

CANADIAN MUSEUM OF HISTORY

Quarterly Financial Statements

For the three month period ended June 30, 2018

Unaudited

NARRATIVE DISCUSSION

These quarterly financial statements must be read in conjunction with the March 31, 2018 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:

Establish the Museum as a hub of Canadian history for Canada and the world.

Connect Canadians to their history and reflect this personal connection in all aspects of the Museum experience.

Develop a collection that better reflects Canada's history and distinctiveness.

Engage dynamic partnerships and networks across Canada and internationally for mutual benefit.

Ensure the Museum has the financial resources to carry out its Mandate.

STATEMENT OF OPERATIONS

The Corporation's net results of operations for the three month period ended June 30, 2018 reflects a surplus of \$0.8 million, compared to a deficit of \$1.2 million for the the first quarter of the prior fiscal year.

Revenues for the period total \$5.5 million, compared to \$5.9 million for the same period of the previous fiscal year. The 7.7% decrease in revenues is primarily attributable to the following:

- Decrease in attendance in the first quarter of 2018-19 when compared to the same period in the prior fiscal year. Higher number of visitors in the first quarter of 2017-18 due to the popularity of the *Vimy Beyond the Battle* exhibit;
- Smaller scale facility rental events in the first quarter of 2018-19;
- Lower attendance in 2018-19 leading to a decrease in boutique sales volume.

Operating expenses for the period total \$24.8 million, compared to \$25.1 million for the comparative period of the previous fiscal year. The decrease is mainly explained by lower advertising expenses and fewer purchases of artifacts in 2018-19, partially offset by higher amortization expense in 2018-19 due to the completion of the Canadian History Hall.

Parliamentary appropriations for the period total \$20.1 million, compared to the \$18.0 million total for the same period in the previous fiscal year. The 2018-19 parliamentary appropriations include the third year of a five year approval for additional capital funding, approved in Budget 2016, to address urgent health and safety related capital projects.

FINANCIAL POSITION

Cash, restricted cash and investments decreased by \$2.8 million, when compared to the March 31, 2018 balance, mainly due to additional investments in the quarter.

Accounts payable and accrued liabilities decreased by \$3.1 million, when compared to March 31, 2018, mainly explained by seasonal fluctuations.

The Museum's unrestricted net assets as of June 30, 2018 represent \$11.7 million. The Museum also has a restricted net assets balance of \$14.9 million, for the refurbishment of permanent exhibition galleries, including the transformation of the Canadian Children's Museum. The decrease in restricted net assets is equivalent to the amortization of the capital costs invested in the permanent exhibition gallery update at the Canadian War Museum.

CHANGE IN ACCOUNTING POLICY

As of April 1, 2017, the Corporation reviewed its accounting policy regarding the classification of its portfolio under the Canadian public sector accounting standards applicable to government-not-for-profit organizations to determine if existing classifications remain appropriate based on the nature of the remaining investments held.

Since 2017, the vast majority of investments in the Corporation's portfolio are fixed income in nature and have an expectation of minimal fluctuations between cost and market value. The Corporation determined that it would no longer manage and evaluate its portfolio on a fair value basis. In this regard, the Corporation has changed, under Public Sector Accounting Standards (PSAS), its classification of its portfolio and values it at amortized cost. All investments and restricted investments are thereby measured using the effective interest method as of the financial statement date. As of April 1st, 2017, this change in accounting policy has been applied retroactively.

The impact of this change in accounting policy is explained in note 3 to the financial statements.

OUTLOOK

The Corporation continues to be challenged by escalating non-discretionary inflationary increases for utilities, building maintenance, and security costs, in part, as a result of the minimum wage increases, effective January 1st 2018, that are reflected in the Corporation's contracts.

The Corporation is responsible for two iconic national sites, one of which – the CMH – is almost thirty years old, and therefore many of its components have reached or will soon be reaching the end of their expected life cycle.

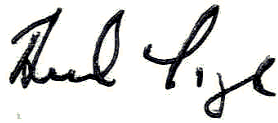
Management has put in place a plan that addresses immediate risks to the buildings. Management has maintained a comprehensive maintenance program over its facilities, which has reduced the need for extensive repairs, lengthened the life of the components of the building and ensured that issues are identified in a timely manner.

