

CANADIAN MUSEUM OF NATURE

QUARTERLY FINANCIAL REPORT

(Unaudited)

For the three and nine-month periods
ended December 31, 2022

Canada




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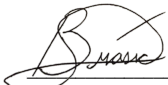
STATEMENT OF MANAGEMENT RESPONSIBILITY BY SENIOR OFFICIALS

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.



Danika Goosney, Ph.D
President & Chief Executive Officer



Lisa Brasic, CPA-CA
Chief Financial Officer

Ottawa, Canada
March 2, 2023

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, 2022, 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 in recent years has been the COVID-19 pandemic. The Museum experienced significant decreases in attendance in 2020-21 and 2021-22 due to closures, capacity restraints, and visitors' willingness to visit museums. The Museum did not experience pandemic-related closures during the first nine months of 2022-23. During the first nine months of 2021-22, the Museum was closed to visitors and all other groups from April 3, 2021 to July 16, 2021. Internal operations such as research, exhibit development and essential services such as animal care continued throughout the period of closure.

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

The pandemic will continue to impact the Museum's revenue generation and operations. Although many pandemic-related restrictions have been lifted, 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 2021-22, the Corporation received \$8.0 million to assist in maintaining essential services and address financial pressures resulting from the pandemic, and in 2022-23, the Museum received approval for \$5.1 million of supplementary funding to address revenue shortfalls resulting from the pandemic. The 2022-23 funding of \$5.1 million is anticipated to be received by March 31, 2023. No funds were received as of December 31, 2022.

FINANCIAL PERFORMANCE

REVENUE

Revenue for the nine-month period ended December 31, 2022, amounted to \$8.0 million, an increase of 95% or \$3.9 million compared to \$4.1 million for the nine-month period of the previous year. The increase was primarily due to higher revenues from admissions and ancillary operations as the Museum was open for the entirety of the 2022-23 period, compared to only 5.5 months during the 2021-22 period. Higher attendance rates during days in which the Museum was open also contributed to the higher 2022-23 revenues.

Revenue for the three-month period ended December 31, 2022 increased by 43% or \$0.7 million to \$2.4 million compared to \$1.7 million for the three-month period of the previous year. The increase was primarily due to higher revenues from admissions and ancillary operations as the Museum experienced significantly higher attendance rates during 2022-23, and from higher interest and investment income due to higher interest rates in the 2022-23 period.

On an accrual basis, parliamentary appropriations for the nine-month period ended December 31, 2022 decreased by \$6.4 million from \$32.4 million to \$26.0 million. On an accrual basis, parliamentary appropriations for the three-month period ended December 31, 2022 amounted to \$8.7 million, compared to \$15.2 million for the three-month period of 2021-22, a decrease of \$6.5 million or 43%. The decreases in the three and nine-month periods were primarily due to \$6.8 million of pandemic-related support received in the 2021-22 period, partially offset by higher capital project spending and associated use of deferred parliamentary appropriations during the 2021-22 period.

EXPENSES

For the nine-month period ended December 31, 2022, the Museum incurred expenses of \$31.2 million, compared to \$29.1 million for the nine-month period of the previous year. The increase of \$2.1 million or 7% was primarily due to the Museum being open for 5.5 more months during the 2022-2023 period compared to 2021-22. The increase was partially offset by compensation adjustments processed during the third quarter of 2021-22.

Expenses for the three-month period ended December 31, 2022 amounted to \$10.9 million, a decrease of \$0.4 million or 4% compared to \$11.3 million incurred for the three-month period of the previous year. The decrease was primarily due to compensation adjustments processed during the third quarter of 2021-22.

NET RESULTS OF OPERATIONS

The net results of operations for the nine-month period ended December 31, 2022 generated a surplus of \$2.7 million, a decrease of \$4.7 million or 63% from a surplus of \$7.4 million in the nine-month period ended December 31, 2021. The decrease was primarily attributed to lower parliamentary appropriations as pandemic-related support was received in the 2021-22 period, but was not yet received in the 2022-23 period. The decrease was partially offset by an additional \$3.8 million of admission and ancillary revenues generated in the 2022-23 period.

