

CANADIAN MUSEUM OF NATURE

QUARTERLY FINANCIAL REPORT

(Unaudited)

For the three and six-month periods
ended September 30, 2021

Canada



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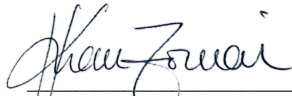
STATEMENT OF MANAGEMENT RESPONSIBILITY BY SENIOR OFFICIALS

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
November 25, 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, 2021, 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.

A significant 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.

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 Museum 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. Following provincial requirements, the Museum closed once more effective December 26, 2020, until February 15, 2021, inclusively. The Museum closed once again effective April 3, 2021, until July 16, 2021. Internal operations such as research, exhibit development and essential services such as animal care continued throughout the period of closure.

The pandemic and closure have had and will continue to have a significant impact on the Museum'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 pandemic on the Museum's results of operations and financial condition at this time. Management is actively monitoring the effect on the Museum's financial condition and probing ways to address potential future financial impacts. The Museum received \$5.9 million in 2020-21 from the federal government in COVID-19 emergency support funding to help it maintain essential services and be ready to reopen its doors to the public once precautionary measures are lifted. Furthermore, Budget 2021 presented by the Government of Canada on April 19, 2021, included \$66 million in proposed funding to be allocated amongst Canada's six national museums and the National Battlefields Commission from 2021-22 to 2025-26 to address financial pressures caused by COVID-19 and program integrity issues.

REVENUE

Revenue for the six-month period ended September 30, 2021, amounted to \$2.4 million, an increase of \$0.8 million compared to \$1.6 million for the six-month period of the previous year. The increase is primarily due to higher revenue from admissions and program fees and from ancillary operations, as the Museum was open for the majority of the third quarter of 2021. Conversely, in the prior period, the Museum was only open during September 2020, resulting in significantly lower revenues.

Revenue for the three-month period ended September 30, 2021, amounted to \$1.8 million, an increase of \$1.1 million compared to \$0.7 million for the three-month period of the previous year. The increase is primarily due to higher revenue from admissions and program fees and from ancillary operations, as the Museum was open for the majority of the third quarter of 2021. The Museum was only open during September 2020 during the comparative period.

On an accrual basis, parliamentary appropriations for the six-month period ended September 30, 2021, amounted to \$17.3 million compared to \$22.1 million for the six-month period of the previous year. The decrease is primarily due to \$5.9 million of emergency funding received during the comparative period. No emergency funding was received during the six-month period ended September 30, 2021.

On an accrual basis, parliamentary appropriations for the three-month period ended September 30, 2021, amounted to \$8.7 million compared to \$13.8 million for the three-month period of the previous year. The decrease is primarily due to \$5.9 million of emergency funding received during the comparative period. No emergency funding was received during the three-month period ended September 30, 2021.

EXPENSES

Expenses for the six-month period ended September 30, 2021, amounted to \$17.8 million, a decrease of \$0.3 million compared to \$18.1 million for the six-month period of the previous year. The slight decrease is mainly due to lower overall operating spending during the 2021-22 period compared to the same period of the previous year.

Expenses for the three-month period ended September 30, 2021, amounted to \$9.0 million, consistent with \$9.0 million incurred in the second quarter of the previous year.

NET RESULTS OF OPERATIONS

The net results of operations for the six-month period ended September 30, 2021 generated a surplus of \$1.8 million, which was primarily attributable to a timing difference in the recognition of expenses related to expenditures that are expected to be incurred later in the fiscal year and a reduction in interest 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 results of operations for the three-month period ended September 30, 2021 generated a surplus of \$1.5 million, which was primarily attributable to a timing difference in the recognition of expenses related to expenditures that are expected to be incurred later in the fiscal year and a reduction in interest 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.

FINANCIAL SITUATION

Assets

Cash decreased by \$2.5 million to \$19.1 million as at September 30, 2021 compared to \$21.6 million as at March 31, 2021. The decrease is mainly due to the use of deferred appropriations received in prior years for the purpose of purchase of capital assets.

Capital assets decreased by \$3.1 million to \$161.3 million as at September 30, 2021 compared to \$164.4 million as at March 31, 2021, mainly due to amortization expense of \$4.4 million offset by capital assets acquisitions of \$1.3 million.

Liabilities

Deferred capital funding decreased by \$2.5 million to \$150.9 million as at September 30, 2021, compared to \$153.4 million as at March 31, 2021, 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 \$2.1 million as at September 30, 2021 is mainly due to a cumulative operating surplus and 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 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, ideally low. 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 follows:

- 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 risk will be exacerbated by the challenges associated with the COVID-19 recovery. This is mitigated by a continuous process of expenditure review, admission revenue monitoring and earned revenue growth.
- COVID-19 Recovery – Risk that attendance and revenues will recover at a lower rate than planned. The risk will be impacted by vaccination rates and the recovery pace of the national and global economy including Tourism. This is mitigated by a continuous process of admission and revenue review and monitoring.
- 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.
- 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.

