

CANADIAN MUSEUM OF HISTORY

Quarterly Financial Statements

For the six month period ended September 30, 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.

STATEMENT OF FINANCIAL POSITION

The \$8.0 million decrease to the Corporation's cash balance is the result of an increase in the investment portfolio and the use of Parliamentary appropriations restricted for the Canadian History Hall and other capital projects.

The impact of seasonal fluctuations is also of note when comparing balances at September 30, 2016 against those at March 31, 2016.

As at September 30, 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. The Corporation has maintained this valuation at September 30, 2016.

The National Collection Fund represents funds for the acquisition of artifacts by the Canadian Museum of History and the Canadian War Museum. At September 30, 2016, the balance of the National Collection Fund stands at \$10.8 million.

STATEMENT OF OPERATIONS

The Corporation's net results of operations for the six month period ended September 30, 2016 reflect a surplus of \$3.0 million, compared to \$1.7 million the prior fiscal year.

Revenues for the period total \$10.4 million, compared to \$9.4 million the previous fiscal year. The 11% increase is primarily attributable to the following:

- Strong attendance led to increased General admission and programmes revenue;
- Hosting of the Society for Military History's Annual Conference, led to increased Sponsorship and Facility rental, events and concessions revenue;
- Increased artifact donations.

Operating expenses for the period total \$44.5 million, an amount equal to the previous fiscal year.

Parliamentary appropriations for the period total \$37.2 million, an amount comparable to the \$36.8 million total for the previous fiscal year.

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.



Mark O'Neill
President and Chief Executive Officer



David Loye, CPA, CA
Chief Operating Officer and Senior Vice-President

Gatineau, Quebec

November 30, 2016

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Statement of Financial Position

As at

(In thousands of dollars)

	September 30, 2016	March 31, 2016
Assets		
Current assets		
Cash	\$ 12,532	\$ 20,481
Restricted cash and investments	2,242	1,842
Investments	3,215	2,732
Accounts receivable	1,355	2,070
Inventories	875	885
Prepaid expenses	1,141	813
	21,360	28,823
Restricted cash and investments	12,179	12,162
Investments	51,532	49,629
Collections	1	1
Capital assets	241,686	242,396
	\$ 326,758	\$ 333,011
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 17,622	\$ 21,070
Deferred contributions (note 3)	8,067	7,770
Deferred revenues	1,532	1,828
	27,221	30,668
Deferred contributions - National Collection Fund (note 4)	10,817	10,670
Deferred contributions related to capital assets (note 5)	210,696	217,171
Employee future benefits	6,097	5,842
	254,831	264,351
Net assets		
Unrestricted	26,810	23,803
Investment in capital assets	40,868	40,868
Accumulated remeasurement gains	4,249	3,989
	71,927	68,660
	\$ 326,758	\$ 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 six month periods ended September 30, 2016

(In thousands of dollars)

	Three month period ended September 30		Six month period ended September 30	
	2016	2015	2016	2015
Revenues				
Operating (schedule 1)	\$ 4,889	\$ 4,868	\$ 9,123	\$ 8,579
Net investment income	360	358	682	569
Donations and sponsorships (note 6)	139	76	582	289
	5,388	5,302	10,387	9,437
Expenses (schedule 2)				
Collect and research	\$ 2,857	\$ 2,899	\$ 5,955	\$ 6,117
Exhibit, educate and communicate	5,781	4,961	11,644	10,996
Accommodation	9,244	9,537	18,527	18,642
Corporate management	4,232	4,367	8,423	8,764
	22,114	21,764	44,549	44,519
Net result of operations before parliamentary appropriations	(16,726)	(16,462)	(34,162)	(35,082)
Parliamentary appropriations (note 7)	19,968	19,195	37,169	36,822
Net result of operations	\$ 3,242	\$ 2,733	\$ 3,007	\$ 1,740

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

Statement of Remeasurement Gains and Losses

For the three and six month periods ended September 30, 2016

(In thousands of dollars)

