

MANAGEMENT DISCUSSION AND ANALYSIS

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 direction of its Board of Trustees, 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.

EXTERNAL ENVIRONMENT

The Corporation is highly dependent upon revenues from attendance at its two Museums, which are directly influenced by the Canadian and Global economies and the travel and tourist market.

In its Budget 2016, the department of Finance noted that the global economic situation remains challenging. Global growth continues to slow, financial market volatility has risen, equity values have declined and commodity prices have fallen significantly.

FINANCIAL OVERVIEW

The Corporation was pleased by the decision of the Government of Canada to identify new funding for the Corporation to address immediate operational and capital pressures. The Corporation applauds this decision as growing fixed costs and capital pressures due to aging facilities were impacting the Corporation's ability to effectively deliver on its mandate. The increasing non-discretionary costs to operate the Corporation's buildings have resulted, however, in a fiscal environment that remains challenging.

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 galleries (the Canada Hall and Face to Face) into one major exhibition focusing on Canadian History, the Canadian History Hall.

STATEMENT OF OPERATIONS

The Corporation's net results of operations for fiscal year 2016-17 reflects a surplus of \$1.1 million, compared to a surplus of \$2.8 million in fiscal year 2015-16.

Parliamentary Appropriations

The Corporation's parliamentary appropriations increased by \$1.6 million in 2016-17, from \$76.3 million to \$77.9 million. The increase is explained by:

- Additional funding received through Budget 2016 to address the accumulated Payment in Lieu of Taxes (PILT) payable and urgent health and safety related capital projects.

This increase is partially offset by:

Funding for operating and capital decreased by \$17 million, when compared to the previous fiscal year, as the 2015-16 results included the last portion of funding for the transformation of the Canadian History Hall.

Donations and Sponsorships

Donations and sponsorships decreased by \$1.0 million in 2016-17, from \$3.0 million to \$2.0 million. The decrease is primarily due to a decrease in in-kind sponsorships and artifact donations. While not reflective in this year's financial results, the implementation of fundraising and stewardship strategies in fiscal year 2016-17 has resulted in record-high donations to the Museum and enabled the Museum to exceed its fundraising goal for the Canadian History Hall. The donations received towards the Canadian History Hall are presented as deferred contributions in the Statement of Financial Position and will be recognized as revenues in fiscal year 2017-18, upon opening of the Canadian History Hall.

Net investment income

Net investment income totalled \$4.2 million in 2016-17, \$1.4 million for the comparative year. The increase is mainly attributable to a gain on investments resulting from the principal repayments of Master Asset Vehicle Notes in 2016-17.

Operating Revenues

Operating revenues for the current fiscal year were \$14.9 million compared to \$14.6 million for the previous fiscal year, an increase of \$0.3 million. The increase is mainly the result of increased facility rental, events and concessions in 2016-17.

Expenses

The Corporation's operating expenses increased by \$5.3 million from \$92.6 million in 2015-16 to \$97.9 million in 2016-17. The increase is mainly attributable to an increase of \$4.5 million in personnel costs as a result of an amendment to the benefit plan for retirees and salary increases resulting from new collective agreements signed in 2016-17.

STATEMENT OF FINANCIAL POSITION

Cash decreased by \$16.0 million mainly due to the use of funding received in past fiscal years for the transformation of the Canada Hall and Face to Face galleries.

The Corporation holds Master Asset Vehicle notes (MAV) that are tied to an original investment, made in 2007, in non-bank-sponsored asset-backed commercial paper (ABCP). During 2016-17, the Corporation received principal repayments of \$10.0 million. As of March 31, 2017, the Master Asset Vehicle notes were recorded at their estimated fair value of \$0.2 million.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities decreased from \$21.1 million as of March 31, 2016 to \$15.3 million as of March 31, 2017 mainly due to the payment of accumulated Payment in Lieu of Taxes (PILT) of \$7.2 million.

Net Assets

The Museum's unrestricted net assets as of March 31, 2017 decreased from \$23.8 million to \$9.9 million in 2016-17. The decrease is explained by the restriction of \$15.0 million of unrestricted net assets for the refurbishment of permanent exhibition galleries. This will include the transformation of the Canadian Children's Museum.

OUTLOOK

The Museum will mark the 2017-18 fiscal year with the opening of the Canadian History Hall, the largest and most ambitious exhibition on Canadian history ever created. Canada's 150th anniversary of Confederation in 2017 will also be a key opportunity for the Museum to increase the number of visitors and develop partnership and outreach opportunities.

The Museum continues to face financial pressures relating to inflationary increases for salaries, utilities, building maintenance, and security costs. Given that government funding for operating expenditures remains stable, the Museum will need to find solutions with Canadian Heritage to avoid longer term financial challenges.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements contained in this Annual Report have been prepared by Management in accordance with Canadian public sector accounting standards for government not-for-profit organizations, and the integrity and objectivity of the data in these financial statements is Management's responsibility. Financial information presented throughout the Annual Report is consistent with the financial statements.

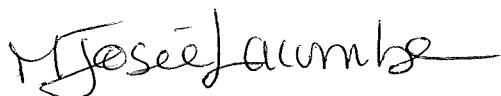
In support of its responsibility, Management has developed and maintains books of account, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled, and that transactions are in accordance with the *Financial Administration Act* and regulations as well as the *Museums Act* and the by-laws of the Corporation.

The Board of Trustees is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee, which includes a majority of members who are not officers of the Corporation. The Committee meets with Management and the independent external auditor to review the manner in which these groups are performing their responsibilities, and to discuss auditing, internal controls and other relevant financial matters. The Audit Committee has reviewed the financial statements with the external auditor and has submitted its report to the Board of Trustees. The Board of Trustees has reviewed and approved the financial statements.

