values of the MAV notes are based on the Corporation's assessment of market conditions. At March 31, 2016, the MAV notes were recorded at their estimated fair value of \$9.4 million. At December 31, 2016, the MAV notes were recorded at \$6.8 million due to the receipt of \$2.6 million in principal repayments in the third quarter.

The National Collection Fund represents funds for the acquisition of artifacts by the Canadian Museum of History and the Canadian War Museum. At December 31, 2016, the balance of the National Collection Fund stands at \$10.7 million.

STATEMENT OF OPERATIONS

The Corporation's net results of operations for the nine month period ended December 31, 2016 reflect a surplus of \$8.9 million, compared to a deficit of \$1.7 million the prior fiscal year. The surplus is primarily due to the receipt of \$7.2 million of non-recurring parliamentary appropriations, confirmed in the Budget 2016, to address the Corporation's accumulated Payment in lieu of taxes (PILT) payable.

Revenues for the period total \$14.2 million in comparison to \$14.3 million in the same period of the previous fiscal year. The \$0.1 million decrease is primarily attributable to decreased artifact donations in 2016-2017.

This decrease is partially offset by:

- Higher General admission and programmes revenue in the current period; and
- Increased Sponsorship and Facility rental, events and concessions revenue following the hosting of the Society for Military History's Annual Conference in 2016-2017

Operating expenses for the period total \$68.3 million, compared to \$67.9 million for the previous fiscal year.

Parliamentary appropriations, total \$55.9 million for the period, compared to \$51.9 million for the same period of the previous fiscal year. The increase is mainly explained by the funding confirmed in Budget 2016 to address immediate operational pressures and complete health and safety related capital projects.

Non-recurring parliamentary appropriations include one-time funding of \$7.2 million, approved in Budget 2016, to address the Corporation's accumulated PILT payable.

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

February 24, 2017

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Statement of Financial Position

As at

(In thousands of dollars)

	December 31, 2016	March 31, 2016
Assets		
Current assets		
Cash	\$ 20,422	\$ 20,481
Restricted cash and investments	5,559	1,842
Investments	3,190	2,732
Accounts receivable	2,074	2,070
Inventories	975	885
Prepaid expenses	1,297	813
	33,517	28,823
Restricted cash and investments	12,673	12,162
Investments	50,596	49,629
Collections	1	1
Capital assets	243,166	242,396
	\$ 339,953	\$ 333,011
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 19,892	\$ 21,070
Deferred contributions (note 3)	12,247	7,770
Deferred revenues	1,635	1,828
	33,774	30,668
Deferred contributions - National Collection Fund (note 4)	10,679	10,670
Deferred contributions related to capital assets (note 5)	212,401	217,171
Employee future benefits	6,223	5,842
	263,077	264,351
Net assets		
Unrestricted	32,688	23,803
Investment in capital assets	40,868	40,868
Accumulated remeasurement gains	3,320	3,989
	76,876	68,660
	\$ 339,953	\$ 333,011

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	
	2016	2015	2016	2015
Revenues				
Operating (schedule 1)	\$ 3,025	\$ 2,773	\$ 12,148	\$ 11,352
Net investment income	399	354	1,081	923
Donations and sponsorships (note 6)	348	1,768	930	2,057
	<u>3,772</u>	<u>4,895</u>	<u>14,159</u>	<u>14,332</u>
Expenses (schedule 2)				
Collect and research	\$ 3,252	\$ 4,546	\$ 9,207	\$ 10,663
Exhibit, educate and communicate	6,275	5,215	17,919	16,211
Accommodation	9,772	9,464	28,299	28,106
Corporate management	4,480	4,132	12,903	12,896
	<u>23,779</u>	<u>23,357</u>	<u>68,328</u>	<u>67,876</u>
Net result of operations before parliamentary appropriations and non-recurring parliamentary appropriations	(20,007)	(18,462)	(54,169)	(53,544)
Parliamentary appropriations (note 7a)	18,685	15,039	55,854	51,861
Net result of operations before non-recurring parliamentary appropriations	(1,322)	(3,423)	1,685	(1,683)
Non-recurring parliamentary appropriations (note 7b)	7,200	-	7,200	-
Net result of operations	<u>\$ 5,878</u>	<u>\$ (3,423)</u>	<u>\$ 8,885</u>	<u>\$ (1,683)</u>

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

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Statement of Remeasurement Gains and Losses