The Corporation will not be able to rely on revenue growth to cover these escalating non-discretionary costs. The Corporation is working with the Department of Canadian Heritage on a long-term solution to costs and aging infrastructure.

STATEMENT OF MANAGEMENT RESPONSIBILITY

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations, remeasurement gains and losses, changes in net assets and cash flows of the Corporation, as at the date of and for the periods presented in the quarterly financial statements.



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



Marie-Josée Lacombe, CPA, CGA
Chief Financial Officer

Gatineau, Quebec

August 24, 2018

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Statement of Financial Position

As at

(In thousands of dollars)

	June 30, 2018	March 31, 2018
Assets		
Current assets		
Cash	\$ 2,424	\$ 9,376
Restricted cash	2,090	1,821
Restricted investments	1,808	1,808
Investments	7,710	3,755
Accounts receivable	1,685	2,914
Inventories	937	806
Prepaid expenses	1,463	592
	18,117	21,072
Restricted investments	10,592	10,610
Investments	53,013	53,013
Collections	1	1
Capital assets	235,971	238,727
	\$ 317,694	\$ 323,423
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 13,120	\$ 16,201
Deferred contributions (note 4)	10,084	10,157
Deferred revenues	1,460	1,597
	24,664	27,955
Deferred contributions – National Collection Fund (note 5)	10,353	10,295
Deferred contributions related to capital assets (note 6)	205,429	208,963
Employee future benefits	9,769	9,571
	250,215	256,784
Net assets		
Unrestricted	11,674	10,813
Restricted for permanent exhibit renewal	14,937	14,958
Investment in capital assets	40,868	40,868
Accumulated remeasurement gains	-	-
	67,479	66,639
	\$ 317,694	\$ 323,423

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

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Statement of Operations

For the three month period ended June 30, 2018

(In thousands of dollars)

	June 30, 2018	June 30, 2017 Restated Note 3
Revenues		
Donations and sponsorships (note 7)	\$ 778	\$ 554
Net investment income	406	428
Operating (schedule 1)	4,294	4,954
	5,478	5,936
Expenses (schedule 2)		
Collect and research	3,883	3,676
Exhibit, educate and communicate	6,497	6,650
Accommodation	9,783	10,009
Corporate management	4,582	4,767
	24,745	25,102
Net result of operations before parliamentary appropriations	(19,267)	(19,166)
Parliamentary appropriations (note 8)	20,107	17,974
Net result of operations	\$ 840	\$ (1,192)

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

Statement of Remeasurement Gains and Losses

For the three month period ended June 30, 2018

(In thousands of dollars)

	June 30, 2018	June 30, 2017 Restated Note 3
Accumulated remeasurement gains (losses), beginning of period	\$ -	\$ -
Unrealized gains (losses) attributed to investments	-	-
Amounts reclassified to the Statement of Operations – investments	-	-
Net change in accumulated remeasurement gains (losses) for the period	-	-
Accumulated remeasurement gains (losses), end of period	\$ -	\$ -

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 month period ended June 30, 2018

(In thousands of dollars)

	Unrestricted	Restricted for permanent exhibit renewal	Investment in capital assets	Accumulated remeasurement gains	June 30, 2018	June 30, 2017 Restated Note 3
Net assets, beginning of period	\$ 10,813	\$ 14,958	\$ 40,868	\$ -	\$ 66,639	\$ 65,808
Net result of operations	861	(21)	-	-	840	(1,192)
Accumulated remeasurement gains (losses)	-	-	-	-	-	-
Net assets, end of period	\$ 11,674	\$ 14,937	\$ 40,868	\$ -	\$ 67,479	\$ 64,616

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

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Statement of Cash Flows

For the three month period ended June 30, 2018

(In thousands of dollars)

