

CANADIAN MUSEUM OF NATURE

QUARTERLY FINANCIAL REPORT

(Unaudited)

For the three and nine month periods
ended December 31, 2017

Canada



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STATEMENT OF MANAGEMENT RESPONSIBILITY BY SENIOR OFFICIALS

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 that 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 and cash flows of the Corporation, as at the date of and for the periods presented in the quarterly financial statements.



Margaret Beckel
President and Chief Executive Officer



Ikram Zouari, CPA, CGA
Chief Financial Officer and Director of Finance

Ottawa, Canada
February 15, 2018

Statement of Financial Position (Unaudited)

(in thousands of dollars)	at December 31 2017	at March 31 2017
Assets		
Current		
Cash and cash equivalents	13,151	14,190
Restricted cash	473	3,450
Restricted investments (Note 3)	1,000	-
Accounts receivable		
Trade	490	466
Government departments and agencies (Note 15)	105	519
Prepaid expenses	306	910
	15,525	19,535
Collections	1	1
Restricted investments (Note 3)	2,000	-
Investments (Note 4)	1,000	-
Capital assets (Note 5)	182,870	184,306
	201,396	203,842
Liabilities		
Current		
Accounts payable and accrued liabilities		
Trade	808	4,205
Government departments and agencies (Note 15)	606	949
Obligation under capital lease (Note 6)	941	873
Deferred revenues, contributions and parliamentary appropriations (Note 7)	5,659	5,793
Employee future benefits	139	262
	8,153	12,082
Obligation under capital lease (Note 6)	25,257	25,972
Deferred capital funding (Note 8)	168,674	169,324
Employee future benefits	2,745	2,820
	204,829	210,198
Accumulated Deficit		
Unrestricted	8,569	5,507
Investment in capital assets (Note 10)	(12,002)	(11,863)
	(3,433)	(6,356)
	201,396	203,842

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

Statement of Operations for the three and nine month periods ended December 31 (Unaudited)

(in thousands of dollars)	Three month period ended December 31		Nine month period ended December 31	
	2017	2016	2017	2016
Revenue				
Admission and program fees (Note 12)	687	889	3,134	4,065
Ancillary operations (Note 13)	450	582	1,509	1,441
Contributions (Note 14)	1,027	548	1,875	1,068
Interest	58	46	164	86
Other	138	168	457	522
	2,360	2,233	7,139	7,182
Expenses (Note 16)				
Inspiration and engagement	2,453	2,296	7,637	7,289
Collections care and access	1,123	765	2,391	1,931
Research and discovery	1,170	990	3,161	3,024
Internal support services	1,216	1,202	3,294	3,476
Buildings and grounds	4,247	4,507	13,093	13,621
	10,209	9,760	29,576	29,341
Net result of operations before government funding	(7,849)	(7,527)	(22,437)	(22,159)
Parliamentary appropriations (Note 11)	8,845	8,148	25,360	23,924
Net result of operations	996	621	2,923	1,765

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

Statement of Changes in Accumulated Deficit (Unaudited)

For the three month period ended December 31

(in thousands of dollars)	Invested in capital assets		2017	2016
	Unrestricted			
Accumulated deficit, beginning of period	7,532	(11,961)	(4,429)	(6,745)
Net result of operations	996	-	996	621
Net change in investment in capital assets	41	(41)	-	-
Accumulated deficit, end of period	8,569	(12,002)	(3,433)	(6,124)

For the nine month period ended December 31

(in thousands of dollars)	Invested in capital assets		2017	2016
	Unrestricted			
Accumulated deficit, beginning of period	5,507	(11,863)	(6,356)	(7,889)
Net result of operations	2,923	-	2,923	1,765
Net change in investment in capital assets (Note 10)	139	(139)	-	-
Accumulated deficit, end of period	8,569	(12,002)	(3,433)	(6,124)

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

A statement of remeasurement gains and losses has been excluded as there have been no remeasurement gains or losses