The Corporation's external auditor, the Auditor General of Canada, examines the financial statements and reports to the Minister of Canadian Heritage, who is responsible for the Canadian Museum of History.



Mark O'Neill
President and Chief Executive Officer



Marie-Josée Lacombe, CPA, CGA
Chief Financial Officer

June 29, 2017



INDEPENDENT AUDITOR'S REPORT

To the Minister of Canadian Heritage

Report on the Financial Statements

I have audited the accompanying financial statements of the Canadian Museum of History, which comprise the statement of financial position as at 31 March 2017, and the statement of operations, statement of remeasurement gains and losses, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Canadian Museum of History as at 31 March 2017, and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Canadian Museum of History that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Museums Act* and regulations, the by-laws of the Canadian Museum of History, and the directive issued pursuant to section 89 of the *Financial Administration Act*.



Riowen Yves Abgrall, CPA, CA
Principal
for the Auditor General of Canada

29 June 2017
Ottawa, Canada

CANADIAN MUSEUM OF HISTORY

Year ended March 31, 2017

CANADIAN MUSEUM OF HISTORY

Statement of Financial Position

As at March 31

(In thousands of dollars)

	2017	2016
Assets		
Current assets		
Cash	\$ 4,449	\$ 20,481
Restricted cash and investments (note 3)	5,078	1,842
Investments (note 4)	3,770	2,732
Accounts receivable	2,847	2,070
Inventories	843	885
Prepaid expenses	720	813
	17,707	28,823
Restricted cash and investments (note 3)	12,683	12,162
Investments (note 4)	54,853	49,629
Collections (note 5)	1	1
Capital assets (note 6)	247,181	242,396
	\$ 332,425	\$ 333,011
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	\$ 15,252	\$ 21,070
Deferred contributions (note 8)	12,402	7,770
Deferred revenues	1,557	1,828
	29,211	30,668
Deferred contributions – National Collection Fund (note 9)	10,651	10,670
Deferred contributions related to capital assets (note 10)	216,107	217,171
Employee future benefits (note 11)	8,976	5,842
	264,945	264,351
Net assets		
Unrestricted	9,918	23,803
Restricted for permanent exhibit renewal (note 12)	15,000	-
Investment in capital assets	40,868	40,868
Accumulated remeasurement gains	1,694	3,989
	67,480	68,660
	\$ 332,425	\$ 333,011

Contingencies and contractual obligations (notes 17 and 18)

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

Approved by the Board of Trustees


Interim Chairperson


Trustee

CANADIAN MUSEUM OF HISTORY

Statement of Operations

For the year ended March 31

(In thousands of dollars)

	2017	2016
Revenues		
Donations and sponsorships (note 13)	\$ 2,048	\$ 3,023
Net investment income (note 14)	4,155	1,395
Operating (schedule 1)	14,933	14,571
	<u>21,136</u>	<u>18,989</u>
Expenses (schedule 2)		
Collect and research	13,435	13,781
Exhibit, educate and communicate	27,359	23,324
Accommodation	38,894	38,059
Corporate management	18,221	17,388
	<u>97,909</u>	<u>92,552</u>
Net result of operations before parliamentary appropriations	(76,773)	(73,563)
Parliamentary appropriations (note 15)	77,888	76,313
Net result of operations	<u>\$ 1,115</u>	<u>\$ 2,750</u>

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

Statement of Remeasurement Gains and Losses

For the year ended March 31

(In thousands of dollars)

	2017	2016
Accumulated remeasurement gains, beginning of year	\$ 3,989	\$ 4,565
Unrealized losses attributed to investments	(538)	(778)
Amounts reclassified to the Statement of Operations – investments	(1,757)	202
Net change in accumulated remeasurement gains (losses) for the year	<u>(2,295)</u>	<u>(576)</u>
Accumulated remeasurement gains, end of year	<u>\$ 1,694</u>	<u>\$ 3,989</u>

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

CANADIAN MUSEUM OF HISTORY

Statement of Changes in Net Assets

For the year ended March 31

(In thousands of dollars)

	Unrestricted	Restricted for permanent exhibit renewal	Investment in capital assets	Accumulated remeasurement gains	2017	2016
Net assets, beginning of year	\$ 23,803	\$ -	\$ 40,868	\$ 3,989	\$ 68,660	\$ 66,486
Net result of operations	1,115	-	-	-	1,115	2,750
Restricted for permanent exhibit renewal	(15,000)	15,000	-	-	-	-
Net change in accumulated remeasurement gains (losses)	-	-	-	(2,295)	(2,295)	(576)
Net assets, end of year	\$ 9,918	\$ 15,000	\$ 40,868	\$ 1,694	\$ 67,480	\$ 68,660

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

CANADIAN MUSEUM OF HISTORY

Statement of Cash Flows

For the year ended March 31

(In thousands of dollars)

	2017	2016
Operating activities		
Cash receipts from clients and other receivables	\$ 20,387	\$ 20,102
Cash receipts from parliamentary appropriations	62,534	62,632
Cash paid to and on behalf of employees	(34,905)	(32,937)
Cash paid to suppliers	(54,630)	(41,662)
Restricted contributions and related investment income	4,968	1,045
Interest received	1,557	1,399
Net cash through operating activities	(89)	10,579
Investing activities		
Principal repayments of investments	9,964	167
Increase in investments and restricted investments	(21,522)	(11,287)
Decrease in investments and restricted investments	4,718	10,357
Net cash through investing activities	(6,840)	(763)
Capital activities		
Acquisition of capital assets	(21,298)	(13,524)
Financing activities		
Parliamentary appropriations for the acquisition of capital assets	15,431	20,832
Increase (decrease) in cash and restricted cash	(12,796)	17,124
Cash and restricted cash, beginning of year		
Cash	20,481	4,070
Restricted cash	1,842	1,129
	22,323	5,199
Cash and restricted cash, end of year		
Cash	4,449	20,481
Restricted cash	5,078	1,842
	\$ 9,527	\$ 22,323

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

CANADIAN MUSEUM OF HISTORY

Notes to the Financial Statements

Year ended March 31, 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.