Statement of Financial Position (Unaudited)

<i>(in thousands of dollars)</i>	as at September 30 2021	as at March 31 2021
Assets		
Current		
Cash and cash equivalents	19,129	21,582
Restricted cash	523	521
Restricted investments	244	244
Accounts receivable		
Trade	20	301
Government departments and agencies (Note 12)	28	122
Canadian Museum of Nature Foundation	159	28
Inventories	152	159
Prepaid expenses	749	330
	21,004	23,287
Collections	1	1
Prepaid expenses	695	576
Employee advances	428	431
Restricted investments	1,200	1,200
Investments	916	916
Capital assets (Note 3)	161,271	164,365
	185,515	190,776
Liabilities		
Current		
Accounts payable and accrued liabilities		
Trade	2,774	5,370
Government departments and agencies (Note 12)	4	527
Obligation under capital lease (Note 4)	1,363	1,297
Deferred revenues, contributions and parliamentary appropriations (Note 5)	4,679	5,278
Employee future benefits	85	200
	8,905	12,672
Obligation under capital lease (Note 4)	20,773	21,471
Deferred capital funding (Note 6)	150,852	153,448
Employee future benefits	2,934	2,969
	183,464	190,560
Net assets		
Unrestricted	13,768	12,067
Investment in capital assets (Note 7)	(11,717)	(11,851)
	2,051	216
	185,515	190,776

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

Statement of Operations for the three- and six-month periods ended September 30 (Unaudited)

<i>(in thousands of dollars)</i>	Three-month period ended September 30		Six-month period ended September 30	
	2021	2020	2021	2020
Revenue				
Admission and program fees (Note 9)	580	82	594	91
Ancillary operations (Note 10)	317	44	339	59
Contributions (Note 11)	516	352	680	838
Contributions from the Foundation (Notes 11 & 12)	-	101	-	101
Interest and Investment Income	44	42	91	67
Other	312	120	666	425
	1,769	741	2,370	1,581
Expenses (Note 13)				
Inspiration and engagement	1,647	1,838	3,593	3,883
Collections care and access	843	668	1,530	1,388
Research and discovery	1,001	1,022	2,012	2,136
Internal support services	1,067	1,151	2,082	2,226
Buildings and grounds	4,424	4,280	8,586	8,447
	8,982	8,959	17,803	18,080
Net result of operations before government funding	(7,213)	(8,218)	(15,433)	(16,499)
Parliamentary appropriations (Note 8)	8,672	13,760	17,268	22,089
Net result of operations	1,459	5,542	1,835	5,590

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

Statement of Changes in Net Assets (Unaudited)

For the three-month period ended September 30

<i>(in thousands of dollars)</i>	Invested in capital assets		2021	2020
	Unrestricted			
Net assets (accumulated deficit), beginning of period	12,380	(11,788)	592	(5,395)
Net result of operations	1,459	-	1,459	5,542
Net change in investment in capital assets	(71)	71	-	-
Net assets, end of the period	13,768	(11,717)	2,051	147

For the six-month period ended September 30

<i>(in thousands of dollars)</i>	Invested in capital assets		2021	2020
	Unrestricted			
Net assets (accumulated deficit), beginning of period	12,067	(11,851)	216	(5,443)
Net result of operations	1,835	-	1,835	5,590
Net change in investment in capital assets	(134)	134	-	-
Net assets, end of period	13,768	(11,717)	2,051	147

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 six-month periods ended September 30
(Unaudited)**

	Three-month period ended September 30		Six-month period ended September 30	
<i>(in thousands of dollars)</i>	2021	2020	2021	2020
Operating activities				
Cash receipts - customers and donors	1,702	370	2,543	2,044
Cash receipts - parliamentary appropriations	6,922	12,629	13,843	19,476
Cash disbursements - employees	(2,991)	(3,596)	(6,767)	(6,768)
Cash disbursements - suppliers	(5,634)	(2,394)	(8,544)	(6,900)
Interest received	44	41	91	67
Interest paid	(496)	(592)	(1,120)	(1,168)
Cash (used in) provided by operating activities	(453)	6,458	46	6,751
Capital activities				
Acquisition of capital assets	(441)	(830)	(1,865)	(1,410)
Cash used in capital activities	(441)	(830)	(1,865)	(1,410)
Financing activities				
Obligation under capital lease	(320)	(290)	(632)	(573)
Cash used in financing activities	(320)	(290)	(632)	(573)
(Decrease) increase in cash and restricted cash	(1,214)	5,338	(2,451)	4,768
Cash and cash equivalents, beginning of period	20,344	15,111	21,582	15,700
Restricted cash, beginning of period	522	459	521	440
Cash and cash equivalents and restricted cash, end of period	19,652	20,908	19,652	20,908
Cash and cash equivalents, end of period	19,129	20,380	19,129	20,380
Restricted cash, end of period	523	528	523	528
Cash and cash equivalents and restricted cash, end of period	19,652	20,908	19,652	20,908

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

Notes to the Financial Statements for the three- and six-month periods ended September 30, 2021 (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, salary expense capitalization, 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.