**Statement of Cash Flows for the three and nine month periods ended December 31
(Unaudited)**

(in thousands of dollars)	Three month period ended December 31		Nine month period ended December 31	
	2017	2016	2017	2016
Operating activities				
Cash receipts - customers and donors	1,712	1,974	5,802	6,947
Cash receipts - parliamentary appropriations	7,147	6,533	20,698	19,921
Cash disbursements - employees	(3,831)	(4,094)	(11,040)	(10,966)
Cash disbursements - suppliers	(2,859)	(4,342)	(11,254)	(10,869)
Interest received	32	46	171	97
Interest paid	(654)	(696)	(1,978)	(2,060)
Cash provided by (used in) operating activities	1,547	(579)	2,399	3,070
Capital activities				
Acquisition of capital assets	(2,367)	(322)	(6,322)	(1,287)
Cash used in capital activities	(2,367)	(322)	(6,322)	(1,287)
Investment activities				
Transfer to spend-down fund (Note 3)	-	-	(3,000)	-
New investment (Note 4)	(1,000)	-	(1,000)	-
Cash used in investing activities	(1,000)	-	(4,000)	-
Financing activities				
Obligation under capital lease	(221)	(201)	(647)	(586)
Parliamentary appropriations received for purchase of capital assets	1,518	-	4,554	-
Cash provided by (used in) financing activities	1,297	(201)	3,907	(586)
Increase (decrease) in cash and restricted cash	(523)	(1,102)	(4,016)	1,197
Cash and cash equivalents, beginning of period	13,649	10,658	14,190	8,444
Restricted cash, beginning of period	498	860	3,450	775
Cash and cash equivalents and restricted cash, end of period	13,624	10,416	13,624	10,416
Cash and cash equivalents, end of period	13,151	9,516	13,151	9,516
Restricted cash, end of period	473	900	473	900
Cash and cash equivalents and restricted cash, end of period	13,624	10,416	13,624	10,416

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

Notes to the Financial Statements for the three and nine month periods ended December 31, 2017 (Unaudited)

1. Authority and Mission

The Canadian Museum of Nature (the "Corporation") was established by the Museums Act on July 1, 1990. It is an agent Crown corporation named in Part I of Schedule III of the Financial Administration Act (FAA) and is not subject to the provisions of the Income Tax Act. The Corporation is classified as a government not-for-profit organization (GNPO).

The Corporation's mission is to increase, throughout Canada and internationally, interest in, knowledge of and appreciation and respect for the natural world by establishing, maintaining and developing for research and posterity a collection of natural history objects, with special but not exclusive reference to Canada, and by demonstrating the natural world, the knowledge derived from it and the understanding it represents.

Brief descriptions of the Corporation's activities are as follows:

- **Inspiration and engagement**
The Corporation develops and maintains exhibitions, programs, the nature.ca website, electronic and print publications, revenue generating activities and other activities to foster an understanding of, and respect for, nature.
- **Collections care and access**
The Corporation acquires, develops, preserves and makes accessible collections of natural history specimens, objects and information to meet the growing needs of the public and private sectors for research, education and informed decision-making about the natural world.
- **Research and discovery**
The Corporation studies the past and helps Canadians prepare for the future by conducting systematics and applied research, and by developing and maintaining networks and linkages with Canadian and international science communities.
- **Internal support services**
The Corporation develops and implements the policies, processes and an accountability structure to oversee the fulfilment of its mandate, including governance, strategic direction, corporate services, monitoring of corporate performance, and reporting to Parliament.
- **Buildings and grounds**
The Corporation provides secure and functional facilities that meet all safety and building code requirements. Among these facilities is the renovated Victoria Memorial Museum Building that furthers the vision and mandate of the Corporation.

2. Significant Accounting Policies

A) Basis of Presentation

The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS), and reflect the application of the Section 4200 series for GNPOs.

B) Measurement Uncertainty

The preparation of financial statements in accordance with PSAS 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 revenue and expenses for the year. Employee future benefits, the estimated useful lives of capital assets, and the fair market value of specimens donated to the collections are the most significant items for which estimates are used. Actual results could differ significantly from those estimated. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the fiscal year in which they become known.

C) Collections

The Corporation holds and preserves invaluable collections of natural history specimens for the benefit of Canadians, present and future. The collections are shown as an asset in the Statement of Financial Position at a nominal value of \$1,000 due to practical difficulties in determining a meaningful value for these assets. Specimens purchased for the collections are recorded as an expense in the year of acquisition.

D) Capital Assets

- Capital assets are recorded at cost, including material, equipment and other expenses acquired for the purpose of the design and the development of permanent exhibitions.
- Assets recorded as capital leases are initially recorded at the present value of the minimum lease payments at the inception of the lease.
- Land and building owned by the Government of Canada and that are under the control of the Corporation are recorded at their estimated cost.