Travel, hospitality, conference and event expenditures

In July 2015, the Corporation, along with other federal Crown corporations, was issued a directive (P.C. 2015-1105) pursuant to section 89 of the *Financial Administration Act* to a) align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations, and b) to report on the implementation of this directive in the Corporation’s corporate plan.

Effective March 31, 2016, the Corporation has aligned its policies and practices to the Treasury Board instruments and reported on its compliance with this directive in the 2016-17 corporate plan.

CANADIAN MUSEUM OF HISTORY

Notes to the Financial Statements

Year ended March 31, 2017

(In thousands of dollars)

2. Significant accounting policies

The 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.

Significant accounting policies are as follows.

(a) Financial assets and financial liabilities

Cash, restricted cash and investments in bonds and guaranteed investment certificates are classified in the fair value category and investments in Master Asset Vehicle notes are designated in the fair value category. The unrealized gains or losses arising from changes in the fair value of investments in bonds, guaranteed investment certificates and in Master Asset Vehicle notes are recognized through the Statement of Remeasurement Gains and Losses at each period end. Unrealized gains or losses arising from changes in the fair value of investments with restricted cash are reflected in the value of restricted cash.

Fair value is determined for Master Asset Vehicles (MAV) using a discounted cash flow, using market assumptions. All other financial assets in the fair value category are valued using quoted prices for similar assets or valued using observable market data. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are expensed.

Cash is composed of deposits with financial institutions that can be withdrawn without prior notice or penalty.

Accounts receivable, accounts payable and accrued liabilities: After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method through the Statement of Operations.

(b) Inventories

Inventories, which consist of materials for the boutiques and publications, are valued at the lower of cost and net realizable value.

(c) Collections

The artifact collections form the largest part of the assets of the Corporation and are presented in the Statement of Financial Position at a nominal value of \$1, due to the practical difficulties of determining a meaningful value for these assets.

Objects purchased for the collections of the Corporation are recorded as an expense in the year of acquisition.

CANADIAN MUSEUM OF HISTORY

Notes to the Financial Statements

Year ended March 31, 2017

(In thousands of dollars)

2. Significant accounting policies (continued)

(d) Capital assets

Capital assets owned by the Corporation are recorded at cost, net of accumulated amortization. Buildings owned by the Government of Canada, which are under the administrative control of the Corporation, are recorded at their estimated historical cost, less accumulated amortization. Lands owned by the Government of Canada, which are under the administrative control of the Corporation, are recorded at their estimated historical cost with a corresponding amount credited directly to the net assets of the Corporation.

Permanent exhibits represent costs that are directly attributable to the exhibit and meet the definition of a capital asset. They may include employee salaries and benefits, professional service fees, permanent exhibit and building structures as well as images and copyright.

Work in progress represents the costs incurred to date on a capital project that is incomplete and not in use, or for system implementations, when the system is not in production at the end of an accounting period. Incomplete capital projects are not amortized.

Amortization is calculated using the straight-line method, over the estimated useful lives of assets as follows:

Asset	Useful life
Buildings	40 years
Building improvements	10 years
Technical and informatics equipment	5 and 8 years
Office furniture and equipment	8 years
Motor vehicles	5 years
Permanent exhibits	10 years

(e) Foreign currency translation

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates in effect at the time of those transactions. Monetary assets and liabilities denominated in foreign currencies are translated using rates at March 31. Realized gains and losses resulting from foreign currency translation are reported on the Statement of Operations.

CANADIAN MUSEUM OF HISTORY

Notes to the Financial Statements

Year ended March 31, 2017

(In thousands of dollars)

2. Significant accounting policies (continued)

(f) Employee future benefits

(i) Pension benefits

Eligible employees of the Corporation are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation to cover current service cost. Pursuant to legislation currently in place, the Corporation has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Corporation.

(ii) Sick leave, severance and post-retirement benefits

The Corporation provides sick leave benefits for employees that accumulate but do not vest. The Corporation recognizes a liability and an expense for sick leave in the period in which employees render services in return for the benefits.

Eligible employees were entitled to severance benefits, as provided for under labour contracts and conditions of employment. The cost of these benefits was accrued as the employees rendered the services necessary to earn them. Since April 1, 2013 employees no longer accumulate severance benefits upon resignation or retirement. Consequently, eligible employees were given the choice to receive their severance benefit payment immediately, defer the payment until retirement or a combination of the two options, based on their continuous years of service with the Corporation as of March 31, 2013. The severance benefit liability represents the portion that employees chose to defer.

The Corporation provides unfunded defined benefit health and dental care plans for eligible retirees and employees.

The cost of the accrued benefit obligations earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimates of future costs and events. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. Actuarial gains (losses) are recognized on a systematic basis over the remaining service life of active employees covered by these benefits.

CANADIAN MUSEUM OF HISTORY

Notes to the Financial Statements

Year ended March 31, 2017

(In thousands of dollars)

2. Significant accounting policies (continued)

(g) Revenue recognition

(i) Museum operations

Revenues from Museum operations include the sale of general admissions and programmes, facility rentals, events and concessions, boutique sales, parking, giant screen theatre, travelling exhibits, memberships and other revenues. They are recognized in the year in which the sale of goods is completed or the services are provided.