Contributions externally restricted for the purchase of depreciable capital assets are deferred in the Statement of Financial Position. When the depreciable capital assets are purchased, the portion of the contribution 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.

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

<i>(in thousands of dollars)</i>	September 30			March 31		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Land	627		627	627	-	627
Victoria Memorial Museum Building	204,783	71,451	133,332	204,783	68,949	135,834
Property under capital lease	35,040	25,286	9,754	35,040	24,790	10,250
Leasehold improvements	12,735	7,943	4,792	12,735	7,749	4,986
Permanent exhibitions	12,542	7,013	5,529	12,483	6,430	6,053
Building improvements	6,096	4,492	1,604	6,048	4,202	1,846
Research equipment	4,860	3,242	1,618	4,855	3,090	1,765
Collection cabinets and compactors	3,983	2,683	1,300	3,983	2,626	1,357
General equipment	1,423	637	786	1,358	571	787
Computer equipment	4,537	4,486	51	4,516	4,464	52
Furnishings and office equipment	1,558	1,467	91	1,540	1,451	89
Work in progress	1,787	-	1,787	719	-	719
	289,971	128,700	161,271	288,687	124,322	164,365

The amortization expense for the period amounts to \$4.4 million (September 30, 2021 - \$4.5 million). No assets were sold or retired during the period ended September 30, 2021.

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>		September 30 2021	March 31 2021
Total minimum future payments	(1)	35,000	36,750
Deduct: Imputed interest		(12,864)	(13,982)
Present value of financing obligations	(2)	22,136	22,768
Current portion		1,363	1,297
Long term portion		20,773	21,471
		22,136	22,768

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 \$24 million.

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

<i>(in thousands of dollars)</i>	2022	2023	2024	2025	2026	Thereafter
Future minimum payments	1,750	3,500	3,500	3,500	3,500	19,250

5. Deferred Revenues, Contributions and Parliamentary Appropriations

Deferred revenues, contributions and parliamentary appropriations are as follows:

<i>(in thousands of dollars)</i>	September 30 2021	March 31 2021
Deferred contributions from non-government sources	1,956	1,891
Deferred parliamentary appropriations	2,324	2,994
Total deferred contributions and parliamentary appropriations	4,280	4,885
Deferred revenues – goods and services	399	393
	4,679	5,278

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

<i>(in thousands of dollars)</i>	September 30 2021	March 31 2021
Balance, beginning of period	5,278	6,254
Add:		
Restricted contributions received	537	888
Deferred revenue for the provision of goods and services	297	325
	834	1,213
Less:		
Restricted contributions recognized	(132)	(921)
Restricted parliamentary appropriations spent	(1,011)	(894)
Deferred revenue for the provision of goods and services recognized	(290)	(374)
	(1,433)	(2,189)
Balance, end of period	4,679	5,278

6. Deferred Capital Funding

Deferred capital funding represents the portion of the parliamentary appropriations and restricted 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>	September 30 2021	March 31 2021
Used for acquisitions:		
Deferred capital contributions from non-government sources	1,220	1,403
Deferred capital funding through parliamentary appropriations	149,632	152,045
	150,852	153,448

Changes in the deferred capital funding balance are as follows:

<i>(in thousands of dollars)</i>	September 30 2021	March 31 2021
Balance, beginning of period	153,448	158,851
Add: Capital asset acquisitions	1,284	2,743
Less: Capital asset disposals	-	(1)
	1,284	2,742
Less amounts recognized as revenue:		
Contributions	(183)	(501)
Parliamentary appropriations	(3,697)	(7,644)
	(3,880)	(8,145)
Balance, end of period	150,852	153,448

7. Investment in Capital Assets

The investment in capital assets consists of the following:

<i>(in thousands of dollars)</i>	September 30 2021	March 31 2021
Capital assets	161,271	164,365
Less amounts financed by:		
Capital lease	(22,136)	(22,768)
Deferred capital funding	(150,852)	(153,448)
	(11,717)	(11,851)

