

CANADIAN MUSEUM OF NATURE

QUARTERLY FINANCIAL REPORT

(Unaudited)

For the three- and nine-month periods
ended December 31, 2020

Canada



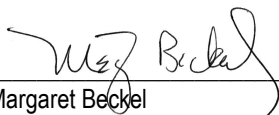
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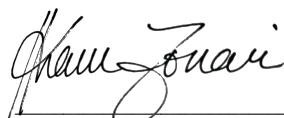
STATEMENT OF MANAGEMENT RESPONSIBILITY BY SENIOR OFFICIALS

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 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

Ottawa, Canada
March 4, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

These quarterly financial statements must be read in conjunction with the most recent audited annual financial statements for the year ended March 31, 2020, and with the narrative discussion included in this quarterly financial report of the Canadian Museum of Nature (the "Museum").

The Museum'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.

The new factor affecting the market for museum visitation is the COVID-19 pandemic and its effect on visitors' willingness to visit museums. Various organizations have conducted visitor intention surveys that will guide our estimates for visitations and our forecasts for earned revenue this fiscal and in years to come.

In 2020-21, the impact of the COVID-19 global pandemic on the financial stability of the Museum enterprise is the most critical operational issue facing the Museum. The second most pressing issue is the gap in funds to operate the two facilities under the stewardship of the Museum.

On June 18, 2020, the Government of Canada announced emergency funding to assist the Museum sector of which \$5,927,000 has been allocated to help the Corporation maintain essential services and reopen to the public and staff once precautionary measures are lifted based on the guidance from the Public Health Agency of Canada. This funding will help offset the net impact of the Museum closure due to the pandemic and the ensuing revenue losses during closure and anticipated due to reduced attendance after reopening on September 5, 2020.

Revenue

Revenue for the nine-month period ended December 31, 2020, amounted to \$2,315,000, a decrease of \$7,912,000 compared to \$10,227,000 for the nine-month period of the previous year. The decrease is due to the Museum closure and reduced attendance after reopening on September 5, 2020. The closure and lower attendance resulted in significant decreases in revenues from admission, program fees, and ancillary operations.

Revenue for the three-month period ended December 31, 2020, amounted to \$734,000, a decrease of \$2,321,000 compared to \$3,055,000 for the three-month period of the previous year. This decrease is due to Museum closure and reduced attendance after reopening on September 5, 2020. The closure and lower attendance resulted in significant decreases in revenues from admission, program fees, and ancillary operations.

On an accrual basis, parliamentary appropriations for the nine-month period ended December 31, 2020, amounted to \$30,680,000 compared to \$25,620,000 for the nine-month period of the previous year. The difference is mainly due to the \$5,927,000 of emergency funding received during the period to help the Museum maintain essential services and reopen its doors to the public on September 5, 2020, and the variation in deferred capital appropriations.

On an accrual basis, parliamentary appropriations for the three-month period ended December 31, 2020, amounted to \$8,591,000 compared to \$8,655,000 for the three-month period of the previous year. The difference is due to the variation in deferred capital appropriations and purchases of depreciable capital assets.

Expenses

Expenses for the nine-month period ended December 31, 2020, amounted to \$26,992,000, a decrease of \$10,699,000 compared to \$37,691,000 for the nine-month period of the previous year. The decrease was primarily due to the closure of the Museum and partial reopening to the public on September 5, 2020, and subsequent closure commencing on December 26, 2020, resulting in savings on personnel, security, program, travel and buildings operations and maintenance costs. In addition, prior year expenses for the period included \$4,550,000 of specimens purchased for the collection recorded as an expense.

Expenses for the three-month period ended December 31, 2020, amounted to \$8,912,000, a decrease of \$2,290,000 compared to \$11,202,000 for the three-month period of the previous year. The decrease was primarily due to the Museum's partial reopening to the public on September 5, 2020, and subsequent closure commencing on December 26, 2020, resulting in savings on personnel, security, program, travel and buildings operations and maintenance costs.