(ii) Interest on cash and investments

Interest on cash and investments is recognized in the year it is earned.

(iii) Cash donations, sponsorships and contributions

Unrestricted donations, sponsorships and contributions are recognized as revenue on the Statement of Operations when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted donations, sponsorships and contributions are deferred on the Statement of Financial Position and recognized as revenue on the Statement of Operations in the year in which the related obligations are fulfilled and the related expenses are recognized. Restricted investment income is recognized as revenue in the year that the related expenses are recognized.

Contributions which are externally restricted for the purchase of depreciable capital assets are deferred and recognized as revenue on the same basis and over the same periods as the related capital assets acquired.

(iv) In-kind sponsorships and artifact donations

Revenues and offsetting expenses from goods and services received in-kind are recorded at fair value upon receipt. Artifact donations are recorded as revenue at fair value in the period when the last of three specific criteria are met i) the artifact donation has been approved by the Corporation's Collections Acquisition Committee ii) legal transfer has taken place between the donor and the Corporation and iii) a fair value has been assigned to the artifact donation. The recording of artifact donations results in an offsetting expense to collection acquisitions.

(v) Volunteer services

Volunteers contribute a significant number of hours of service per year. Because of the difficulty in determining their fair value, contributed services are not recognized in these financial statements.

CANADIAN MUSEUM OF HISTORY

Notes to the Financial Statements

Year ended March 31, 2017

(In thousands of dollars)

2. Significant accounting policies (continued)

(g) Revenue recognition (continued)

(vi) Parliamentary appropriations

The Government of Canada provides contribution funding to the Corporation through Parliamentary appropriations.

Parliamentary appropriations which are externally restricted for the purchase of capital assets subject to amortization are deferred and recognized as revenue on the same basis and over the same periods as the related capital assets acquired.

Parliamentary appropriations restricted for specific projects are deferred on the Statement of Financial Position and recognized as revenue on the Statement of Operations in the period that those expenses are incurred. Parliamentary appropriations that are not restricted to a specific purpose are recognized as revenue in the Statement of Operations in the period for which the appropriation is authorized.

(h) 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.

(i) 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 year. 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

Notes to the Financial Statements

Year ended March 31, 2017

(In thousands of dollars)

3. Restricted cash and investments

Restricted assets reflect the Corporation's practice to designate assets required for future obligations, as follows:

	2017	2016
Deferred contributions from non-government sources (note 8)	\$ 7,110	\$ 3,334
Deferred contributions - National Collection Fund (note 9)	10,651	10,670
	\$ 17,761	\$ 14,004

Restricted cash and investments consist of the following:

Fair value	2017	2016
Cash	\$ 5,078	\$ 1,842
Guaranteed investment certificates	3,173	2,400
Corporate and government bonds	9,510	9,762
	17,761	14,004
Portion maturing in the next fiscal year	(1,008)	(1,961)
Long-term portion	\$ 16,753	\$ 12,043

At March 31, 2017, the Corporation held guaranteed investment certificates and long-term bonds with a face value of \$12,249 (2016 - \$11,660), annual yield percentages ranging from 1.81% to 2.80% (2016 - 1.97% to 2.8%), and maturity dates ranging from September 8, 2017 to June 15, 2024 (2016 - November 8, 2016 to June 15, 2024).

Additional assets, included in cash and investments (note 4), totalling \$15,256 (2016 - \$20,267) are related to deferred parliamentary appropriations (notes 8 and 10).

4. Investments

Fair value	2017	2016
Corporate and government bonds	\$ 43,487	\$ 34,043
Guaranteed investment certificates	14,900	8,900
Master Asset Vehicle notes	236	9,418
	58,623	52,361
Portion maturing in the next fiscal year	(3,770)	(2,732)
Long-term portion	\$ 54,853	\$ 49,629

CANADIAN MUSEUM OF HISTORY

Notes to the Financial Statements

Year ended March 31, 2017

(In thousands of dollars)

4. Investments (continued)

(a) Bonds and guaranteed investment certificates

At March 31, 2017, the Corporation held corporate and government bonds and guaranteed investment certificates with a face value of \$56,111 (2016 - \$40,346), annual yield percentages ranging from 1.72% to 4.1% (2016 - 1.78% to 4.1%), and maturity dates ranging from June 1, 2017 to June 2, 2025 (2016 - June 1, 2016 to March 15, 2025).

An unrealized loss on investments of \$621 (2016 - \$657) was included in the Statement of Remeasurement Gains and Losses. A loss of \$83 (2016 - \$204) was reclassified to the Statement of Operations from the Statement of Remeasurement Gains and Losses.

(b) Master Asset Vehicle Notes

At March 31, 2017 the Corporation held the following Master Asset Vehicle (MAV II and MAV II IA) notes:

Face value	2017	2016
<u>MAV II Notes</u>		
Class A-1	\$ -	\$ 6,653
Class A-2	-	2,574
Class B	-	467
Class C	78	300
<u>MAV II IA Notes</u>		
Other Classes	393	751
	\$ 471	\$ 10,745

At March 31, 2017, the MAV II and MAV II IA notes were recorded at their estimated fair value of \$236 (2016 - \$9,418). The variance of \$9,182 (2016 - \$170) is comprised of principal repayments of \$9,964 (2016 - \$167), an unrealized gain on investments of \$83 (2016 - \$120 unrealized loss) included in the Statement of Remeasurement Gains and Losses and a realized gain on investments of \$699 (2016 - \$117) included in the Statement of Operations.