	June 30, 2018	June 30, 2017
Operating activities		
Cash receipts from clients and other receivables	\$ 6,228	\$ 6,910
Cash receipts from parliamentary appropriations	13,351	12,599
Cash paid to and on behalf of employees	(11,308)	(9,135)
Cash paid to suppliers	(11,227)	(10,661)
Restricted contributions and related investment income	348	775
Interest received	570	407
Net cash through operating activities	(2,038)	895
Investing activities		
Principal repayments of investments	-	231
Increase in investments and restricted investments	(3,994)	(2,023)
Decrease in investments and restricted investments	-	2,066
Net cash through investing activities	(3,994)	274
Capital activities		
Acquisition of capital assets	(3,884)	(3,458)
Financing activities		
Parliamentary appropriations for the acquisition of capital assets	3,233	2,803
Increase (decrease) in cash and restricted cash	(6,683)	514
Cash and restricted cash, beginning of period		
Cash	9,376	4,449
Restricted cash	1,821	5,078
	11,197	9,527
Cash and restricted cash, end of period		
Cash	2,424	4,189
Restricted cash	2,090	5,852
	\$ 4,514	\$ 10,041

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

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the three month period ended June 30, 2018
(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 three month period ended June 30, 2018
(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, 2018. Accordingly, they should be read in conjunction with the audited annual financial statements. The interim financial statements are unaudited for all periods presented. The accounting policies used in the preparation of these interim condensed financial statements are consistent with those disclosed in the Corporation's last audited annual financial statements.

Contingencies

In the normal course of its operations, the Corporation becomes involved in various claims or legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded in the Corporation's financial statements.

Measurement uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards applicable for government not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses for the period. Employee future benefits, artifact donations and the estimated useful lives of capital assets are the most significant items where estimates are used. Actual results could differ significantly from those estimated.

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the three month period ended June 30, 2018

(In thousands of dollars)

3. Change in accounting policy

On April 1, 2012, as of PSAS transition, the Corporation elected the fair value classification for its investments and restricted investments, as it was managing and evaluating its portfolio on that basis. Consequently, the unrealized gains or losses arising from changes in the fair value of its portfolio were recognized through the Statements of Remeasurement Gains and Losses at each period end.

As of April 1, 2017, the Corporation reviewed its accounting policy regarding the classification of its portfolio under the Canadian public sector accounting standards applicable to government-not-for-profit organizations to determine if existing classifications remain appropriate based on the nature of the remaining investments held.

Since 2017, the vast majority of investments in its portfolio were fixed income in nature and have an expectation of minimal fluctuations between cost and market value, the Corporation determined that it would no longer manage and evaluate its portfolio on a fair value basis. In this regard, the Corporation is required under PSAS to change its classification of its portfolio and value it at amortized cost whereby all investments and restricted investments will be measured using the effective interest method as of the financial statement date. This change in accounting policy has been applied retroactively. Consequently, the Statement of Remeasurement Gains and Losses no longer exists.

The impact of this accounting policy change on the comparative figures is as follows:

	June 30, 2017 As previously stated	Adjustments	June 30, 2017 Restated
Statement of Operations			
Revenues:			
Net investment income	308	120	428
Statement of Remeasurement Gains and Losses			
Accumulated remeasurement gains (losses), beginning of period	1,694	(1,694)	-
Unrealized gains (losses) attributed to investments	(408)	408	-
Amounts reclassified to the Statement of Operations - investments	108	(108)	-
Net change in accumulated remeasurement gains (losses) for the period	(300)	300	-
Accumulated remeasurement gains (losses), end of period	1,394	(1,394)	-
Statement of Changes in Net Assets			
Net assets, beginning of period	67,480	(1,672)	65,808
Net results of operations	(1,312)	120	(1,192)
Net change in accumulated remeasurement gains (losses) for the period	(300)	300	-
Net assets, end of period	65,868	(1,252)	64,616

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the three month period ended June 30, 2018

(In thousands of dollars)

4. Deferred contributions

Deferred contributions represent contributions from non-government sources and Parliamentary appropriations received by the Corporation that are restricted for specific purposes.