	Three month period ended September 30		Six month period ended September 30	
	2016	2015	2016	2015
Accumulated remeasurement gains, beginning of period	\$ 4,310	\$ 4,067	\$ 3,989	\$ 4,565
Unrealized gains (losses) attributed to investments	(61)	(105)	176	(732)
Amounts reclassified to the Statement of Operations - investments	-	-	84	129
Net change in accumulated remeasurement gains (losses) for the period	(61)	(105)	260	(603)
Accumulated remeasurement gains, end of period	\$ 4,249	\$ 3,962	\$ 4,249	\$ 3,962

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

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Statement of Changes in Net Assets

For the three and six month periods ended September 30, 2016

(In thousands of dollars)

For the three month period ended	Unrestricted	Investment in capital assets	Accumulated remeasurement gains	September 30 2016	September 30 2015
Net assets, beginning of period	\$ 23,568	\$ 40,868	\$ 4,310	\$ 68,746	\$ 62,663
Net result of operations	3,242	-	-	3,242	2,733
Net change in accumulated remeasurement gains (losses)	-	-	(61)	(61)	(105)
Net assets, end of period	\$ 26,810	\$ 40,868	\$ 4,249	\$ 71,927	\$ 65,291

For the six month period ended	Unrestricted	Investment in capital assets	Accumulated remeasurement gains	September 30 2016	September 30 2015
Net assets, beginning of period	\$ 23,803	\$ 40,868	\$ 3,989	\$ 68,660	\$ 64,154
Net result of operations	3,007	-	-	3,007	1,740
Net change in accumulated remeasurement gains (losses)	-	-	260	260	(603)
Net assets, end of period	\$ 26,810	\$ 40,868	\$ 4,249	\$ 71,927	\$ 65,291

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 six month periods ended September 30, 2016

(In thousands of dollars)

	Three month period ended September 30		Six month period ended September 30	
	2016	2015	2016	2015
Operating activities				
Cash receipts from clients and other receivables	\$ 6,262	\$ 6,890	\$ 11,540	\$ 11,332
Cash receipts from parliamentary appropriations	14,537	16,911	28,570	31,034
Cash paid to and on behalf of employees	(8,431)	(8,756)	(17,264)	(16,618)
Cash paid to suppliers	(14,109)	(13,094)	(23,477)	(24,551)
Restricted contributions and related investment income	193	189	401	415
Interest received	318	324	646	699
Net cash through operating activities	(1,230)	2,464	416	2,311
Investing activities				
Principal repayments of investments	11	12	23	19
Increase in investments and restricted investments	-	-	(3,817)	-
Decrease in investments and restricted investments	-	-	1,595	1,836
Net cash through investing activities	11	12	(2,199)	1,855
Capital activities				
Acquisition of capital assets	(4,910)	(2,787)	(8,170)	(5,481)
Financing activities				
Parliamentary appropriations for the acquisition of capital assets	1,999	5,008	2,404	8,022
Increase (decrease) in cash and restricted cash	(4,130)	4,697	(7,549)	6,707
Cash and restricted cash, beginning of period				
Cash	16,855	5,857	20,481	4,070
Restricted cash	2,049	1,352	1,842	1,129
	18,904	7,209	22,323	5,199
Cash and restricted cash, end of period				
Cash	12,532	10,368	12,532	10,368
Restricted cash	2,242	1,538	2,242	1,538
	\$ 14,774	\$ 11,906	\$ 14,774	\$ 11,906

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 six month period ended September 30, 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 six month period ended September 30, 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 six month period ended September 30, 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	September 30, 2016 (6 months)	March 31, 2016 (12 months)
Balance, beginning of period	\$ 3,334	\$ 4,436	\$ 7,770	\$ 6,717
Additions				
Amounts received during the period	237	1,100	1,337	2,984
Deferred investment income	34	-	34	62
	271	1,100	1,371	3,046
Deductions				
Amounts used during the period	(1)	(1,073)	(1,074)	(1,993)
Balance, end of period	\$ 3,604	\$ 4,463	\$ 8,067	\$ 7,770