CANADIAN MUSEUM OF HISTORY

Notes to the Financial Statements

Year ended March 31, 2017

(In thousands of dollars)

4. Investments (continued)

(b) Master Asset Vehicle Notes (continued)

The assumptions used in the discounted cash flow valuation model include:

Criteria	2017	Assumptions	2016
<u>MAV II Notes</u>			
Expected term to maturity	0.50 years		0.78 years
Discount rates	92.7% for the C notes		7.85%, 10.87%, 16.55% and 68.31% for the A1, A2, B and C notes
Coupon rates	-		A1 and A2 notes: 3 month BA rate less 50 basis points
<u>MAV II IA Notes</u>			
Expected term to maturity	0.50 years		20.93 years
Discount rate	41.3%		9.58%
Coupon rate	3 month BA rate plus 50 basis points		3 month BA rate plus 50 basis points

Since the fair values of the MAV II and MAV II IA notes are determined using the foregoing assumptions and are based on the Corporation's assessment of market conditions as at March 31, 2017 the fair values reported may change materially in subsequent periods which would have a direct impact on the amounts recorded in the Statement of Remeasurement Gains and Losses. A 1.0% increase in the discount rate will decrease the fair value of the MAV II and MAV II IA notes by approximately \$5 (2016 - \$92).

Further information on the fair value measurement of the Corporation's investments can be found in note 19(d).

CANADIAN MUSEUM OF HISTORY

Notes to the Financial Statements

Year ended March 31, 2017

(In thousands of dollars)

5. Collections

The Corporation maintains the material culture collections of artifacts, objects, specimens and their related information. These collections are developed by various research areas within the Corporation. The collections are divided into the following seven discipline-related groups:

Ethnology - ethnographic and fine art collections principally related to North American First Peoples in post-European contact

Folk Culture - folk culture and fine craft collections illustrating the diversity of cultural influences on Canadian culture

History - collections which illustrate the experience of the common person as well as famous Canadians

Canadian Children's Museum - collections which emphasize intercultural understanding and experience, as well as supporting a rich animation programme

Living History - collection of properties, costumes and didactic resources which are used by animators, educators and other staff to promote and enliven the Museum's programming

Canadian War Museum - collections of weapons and technological artifacts illustrating the development of military technologies, dress and insignia collections of uniforms, medals, accoutrements and regalia of the Canadian Armed Forces and its allies, and war art collections of paintings, drawings, prints and sculptures from the Canadian War Artist programmes and modern art works illustrating Canadian Peacekeeping efforts

Archaeology - archaeological collections of material culture, physical anthropology, flora and fauna recovered from dig sites and principally illustrating indigenous North American culture prior to European contact.

During the fiscal year ended March 31, 2017, the Corporation purchased \$466 (2016 - \$1,186), and acquired through donation \$811 (2016 - \$1,786), of items for this collection.

The Corporation did not record any revenues for the fiscal years ended March 31, 2017 or 2016 related to the sales of collection items.

CANADIAN MUSEUM OF HISTORY

Notes to the Financial Statements

Year ended March 31, 2017

(In thousands of dollars)

6. Capital assets

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Land	\$ 40,868	\$ -	\$ 40,868	\$ 40,868
Buildings	356,909	202,436	154,473	163,396
Building improvements	75,184	59,363	15,821	19,331
Technical and informatics equipment	7,056	3,992	3,064	2,134
Office furniture and equipment	703	488	215	126
Motor vehicles	373	153	220	191
Permanent exhibits	439	187	252	296
Work in progress	32,268	-	32,268	16,054
	\$ 513,800	\$ 266,619	\$ 247,181	\$ 242,396

The current year amortization expense is \$14,192 (2016 - \$14,362). Most of the expense \$13,809 (2016 - \$13,775) is allocated to accommodation expenses as it relates to the actual amortization of buildings and building improvements. Cost and accumulated amortization at March 31, 2016 amount to \$508,660 and \$266,264 respectively.

During the year, out-of-use assets with an original book value of \$13,794 were removed from this schedule.

7. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are as follows:

	2017	2016
Trade accounts payable	\$ 7,436	\$ 7,109
Government departments, agencies and crown corporations	2,906	10,776
Accrued salaries and benefits	4,720	2,995
Current portion of employee future benefits (note 11)	190	190
	\$ 15,252	\$ 21,070

CANADIAN MUSEUM OF HISTORY

Notes to the Financial Statements

Year ended March 31, 2017

(In thousands of dollars)

8. 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 fiscal year were as follows:

	Non- government sources	Parliamentary appropriations	2017	2016
Balance, beginning of year	\$ 3,334	\$ 4,436	\$ 7,770	\$ 6,717
Additions				
Amounts received during the year	4,624	2,765	7,389	2,984
Deferred investment income	96	-	96	62
	4,720	2,765	7,485	3,046
Deductions				
Amounts recognized as revenue	(944)	(1,909)	(2,853)	(1,993)
Balance, end of year	\$ 7,110	\$ 5,292	\$ 12,402	\$ 7,770

CANADIAN MUSEUM OF HISTORY

Notes to the Financial Statements

Year ended March 31, 2017

(In thousands of dollars)

9. 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 fiscal year were as follows:

	Parliamentary appropriations	Non- government entities	2017	2016
Balance, beginning of year	\$ 9,034	\$ 1,636	\$ 10,670	\$ 10,759
Additions				
Amounts received during the year	-	1	1	2
Deferred realized investment income	211	34	245	268
Unrealized loss on investments	(172)	-	(172)	(165)
Realized gain on investments	-	-	-	43
	39	35	74	148
Deductions				
Amounts recognized as revenue	-	(93)	(93)	(237)
Balance, end of year	\$ 9,073	\$ 1,578	\$ 10,651	\$ 10,670