Amortization is calculated on the straight-line method using rates based on the estimated useful life of the assets, except for leasehold improvements which are amortized on a straight line basis over the shorter of the term of the lease agreement and the asset's useful life.

Asset	Useful life
Victoria Memorial Museum Building	40 years
Property under capital lease	
Collection cabinets and compactors	35 years
Furnishings and office equipment	
General equipment	
Permanent exhibitions	10 years
Research equipment	
Building improvements	5 to 25 years
Leasehold improvements	5 years to end of lease term
Computer equipment	3 years

When conditions indicate that an asset no longer contributes to the Corporation's ability to provide its services, the cost of the asset is written down to its residual value, if any.

E) Employee Future Benefits

i) Pension benefits

Substantially all of the 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 costs. 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) Severance benefits

Employees are entitled to severance benefits up to March 31, 2012, as provided for under labor contracts and conditions of employment.

The severance benefit obligation for employees who retire or resign, that accrued up to March 31, 2012 and remains unpaid, is measured using the projected benefit method. The actuarial gains (losses) are recognized on a systematic basis over the expected average remaining service life of the related employee group.

Other event driven termination benefits are recognized in the period when the event that obligates the Corporation occurs.

iii) Sick leave 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. The cost of the accrued benefit obligations related to sick leave entitlement earned by employees is actuarially determined using the projected benefit method prorated on service and Management's best estimate of inflation, discount rate, employee demographics and sick leave usage of active employees. Actuarial gains (losses) are recognized on a systematic basis over the remaining service life of active employees covered by these sick leave benefits.

F) Revenue Recognition

i) Admission and program fees, ancillary operations and other revenues

Revenues from admission and program fees, ancillary operations, and other revenues are recognized when persuasive evidence of an arrangement exists between the two parties, goods have been delivered or services have been provided to the customers, price is fixed and determinable and collection is reasonably assured. The Corporation also records deferred revenue when amounts are received in advance of providing goods and services.

ii) Contributions

Contributions are comprised of donations received from individuals, foundations and corporations. The Corporation applies the deferral method to recognize its contributions as applicable for not-for-profit organizations.

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

Contributions externally restricted for specific projects or expenses are deferred in the Statement of Financial Position and recognized as revenue in the Statement of Operations in the fiscal year in which related obligations are fulfilled and the related expenses are incurred.

Investment income related to restricted contributions is first recorded in the Statement of Financial Position as deferred revenues and then recognized as revenue in the Statement of Operations in the fiscal year in which the related expenses are incurred.

iii) In-kind sponsorships and specimen donations

In-kind sponsorships involve obtaining non-financial support for a project, activity or product in return for substantial public relations benefit. An in-kind sponsorship is recognized if the contributed good or service is used in the normal course of operations and would otherwise have been purchased, and once the exchange has taken place. In-kind sponsorships are recorded at their fair market value as contributions with an offset to the related expense in the Statement of Operations.

Specimens donated to the collections are recorded as contributions with an offsetting expense to collections care and access at fair market value, when the following three criteria are met: i) a fair market value has been established for the specimen; ii) the acquisition has been approved; and iii) transfer of the specimen's title to the Corporation has taken place.

iv) Parliamentary appropriations

The Government of Canada provides financing to the Corporation through parliamentary appropriations.

- The parliamentary appropriations for operating expenditures are recognized as revenue in the fiscal years for which they are approved.
- The parliamentary appropriations for the purchase of depreciable capital assets are recorded as deferred parliamentary appropriations in the Statement of Financial Position. When the depreciable capital assets are purchased, the portion of the parliamentary appropriations used for acquisition of these capital assets is then reclassified as deferred capital funding in the Statement of Financial Position and recognized as revenue in the Statement of Operations on the same basis as the amortization of the corresponding capital assets.
- Parliamentary appropriations for specific expenses are recorded as deferred parliamentary appropriations in the Statement of Financial Position and recognized as revenue in the Statement of Operations in the fiscal year in which the related expenses are incurred.

The Corporation is required to report on the spending of appropriations in its Annual Report.

G) Volunteer Services

Volunteers contribute a significant number of hours every year. Due to the difficulty of determining their fair value, those contributed services are not recognized in the financial statements.

H) Financial Instruments

The Corporation's financial assets and financial liabilities are measured as follows:

Financial assets such as cash and cash equivalents, restricted cash and accounts receivable are measured at cost.