Net Result of Operations

The net result of operations for the nine-month period ended December 31, 2020, was a surplus of \$6,003,000. The surplus is mainly attributable to the recognition of the \$5,927,000 emergency funding received during the period, capitalization of exhibition expenses and savings on personnel, security, program, travel and buildings operations and maintenance costs due to closure and reduced capacity after reopening, partially offset by decreased revenues due to lower attendance.

The net result of operations for the three-month period ended December 31, 2020, was a surplus of \$413,000. The surplus is mainly due to capitalization of exhibition expenses and savings on personnel, security and buildings operations and maintenance costs due to reduced capacity after reopening, partially offset by decreased revenues due to lower attendance.

Statement of Financial Position

Assets

The level of cash and cash equivalents of \$19,061,000 as at December 31, 2020, represents an increase of \$3,361,000 from the March 31, 2020, level of \$15,700,000. The increase is mainly due to the \$5,927,000 emergency funding received during the period to help the Museum maintain essential services and reopen its doors to the public on September 5, 2020, partially offset by the use of deferred appropriations received in prior years for the purchase of capital assets.

Capital assets decreased to \$165,832,000 as at December 31, 2020, from \$170,769,000 as at March 31, 2020, mainly due to amortization expense offset by the acquisition of capital assets.

Liabilities

Deferred capital funding decreased to \$154,662,000 as at December 31, 2020, from \$158,851,000 as at March 31, 2020, as deferred capital funding is recognized as revenue at the same pace as the amortization of the corresponding capital assets.

Net Assets

The Net Assets of \$560,000 as at December 31, 2020, is due to the recognition of the \$5,927,000 emergency funding received during the period, capitalization of exhibition expenses, savings on personnel, security, program, travel and buildings operations and maintenance costs, offset by the deficit 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 has had a negative impact on the Museum's Net Assets 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 deficit related to this accounting treatment began to reverse in 2019-20 until it will be 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 the development of mitigation strategies designed to manage, eliminate, or reduce risk to an acceptable level, ideally low. The global pandemic will increase the risk that the structural deficit and advancement programs will not provide the funding needed to fulfill the mandate of the Museum. These two risks have been partially offset by the timely infusion of emergency financial relief from the Government of Canada. The mitigation strategies for each risk will be 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 follows:

1. Structural Deficit - Risk that the structural deficit will continue to increase due to expenses increasing at a greater rate than revenue, such as utilities, property, taxes and general inflation and due to the impacts of the COVID-19 pandemic on visitor attendance and associated revenues. This is mitigated by a continuous process of expenditure review, admission revenue monitoring 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 would not be completed on time and on budget to meet the required scope. Quarterly tracking internally will ensure the Museum fulfills its spending commitments.

Statement of Financial Position (Unaudited)

<i>(in thousands of dollars)</i>	as at December 31 2020	as at March 31 2020
Assets		
Current		
Cash and cash equivalents	19,061	15,700
Restricted cash	502	440
Restricted investments	237	237
Accounts receivable		
Trade	73	634
Government departments and agencies (Note 12)	254	332
Inventories	164	192
Prepaid expenses	946	777
	21,237	18,312
Collections	1	1
Employee advances	459	476
Restricted investments	1,308	1,308
Investments	941	941
Capital assets (Note 3)	165,832	170,769
	189,778	191,807
Liabilities		
Current		
Accounts payable and accrued liabilities		
Trade	2,546	4,737
Government departments and agencies (Note 12)	50	335
Obligation under capital lease (Note 4)	1,266	1,175
Deferred revenues, contributions and parliamentary appropriations (Note 5)	5,929	6,254
Employee future benefits	58	230
	9,849	12,731
Obligation under capital lease (Note 4)	21,807	22,768
Deferred capital funding (Note 6)	154,662	158,851
Employee future benefits	2,900	2,900
	189,218	197,250
Net assets		
Unrestricted	12,463	6,582
Investment in capital assets (Note 7)	(11,903)	(12,025)
	560	(5,443)
	189,778	191,807