The net results of operations for the three-month period ended December 31, 2022 generated a surplus of \$0.3 million, a decrease of \$5.3 million or 95% from a surplus of \$5.6 million generated for the three-month period ended December 31, 2021. The decrease was primarily attributed to lower parliamentary appropriations as pandemic-related support was received in the 2021-22 period, but not the 2022-23 period, and higher expenses, partially offset by an additional \$0.5 million of admission and ancillary revenues generated in the 2022-23 period.

FINANCIAL SITUATION

Assets

Cash increased by \$0.8 million or 3% to \$26.5 million as at December 31, 2022 compared to \$25.7 million as at March 31, 2022. The increase was mainly due to higher revenues from admissions and ancillary operations, partially offset by higher expenses as described above, and the use of deferred appropriations received in prior years for the capital assets additions.

Capital assets decreased by \$4.1 million or 3% to \$154.0 million as at December 31, 2022, compared to \$158.1 million at March 31, 2022 due to amortization expense of \$6.7 million, partially offset by additions of \$1.5 million resulting from the recognition of asset retirement costs as described in Note 2(M) to the Financial Statements, and \$1.1 million of capital assets additions.

Liabilities

Deferred capital funding decreased by \$4.7 million or 3% to \$143.4 million as at December 31, 2022, compared to \$148.1 million as at March 31, 2022. The decrease was mainly due to amortization of capital assets, partially offset by capital asset acquisitions during the period. Deferred capital funding is recognized as revenue at the same pace as the amortization of the corresponding capital assets.

During the nine months ended December 31, 2022, the Museum recognized asset retirement obligations of \$1.5 million, as described in Note 2(M) to the Financial Statements. Estimates used to determine the asset retirement obligation are reviewed at each reporting period, and accretion expense is recognized over the useful life of the underlying assets associated with the obligation until the carrying value of the obligation is equal to the estimated cash flows required to settle the obligation. During the nine months ended December 31, 2022, \$0.04 million of accretion expense was recognized in the statement of operations.

Net Assets

Net assets of \$11.0 million as at December 31, 2022 were due to positive net results from operations generated in the current and recent years, 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, the Museum's Net Assets were negatively impacted for several 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 five 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.

The Museum's key risks and mitigation strategies are summarized below:

- **Structural Deficit** - Risk that the Museum does not have sufficient annual funding or reserves to address its capital and regulatory requirements. The structural deficit currently impacting the Museum 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 partially mitigated operationally by a continuous process of expenditure review, admission revenue monitoring and earned revenue growth. This risk would be further mitigated through additional appropriations and external funding to address capital and regulatory requirements.
- **COVID-19 Recovery** – Risk that attendance and revenues will recover at a lower rate than planned. This risk 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 or that employees will resign, 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.
- **Cyber-Security** – Risk that the Museum will experience a breach to its cyber-security, resulting in the loss of, or unauthorized access to, electronic data or financial resources. To mitigate this risk, the Museum has implemented preventative technology-based controls and is continuously training and educating its staff regarding cyber-security threats, awareness, and prevention.

Statement of Financial Position (Unaudited)

<i>(in thousands of dollars)</i>	December 31 2022	March 31 2022
Assets		
Current		
Cash and cash equivalents	26,513	25,731
Restricted cash	744	525
Restricted investments	273	273
Accounts receivable		
Trade	173	552
Government departments and agencies (Note 13)	122	97
Inventories	231	155
Prepaid expenses	600	724
	28,656	28,057
Collections	1	1
Prepaid expenses	656	766
Employee advances	367	398
Restricted investments	1,100	1,100
Investments	900	900
Capital assets (Note 3)	154,028	158,058
	185,708	189,280
Liabilities		
Current		
Accounts payable and accrued liabilities		
Trade	3,025	3,747
Government departments and agencies (Note 13)	2	358
Obligation under capital lease (Note 4)	1,542	1,432
Deferred revenues, contributions and parliamentary appropriations (Note 5)	3,488	4,212
Employee future benefits	119	183
	8,176	9,932
Obligation under capital lease (Note 4)	18,869	20,039
Deferred capital funding (Note 7)	143,398	148,140
Asset retirement obligation (Note 6)	1,585	-
Employee future benefits	2,676	2,910
	174,704	181,021
Net assets		
Unrestricted	22,248	19,812
Investment in capital assets (Note 8)	(11,244)	(11,553)
	11,004	8,259
	185,708	189,280

