

# CANADIAN MUSEUM OF NATURE

## QUARTERLY FINANCIAL REPORT

(Unaudited)

For the three and nine-month periods  
ended December 31, 2021

Canada



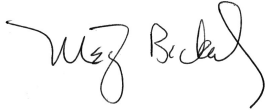
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**STATEMENT OF MANAGEMENT RESPONSIBILITY BY SENIOR OFFICIALS**

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



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Margaret Beckel  
President and Chief Executive Officer



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Lisa Brasic, CPA-CA  
Chief Financial Officer

Ottawa, Canada  
March 3, 2022

# 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.

During 2020-21 and 2021-22, museum visitation has been significantly impacted by closures and capacity restrictions due to the COVID-19 pandemic. The pandemic has also, and is expected to continue to have, an 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 the pandemic, and in accordance with public health recommendations and provincial requirements, the Museum closed to visitors and all other groups during the following periods:

- March 14, 2020 to September 5, 2020
- December 26, 2020 to February 15, 2021
- April 3, 2021 to July 16, 2021
- January 5, 2022 to February 24, 2022

Internal operations such as research, exhibit development and essential services such as animal care continued throughout the periods of closure.

The pandemic and closures 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. As such, it is not possible to reliably estimate the full effect of the pandemic on the Museum’s results of operations and financial condition, however, Management is actively monitoring the effect on the Museum’s financial condition and probing ways to address potential future financial impacts. During 2020-21, the Museum received \$5.9 million of COVID-19 emergency funding, and in 2021-22, the Museum received approval for \$8.0 million of supplementary funding to assist in maintaining essential services and address financial pressures resulting from the COVID-19 pandemic. \$6.8 million of the \$8.0 million 2021-22 supplementary parliamentary appropriations were received as of December 31, 2021.

## REVENUE

Revenue for the nine-month period ended December 31, 2021 was \$4.1 million, an increase of \$1.8 million compared to \$2.3 million for the nine-month period of the previous year. The increase was primarily due to higher revenue from admissions and program fees and from ancillary operations as the Museum was open for the majority of the second quarter and all of the third quarter of 2021, and rental fees earned for the Planet Ice travelling exhibit. During the comparative period of 2020-21, the Museum was only open from the beginning of the third quarter to December 25, 2020, and generated minimal travelling exhibit revenues.

During the three-month period ended December 31, 2021, the Museum recognized \$1.7 million of revenue, an increase of \$1.0 million compared to \$0.7 million recognized for the three-month period of the previous year. The increase was due to higher revenue from admissions and program fees as the Museum was subject to lower capacity restrictions and was open for the entire quarter in 2021-22, and rental fees earned for the Planet Ice travelling exhibit. During the comparative period of 2020-21, the Museum was subject to higher capacity restrictions, was only open from the beginning of the quarter to December 25, 2020, and generated minimal travelling exhibit rental fees.

On an accrual basis, parliamentary appropriations for the nine-month period ended December 31, 2021 amounted to \$32.4 million, compared to \$30.7 million recognized for the nine-month period ended December 31, 2020. The increase was primarily due to \$6.8 million of supplementary appropriations received during 2021-22 to address financial pressures caused by the COVID-19 pandemic, and higher base appropriations to support compensation adjustments. During the comparative period, the Museum received \$5.9 million of COVID-19 emergency funding.

On an accrual basis, parliamentary appropriations for the three-month period ended December 31, 2021, amounted to \$15.2 million compared to \$8.6 million for the three-month period of the previous year. The increase was primarily due to supplementary appropriations received during the third quarter of 2021-22 to address financial pressures caused by the COVID-19 pandemic.

## EXPENSES

Expenses for the nine-month period ended December 31, 2021 were \$29.1 million, an increase of \$2.1 million compared to \$27.0 million for the nine-month period ended December 31, 2020. The increased costs incurred in the 2021-22 period were mainly due to compensation adjustments and higher operating costs resulting from the Museum being open for a longer period.

Expenses for the three-month period ended December 31, 2021 amounted to \$11.3 million, an increase of \$2.4 million compared to \$8.9 million incurred in the three-month period ended December 31, 2020. The increased costs incurred in the 2021-22 period were mainly due to compensation adjustments and higher operating costs resulting from the Museum being open for a longer period.