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)

	Three-month period ended December 31		Nine-month period ended December 31	
	2020	2019	2020	2019
<i>(in thousands of dollars)</i>				
Revenue				
Admission and program fees (Note 9)	209	855	300	4,193
Ancillary operations (Note 10)	104	602	163	1,939
Contributions (Note 11)	342	1,349	1,180	3,287
Contributions from the Foundation (Notes 11 & 12)	40	-	141	-
Interest and Investment Income	46	101	113	290
Other	(7)	148	418	518
	734	3,055	2,315	10,227
Expenses (Note 13)				
Inspiration and engagement	1,690	2,680	5,573	8,994
Collections care and access	748	1,355	2,136	7,380
Research and discovery	979	1,187	3,115	3,612
Internal support services	1,308	1,478	3,534	4,385
Buildings and grounds	4,187	4,502	12,634	13,320
	8,912	11,202	26,992	37,691
Net result of operations before government funding	(8,178)	(8,147)	(24,677)	(27,464)
Parliamentary appropriations (Note 8)	8,591	8,655	30,680	25,620
Net result of operations	413	508	6,003	(1,844)

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

Statement of Changes in Net Assets (Unaudited)

For the three-month period ended December 31

	Invested in		2020	2019
	Unrestricted	capital assets		
<i>(in thousands of dollars)</i>				
Net assets, beginning of period	12,033	(11,886)	147	(4,505)
Net result of operations	413	-	413	508
Net change in investment in capital assets	17	(17)	-	-
Net assets, end of the period	12,463	(11,903)	560	(3,997)

For the nine-month period ended December 31

	Invested in		2020	2019
	Unrestricted	capital assets		
<i>(in thousands of dollars)</i>				
Net assets, beginning of period	6,582	(12,025)	(5,443)	(2,153)
Net result of operations	6,003	-	6,003	(1,844)
Net change in investment in capital assets (Note 7)	(122)	122	-	-
Net assets, end of the period	12,463	(11,903)	560	(3,997)

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)**

	Three-month period ended December 31		Nine-month period ended December 31	
<i>(in thousands of dollars)</i>	2020	2019	2020	2019
Operating activities				
Cash receipts - customers and donors	564	1,754	2,608	7,604
Cash receipts - parliamentary appropriations	6,634	4,132	26,110	20,108
Cash disbursements - employees	(3,997)	(4,449)	(10,765)	(12,256)
Cash disbursements - suppliers	(3,071)	(2,335)	(9,971)	(15,133)
Interest received	45	101	112	290
Interest paid	(602)	(606)	(1,770)	(1,837)
Cash provided by (used in) operating activities	(427)	(1,403)	6,324	(1,224)
Capital activities				
Acquisition of capital assets	(622)	(1,248)	(2,032)	(2,893)
Disposition of capital assets	1	-	1	-
Cash used in capital activities	(621)	(1,248)	(2,031)	(2,893)
Investment activities				
Decrease in restricted investment	-	1,500	-	1,500
Cash provided by investing activities	-	1,500	-	1,500
Financing activities				
Obligation under capital lease	(297)	(269)	(870)	(789)
Parliamentary appropriations received for purchase of capital assets	-	-	-	1,628
Cash (used in) provided by financing activities	(297)	(269)	(870)	839
Increase (decrease) in cash and restricted cash	(1,345)	(1,420)	3,423	(1,778)
Cash and cash equivalents, beginning of period	20,380	18,113	15,700	18,475
Restricted cash, beginning of period	528	336	440	332
Cash and cash equivalents and restricted cash, end of period	19,563	17,029	19,563	17,029
Cash and cash equivalents, end of period	19,061	16,691	19,061	16,691
Restricted cash, end of period	502	338	502	338
Cash and cash equivalents and restricted cash, end of period	19,563	17,029	19,563	17,029

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, 2020 (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 fulfillment 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) Inter-Entity Transactions

Inter-entity transactions are transactions between commonly controlled entities. Inter-entity transactions, other than restructuring transactions, are recorded on a gross basis and are measured at the carrying amount, except for the following:

- i) Inter-entity transactions are measured at the exchange amount when undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length, or where costs provided are recovered.

