

CANADIAN MUSEUM OF CIVILIZATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements contained in this annual report have been prepared by Management in accordance with Canadian generally accepted accounting principles, and the integrity and objectivity of the data in these financial statements are 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 Civilization.



J. (JOE) GEURTS

CHIEF OPERATING OFFICER AND
SENIOR VICE-PRESIDENT



DAVID LOYE
CHIEF FINANCIAL OFFICER



Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister of Canadian Heritage

I have audited the balance sheet of the Canadian Museum of Civilization as at March 31, 2004 and the statements of operations and equity of Canada and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation 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 the by-laws of the Corporation.

A handwritten signature in black ink, appearing to read 'R. Flageole'.

Richard Flageole, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 14, 2004

CANADIAN MUSEUM OF CIVILIZATION

BALANCE SHEET AS AT MARCH 31

ASSETS

(in thousands of dollars)

	2004	2003
CURRENT		
Cash and cash equivalents (Note 3)	\$ 42,063	\$ 41,902
Accounts receivable (Note 4)	5,603	4,816
Inventories	1,218	1,069
Prepaid expenses	1,329	1,450
	50,213	49,237
Restricted cash and investments (Note 5)	21,126	18,251
Collection (Note 6)	1	1
Property and equipment (Note 7)	84,952	28,728
	\$ 156,292	\$ 96,217

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

Approved by the Board of Trustees:

Chairperson

Trustee

LIABILITIES

(in thousands of dollars)

2004

2003

CURRENT

Accounts payable and accrued liabilities (Note 8)	\$ 24,014	\$ 15,168
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Deferred revenues	1,676	1,271
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	25,690	16,439
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Employee future benefits (Note 9)	2,528	2,673
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Deferred contributions (Note 10)	14,126	11,251
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Deferred capital funding (Note 11)	92,138	43,377
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	134,482	73,740
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Commitments (Note 16)		
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EQUITY OF CANADA

Internally restricted (Note 12)	7,000	7,000
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Unrestricted	14,810	15,477
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	21,810	22,477
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	\$ 156,292	\$ 96,217
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The accompanying notes and schedules form an integral part of the financial statements.

CANADIAN MUSEUM OF CIVILIZATION

STATEMENT OF OPERATIONS AND EQUITY OF CANADA FOR THE YEAR ENDED MARCH 31

(in thousands of dollars)	2004	2003
Revenues (Schedule 1)	\$ 12,802	\$ 12,768
Expenses		
Collect and research	10,402	10,762
Exhibit, educate and communicate	13,813	13,961
Canadian War Museum	7,380	7,714
Accommodate	21,870	21,559
Corporate services	13,037	13,119
Total expenses (Schedule 2)	66,502	67,115
Net result of operations before government funding	(53,700)	(54,347)
Parliamentary appropriation (Note 17)	53,033	54,819
Net income	(667)	472
Equity of Canada at beginning of year	22,477	22,005
Equity of Canada at end of year	\$ 21,810	\$ 22,477

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

CANADIAN MUSEUM OF CIVILIZATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31

(in thousands of dollars)	2004	2003
Operating activities		
Cash receipts (clients)	\$ 10,178	\$ 10,598
Cash receipts (parliamentary appropriation)	53,940	54,519
Cash paid (employees and suppliers)	(57,861)	(60,425)
Interest received	1,596	1,106
Cash flows from operating activities	7,853	5,798
Investing activities		
Acquisition of property and equipment	(60,322)	(15,736)
Increase in restricted cash and investments	(2,875)	(3,479)
Cash flows used in investing activities	(63,197)	(19,215)
Financing activities		
Parliamentary appropriation for the acquisition of property and equipment	52,515	29,453
Restricted contributions and related investment income	2,990	3,526
Cash flows from financing activities	55,505	32,979
Increase in cash and cash equivalents	161	19,562
Balance at beginning of year	41,902	22,340
Balance at end of year	\$ 42,063	\$ 41,902

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

CANADIAN MUSEUM OF CIVILIZATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2004

1. MISSION AND MANDATE

The Canadian Museum of Civilization (the "Corporation") was established on July 1, 1990 by the *Museums Act*. The Canadian Museum of Civilization is an agent Crown corporation named in *Part I of Schedule III to the Financial Administration Act*. The Canadian War Museum is a component of the Canadian Museum of Civilization.