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the six month period ended September 30, 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	September 30, 2016 (6 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	113	16	129	268
Unrealized gain (loss) on investments	18	-	18	(165)
Realized gain (loss) on investments	-	-	-	43
	131	16	147	148
Deductions				
Amounts recognized as revenue	-	-	-	(237)
Balance, end of period	\$ 9,165	\$ 1,652	\$ 10,817	\$ 10,670

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the six month period ended September 30, 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>	September 30, 2016 (6 months)	March 31, 2016 (12 months)
	Non- government sources	Parliamentary appropriations	Parliamentary appropriations		
Balance, beginning of period	\$ 1,906	\$ 199,434	\$ 15,831	\$ 217,171	\$ 210,947
Additions					
Capital asset acquisitions	-	6,307	-	6,307	13,278
Parliamentary appropriations deferred for capital asset acquisitions in future periods	-	-	-	-	10,698
	-	6,307	-	6,307	23,976
Deductions					
Amounts used during the period	(34)	(6,982)	(5,766)	(12,782)	(17,752)
Balance, end of period	\$ 1,872	\$ 198,759	\$ 10,065	\$ 210,696	\$ 217,171

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the six month period ended September 30, 2016

(In thousands of dollars)

6. Donations and sponsorships

Donations and sponsorships revenue is composed of:

	September 30, 2016	September 30, 2015
Cash donations and sponsorships	\$ 107	\$ 118
In-kind sponsorships and artifact donations	475	171
	\$ 582	\$ 289

7. Parliamentary appropriations

The Corporation receives Parliamentary appropriations from the Government of Canada to support its operating and capital activities. The table below illustrates the Parliamentary appropriations received during the period, and the accounting adjustments required to arrive at the calculation of revenue that conforms to public sector accounting standards.

	September 30, 2016	September 30, 2015
Main Estimates amount provided for operating and capital activities	\$ 30,755	\$ 38,961
Deductions		
Current period Parliamentary appropriations not recognized as revenue:		
Restricted for specific purposes	(1,100)	(7,825)
Restricted for capital asset acquisitions	(6,307)	(5,197)
Additions		
Prior period Parliamentary appropriations recognized as revenue in current period:		
Amortization of deferred capital funding	6,982	7,074
Restricted amounts used during current period	6,839	3,809
	\$ 37,169	\$ 36,822

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 six month periods ended September 30, 2016
(In thousands of dollars)

	Three month period ended September 30		Six month period ended September 30	
	2016	2015	2016	2015
General admission and programmes	\$ 2,252	\$ 2,361	\$ 3,985	\$ 3,902
Facility rental, events and concessions	766	601	1,745	1,335
Boutique sales	782	769	1,377	1,330
Parking	602	652	1,069	1,083
Giant screen theatre	228	349	443	620
Travelling exhibits	106	26	193	81
Memberships	95	71	190	141
Other	58	39	121	87
	\$ 4,889	\$ 4,868	\$ 9,123	\$ 8,579

Schedule 2 - Expenses

For the three and six month periods ended September 30, 2016
(In thousands of dollars)

	Three month period ended September 30		Six month period ended September 30	
	2016	2015	2016	2015
Personnel costs	\$ 8,445	\$ 8,456	\$ 17,170	\$ 17,104
Amortization of capital assets	3,512	3,570	7,016	7,107
Payments in lieu of property taxes	2,216	2,508	4,577	4,964
Building operations	1,464	1,459	2,837	2,805
Online programs assistance	1,319	792	2,123	1,759
Professional and special services	869	722	1,723	1,515
Exhibit fabrication and rental	676	611	1,715	1,656
Utilities	716	702	1,427	1,380
Repairs and maintenance	593	658	1,209	1,292
IT infrastructure and systems	517	484	1,024	988
Marketing and advertising	487	318	853	761
Cost of goods sold	362	352	646	616
Collection acquisitions	179	378	630	1,001
Travel and hospitality	177	195	543	475
Materials and supplies	279	242	501	495
Rentals and leases	85	103	150	142
Royalties	62	77	109	149
Other	156	137	296	310
	\$ 22,114	\$ 21,764	\$ 44,549	\$ 44,519