- ii) Goods or services received without charge between commonly controlled entities are unallocated costs not recovered by the recipient and not recorded by the Corporation. Services received by the Corporation without charge include audit services from the Office of the Auditor General of Canada and pension services from Public Services and Procurement Canada.

C) 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.

D) Inventories

Inventories are valued at the lower of cost and net realizable value. Inventory cost is determined by using the weighted average cost method, and net realizable value is based on retail price.

E) 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.

F) 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.

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

Amortization is calculated on a straight-line method using rates over 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.

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.

G) Employee Future Benefits

i) Pension benefits

Substantially all 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 were entitled to severance benefits up to March 31, 2012, as provided for under labour 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 events 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.

H) Restricted investments

Restricted Investments within the Ottawa Community Foundation (OCF) established as spend-down fund are recorded at amortized cost in the Statement of Financial Position. Spend-down amounts and investment income distributed from the fund for the purchase of depreciable capital assets are recorded as deferred revenues in the Statement of Financial Position.

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.

I) Investments

Investments within OCF established as 10-year term fund are recorded at amortized cost in the Statement of Financial Position.

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.

J) 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.

v) Restricted investments

Spend-down amounts and investment income 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 and investment income 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.

vi) Investments

Investment income distributed from the term fund is recognized as revenue in the Statement of Operations.

K) 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.

L) Financial Instruments

The Corporation's financial assets and financial liabilities are measured at cost or amortized cost. Financial assets include cash and cash equivalents, restricted cash, restricted investments, investments and accounts receivable while financial liabilities include accounts payable and accrued liabilities.

Financial instruments are tested annually for impairment at the financial statements date, and any permanent impairment is reported in the Statement of Operations.

Transaction costs are added to the carrying value of items in the cost when they are initially recognized.

M) Allocation of Expenses

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

3. Capital Assets

(in thousands of dollars)

	December 31 2020			March 31 2020		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Land	627	-	627	627	-	627
Victoria Memorial Museum Building	204,783	67,698	137,085	204,783	63,946	140,837
Property under capital lease	35,040	24,542	10,498	35,040	23,799	11,241
Leasehold improvements	12,735	7,646	5,089	12,104	7,338	4,766
Permanent exhibitions	12,403	6,133	6,270	10,351	5,267	5,084
Building improvements	6,047	4,056	1,991	4,726	3,619	1,107
Research equipment	4,855	3,013	1,842	4,855	2,780	2,075
Collection cabinets and compactors	3,985	2,597	1,388	3,840	2,511	1,329
General equipment	1,195	527	668	1,143	446	697
Computer equipment	4,498	4,359	139	4,479	4,057	422
Furnishings and office equipment	1,540	1,442	98	1,540	1,414	126
Work in progress	137	-	137	2,458	-	2,458
	287,845	122,013	165,832	285,946	115,177	170,769

The amortization expense for the period amounts to \$6,836,000 (December 31, 2019 - \$6,878,000). During the period ended December 31, 2020, the Corporation sold a fully amortized asset in the category of general equipment for \$1,000 resulting in a gain of \$1,000. No assets were retired during the period ended December 31, 2020. No assets were retired or sold during the period ended December 31, 2019.

4. 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:

<i>(in thousands of dollars)</i>		December 31 2020	March 31 2020
Total minimum future payments	(1)	37,625	40,250
Deduct: Imputed interest		(14,552)	(16,307)
Present value of financing obligations	(2)	23,073	23,943
Current portion		1,266	1,175
Long term portion		21,807	22,768
		23,073	23,943

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 \$25 million.