Financial liabilities such as accounts payable and accrued liabilities are measured at cost.

Investments and Restricted investments with the Ottawa Community Foundation (OCF) are measured at fair value and therefore need to be classified into one of the following three hierarchy levels which reflect how fair value has been determined:

- Level 1 - inputs are unadjusted quoted prices of identical instruments in active markets.
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 — one or more significant inputs used in a valuation technique are unobservable in determining fair values of the instruments.

A financial instrument that uses inputs from more than one level is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

The Corporation's financial instruments measured at fair value are classified at Level 1, as the fair value is measured at prices identical to instruments in active markets. Any unrealized fluctuations in the fair value of these investments would be reported on the Statement of Remeasurement Gains and Losses. Any realized gains and losses are reclassified to the Statement of Operations. Financial instruments are tested for impairment at the statement date, and any permanent impairment would be reported on the Statement of Operations. Transaction costs are added to the carrying value of items in the cost when they are initially recognized and subsequently recorded as expenses in the Statement of Operations in the year incurred.

I) Allocation of Expenses

The Corporation does not apply the method of allocating costs for the purpose of distributing expenses between functions.

3. Restricted investments

On February 23, 2017 the Corporation received a large philanthropic gift of \$4 million from the Ross Beaty family in Vancouver, which will enhance the Museum's national research and collections efforts focused on species discovery. One million of the \$4 million gift was endowed through the OCF to create the Beaty Post-Doctoral Fellowship for Species Discovery, which will fund post-doctoral scientists to investigate species at risk. For the remaining \$3 million, the Corporation established a spend-down fund within the OCF in order to maximize earnings while meeting the Museum's needs. With a spend-down fund, the capital is invested in the OCF's investment pool, with the intention of paying out the capital in agreed upon intervals, until the fund is fully depleted. This option allows the spend-down schedule to be determined by the Museum, while also providing flexibility for its own needs, with similar pay out and approach as for endowed funds. The OCF investment pool is mainly comprised of cash and short-term deposits, bonds and debentures and equities. The \$3 million was transferred to the OCF on April 26, 2017.

Spend-down investments and spend-down amounts distributed from the fund for the purchase of depreciable capital assets are recorded as deferred revenues in the Statement of Financial Position. When the depreciable capital assets are purchased, the portion of the revenues used for acquisition of these capital assets is then reclassified as deferred capital funding in the Statement of Financial Position and recognized as revenue in the Statement of Operations on the same basis as the amortization of the corresponding capital assets. Spend-down amounts distributed from the fund for specific expenses are deferred in the Statement of Financial Position and recognized as revenue in the Statement of Operations in the fiscal year in which related obligations are fulfilled and the related expenses are incurred.

Investment income related to the spend-down fund is first recorded in the Statement of Financial Position as deferred revenues and then recognized as revenue in the Statement of Operations in the fiscal year in which the related expenses are incurred. Service fees charged by the OCF for the management of the fund are recorded as expenses in the Statement of Operations in the year incurred.

No investment income was recorded during the period (December 31, 2016 – nil).

4. Investments

On October 4, 2017 the Corporation established a \$1 million 10-years term fund within the OCF in order to maximize earnings and create the Arctic Post-Doctoral Fellowship for Arctic Knowledge and Exploration. The principal amount is invested in the OCF's investment pool. In the event that the Corporation decides not to maintain the Fellowship, the fund shall be transferred back to the Corporation. Investment income distributed from the fund are deferred in the Statement of Financial Position and recognized as revenue in the Statement of Operations in the fiscal year in which related obligations are fulfilled and the related expenses are incurred. Service fees charged by the OCF for the management of the fund are recorded as expenses in the Statement of Operations in the year incurred.

No investment income was recorded during the period (December 31, 2016 – nil).