## NET RESULTS OF OPERATIONS

The net results of operations for the nine-month period ended December 31, 2021 generated a surplus of \$7.4 million, which was primarily attributable to \$6.8 million of supplementary appropriations received during 2021-22 to address financial pressures caused by the COVID-19 pandemic, partially offset by higher personnel expenses due to compensation adjustments, and higher operating expenses due to the Museum being open for the majority of the period.

The net results of operations for the three-month period ended December 31, 2021 generated a surplus of \$5.6 million, which was primarily attributable to \$6.8 million of supplementary appropriations received during the third quarter of 2021-22 to address financial pressures caused by the COVID-19 pandemic, partially offset by higher personnel expenses due to compensation adjustments, and higher operating expenses due to the Museum being open for a full quarter.

## FINANCIAL SITUATION

### Assets

Cash increased by \$3.4 million to \$25.0 million as at December 31, 2021, compared to \$21.6 million as at March 31, 2021. The increase was mainly due to the \$6.8 million of supplementary appropriations received during the period to support the Museum's operations during the COVID-19 pandemic. This increase was partially offset by the use of deferred appropriations received in prior years for the purpose of purchasing capital assets.

Capital assets decreased by \$4.6 million to \$159.8 million as at December 31, 2021, compared to \$164.4 million as at March 31, 2021. The decrease was due to amortization expense of \$6.7 million, partially offset by capital assets acquisitions of \$2.1 million.

### Liabilities

Deferred capital funding decreased by \$3.8 million to \$149.6 million as at December 31, 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 \$7.6 million balance of net assets as at December 31, 2021 was mainly due to \$6.8 million of supplementary appropriations recognized during the period, a cumulative operating surplus, partially offset by the accounting treatment of 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. Due to the higher interest at the start of the lease, it had a negative impact on the Museum's Net Assets for many years. As the interest component of the lease has continued to decrease, the deficit related to this accounting treatment began to reverse in 2019-20 and will continue to do so until it is fully eliminated by the end of the lease term in 2031. The accounting treatment of the lease 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. Risk mitigation involves development of 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 is expected to be exacerbated by the challenges associated with the COVID-19 recovery. This risk 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. This risk has been impacted by governmental restrictions on the Museum's visitor capacity and ability to remain open, and is expected to be impacted by the recovery pace of the national and global economy, including tourism. This risk is mitigated by proactive planning for periods of closure, and 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 risk 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 December 31 2021	as at March 31 2021
<b>Assets</b>		
Current		
Cash and cash equivalents	24,994	21,582
Restricted cash	524	521
Restricted investments	244	244
Accounts receivable		
Trade	53	301
Government departments and agencies (Note 12)	255	122
Canadian Museum of Nature Foundation	-	28
Inventories	148	159
Prepaid expenses	537	330
	26,755	23,287
Collections	1	1
Prepaid expenses	696	576
Employee advances	425	431
Restricted investments	1,200	1,200
Investments	916	916
Capital assets (Note 3)	159,783	164,365
	<b>189,776</b>	<b>190,776</b>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities		
Trade	3,473	5,370
Government departments and agencies (Note 12)	-	527
Obligation under capital lease (Note 4)	1,396	1,297
Deferred revenues, contributions and parliamentary appropriations (Note 5)	4,329	5,278
Employee future benefits	85	200
	9,283	12,672
Obligation under capital lease (Note 4)	20,411	21,471
Deferred capital funding (Note 6)	149,616	153,448
Employee future benefits	2,846	2,969
	<b>182,156</b>	<b>190,560</b>
<b>Net assets</b>		
Unrestricted	19,260	12,067
Investment in capital assets (Note 7)	(11,640)	(11,851)
	<b>7,620</b>	<b>216</b>
	<b>189,776</b>	<b>190,776</b>

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	
	2021	2020	2021	2020
<i>(in thousands of dollars)</i>				
<b>Revenue</b>				
Admission and program fees (Note 9)	542	209	1,136	300
Ancillary operations (Note 10)	314	104	653	163
Contributions (Note 11)	385	342	1,065	1,180
Contributions from the Foundation (Note 11)	76	40	76	141
Interest and Investment Income	44	46	135	113
Other	347	(7)	1,013	418
	<b>1,708</b>	<b>734</b>	<b>4,078</b>	<b>2,315</b>
<b>Expenses (Note 13)</b>				
Inspiration and engagement	2,835	1,690	6,428	5,573
Collections care and access	991	748	2,521	2,136
Research and discovery	1,262	979	3,274	3,115
Internal support services	1,574	1,308	3,656	3,534
Buildings and grounds	4,640	4,187	13,226	12,634
	<b>11,302</b>	<b>8,912</b>	<b>29,105</b>	<b>26,992</b>
<b>Net result of operations before government funding</b>	<b>(9,594)</b>	<b>(8,178)</b>	<b>(25,027)</b>	<b>(24,677)</b>
Parliamentary appropriations (Note 8)	15,163	8,591	32,431	30,680
<b>Net result of operations</b>	<b>5,569</b>	<b>413</b>	<b>7,404</b>	<b>6,003</b>