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

<i>(in thousands of dollars)</i>	2021	2022	2023	2024	2025	Thereafter
Future minimum payments	875	3,500	3,500	3,500	3,500	22,750

5. Deferred Revenues, Contributions and Parliamentary Appropriations

Deferred revenues, contributions and parliamentary appropriations are as follows:

<i>(in thousands of dollars)</i>	December 31 2020	March 31 2020
Deferred contributions from non-government sources	1,689	1,925
Deferred parliamentary appropriations	3,541	3,888
Total deferred contributions and parliamentary appropriations	5,230	5,813
Deferred revenues – goods and services	699	441
	5,929	6,254

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

<i>(in thousands of dollars)</i>	December 31 2020	March 31 2020
Balance, beginning of period	6,254	7,233
Add:		
Restricted contributions received	593	421
Restricted parliamentary appropriations received	-	2,170
Deferred revenue for the provision of goods and services	320	1,044
	913	3,635
Less:		
Restricted contributions recognized	(827)	(475)
Restricted parliamentary appropriations spent	(347)	(2,998)
Deferred revenue for the provision of goods and services recognized	(64)	(1,141)
	(1,238)	(4,614)
Balance, end of period	5,929	6,254

6. 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:

<i>(in thousands of dollars)</i>	December 31 2020	March 31 2020
Used for acquisitions:		
Deferred capital contributions from non-government sources	1,526	1,905
Deferred capital funding through parliamentary appropriations	153,136	156,946
	154,662	158,851

Changes in the deferred capital funding balance are as follows:

<i>(in thousands of dollars)</i>	December 31 2020	March 31 2020
Balance, beginning of period	158,851	162,879
Add: Capital asset acquisitions	1,901	4,248
Less: Capital asset disposals	(1)	-
	1,900	1,892
Less amounts recognized as revenue:		
Contributions	(390)	(501)
Parliamentary appropriations	(5,699)	(7,775)
	(6,089)	(8,276)
Balance, end of period	154,662	158,851

7. Investment in Capital Assets

The investment in capital assets consists of the following:

<i>(in thousands of dollars)</i>	December 31 2020	March 31 2020
Capital assets	165,832	170,769
Less amounts financed by:		
Capital lease	(23,073)	(23,943)
Deferred capital funding	(154,662)	(158,851)
	(11,903)	(12,025)

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

<i>(in thousands of dollars)</i>	December 31 2020	March 31 2020
Capital asset additions	1,901	4,248
Less: capital asset disposals	(1)	-
	1,900	4,248
Add: repayment of obligation under capital lease	870	1,065
Less: capital assets financed with deferred capital funding	(1,901)	(4,248)
Capital assets purchased with the Corporation's funds	869	1,065
Amortization of deferred capital funding	6,089	8,276
Amortization of capital assets	(6,836)	(9,281)
Net change in investment in capital assets	122	60

8. Parliamentary Appropriations

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

	Three-month period ended December 31		Nine-month period ended December 31	
	2020	2019	2020	2019
<i>(in thousands of dollars)</i>				
Appropriations received and receivable:				
Operating and capital budgets	6,702	4,132	26,036	21,736
Portion of parliamentary appropriations deferred for future projects	-	-	(3,541)	(4,089)
Previous period's appropriations used in current period to complete specific projects	-	3,827	3,887	4,715
Appropriations used to purchase depreciable capital assets	(44)	(1,236)	(1,401)	(2,490)
Amortization of deferred capital funding	1,933	1,932	5,699	5,748
Appropriations recognized during the period	8,591	8,655	30,680	25,620

9. Admission and Program Fees

Admission and program fees are comprised as follows:

	Three-month period ended December 31		Nine-month period ended December 31	
	2020	2019	2020	2019
<i>(in thousands of dollars)</i>				
Admission fees – general	134	438	191	2,510
Admission fees – temporary exhibitions	38	91	38	687
Memberships	37	129	71	459
Programs	-	197	-	537
	209	855	300	4,193