The mission, as stated in the *Museums Act*, is as follows:

"to increase, throughout Canada and internationally, interest in, knowledge and critical understanding of and appreciation and respect for human cultural achievements and human behaviour by establishing, maintaining and developing for research and posterity a collection of objects of historical or cultural interest, with special but not exclusive reference to Canada, and by demonstrating those achievements and behaviour, the knowledge derived from them and the understanding they represent."

The Canadian Museum of Civilization's operations are divided into five 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.

Accommodate

Managing and maintaining all facilities and related security and hosting services.

Canadian War Museum

An affiliated museum dedicated to Canada's military history and continuing commitment to peacekeeping.

Corporate services

Governance, corporate management, audit and evaluation, fund raising, commercial activities, finance and administration, human resources and information systems.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies follow.

(a) **Inventories**

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

(b) **Collection**

The artifact collection forms the largest part of the assets of the Corporation and is presented in the balance sheet at a nominal value of \$1,000, due to the practical difficulties of determining a meaningful value for these assets.

Objects purchased for the collection of the Corporation are recorded as an expense in the year of acquisition. Objects donated to the Corporation are not recorded in the books of accounts.

(c) **Property and equipment**

Property and equipment are valued at cost, net of accumulated amortization.

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

Leasehold and building improvements	10 years
Office furniture and equipment	8 years
Technical and informatics equipment	5 and 8 years
Motor vehicles	5 years

(d) **Employee future benefits**

i) Pension benefits

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Corporation's contribution to the plan reflects the full cost of the employer contributions. This amount is currently based on a multiple of the employee's required contributions and may change over time depending on the experience of the Plan. These contributions represent the total pension obligations of the Corporation and are charged to operations on a current basis. The Corporation is not currently required to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

ii) Severance benefits

Employees are entitled to severance benefits, as provided for under labour contracts and conditions of employment. The cost of these benefits is accrued as the employees render the services necessary to earn them. Management determined the accrued benefit obligation using a method based upon assumptions and its best estimates. These benefits represent the only obligation of the Corporation that entails settlement by future payment.

(e) **Contributions**

The Corporation follows the deferral method of accounting for contributions.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions externally restricted, and related investment income, are deferred and recognized as revenue in the year in which the related expenses are incurred.

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

(f) **Parliamentary appropriation**

The Government of Canada provides funding to the Corporation. The portion of the parliamentary appropriation intended to be used to purchase depreciable property and equipment is recorded as deferred capital funding and amortized on the same basis and over the same periods as the related property and equipment acquired. Parliamentary appropriations for specific projects are deferred and recognized on the statement of operations in the year in which the related expenses are incurred. The remaining portion of the appropriation is recognized in the statement of operations in the year for which it was approved.

(g) **Measurement uncertainty**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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-related liabilities and estimated useful lives of property and equipment are the most significant items where estimates are used. Actual results could differ significantly from those estimated.

3. **CASH AND CASH EQUIVALENTS**

The Corporation invests in the short-term money market. The overall portfolio yield as at March 31, 2004 was 2.9% (2003 – 2.7%). All instruments held in short-term investments are rated R1 or better by the Dominion Bond Rating Service. The average term to maturity is 36 days (2003 – 34 days). The fair value of the short-term investments approximates the book value due to their impending maturity.

4. ACCOUNTS RECEIVABLE

(in thousands of dollars)	2004	2003
Refundable taxes	\$ 3,406	\$ 1,775
Parliamentary appropriation	1,256	2,160
Trade accounts	896	842
Other	45	39
	\$ 5,603	\$ 4,816

5. RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments arise from contributions received from individuals and corporate entities for a specified purpose and from internally restricted funds.