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

**Statement of Changes in Net Assets for the three and nine-month periods ended December 31  
(Unaudited)**

**Three-month period ended December 31**

	Unrestricted	Invested in capital assets	2021	2020
<i>(in thousands of dollars)</i>				
Net assets, beginning of period	13,768	(11,717)	2,051	147
Net result of operations	5,569	-	5,569	413
Net change in investment in capital assets	(77)	77	-	-
<b>Net assets, end of the period</b>	<b>19,260</b>	<b>(11,640)</b>	<b>7,620</b>	<b>560</b>

**Nine-month period ended December 31**

	Unrestricted	Invested in capital assets	2021	2020
<i>(in thousands of dollars)</i>				
Net assets (accumulated deficit), beginning of period	12,067	(11,851)	216	(5,443)
Net result of operations	7,404	-	7,404	6,003
Net change in investment in capital assets (Note 7)	(211)	211	-	-
<b>Net assets, end of period</b>	<b>19,260</b>	<b>(11,640)</b>	<b>7,620</b>	<b>560</b>

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	
	2021	2020	2021	2020
<i>(in thousands of dollars)</i>				
<b>Operating activities</b>				
Cash receipts - customers and donors	1,119	564	3,662	2,608
Cash receipts - parliamentary appropriations	13,697	6,634	27,540	26,110
Cash disbursements - employees	(4,346)	(3,997)	(11,113)	(10,765)
Cash disbursements - suppliers	(3,152)	(3,071)	(11,696)	(9,971)
Interest received	44	45	135	112
Interest paid	(544)	(602)	(1,664)	(1,770)
<b>Cash provided by (used in) operating activities</b>	<b>6,818</b>	<b>(427)</b>	<b>6,864</b>	<b>6,324</b>
<b>Capital activities</b>				
Acquisition of capital assets	(623)	(622)	(2,488)	(2,032)
Disposition of capital assets	-	1	-	1
<b>Cash used in capital activities</b>	<b>(623)</b>	<b>(621)</b>	<b>(2,488)</b>	<b>(2,031)</b>
<b>Financing activities</b>				
Obligation under capital lease	(329)	(297)	(961)	(870)
<b>Cash used in financing activities</b>	<b>(329)</b>	<b>(297)</b>	<b>(961)</b>	<b>(870)</b>
<b>Increase (decrease) in cash and restricted cash</b>	<b>5,866</b>	<b>(1,345)</b>	<b>3,415</b>	<b>3,423</b>
Cash and cash equivalents, beginning of period	19,129	20,380	21,582	15,700
Restricted cash, beginning of period	523	528	521	440
<b>Cash and cash equivalents and restricted cash, end of period</b>	<b>25,518</b>	<b>19,563</b>	<b>25,518</b>	<b>19,563</b>
<b>Cash and cash equivalents, end of period</b>	<b>24,994</b>	<b>19,061</b>	<b>24,994</b>	<b>19,061</b>
<b>Restricted cash, end of period</b>	<b>524</b>	<b>502</b>	<b>524</b>	<b>502</b>
<b>Cash and cash equivalents and restricted cash, end of period</b>	<b>25,518</b>	<b>19,563</b>	<b>25,518</b>	<b>19,563</b>

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, 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

*(in thousands of dollars)*

			December 31 2021			March 31 2021
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Land	627	-	627	627	-	627
Victoria Memorial Museum Building	204,783	72,702	132,081	204,783	68,949	135,834
Property under capital lease	35,040	25,533	9,507	35,040	24,790	10,250
Leasehold improvements	12,735	8,040	4,695	12,735	7,749	4,986
Permanent exhibitions	12,645	7,313	5,332	12,483	6,430	6,053
Building improvements	7,524	4,754	2,770	6,048	4,202	1,846
Research equipment	4,866	3,318	1,548	4,855	3,090	1,765
Collection cabinets and compactors	3,985	2,712	1,273	3,983	2,626	1,357
General equipment	1,468	674	794	1,358	571	787
Computer equipment	4,548	4,499	49	4,516	4,464	52
Furnishings and office equipment	1,558	1,476	82	1,540	1,451	89
Work in progress	1,025	-	1,025	719	-	719
	<b>290,804</b>	<b>131,021</b>	<b>159,783</b>	<b>288,687</b>	<b>124,322</b>	<b>164,365</b>

The amortization expense for the period amounts to \$6.7 million (December 31, 2020 - \$6.8 million). No assets were sold or retired during the period ended December 31, 2021. 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.