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)

<i>(in thousands of dollars)</i>	2022	2021	2022	2021
Revenue				
Admission and program fees (Note 10)	852	542	3,766	1,136
Ancillary operations (Note 11)	517	314	1,803	653
Contributions (Note 12)	431	461	1,012	1,141
Interest and investment Income	279	44	550	135
Other	370	347	846	1,013
	2,449	1,708	7,977	4,078
Expenses (Note 14)				
Inspiration and engagement	2,247	2,835	7,022	6,428
Collections care and access	872	991	2,299	2,521
Research and discovery	1,196	1,262	3,652	3,274
Internal support services	1,285	1,574	3,842	3,656
Buildings and grounds	5,283	4,640	14,394	13,226
	10,883	11,302	31,209	29,105
Net result of operations before parliamentary appropriations	(8,434)	(9,594)	(23,232)	(25,027)
Parliamentary appropriations (Note 9)	8,712	15,163	25,977	32,431
Net result of operations	278	5,569	2,745	7,404

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

<i>(in thousands of dollars)</i>	Unrestricted	Invested in capital assets	2022	2021
Net assets, beginning of period	22,140	(11,414)	10,726	2,051
Net result of operations	278	-	278	5,569
Net change in investment in capital assets	(170)	170	-	-
Net assets, end of period	22,248	(11,244)	11,004	7,620

For the nine-month period ended December 31

<i>(in thousands of dollars)</i>	Unrestricted	Invested in capital assets	2022	2021
Net assets, beginning of period	19,812	(11,553)	8,259	216
Net result of operations	2,745	-	2,745	7,404
Net change in investment in capital assets	(309)	309	-	-
Net assets, end of period	22,248	(11,244)	11,004	7,620

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

A statement of remeasurement gains and losses has been excluded as there were no remeasurement gains or losses in the period ended December 31, 2022.

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

<i>(in thousands of dollars)</i>	2022	2021	2022	2021
Operating activities				
Cash receipts - customers and donors	2,358	1,119	7,258	3,662
Cash receipts - parliamentary appropriations	6,395	13,697	20,790	27,540
Cash disbursements - employees	(4,017)	(4,346)	(11,997)	(11,113)
Cash disbursements - suppliers	(4,189)	(3,152)	(11,747)	(11,696)
Interest received	272	44	536	135
Interest paid	(512)	(544)	(1,564)	(1,664)
Cash provided by operating activities	307	6,818	3,276	6,864
Capital activities				
Acquisition of capital assets	(279)	(623)	(1,218)	(2,488)
Disposition of capital assets	3	-	3	-
Cash used in capital activities	(276)	(623)	(1,215)	(2,488)
Financing activities				
Obligation under capital lease	(362)	(329)	(1,060)	(961)
Cash used in financing activities	(362)	(329)	(1,060)	(961)
Increase (decrease) in cash and restricted cash	(331)	5,866	1,001	3,415
Cash and cash equivalents, beginning of period	26,851	19,129	25,731	21,582
Restricted cash, beginning of period	737	523	525	521
Cash and cash equivalents and restricted cash, end of period	27,257	25,518	27,257	25,518
Cash and cash equivalents, end of period	26,513	24,994	26,513	24,994
Restricted cash, end of period	744	524	744	524
Cash and cash equivalents and restricted cash, end of period	27,257	25,518	27,257	25,518

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, 2022 (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.

On July 16, 2015, the Corporation was directed by the Governor General in Council (P.C. 2015-1105) pursuant to Section 89 of the FAA to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of this directive in the Corporation's Corporate Plan. Effective February 1, 2017, the Corporation has complied with this directive and has aligned its policies and practices to the Treasury Board policies, directives and related instruments for travel, conference, hospitality and event expenditures.