5. Capital Assets

(in thousands of dollars)	December 31 2017			March 31 2017		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Land	627	-	627	627	-	627
Victoria Memorial Museum Building	204,727	52,672	152,055	204,727	48,922	155,805
Property under capital lease	35,040	21,567	13,473	35,040	20,823	14,217
Permanent exhibitions	9,936	2,960	6,976	5,227	2,215	3,012
Leasehold improvements	10,024	6,541	3,483	9,668	6,275	3,393
Collection cabinets and compactors	3,840	2,263	1,577	3,840	2,179	1,661
Building improvements	3,919	2,381	1,538	3,842	2,069	1,773
Research equipment	3,696	2,247	1,449	2,543	2,108	435
Computer equipment	2,994	2,182	812	2,257	1,715	542
Furnishings and office equipment	1,492	1,276	216	1,492	1,216	276
General equipment	385	204	181	374	181	193
Work in progress - Assets	483	-	483	2,372	-	2,372
	277,163	94,293	182,870	272,009	87,703	184,306

The amortization expense for the nine month period ended December 31, 2017 amounts to \$6,590,000 (December 31, 2016 – \$5,827,000). During the nine month period ended December 31, 2017, the Corporation did not sell or retire an asset.

6. Obligation Under Capital Lease

The Natural Heritage Campus houses the Corporation's natural history collections and administrative functions, on the Corporation's site in Gatineau, Quebec. The Corporation is acquiring the building through a lease purchase agreement with a term of 35 years. It is committed to pay rent under all circumstances and in the event of termination of the lease, at the Corporation's option or otherwise, pay sufficient rent to repay all financing on the building. Management intends to completely discharge its obligation under the lease and obtain free title to the building in 2031, after the Corporation uses its right to purchase the building for ten dollars.

Future minimum lease payments in aggregate, under the financing obligation are as follows:

(in thousands of dollars)		December 31 2017	March 31 2017
Total minimum future payments	(1)	48,125	50,750
Deduct: Imputed interest		(21,927)	(23,905)
Present value of financing obligations	(2)	26,198	26,845
Current portion		941	873
Long term portion		25,257	25,972
		26,198	26,845

(1) The amounts payable under the capital lease are based on the fixed interest rate of 9.88%, for a period of 35 years, established at the time of signing the lease.

(2) The present value of the capital lease obligation based on a current market interest rate of 8.75% is estimated at \$28 million.

Future minimum lease payments, by year under the financing obligation are as follows:

(in thousands of dollars)	2018	2019	2020	2021	2022	thereafter
Future minimum payments	875	3,500	3,500	3,500	3,500	33,250

7. Deferred Revenues, Contributions and Parliamentary Appropriations

Deferred revenues, contributions and parliamentary appropriations are as follows:

(in thousands of dollars)	December 31 2017	March 31 2017
Deferred contributions from non-government sources	333	3,230
Deferred parliamentary appropriations	2,016	2,240
Total deferred contributions and parliamentary appropriations	2,349	5,470
Deferred revenues – goods and services	3,310	323
	5,659	5,793

Changes in the deferred revenues, contributions and parliamentary appropriations are as follows:

(in thousands of dollars)	December 31 2017	March 31 2017
Balance, beginning of period	5,793	950
Add:		
Restricted contributions received	209	3,403
Restricted parliamentary appropriations received	4,554	2,998
Deferred revenue and contribution for the provision of goods and services	578	730
	5,341	7,131
Less:		
Restricted contributions recognized	(108)	(777)
Restricted parliamentary appropriations spent	(4,778)	(758)
Deferred revenue for the provision of goods and services recognized	(590)	(753)
	(5,476)	(2,288)
Balance, end of period	5,659	5,793

8. Deferred Capital Funding

Deferred capital funding represents the portion of the parliamentary appropriations and contributions from non-government sources used to purchase depreciable capital assets.

The deferred capital funding consists of the following:

(in thousands of dollars)	December 31 2017	March 31 2017
Used for acquisitions:		
Deferred capital contributions from non-government sources	2,097	2,406
Deferred capital funding through parliamentary appropriations	166,577	166,918
	168,674	169,324

Changes in the deferred capital funding balance are as follows:

(in thousands of dollars)	December 31 2017	March 31 2017
Balance, beginning of period	169,324	173,154
Add: Capital asset acquisitions	5,154	3,122
Less amounts recognized as revenue:		
Contributions	(436)	(321)
Parliamentary appropriations	(5,368)	(6,631)
	(5,804)	(6,952)
Balance, end of period	168,674	169,324

9. Endowment Restrictions

An endowment fund for Systematic Entomology was received from Anne and Henry Howden in the principal amount of \$305,000, as well as a significant entomological collection. The endowment was established to enable professional studies and research of entomological collections for the Corporation. The principal amount was transferred to the OCF in 2014. In the event that the Corporation decides not to maintain entomological collections, the Systematic Entomology Endowment Fund shall be transferred, along with any entomological collections, to the Royal Ontario Museum.