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	
	2016	2015	2016	2015
Accumulated remeasurement gains, beginning of period	\$ 4,249	\$ 3,962	\$ 3,989	\$ 4,565
Unrealized gains (losses) attributed to investments	(929)	10	(753)	(722)
Amounts reclassified to the Statement of Operations - investments	-	-	84	129
Net change in accumulated remeasurement gains (losses) for the period	(929)	10	(669)	(593)
Accumulated remeasurement gains, end of period	\$ 3,320	\$ 3,972	\$ 3,320	\$ 3,972

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

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	Investment in capital assets	Accumulated remeasurement gains	December 31 2016	December 31 2015
Net assets, beginning of period	\$ 26,810	\$ 40,868	\$ 4,249	\$ 71,927	\$ 65,291
Net result of operations	5,878	-	-	5,878	(3,423)
Net change in accumulated remeasurement gains (losses)	-	-	(929)	(929)	10
Net assets, end of period	\$ 32,688	\$ 40,868	\$ 3,320	\$ 76,876	\$ 61,878

For the nine month period ended	Unrestricted	Investment in capital assets	Accumulated remeasurement gains	December 31 2016	December 31 2015
Net assets, beginning of period	\$ 23,803	\$ 40,868	\$ 3,989	\$ 68,660	\$ 64,154
Net result of operations	8,885	-	-	8,885	(1,683)
Net change in accumulated remeasurement gains (losses)	-	-	(669)	(669)	(593)
Net assets, end of period	\$ 32,688	\$ 40,868	\$ 3,320	\$ 76,876	\$ 61,878

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	
	2016	2015	2016	2015
Operating activities				
Cash receipts from clients and other receivables	\$ 4,088	\$ 3,420	\$ 15,628	\$ 14,752
Cash receipts from parliamentary appropriations	26,805	12,158	55,375	43,192
Cash paid to and on behalf of employees	(9,558)	(8,186)	(26,822)	(24,804)
Cash paid to suppliers	(9,816)	(9,219)	(33,293)	(33,770)
Restricted contributions and related investment income	4,049	398	4,450	813
Interest received	363	347	1,009	1,046
Net cash through operating activities	15,931	(1,082)	16,347	1,229
Investing activities				
Principal repayments of investments	2,547	17	2,570	36
Increase in investments and restricted investments	(5,203)	-	(9,020)	-
Decrease in investments and restricted investments	1,967	3,011	3,562	4,847
Net cash through investing activities	(689)	3,028	(2,888)	4,883
Capital activities				
Acquisition of capital assets	(5,064)	(2,292)	(13,234)	(7,773)
Financing activities				
Parliamentary appropriations for the acquisition of capital assets	1,029	2,146	3,433	10,168
Increase (decrease) in cash and restricted cash	11,207	1,800	3,658	8,507
Cash and restricted cash, beginning of period				
Cash	12,532	10,368	20,481	4,070
Restricted cash	2,242	1,538	1,842	1,129
	14,774	11,906	22,323	5,199
Cash and restricted cash, end of period				
Cash	20,422	8,798	20,422	8,798
Restricted cash	5,559	4,908	5,559	4,908
	\$ 25,981	\$ 13,706	\$ 25,981	\$ 13,706

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, 2016
(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 nine month period ended December 31, 2016
(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, 2016. 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 nine month period ended December 31, 2016

(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, 2016 (9 months)	March 31, 2016 (12 months)
Balance, beginning of period	\$ 3,334	\$ 4,436	\$ 7,770	\$ 6,717
Additions				
Amounts received during the period	4,200	1,650	5,850	2,984
Deferred investment income	59	-	59	62
	4,259	1,650	5,909	3,046
Deductions				
Amounts used during the period	(40)	(1,392)	(1,432)	(1,993)
Balance, end of period	\$ 7,553	\$ 4,694	\$ 12,247	\$ 7,770

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the nine month period ended December 31, 2016

(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, 2016 (9 months)	March 31, 2016 (12 months)
Balance, beginning of period	\$ 9,034	\$ 1,636	\$ 10,670	\$ 10,759
Additions				
Amounts received during the period	-	-	-	2
Deferred realized investment income	165	26	191	268
Unrealized gain (loss) on investments	(182)	-	(182)	(165)
Realized gain (loss) on investments	-	-	-	43
	(17)	26	9	148
Deductions				
Amounts recognized as revenue	-	-	-	(237)
Balance, end of period	\$ 9,017	\$ 1,662	\$ 10,679	\$ 10,670