#### 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>		<b>December 31 2021</b>	<b>March 31 2021</b>
Total minimum future payments	(1)	34,125	36,750
Deduct: Imputed interest		(12,318)	(13,982)
<b>Present value of financing obligations</b>	(2)	<b>21,807</b>	<b>22,768</b>
Current portion		1,396	1,297
Long term portion		20,411	21,471
		<b>21,807</b>	<b>22,768</b>

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 \$23 million.

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

<i>(in thousands of dollars)</i>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>Thereafter</b>
Future minimum payments	875	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>	<b>December 31 2021</b>	<b>March 31 2021</b>
Deferred contributions from non-government sources	2,249	1,891
Deferred parliamentary appropriations	1,709	2,994
Total deferred contributions and parliamentary appropriations	3,958	4,885
Deferred revenues – goods and services	371	393
	<b>4,329</b>	<b>5,278</b>



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

<i>(in thousands of dollars)</i>	<b>December 31 2021</b>	<b>March 31 2021</b>
Balance, beginning of period	5,278	6,254
Add:		
Restricted contributions received	630	888
Deferred revenue for the provision of goods and services	328	325
	958	1,213
Less:		
Restricted contributions recognized	(274)	(921)
Restricted parliamentary appropriations spent	(1,284)	(894)
Deferred revenue for the provision of goods and services recognized	(349)	(374)
	(1,907)	(2,189)
<b>Balance, end of period</b>	<b>4,329</b>	<b>5,278</b>

## 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.

Deferred capital funding consists of the following:

<i>(in thousands of dollars)</i>	<b>December 31 2021</b>	<b>March 31 2021</b>
Used for acquisitions:		
Deferred capital contributions from non-government sources	1,130	1,403
Deferred capital funding through parliamentary appropriations	148,486	152,045
	<b>149,616</b>	<b>153,448</b>

Changes in the deferred capital funding balance are as follows:

<i>(in thousands of dollars)</i>	<b>December 31 2021</b>	<b>March 31 2021</b>
Balance, beginning of period	153,448	158,851
Add: Capital asset acquisitions	2,117	2,743
Less: Capital asset disposals	-	(1)
	2,117	2,742
Less amounts recognized as revenue:		
Contributions	(272)	(501)
Parliamentary appropriations	(5,677)	(7,644)
	(5,949)	(8,145)
<b>Balance, end of period</b>	<b>149,616</b>	<b>153,448</b>

## 7. Investment in Capital Assets

Investment in capital assets consists of the following:

<i>(in thousands of dollars)</i>	<b>December 31 2021</b>	<b>March 31 2021</b>
Capital assets	159,783	164,365
Less amounts financed by:		
Capital lease	(21,807)	(22,768)
Deferred capital funding	(149,616)	(153,448)
	<b>(11,640)</b>	<b>(11,851)</b>

Net change in investment in capital assets is calculated as follows:

<i>(in thousands of dollars)</i>	<b>December 31 2021</b>	<b>March 31 2021</b>
Capital asset additions	2,117	2,743
Less: capital asset disposals	-	(1)
	2,117	2,742
Add: repayment of obligation under capital lease	961	1,175
Less: capital assets financed with deferred capital funding	(2,117)	(2,743)
Capital assets purchased with the Corporation's funds	961	1,174
Amortization of deferred capital funding	5,949	8,145
Amortization of capital assets	(6,699)	(9,145)
<b>Net change in investment in capital assets</b>	<b>211</b>	<b>174</b>

## 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	
	2021	2020	2021	2020
<i>(in thousands of dollars)</i>				
<b>Appropriations received and receivable:</b>				
Operating and capital budgets	13,742	6,702	27,586	26,036
Portion of parliamentary appropriations deferred for future projects	615	-	(1,709)	(3,541)
Previous period's appropriations used in current period to complete specific projects	(341)	-	2,994	3,887
Appropriations used to purchase depreciable capital assets	(833)	(44)	(2,117)	(1,401)
Amortization of deferred capital funding	1,980	1,933	5,677	5,699
<b>Appropriations recognized during the period</b>	<b>15,163</b>	<b>8,591</b>	<b>32,431</b>	<b>30,680</b>