On February 23, 2017 the Corporation received a large philanthropic gift of \$4 million from the Ross Beaty family in Vancouver, which will enhance the Museum's national research and collections efforts focused on species discovery. One million of the \$4 million gift was endowed through the OCF to create the Beaty Post-Doctoral Fellowship for Species Discovery, which will fund post-doctoral scientists to investigate species at risk. For the remaining \$3 million, the Corporation established a spend-down fund within the OCF.

The net investment income earned on resources held for endowment during the period is \$19,578 (December 31, 2016 – \$18,544). The total accumulated amount of deferred investment income earned on resources held for endowment during the period is \$69,741 (December 31, 2016 – \$46,256). During the period, \$10,728 was recognized in the Statement of Operations (December 31, 2016 – \$588).

10. Investment in Capital Assets

The investment in capital assets consists of the following:

(in thousands of dollars)	December 31 2017	March 31 2017
Capital assets	182,870	184,306
Less amounts financed by:		
Capital lease	(26,198)	(26,845)
Deferred capital funding	(168,674)	(169,324)
	(12,002)	(11,863)

The net change in investment in capital assets is calculated as follows:

(in thousands of dollars)	December 31 2017	March 31 2017
Capital asset additions	5,154	3,122
Add: repayment of obligation under capital lease	647	791
Less: capital assets financed with deferred capital funding	(5,154)	(3,122)
Capital assets purchased with the Corporation's funds	647	791
Amortization of deferred capital funding	5,804	6,952
Amortization of capital assets	(6,590)	(7,952)
Net change in investment in capital assets	(139)	(209)

11. Parliamentary Appropriations

To achieve its mission, the Corporation relies on government funding. This government funding is comprised as follows:

(in thousands of dollars)	Three month period ended December 31		Nine month period ended December 31	
	2017	2016	2017	2016
Appropriations received and receivable:				
Operating and capital budgets	8,662	6,532	24,922	19,597
Supplementary budgets	-	63	-	63
	8,662	6,595	24,922	19,660
Portion of parliamentary appropriations received in current period deferred for future capital projects	683	-	(2,016)	-
Previous period's appropriations used in current period to complete specific projects	-	-	2,240	-
Appropriations used to purchase depreciable capital assets	(2,365)	(110)	(5,154)	(568)
Amortization of deferred capital funding	1,865	1,663	5,368	4,832
Appropriations recognized during the period	8,845	8,148	25,360	23,924

12. Admission and Program Fees

Admission and program fees are comprised as follows:

(in thousands of dollars)	Three month period ended December 31		Nine month period ended December 31	
	2017	2016	2017	2016
Admission fees – general	443	469	2,372	2,392
Admission fees – temporary exhibitions	21	142	41	759
Memberships	103	142	343	431
Programs	120	136	378	483
	687	889	3,134	4,065

13. Ancillary Operations

Ancillary operations are comprised as follows:

(in thousands of dollars)	Three month period ended December 31		Nine month period ended December 31	
	2017	2016	2017	2016
Parking	179	191	683	643
Rental of facilities	251	355	751	685
Boutique and cafeteria leases	20	36	75	113
	450	582	1,509	1,441

14. Contributions

Contributions are comprised as follows:

(in thousands of dollars)	Three month period ended December 31		Nine month period ended December 31	
	2017	2016	2017	2016
Cash contributions and sponsorships	488	270	993	655
In-kind sponsorships	42	64	359	199
Specimen donations	497	214	523	214
	1,027	548	1,875	1,068

15. Related Party Transactions

The Corporation is related to all Government of Canada departments, agencies and Crown corporations. The Corporation conducted transactions with these entities in the normal course of operations, under the same terms and conditions that applied to outside parties and recorded at the exchange amount.