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the nine month period ended December 31, 2016

(In thousands of dollars)

5. Deferred contributions related to capital assets

Deferred contributions related to capital assets represent the unamortized portion of contributions from non-government sources and Parliamentary appropriations received by the Corporation that are restricted for the acquisition of depreciable 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 future acquisitions</u>		December 31,	March 31,
	Non-government sources	Parliamentary appropriations	Parliamentary appropriations	Parliamentary appropriations	2016 (9 months)	2016 (12 months)
Balance, beginning of period	\$ 1,906	\$ 199,434	\$ 15,831	\$ 15,831	\$ 217,171	\$ 210,947
Additions						
Capital asset acquisitions	-	11,285	4,260	4,260	15,545	13,278
Parliamentary appropriations deferred for capital asset acquisitions in future periods	-	-	-	-	-	10,698
	-	11,285	4,260	4,260	15,545	23,976
Deductions						
Amounts used during the period	(51)	(10,463)	(9,801)	(9,801)	(20,315)	(17,752)
Balance, end of period	\$ 1,855	\$ 200,256	\$ 10,290	\$ 10,290	\$ 212,401	\$ 217,171

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the nine month period ended December 31, 2016

(In thousands of dollars)

6. Donations and sponsorships

Donations and sponsorships revenue is composed of:

	December 31, 2016	December 31, 2015
Cash donations and sponsorships	\$ 206	\$ 319
In-kind sponsorships and artifact donations	724	1,738
	\$ 930	\$ 2,057

7. Parliamentary appropriations

a) 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, 2016	December 31, 2015
Main Estimates amount provided for operating and capital activities	\$ 47,046	\$ 53,265
Supplementary estimates and transfers	11,547	-
Deductions		
Current period Parliamentary appropriations not recognized as revenue:		
Restricted for specific purposes	(5,910)	(7,825)
Restricted for capital asset acquisitions	(11,285)	(8,355)
Non-recurring parliamentary appropriations	(7,200)	-
Additions		
Prior period Parliamentary appropriations recognized as revenue in current period:		
Amortization of deferred capital funding	10,463	10,597
Restricted amounts used during current period	11,193	4,179
	\$ 55,854	\$ 51,861

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the nine month period ended December 31, 2016

(In thousands of dollars)

7. Parliamentary appropriations (continued)

b) Non-recurring parliamentary appropriations

As a result of its Payment in lieu of taxes (PILT) structural deficit (PILT expenses exceed PILT funding provided), the Corporation has accumulated a PILT payable of \$7.2 million as at March 31, 2016. Federal Government Budget 2016 identified new funding for the Corporation to address immediate operational and capital pressures. This included non-recurring funding of \$7.2 million to address the accumulated PILT payable.

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

	Three month period ended		Nine month period ended	
	December 31		December 31	
	2016	2015	2016	2015
General admission and programmes	\$ 976	\$ 962	\$ 4,961	\$ 4,864
Facility rental, events and concessions	871	709	2,616	2,044
Boutique sales	398	367	1,775	1,697
Parking	404	368	1,473	1,451
Giant screen theatre	126	168	569	788
Memberships	97	77	287	218
Travelling exhibits	84	62	277	143
Other	69	60	190	147
	\$ 3,025	\$ 2,773	\$ 12,148	\$ 11,352

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	
	2016	2015	2016	2015
Personnel costs	\$ 9,154	\$ 8,512	\$ 26,324	\$ 25,616
Amortization of capital assets	3,498	3,539	10,514	10,646
Payments in lieu of property taxes	2,361	2,457	6,938	7,421
Building operations	1,449	1,391	4,286	4,196
Online programs assistance	844	749	2,967	2,508
Professional and special services	1,165	855	2,888	2,370
Exhibit fabrication and rental	1,131	682	2,846	2,338
Utilities	775	673	2,202	2,053
Repairs and maintenance	787	769	1,996	2,061
IT infrastructure and systems	601	584	1,625	1,572
Marketing and advertising	408	287	1,261	1,048
Collection acquisitions	351	1,871	981	2,872
Materials and supplies	439	272	940	767
Cost of goods sold	206	174	852	790
Travel and hospitality	287	278	830	753
Rentals and leases	96	60	246	202
Royalties	37	45	146	194
Other	190	159	486	469
	\$ 23,779	\$ 23,357	\$ 68,328	\$ 67,876