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

<i>(in thousands of dollars)</i>	September 30 2021	March 31 2021
Capital asset additions	1,284	2,743
Less: capital asset disposals	-	(1)
	1,284	2,742
Add: repayment of obligation under capital lease	632	1,175
Less: capital assets financed with deferred capital funding	(1,284)	(2,743)
Capital assets purchased with the Corporation's funds	632	1,174
Amortization of deferred capital funding	3,880	8,145
Amortization of capital assets	(4,378)	(9,145)
Net change in investment in capital assets	134	174

8. Parliamentary Appropriations

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

	Three-month period ended September 30		Six-month period ended September 30	
	2021	2020	2021	2020
<i>(in thousands of dollars)</i>				
Appropriations received and receivable:				
Operating and capital budgets	6,922	12,631	13,844	19,334
Portion of parliamentary appropriations deferred for future projects	-	-	(2,324)	(3,619)
Previous period's appropriations used in current period to complete specific projects	341	-	3,335	3,887
Appropriations used to purchase depreciable capital assets	(443)	(740)	(1,284)	(1,279)
Amortization of deferred capital funding	1,851	1,869	3,697	3,766
Appropriations recognized during the period	8,671	13,760	17,268	22,089

9. Admission and Program Fees

Admission and program fees are comprised as follows:

	Three-month period ended September 30		Six-month period ended September 30	
	2021	2020	2021	2020
<i>(in thousands of dollars)</i>				
Admission fees – general	506	57	515	57
Memberships	74	25	75	34
Programs	-	-	4	-
	580	82	594	91

10. Ancillary Operations

Ancillary operations are comprised as follows:

	Three-month period ended September 30		Six-month period ended September 30	
	2021	2020	2021	2020
<i>(in thousands of dollars)</i>				
Parking	123	29	140	36
Rental of facilities	23	(3)	24	5
Boutique revenues	171	18	175	18
	317	44	339	59

11. Contributions

Contributions are comprised as follows:

<i>(in thousands of dollars)</i>	Three-month period ended September 30		Six-month period ended September 30	
	2021	2020	2021	2020
Cash contributions and sponsorships	237	263	396	659
In-kind sponsorships	-	89	-	179
Specimen donations	279	-	284	-
Contributions	516	352	680	838
Contributions from the Foundation	-	101	-	101
	516	453	680	939

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.

<i>(in thousands of dollars)</i>	Three-month period ended September 30		Six-month period ended September 30	
	2021	2020	2021	2020
Revenues from Government of Canada related parties:				
Ancillary operations	-	1	-	1
Other	-	(23)	21	12
	-	(22)	21	13

<i>(in thousands of dollars)</i>	Three-month period ended September 30		Six-month period ended September 30	
	2021	2020	2021	2020
Expenses with Government of Canada related parties:				
Personnel costs	535	257	905	637
Real property taxes	316	310	597	607
Professional and special services	-	1	1	1
Information management, infrastructure and systems	3	2	3	3
Marketing and communications	-	9	-	10
Freight and cartage	1	1	2	1
Repairs and maintenance	1	1	1	1
	856	581	1,509	1,260

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

<i>(in thousands of dollars)</i>	September 30 2021	March 31 2021
Due from related parties	28	122
Due to related parties	4	527

13. Summary of Expenses by Object

<i>(in thousands of dollars)</i>	Three-month period ended September 30		Six-month period ended September 30	
	2021	2020	2021	2020
Personnel costs	2,940	3,361	6,620	7,071
Amortization of capital assets	2,191	2,246	4,378	4,453
Operation and maintenance of buildings	1,120	806	1,817	1,692
Real property taxes	629	592	1,253	1,168
Professional and special services	574	832	1,179	1,463
Interest on capital lease obligation	554	585	1,117	1,177
Information management infrastructure and systems	356	257	624	529
Objects for collections	280	1	285	1
Repairs and maintenance	55	101	130	162
Marketing and communications	53	99	86	174
Cost of goods sold - natureBOUTIQUE	76	8	78	8
Exhibitions	57	25	66	38
Travel	51	19	52	27
Freight and cartage	6	11	12	13
Other	40	16	106	104
	8,982	8,959	17,803	18,080

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. Following provincial requirements, the Museum closed once more effective December 26, 2020, until February 15, 2021, inclusively. The Museum closed once again starting April 3, 2021, until July 16, 2021. Internal operations such as research, exhibit development and essential services such as animal care continued throughout the periods of closure.

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. The Corporation received \$5.9 million in 2020-21 from the federal government in COVID-19 emergency support funding to help it maintain essential services and be ready to reopen its doors to the public once precautionary measures are lifted. Furthermore,

Budget 2021 presented by the Government of Canada on April 19, 2021, included \$66 million in proposed funding to be allocated amongst Canada's six national museums and the National Battlefields Commission from 2021-22 to 2025-26 to address financial pressures caused by COVID-19 and program integrity issues.