(in thousands of dollars)	Three month period ended December 31		Nine month period ended December 31	
	2017	2016	2017	2016
Revenues from Government of Canada related parties:				
Admission and program fees	-	4	5	8
Ancillary operations	4	18	27	34
Other	2	64	147	162
	6	86	179	204

(in thousands of dollars)	Three month period ended December 31		Nine month period ended December 31	
	2017	2016	2017	2016
Expenses with Government of Canada related parties:				
Personnel costs	333	429	1,107	1,243
Real property taxes	(575)	440	795	1,317
Marketing and communications	3	5	117	14
Freight and cartage	4	2	13	5
Information management infrastructure and systems	1	2	5	17
Professional and special services	-	-	4	-
Operation and maintenance of buildings	3	-	3	2
	(230)	878	2,045	2,598

The following balances with Government of Canada related parties were outstanding at the end of the period:

(in thousands of dollars)	December 31 2017	March 31 2017
Due from related parties	105	519
Due to related parties	606	949

16. Summary of Expenses by Object

(in thousands of dollars)	Three month period ended December 31		Nine month period ended December 31	
	2017	2016	2017	2016
Personnel costs	3,543	3,432	10,547	10,263
Amortization of capital assets	2,324	1,995	6,590	5,827
Operation and maintenance of buildings	1,269	945	2,893	2,943
Professional and special services	840	961	2,453	2,114
Interest on capital lease obligation	654	675	1,978	2,039
Real property taxes	184	672	1,707	2,170
Information management infrastructure and systems	300	314	939	1,083
Marketing and communications	180	172	826	997
Objects for collections	498	9	524	13
Repairs and maintenance	32	138	378	437
Exhibitions	171	290	277	909
Travel	162	117	274	339
Freight and cartage	20	16	43	49
Other	32	24	147	158
	10,209	9,760	29,576	29,341

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

These quarterly financial statements must be read in conjunction with the Canadian Museum of Nature's most recent audited annual financial statements for the year ended March 31, 2017 and with the narrative discussion included in this quarterly financial report.

The Canadian Museum of Nature's primary objective is to fulfill its national mandate as described in the Museums Act, within the context of the governance and accountability regime established in that Act and in Part X of the Financial Administration Act. To this end, the Museum's Board of Trustees and Management are committed to managing the public and private funds invested in the Museum in a transparent, accountable manner and to optimizing the value of the contribution the Museum makes to Canadians and to Canadian society.

The strategic directions for the Museum acknowledge the intent to be a leading source of natural history knowledge and scientific inquiry for scientists and the public, thus contributing a distinctly Canadian perspective to the global body of knowledge. The Museum will disseminate the results of this scientific inquiry, thus helping inspire Canadians to act conscientiously about the natural environment. As a public institution, the Museum also wishes to continue to demonstrate accountability, value and fiscal effectiveness through achieving measurable, meaningful results.

Achieving financial sustainability has been, and will continue to be, one of the main priorities of the Museum. The Museum has in place a number of strategies designed to manage both known and anticipated pressures. An enterprise risk management approach is being used to manage these strategies and pressures in support of the vision to be a national institution providing maximum value and service to the public.

Revenue

Revenue for the nine-month period ended December 31, 2017, amounted to \$7,139,000, a decrease of \$43,000 or 1%, compared to \$7,182,000 for the nine month period of the previous year. This decrease is mainly due to the anticipated decrease in admission and program fees as surcharges related to major temporary exhibits were expected to decrease. The Museum is not having major temporary exhibitions in 2017-2018. This decrease is offset by higher revenues related to specimen donations, rentals of facilities and parking.

On an accrual basis, parliamentary appropriations for the nine-month period ended December 31, 2017 amounted to \$25,360,000 compared to \$23,924,000 for the nine-month period of the previous year. The differences are mainly due to appropriations received and used to purchase depreciable capital assets and the variation in deferred capital funding.

Revenue for the three-month period ended December 31, 2017 amounted to \$2,360,000, an increase of \$127,000 or 6%, compared to \$2,233,000 for the three-month period of the previous year. This increase is mainly due to higher - specimen donations.

On an accrual basis, parliamentary appropriation for the three-month period ended December 31, 2017 amounted to \$8,845,000 compared to \$8,148,000 for the three-month period of the previous year. The differences are mainly due to appropriations received and used to purchase depreciable capital assets and the variation in deferred capital funding.

Expenses

Expenses for the nine-month period ended December 31, 2017 amounted to \$29,576,000 compared to \$29,341,000 for the nine-month period of the previous year, an increase of \$235,000 or 1% mainly due to higher in-kind specimen donations offset by lower buildings and grounds expenses due to savings on payments in lieu of taxes (PILT).

Expenses for the three month period ended December 31, 2017, amounted to \$10,209,000 compared to \$9,760,000 for the three month period of the previous year, an increase of \$449,000 or 5% due to higher in-kind specimen donations offset by lower buildings and grounds expenses due to savings on PILT.