## 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	
	2021	2020	2021	2020
<i>(in thousands of dollars)</i>				
Admission fees – general	458	134	973	191
Admission fees – temporary exhibitions	-	38	-	38
Memberships	76	37	151	71
Programs	8	-	12	-
	<b>542</b>	<b>209</b>	<b>1,136</b>	<b>300</b>

## 10. Ancillary Operations

Ancillary operations are comprised as follows:

	Three-month period ended December 31		Nine-month period ended December 31	
	2021	2020	2021	2020
<i>(in thousands of dollars)</i>				
Parking	126	49	266	85
Rental of facilities	28	2	52	7
Boutique revenues	160	53	335	71
	<b>314</b>	<b>104</b>	<b>653</b>	<b>163</b>

## 11. Contributions

Contributions are comprised as follows:

<i>(in thousands of dollars)</i>	Three-month period ended December 31		Nine-month period ended December 31	
	2021	2020	2021	2020
Cash contributions and sponsorships	360	231	756	890
In-kind sponsorships	-	89	-	268
Specimen donations	25	22	309	22
Contributions	<b>385</b>	<b>342</b>	<b>1,065</b>	<b>1,180</b>
Contributions from the Foundation	76	40	76	141
	<b>461</b>	<b>382</b>	<b>1,141</b>	<b>1,321</b>

## 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 December 31		Nine-month period ended December 31	
	2021	2020	2021	2020
<b>Revenues from Government of Canada related parties:</b>				
Ancillary operations	2	-	2	1
Other	-	-	21	12
	<b>2</b>	<b>-</b>	<b>23</b>	<b>13</b>

<i>(in thousands of dollars)</i>	Three-month period ended December 31		Nine-month period ended December 31	
	2021	2020	2021	2020
<b>Expenses with Government of Canada related parties:</b>				
Real property taxes	299	301	896	908
Personnel costs	547	356	1,452	993
Professional and special services	72	-	73	1
Information management, infrastructure and systems	2	5	5	8
Marketing and communications	-	1	-	11
Freight and cartage	2	-	4	1
Repairs and maintenance	-	-	1	1
	<b>922</b>	<b>663</b>	<b>2,431</b>	<b>1,923</b>

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 2021	March 31 2021
Due from related parties	255	122
Due to related parties	-	527

### 13. Summary of Expenses by Object

<i>(in thousands of dollars)</i>	Three-month period ended December 31		Nine month period ended December 31	
	2021	2020	2021	2020
Personnel costs	5,038	3,222	11,658	10,293
Amortization of capital assets	2,321	2,383	6,699	6,836
Operation and maintenance of buildings	944	748	2,761	2,440
Professional and special services	1,000	548	2,179	2,011
Real property taxes	573	601	1,826	1,769
Interest on capital lease obligation	547	579	1,664	1,756
Information management infrastructure and systems	510	363	1,134	892
Objects for collections	25	22	310	23
Marketing and communications	93	145	179	319
Repairs and maintenance	34	137	164	299
Cost of goods sold - natureBOUTIQUE	68	25	146	33
Exhibitions	51	46	117	84
Travel	46	14	98	41
Freight and cartage	4	6	16	19
Other	48	73	154	177
	<b>11,302</b>	<b>8,912</b>	<b>29,105</b>	<b>26,992</b>

### 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 the pandemic, and in accordance with public health recommendations and provincial requirements, the Museum closed to visitors and all other groups during the following periods:

- March 14, 2020 to September 5, 2020
- December 26, 2020 to February 15, 2021
- April 3, 2021 to July 16, 2021
- January 5, 2022 to February 24, 2022

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 closures 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. As such, it is not possible to reliably estimate the full effect of the pandemic on the Museum's results of operations and financial condition, however, Management is actively monitoring the effect on the Museum's financial condition and probing ways to address potential future financial impacts. During 2020-21, the Museum received \$5.9 million of COVID-19 emergency funding, and in 2021-22, the Museum received approval for \$8.0 million of supplementary funding to assist in maintaining essential services and address financial pressures resulting from the pandemic. \$6.8 million of the \$8.0 million 2021-22 supplementary parliamentary appropriations were received as of December 31, 2021.