10. Ancillary Operations

Ancillary operations are comprised as follows:

	Three-month period ended December 31		Nine-month period ended December 31	
	2020	2019	2020	2019
<i>(in thousands of dollars)</i>				
Parking	49	190	85	713
Rental of facilities	2	269	7	594
Boutique revenues	53	131	71	577
Cafeteria leases	-	12	-	55
	104	602	163	1,939

11. Contributions

Contributions are comprised as follows:

	Three-month period ended December 31		Nine-month period ended December 31	
	2020	2019	2020	2019
<i>(in thousands of dollars)</i>				
Cash contributions and sponsorships	231	600	890	1,293
In-kind sponsorships	89	108	268	303
Specimen donations	22	641	22	1,691
Contributions	342	1,349	1,180	3,287
Contributions from the Foundation	40	-	141	-
	382	1,349	1,321	3,287

12. 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.

	Three-month period ended December 31		Nine-month period ended December 31	
	2020	2019	2020	2019
<i>(in thousands of dollars)</i>				
Revenues from Government of Canada related parties:				
Admission and program fees	-	1	-	1
Ancillary operations	-	-	1	-
Other	-	1	12	2
	-	2	13	3

	Three-month period ended December 31		Nine-month period ended December 31	
	2020	2019	2020	2019
<i>(in thousands of dollars)</i>				
Expenses with Government of Canada related parties:				
Personnel costs	356	374	993	1,176
Real property taxes	301	309	908	928
Marketing and communications	1	9	11	9
Information management, infrastructure and systems	5	2	8	10
Professional and special services	-	1	1	3
Freight and cartage	-	2	1	7
Repairs and maintenance	-	-	1	1
	663	697	1,923	2,134

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

<i>(in thousands of dollars)</i>	December 31 2020	March 31 2020
Due from related parties	254	332
Due to related parties	50	335

13. Summary of Expenses by Object

<i>(in thousands of dollars)</i>	Three-month period ended December 31		Nine-month period ended December 31	
	2020	2019	2020	2019
Personnel costs	3,222	3,776	10,293	11,887
Amortization of capital assets	2,383	2,310	6,836	6,878
Operation and maintenance of buildings	748	991	2,440	2,838
Professional and special services	548	955	2,011	2,979
Interest on capital lease obligation	579	606	1,756	1,837
Real property taxes	601	599	1,769	1,774
Information management infrastructure and systems	363	428	892	1,122
Marketing and communications	145	257	319	850
Repairs and maintenance	137	127	299	423
Exhibitions	46	187	84	770
Travel	14	182	41	452
Freight and cartage	6	23	19	74
Cost of goods sold - natureBOUTIQUE	25	69	33	275
Objects for collections	22	660	23	5,213
Other	73	32	177	319
	8,912	11,202	26,992	37,691

14. Covid-19 and subsequent events

On March 11, 2020, the WHO declared the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally. As a result of this, effective March 14, 2020, and based on public health recommendations, the Corporation along with the other National Museums made the decision to close the Museums across Canada to visitors and all other groups until September 5, 2020. Internal operations such as research, exhibit development and essential services such as animal care have continued throughout the period of closure. Following provincial requirements, the Museum closed once more effective December 26, 2020, until February 15, 2021, inclusively.

The Corporation has considered the impact of this event on the valuation of its assets and has determined that assets are appropriately valued and that no impairments are required.

The pandemic and closure have had and will continue to have a significant impact on the Corporation's revenue generation and operations. The duration and impact of the COVID-19 pandemic remain unclear at this time. It is not possible to reliably estimate the full effect of the outbreak on the Corporation results of operations and financial condition at this time. Management is actively monitoring the effect on the Corporation's financial condition and probing ways to address potential future financial impacts. On

June 18, 2020, the Government of Canada announced emergency funding to assist the Museum sector of which \$5,927,000 was allocated to help the Corporation maintain essential services and reopen to the public on September 5, 2020, based on the guidance from the Public Health Agency of Canada.