CANADIAN MUSEUM OF HISTORY

Notes to the Financial Statements

Year ended March 31, 2017

(In thousands of dollars)

10. Deferred contributions related to capital assets

Changes in the deferred contributions related to capital assets balance during the fiscal year were as follows:

	<u>Used for acquisitions</u>		<u>To be used</u>	2017	2016
	Non-government sources	Parliamentary appropriations	Deferred capital funding through Parliamentary appropriations		
Balance, beginning of year	\$ 1,906	\$ 199,434	\$ 15,831	\$ 217,171	\$ 210,947
Additions					
Capital asset acquisitions	-	18,995	-	18,995	13,278
Parliamentary appropriations deferred for capital asset acquisitions in future periods	-	-	6,832	6,832	10,698
	-	18,995	6,832	25,827	23,976
Deductions					
Amount used during the year	(66)	(14,126)	(12,699)	(26,891)	(17,752)
Balance, end of year	\$ 1,840	\$ 204,303	\$ 9,964	\$ 216,107	\$ 217,171

CANADIAN MUSEUM OF HISTORY

Notes to the Financial Statements

Year ended March 31, 2017

(In thousands of dollars)

10. Deferred contributions related to capital assets (continued)

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.

11. Employee future benefits

Information, measured as at the Statement of Financial Position date, is as follows:

	Other post- retirement benefits	Accumulated sick leave benefit liability	Severance benefits	2017	2016
Balance, beginning of year	\$ 5,186	\$ 274	\$ 572	\$ 6,032	\$ 5,705
Expense for the year	3,208	334	57	3,599	813
Benefit usage and benefit payments	(159)	(253)	(53)	(465)	(486)
Balance, end of year	8,235	355	576	9,166	6,032
Less: current portion	-	-	(190)	(190)	(190)
Long-term portion	\$ 8,235	\$ 355	\$ 386	\$ 8,976	\$ 5,842

(a) Other post-retirement benefits

On July 1, 2006, the Corporation introduced defined benefit post-retirement health care and dental benefit plans for eligible employees. The cost of this plan is charged to income as benefits are earned by employees on the basis of service rendered. The plans are unfunded resulting in a plan deficit equal to the accrued benefit obligation. Actuarial gains (losses) are recognized on a systematic basis over the remaining service life of active employees covered by these post-retirement benefits which is 12.6 years.

On January 1, 2017, the Corporation made an amendment to the post-retirement benefit plan. The cost of this amendment related to prior period employee service is recognised in the period of the plan amendment.

CANADIAN MUSEUM OF HISTORY

Notes to the Financial Statements

Year ended March 31, 2017

(In thousands of dollars)

11. Employee future benefits (continued)

(b) Accumulated sick leave benefit liability

The cost of the accrued benefit obligations related to sick leave entitlement earned by employees is actuarially determined using the projected benefit method. Actuarial gains (losses) are recognized on a systematic basis over the remaining service life of active employees covered by these sick leave benefits which is 12.6 years.

(c) Severance benefits

This benefit is unfunded and thus has no assets, resulting in a deficit equal to the accrued benefit obligation. Actuarial gains (losses) are recognized on a systematic basis over the remaining service life of active employees covered by these severance benefits which is 8.0 years.

(d) Accrued benefit obligation

The most recent actuarial valuation for other post-retirement benefits, sick leave and severance benefits was completed by an independent actuary as at March 31, 2017. The Corporation measures its accrued benefit obligation for accounting purposes as at March 31 of each year.

A reconciliation of the accrued benefit obligation and liability is as follows:

	2017	2016
Accrued benefit obligation, beginning of year	\$ 7,807	\$ 7,636
Current service cost	633	498
Prior period cost of plan amendment incurred during the year	2,646	-
Interest costs	163	142
Actuarial loss	891	18
Benefits paid	(465)	(487)
Accrued benefit obligation, end of year	11,675	7,807
Unamortized actuarial losses	(2,509)	(1,775)
Accrued benefit liability, end of year	9,166	6,032
Less: current portion of employee future benefits (note 7)	(190)	(190)
	\$ 8,976	\$ 5,842

CANADIAN MUSEUM OF HISTORY

Notes to the Financial Statements

Year ended March 31, 2017

(In thousands of dollars)

11. Employee future benefits (continued)

(d) Accrued benefit obligation (continued)

The significant actuarial assumptions used are as follows:

	2017	2016
Discount rate used to determine accrued benefit obligation:		
Post-retirement benefits	2.33%	2.03%
Severance and sick leave benefits	1.60%	1.33%
Inflation	2.0%	2.0%
Rate of increase in dental benefit costs	8% every 4 years	8% every 4 years
Rate of increase in health care benefit costs	8% every 4 years	8% every 4 years
Real wage increase	1% for the first 10 years	1% for the first 10 years

(e) Pension benefits

All eligible employees of the Corporation are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation. The Government of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The required employer contribution rate is dependent on the employee's employment start date. For employment start dates before January 1, 2013, the Corporation's contribution rate effective at year end was 1.01 times the employee's contribution (2016 – 1.15); and for employment start dates after December 31, 2012, the Corporation's contribution rate effective at year end was 1.00 times the employee's contribution (2016 – 1.11).

The Museum's and employees' contributions to the Plan for the year were as follows:

	2017	2016
Corporation's contributions	\$ 3,020	\$ 3,192
Employees' contributions	2,531	2,462

CANADIAN MUSEUM OF HISTORY

Notes to the Financial Statements

Year ended March 31, 2017

(In thousands of dollars)

11. Employee future benefits (continued)

(e) Pension benefits (continued)

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2 percent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada / Québec Pension Plan benefits and they are indexed to inflation.