The overall portfolio yield on restricted cash as at March 31, 2004 was 2.9% (2003 – 2.7%). All instruments held in short-term investments are rated R1 or better by the Dominion Bond Rating Service. The average term to maturity is 37 days (2003 – 35 days). The fair value of the short-term investments approximates the book value due to their impending maturity.

6. COLLECTION

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 eight 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 Postal Museum - collections of philatelic, artwork and material culture which serve to illustrate the role of postal communication in defining and shaping a nation

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

7. PROPERTY AND EQUIPMENT

(in thousands of dollars)		2004	2003
	Cost	Accumulated Amortization	Net Book Value
New Canadian War Museum project	\$ 66,523	\$ -	\$ 66,523
Leasehold and building improvements	40,222	23,257	16,965
Informatics equipment	8,930	8,297	633
Technical equipment	8,727	8,010	717
Office furniture and equipment	5,939	5,860	79
Motor vehicles	76	41	35
Property classified as held for sale	-	-	-
	\$ 130,417	\$ 45,465	\$ 84,952
			\$ 28,728

An asset class was created for the new Canadian War Museum project. This asset class will serve to account for capital expenditures related to building construction and equipment acquisitions for the new museum. Amounts included in the New Canadian War Museum project are transferred to the appropriate property and equipment asset class upon project completion, and are then amortized according to the Corporation's amortization policy.

Property and equipment do not include the land and buildings currently occupied by the Corporation since they are owned by the Government of Canada.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands of dollars)	2004	2003
Trade accounts payable	\$ 20,360	\$ 12,041
Accrued salaries and vacation pay	2,034	1,915
Government departments and agencies	1,106	805
Current portion of employee future benefits (Note 9)	514	407
	\$ 24,014	\$ 15,168

9. EMPLOYEE FUTURE BENEFITS

i) Pension benefits

The Public Service Superannuation Plan required the Corporation to contribute at a rate of 2.14 times the employee's contribution (2003 – 2.14). The Corporation's contribution to the Plan during the year was \$2,300,000 (2003 - \$2,383,000).

ii) Severance benefits

The Corporation provides severance benefits to its employees. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. Future benefits will be paid out of future appropriations or other sources of revenue as appropriate. Information about the plan is as follows:

(in thousands of dollars)	2004	2003
Accrued benefit obligation, beginning of year	\$ 3,080	\$ 2,743
Expense for the year	277	575
Benefits paid during the year	(315)	(238)
Accrued benefit obligation, end of year	\$ 3,042	\$ 3,080
Short-term portion	\$ 514	\$ 407
Long-term portion	2,528	2,673
	\$ 3,042	\$ 3,080

10. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent externally restricted donations and related investment income.

Changes in the deferred contributions balance are as follows:

(in thousands of dollars)	2004	2003
Balance at beginning of year	\$ 11,251	\$ 7,772
Add donations received in the year	2,627	3,282
Add deferred investment income (Note 13)	363	244
Less donations recognized as revenue	(115)	(47)
Balance at end of year	\$ 14,126	\$ 11,251

11. DEFERRED CAPITAL FUNDING

Deferred capital funding represents the unamortized portion of parliamentary appropriations used or to be used to purchase depreciable property and equipment.

Changes in the deferred capital funding balance are as follows:

(in thousands of dollars)	2004	2003
Balance at beginning of year	\$ 43,377	\$ 17,266
Appropriations received in the current year to purchase depreciable property and equipment	45,288	14,916
Appropriations received in the current year to purchase depreciable property and equipment in future periods	7,227	14,537
Less amortization	(3,754)	(3,342)
Balance at end of year	\$ 92,138	\$ 43,377

12. INTERNALLY RESTRICTED EQUITY OF CANADA

As at March 31, 2004, the Corporation has internally restricted \$7,000,000 towards the construction of a new Canadian War Museum.