Changes in the deferred contributions balance during the period were as follows:

	Non- government sources	Parliamentary appropriations	June 30, 2018 (3 months)	March 31, 2018 (12 months)
Balance, beginning of period	\$ 4,030	\$ 6,127	\$ 10,157	\$ 12,371
Additions				
Amounts received during the period	233	-	233	3,960
Deferred investment income	21	-	21	107
	254	-	254	4,067
Deductions				
Amounts recognized as revenue	(79)	(248)	(327)	(6,281)
Balance, end of period	\$ 4,205	\$ 5,879	\$ 10,084	\$ 10,157

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the three month period ended June 30, 2018

(In thousands of dollars)

5. 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	June 30, 2018 (3 months)	March 31, 2018 (12 months)
Balance, beginning of period	\$ 9,102	\$ 1,193	\$ 10,295	\$ 10,489
Additions				
Amounts received during the period	-	-	-	9
Deferred investment income	51	7	58	212
	51	7	58	221
Deductions				
Amounts recognized as revenue	-	-	-	(415)
Balance, end of period	\$ 9,153	\$ 1,200	\$ 10,353	\$ 10,295

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the three month period ended June 30, 2018

(In thousands of dollars)

6. Deferred contributions related to capital assets

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

	<u>Used for acquisitions</u>		<u>To be used</u>	June 30,	March 31,
	Non-	Parliamentary	<u>for capital</u>	2018	2018
	government	appropriations	<u>asset</u>	(3 months)	(12 months)
	sources		<u>acquisitions</u>		
			Parliamentary		
			appropriations		
Balance, beginning of period	\$ 1,774	\$ 195,263	\$ 11,926	\$ 208,963	\$ 216,107
Additions					
Capital asset acquisitions	-	1,490	-	1,490	7,364
Parliamentary appropriations deferred for capital asset acquisitions in future periods	-	-	-	-	4,923
	-	1,490	-	1,490	12,287
Deductions					
Amounts used during the period	(16)	(4,357)	(651)	(5,024)	(19,431)
Balance, end of period	\$ 1,758	\$ 192,396	\$ 11,275	\$ 205,429	\$ 208,963

Deferred capital contributions from non-government sources represent the unamortized portion of donations from non-government sources restricted and used to acquire depreciable capital assets.

Deferred capital funding through Parliamentary appropriations represents the unamortized portion of Parliamentary appropriations restricted and used to acquire depreciable capital assets or restricted to be used for future acquisitions of depreciable capital assets.

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the three month period ended June 30, 2018

(In thousands of dollars)

7. Donations and sponsorships

Donations and sponsorships revenue is composed of:

	June 30, 2018	June 30, 2017
Cash donations and sponsorships	\$ 466	\$ 77
In-kind sponsorships and artifact donations	312	477
	\$ 778	\$ 554

8. Parliamentary appropriations

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

	June 30, 2018	June 30, 2017
Main Estimates amount provided for operating and capital activities	\$ 16,341	\$ 15,402
Less current period Parliamentary appropriations not recognized as revenue:		
Used for capital asset acquisitions	(839)	(2,042)
Deferred for future capital asset acquisitions	-	-
Restricted for specific purposes	-	-
Add prior period Parliamentary appropriations recognized as revenue in current period:		
Amortization of deferred capital funding	4,357	3,500
Restricted amounts used in current period	248	1,114
Parliamentary appropriations recognized as revenue	\$ 20,107	\$ 17,974

9. 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 month period ended June 30, 2018
(In thousands of dollars)

	June 30, 2018	June 30, 2017
General admission and programmes	\$ 2,047	\$ 2,300
Facility rental, events and concessions	867	1,084
Boutique sales	569	747
Parking	482	508
Memberships	178	126
Travelling exhibits	105	28
Other	46	161
	\$ 4,294	\$ 4,954

Schedule 2 - Expenses

For the three month period ended June 30, 2018
(In thousands of dollars)

	June 30, 2018	June 30, 2017
Personnel costs	\$ 9,925	\$ 9,946
Amortization of capital assets	4,384	3,516
Payments in lieu of property taxes	2,391	2,475
Building operations	1,668	1,892
Exhibit fabrication and rental	1,043	772
Online programs assistance	774	975
Professional and special services	767	1,018
Repairs and maintenance	721	786
Utilities	696	690
IT infrastructure and systems	613	595
Collection acquisitions	357	724
Travel and hospitality	337	302
Marketing and advertising	309	549
Cost of goods sold	309	295
Materials and supplies	211	317
Rentals and leases	64	70
Royalties	38	21
Other	138	159
	\$ 24,745	\$ 25,102