12. Restricted for permanent exhibit renewal

During fiscal year 2016-17, the Corporation internally restricted \$15,000 (2016 - \$0) of net assets for the purpose of permanent exhibit renewal.

13. Donations and sponsorships

Donations and sponsorships revenue is composed of:

	2017	2016
Cash donations and sponsorships	\$ 1,225	\$ 1,209
In-kind sponsorships and artifact donations	823	1,814
	\$ 2,048	\$ 3,023

14. Net investment income

Net investment income is composed of:

	2017	2016
Interest	\$ 1,709	\$ 1,503
Gain (loss) on investments	2,446	(108)
	\$ 4,155	\$ 1,395

CANADIAN MUSEUM OF HISTORY

Notes to the Financial Statements

Year ended March 31, 2017

(In thousands of dollars)

15. Parliamentary appropriations

Parliamentary appropriations recognized as revenue:

	2017	2016
Main Estimates amount provided		
for operating and capital expenses	\$ 66,199	\$ 83,369
Supplementary estimates and transfers ¹	11,547	217
Total Parliamentary appropriations approved in year	77,746	83,586
Less current year Parliamentary appropriations not recognized as revenue:		
Used for capital asset acquisitions	(6,296)	(9,888)
Deferred for future capital asset acquisitions	(6,832)	(10,698)
Restricted for specific purposes	(2,765)	(2,281)
Add prior year Parliamentary appropriations recognized as revenue in current year:		
Amortization of deferred capital funding	14,126	14,296
Restricted amounts used in current year	1,909	1,298
Parliamentary appropriations recognized as revenue	\$ 77,888	\$ 76,313

¹ 2016-17 supplementary estimates and transfers include funding approved under Budget 2016. This included non-recurring funding of \$7.2 million to address the accumulated Payment in lieu of taxes (PILT) payable.

16. Related party transactions

The Corporation is related to all Government of Canada departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. During the year, the Corporation incurred expenses totalling \$14,032 (2016 - \$14,633) primarily related to payments in lieu of property taxes and employer contributions to employee benefits. The Museum recorded operations revenue of \$884 (2016 - \$473) with related parties.

CANADIAN MUSEUM OF HISTORY

Notes to the Financial Statements

Year ended March 31, 2017

(In thousands of dollars)

16. Related party transactions (continued)

As at March 31, the Corporation had the following balances on the statement of financial position related to transactions with this category of related party:

	2017	2016
Appropriations receivable	\$ -	\$ 218
Refundable taxes	962	552
Other receivables	229	96
Accounts payable and accrued liabilities	2,906	10,776
Deferred revenues	34	159

17. Contingencies

No amount has been included in the Statement of Financial Position for contingent liabilities.

18. Contractual obligations

As at March 31, 2017, the Corporation has entered into agreements which include informatics, building operations and maintenance, security and point-of-sale outsource services. The future minimum annual payments are as follows:

2017-18	\$ 16,087
2018-19	8,570
2019-20	6,743
2020-21	3,564
2021-22	2,261
2022 +	142
	<hr/>
	\$ 37,367

CANADIAN MUSEUM OF HISTORY

Notes to the Financial Statements

Year ended March 31, 2017

(In thousands of dollars)

19. Financial risk management

The Corporation has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk.

The Board of Trustees ensures that the Corporation has identified its major risks and developed responses to mitigate their impact. The Audit Committee oversees the Corporation's systems and practices of internal control, and ensures that these controls contribute to the assessment and mitigation of risk. The Audit Committee reports regularly to the Board of Trustees on its activities.

(a) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the Corporation consisting of accounts receivable, cash, restricted cash and investments, Master Asset Vehicle notes and long-term investments.

The maximum exposure to credit risk of the Corporation at March 31, 2017 is the carrying value of these assets.

(i) Accounts receivable

The Corporation's exposure to credit risk associated with accounts receivable is assessed as being low mainly due to the demographics of the Corporation's debtors, including the type of debtor and the country in which the debtor operates.

The maximum exposure to credit risk for accounts receivable by type of customer as at March 31 is as follows:

	2017	2016
Government of Canada	\$ 1,201	\$ 873
Other governments	1,023	738
Consumers	269	187
	2,493	1,798
Financial institutions	354	272
	\$ 2,847	\$ 2,070

The Corporation seeks to reduce its credit exposure by performing credit checks on customers in advance of providing credit and obtaining deposits or prepayments where deemed appropriate.

CANADIAN MUSEUM OF HISTORY

Notes to the Financial Statements

Year ended March 31, 2017

(In thousands of dollars)

19. Financial risk management (continued)

(a) Credit risk (continued)

(i) Accounts receivable (continued)

The Corporation establishes an allowance for doubtful accounts that reflects the estimated impairment of accounts receivable and is based on specific accounts considering the Corporation's knowledge of the financial condition of its customers, the aging of accounts receivable, and other applicable factors. Accounts receivable from governments comprise more than 89% (2016 - 90%) of the Corporation's accounts receivable, excluding interest, and no allowance has been provided for related to these amounts.

An aging of accounts receivable is as follows:

	2017	2016
Less than 30 days past billing date	\$ 1,867	\$ 1,258
30 to 60 days past billing date	378	291
61 to 90 days past billing date	208	241
Greater than 90 days past billing date	40	8
	2,493	1,798
Interest receivable	354	272
	\$ 2,847	\$ 2,070

(ii) Cash, investments and restricted cash and investments

The Corporation manages its credit risk surrounding cash, restricted cash and investments, Master Asset Vehicle notes and long-term investments by dealing solely with reputable banks and financial institutions, and utilizing an investment policy to guide their investment decisions. The Corporation invests surplus funds to earn investment income with the objective of maintaining safety of principal and providing adequate liquidity to meet cash flow requirements.