13. INTEREST ON CASH AND INVESTMENTS

Interest on cash and investments is reported as follows :

(in thousands of dollars)	2004	2003
Income earned on unrestricted resources	\$ 1,586	\$ 1,098
Income earned on restricted resources	373	252
Total interest on cash and investments earned in the period	1,959	1,350
Less amounts deferred (Note 10)	(363)	(244)
Total interest on cash and investments recognized as revenue	\$ 1,596	\$ 1,106

14. RELATED PARTY TRANSACTIONS

The Corporation is related to all Government of Canada departments, agencies and Crown corporations. The Corporation incurred expenses for the work and services provided by other government departments and agencies. These transactions were conducted in the normal course of operations, under the same terms and conditions that applied to outside parties.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

In addition to the descriptions in Notes 3 and 5, the fair value of accounts receivable, restricted cash and investments, and accounts payable and accrued liabilities approximate their respective book values due to their impending maturity.

16. COMMITMENTS

As at March 31, 2004, the Corporation has entered into long-term contracts for informatics, property leases and building operations and maintenance related services with a remaining value of \$18,699,000. The future minimum payments are as follows:

(in thousands of dollars)

2004-05	\$ 8,062
2005-06	4,871
2006-07	3,100
2007-08	2,395
2008-09	271
	<u>\$ 18,699</u>

As at March 31, 2004, the Corporation has entered into long-term contracts for exhibit design, equipment and building construction services for the new Canadian War Museum with a remaining value of \$49,722,000. The majority of the cash outlays from these contracts will occur in the fiscal year ending March 31, 2005. The new building project will be completed in the fiscal year ending March 31, 2006.

17. PARLIAMENTARY APPROPRIATION

(in thousands of dollars)

	2004	2003
Main Estimates amount provided for operating and capital expenditures	\$ 84,326	\$ 76,221
Supplementary estimates and transfers	17,867	5,193
	<u>102,193</u>	<u>81,414</u>
Portion of amount deferred for specific projects	(8,265)	(15,291)
Deferred revenue used in current year to complete specific projects	15,673	1,090
Amounts used to purchase depreciable property and equipment	(60,322)	(15,736)
Amortization of deferred capital funding	3,754	3,342
Parliamentary appropriation	<u>\$ 53,033</u>	<u>\$ 54,819</u>

18. COMPARATIVE FIGURES

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

SCHEDULE OF REVENUE FOR THE YEAR ENDED MARCH 31

(in thousands of dollars)

SCHEDULE 1

	2004	2003
General admission and programmes	\$ 2,943	\$ 3,105
CINÉPLUS	2,039	1,953
Boutique sales	1,840	2,016
Interest on cash and investments (Note 13)	1,596	1,106
Facility rental and concessions	1,215	1,212
Parking	907	866
Grants and sponsorships	679	744
Travelling exhibits	356	283
Donations	192	440
Membership	160	134
Publications	104	116
Royalties	65	136
Other	706	657
	\$ 12,802	\$ 12,768

SCHEDULE OF EXPENSES FOR THE YEAR ENDED MARCH 31

(in thousands of dollars)

SCHEDULE 2

	2004	2003
Personnel costs	\$ 28,155	\$ 27,988
Professional and special services	11,558	10,680
Property taxes	5,860	5,494
Exhibit design and fabrication	5,365	5,995
Amortization	3,754	3,342
Repairs and maintenance	2,554	3,209
Utilities	1,838	1,793
Furniture and fixtures	1,423	1,455
Marketing and advertising	1,337	1,186
Travel, hospitality and transportation	1,164	1,395
Building leases	1,112	1,132
Cost of goods sold	1,101	1,073
Communications	872	1,012
Rentals	137	160
CINÉPLUS films	100	162
Collection acquisitions	68	879
Other	104	160
	\$ 66,502	\$ 67,115