Expenses related to buildings and grounds represent 44% of total expenses. The museum-standard environmental control systems and additional space must be maintained at Victoria Memorial Museum Building (VMMB), thus placing additional severe pressure on the Museum's operating budget. The Museum continues to explore additional facilities cost reduction and control measures in order to minimize the financial impact on its programs.

Net Result of Operations

The net result of operations for the nine-month period ended December 31, 2017 was a surplus of \$2,923,000. The surplus is mainly attributable to higher appropriations received and used to purchase capital assets and a timing difference in the recognition of expenses related to programs that are expected to be incurred later in the fiscal year. Partially offsetting this timing difference is \$139,000 in expenses due to the accounting treatment related to the Museum's Natural Heritage Campus located in Gatineau, Quebec which is recorded in the Statement of Financial Position as an obligation under capital lease.

The net result of operations for the three-month period ended December 31, 2017 was a surplus of \$996,000. The surplus is mainly attributable to higher appropriations received and used to purchase capital assets and a timing difference in the recognition of expenses related to programs that are expected to be incurred later in the fiscal year. Partially offsetting this timing difference is \$41,000 in expenses due to the accounting treatment related to the Museum's Natural Heritage Campus located in Gatineau, Quebec which is recorded in the Statement of Financial Position as an obligation under capital lease.

Statement of Financial Position

Assets

The level of cash and cash equivalents of \$13,151,000 as at December 31, 2017, represents a decrease of \$1,039,000 or 7% from the March 31, 2017 level of \$14,190,000. This decrease is mainly due to a timing difference in the payment of invoices.

Capital assets decreased to \$182,870,000 as at December 31, 2017, from \$184,306,000 as at March 31, 2017, mainly due to amortization expense offset by acquisition of capital assets.

Liabilities

Deferred revenues, contributions and parliamentary appropriations decreased to \$5,659,000 as at December 31, 2017, from \$5,793,000 as at March 31, 2017, mainly due to recognition of deferred appropriations received to purchase capital assets.

Deferred capital funding decreased to \$168,674,000 as at December 31, 2017, from \$169,324,000 as at March 31, 2017, as deferred capital funding is recognized as revenue at the same pace as the amortization of the corresponding capital assets.

Accumulated Deficit

The accumulated deficit of \$3,433,000 as at December 31, 2017, is due to the accounting treatment related to the Museum's Natural Heritage Campus located in Gatineau, Quebec which is recorded in the Statement of Financial Position as an obligation under capital lease. This accounting treatment will keep the Museum's accumulated deficit in a deficit position for many years due to the interest expense on the capital lease obligation being higher in the earlier years than in the years closer to the end of the lease term. Accordingly, the accumulated deficit related to this accounting treatment will begin to reverse in 2019-2020 until it is fully eliminated by the end of the lease term in 2031. This does not impact the Museum's cash flow or financial stability in any way.

RISK ANALYSIS

The Museum has in place an enterprise risk management framework designed to effectively and proactively manage the risks that could prevent the Museum from achieving its objectives. The Museum's Corporate Plan identifies four risks and their related mitigation strategies. The risk mitigation step involves development of mitigation strategies designed to manage, eliminate, or reduce risk to an acceptable level. Once a strategy is implemented, it is continually monitored to assess its efficacy with the intent of revising the course of action, if needed.

Summary of key risks and mitigation strategies are as follow:

1. Structural Deficit - Risk that the structural deficit will continue to increase due to expenses increasing at a greater rate than revenues, such as utilities, property taxes and general inflation. This is mitigated by a continuous process of expenditure review and earned revenue growth.
2. Advancement - Risk that a limited donor pipeline may constrain financial resources available to support the investment required for initial implementation of the Museum's strategic objectives. This is mitigated by a comprehensive advancement program that identifies, cultivates, solicits and stewards donors and prospects, led by a team of fundraising professionals and a new group of committed fundraising volunteers and board members.
3. Succession - Risk that a significant number of employees are eligible for retirement resulting in the loss of corporate memory and key skills. To mitigate this risk the Museum developed and monitors a succession plan that includes skills development.
4. Budget 2016 - Risk that capital projects funded through Budget 2016 and identified in the Museum's Corporate plan would not be completed on time and on budget to meet the required scope. This is mitigated by continuous monitoring of project activities, deliverables and spending.