Credit risk is minimized substantially by ensuring that assets are invested in instruments that are securities of or guaranteed by the Canadian federal and provincial governments and Canadian Schedule 1 Banks.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Corporation is not subject to significant price risk.

CANADIAN MUSEUM OF HISTORY

Notes to the Financial Statements

Year ended March 31, 2017

(In thousands of dollars)

19. Financial risk management (continued)

(b) Market risk (continued)

(i) Currency risk

The Corporation operates primarily within Canada, but in the normal course of operations is party to exchange of exhibits and collections on an international basis, as well as holding cash and investments denominated in foreign currencies. Foreign exchange risk arises from exhibit and collection related transactions denominated in a currency other than the Canadian dollar, which is the functional currency of the Corporation. The currencies in which these transactions primarily are denominated are the Canadian dollar, the US dollar and the Euro.

The Corporation believes that it is not subject to significant foreign exchange risk from its financial instruments due to relatively low frequency and dollar value of foreign currency denominated transactions.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Corporation to cash flow interest rate risk. The Corporation's investments include both fixed rate bonds and floating rate notes.

Although management monitors exposure to interest rate fluctuations, it does not employ any interest rate management policies to counteract interest rate fluctuations.

As at March 31, 2017 had prevailing interest rates increased or decreased by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, the Corporation's financial instruments would have decreased or increased by a net amount of approximately \$2,476 (2016 - \$2,473), approximately 3.46% of the fair value of investments (2016 – 3.83%).

(c) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due.

The Corporation manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing, capital and financing activities.

All of the Corporation's financial liabilities have contractual maturities of less than 365 days.

CANADIAN MUSEUM OF HISTORY

Notes to the Financial Statements

Year ended March 31, 2017

(In thousands of dollars)

19. Financial risk management (continued)

(d) Fair value of financial instruments

The following tables summarize information on the fair value hierarchy of the Corporation's assets as of March 31. The fair value hierarchy prioritizes the valuation techniques used to determine the fair value of a financial instrument based on whether the inputs to those techniques are observable or unobservable:

- Level 1 – Financial instruments are considered Level 1 when valuation can be based on quoted prices in active markets for identical assets and liabilities.
- Level 2 – Financial instruments are considered Level 2 when they are valued using quoted prices for similar assets and liabilities, quoted prices in markets that are not active, or models using inputs that are observable.
- Level 3 – Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

Transfers are made between the various fair value hierarchy levels due to changes in the availability of quoted market prices or observable market inputs due to changing market conditions.

Investments and restricted investments	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	2017 Total
Bonds	\$ -	\$ 52,997	\$ -	\$ 52,997
Guaranteed investment certificates	18,073	-	-	18,073
MAV II and MAV II IA notes	-	-	236	236
Total	\$ 18,073	\$ 52,997	\$ 236	\$ 71,306

CANADIAN MUSEUM OF HISTORY

Notes to the Financial Statements

Year ended March 31, 2017

(In thousands of dollars)

19. Financial risk management (continued)

(d) Fair value of financial instruments (continued)

Investments and restricted investments	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	2016 Total
Bonds	\$ -	\$ 43,805	\$ -	\$ 43,805
Guaranteed investment certificates	11,300	-	-	11,300
MAV II and MAV II IA notes	-	9,218	200	9,418
Total	\$ 11,300	\$ 53,023	\$ 200	\$ 64,523

There is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with MAV II and MAV II IA. The Corporation estimates the fair value of its MAV II using Level 2 and 3 hierarchy inputs by discounting expected future cash flows considering the best available data at March 31, 2017. In 2016 and 2017, MAV II notes under classes A1, A2, B and C were at Level 2 and the MAV II IA notes were at Level 3.

A reconciliation of all changes in Level 3 financial instruments is as follows:

MAV II IA notes	2017	2016
Balance, beginning of year	\$ 200	\$ 216
Principal repayments	(47)	(167)
Unrealized gain	83	34
Realized gain	-	117
Balance, end of year	\$ 236	\$ 200

20. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

CANADIAN MUSEUM OF HISTORY

Schedule 1 - Operating Revenues

Year ended March 31, 2017
(In thousands of dollars)

	2017	2016
General admission and programmes	\$ 5,946	\$ 6,257
Facility rental, events and concessions	3,059	2,449
Boutique sales	2,089	2,086
Parking	1,979	1,982
Giant screen theatre	719	1,004
Memberships	389	307
Travelling exhibits	318	276
Other	434	210
	\$ 14,933	\$ 14,571

Schedule 2 - Expenses

Year ended March 31, 2017
(In thousands of dollars)

	2017	2016
Personnel costs	\$ 39,499	\$ 34,978
Amortization of capital assets	14,192	14,362
Payments in lieu of property taxes	9,261	9,987
Building operations	6,039	5,681
Exhibit fabrication and rental	4,302	3,666
Professional and special services	4,202	3,359
Online programs assistance	4,008	3,382
Utilities	3,029	2,910
Repairs and maintenance	2,912	2,799
IT infrastructure and systems	2,269	2,214
Materials and supplies	1,771	1,438
Marketing and advertising	1,736	1,584
Collection acquisitions (note 5)	1,277	2,972
Cost of goods sold	1,140	1,087
Travel and hospitality	1,111	881
Rentals and leases	310	348
Royalties	195	248
Other	656	656
	\$ 97,909	\$ 92,552