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, asset retirement obligations, 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 Collection cabinets and compactors	35 years
Asset retirement cost	10 to 35 years
Furnishings and office equipment General equipment Permanent exhibitions Research equipment	10 years
Building improvements	5 to 25 years
Leasehold improvements	5 years to end of lease term
Website	5 years
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 useful life of the asset.

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) Asset Retirement Obligations

Effective April 1, 2022, the Corporation adopted Public Sector Accounting Board (“PSAB”) PS 3280 *Asset Retirement Obligations*. PS 3280 addresses the accounting and reporting of legal obligations associated with the retirement of tangible capital assets for public sector entities. The Corporation applied the prospective method, which did not result in the restatement of comparative information. The adoption of PS 3280 resulted in the recognition of an asset retirement obligation of \$1.9 million, and an asset retirement cost included in capital assets of \$1.9 million in the statement of financial position. The obligation is revalued at the end of each reporting period for changes in estimates. The impact of changes to estimates are recognized as increases or decreases to the asset retirement obligation and the asset retirement cost included in capital assets.

The Corporation recognizes asset retirement obligations associated with the Corporation’s capital assets. The Corporation has asset retirement obligations associated with certain of its operating equipment, including chillers, diesel reservoirs, piping, and freezers.

To determine the asset retirement obligation, the best estimate of the expenditures required to settle the present obligation at the statement of financial position date is recorded on a discounted basis using the risk-free interest rate at each reporting date. The value of the asset retirement obligation is accounted for as a retirement cost asset and is depreciated on a straight-line basis over the remaining useful life of the underlying asset. The asset retirement obligation is accreted over time and recognized as an expense on the statement of operations. Changes in the future cash flow estimates resulting from revisions to the estimated timing or amount of undiscounted cash flows or the discount rate are recognized as changes in the asset retirement obligation and associated asset retirement cost. Actual asset retirement obligation expenditures up to the recorded liability at the time are charged against the obligation as the costs are incurred.

N) 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>	December 31			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	77,706	127,077	204,783	73,953	130,830
Property under capital lease	35,040	26,524	8,516	35,040	25,781	9,259
Permanent exhibitions	13,107	8,384	4,723	13,049	7,648	5,401
Leasehold improvements	12,762	8,297	4,465	12,749	8,136	4,613
Building improvements	7,997	5,612	2,385	7,555	4,940	2,615
Asset retirement cost	1,547	84	1,463	-	-	-
Research equipment	4,890	3,620	1,270	4,886	3,396	1,490
Collection cabinets and compactors	3,985	2,826	1,159	3,985	2,741	1,244
General equipment	1,533	820	713	1,508	718	790
Website	475	71	404	-	-	-
Computer equipment	4,629	4,558	71	4,575	4,519	56
Furnishings and office equipment	1,567	1,498	69	1,558	1,488	70
Work in progress	1,086	-	1,086	1,063	-	1,063
	294,028	140,000	154,028	291,378	133,320	158,058

The amortization expense for the nine months ended December 31, 2022 amounted to \$6.7 million (December 31, 2021 - \$6.7 million). During the period ended December 31, 2022, the Corporation sold fully amortized assets in the category of furnishings and office equipment for \$3.1 thousand resulting in a gain of \$3.1 thousand. No assets were retired nor sold during the period ended December 31, 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>		December 31 2022	March 31 2022
Total minimum future payments	(1)	30,625	33,250
Deduct: Imputed interest		(10,214)	(11,779)
Present value of financing obligations	(2)	20,411	21,471
Current portion		1,542	1,432
Long term portion		18,869	20,039
		20,411	21,471

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 \$21.3 million.

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

<i>(in thousands of dollars)</i>	2023	2024	2025	2026	2027	Thereafter
Future minimum payments	875	3,500	3,500	3,500	3,500	15,750

5. Deferred Revenues, Contributions and Parliamentary Appropriations

Deferred revenues, contributions and parliamentary appropriations are as follows:

<i>(in thousands of dollars)</i>	December 31 2022	March 31 2022
Deferred contributions from non-government sources	2,277	2,383
Deferred parliamentary appropriations	812	1,429
Total deferred contributions and parliamentary appropriations	3,089	3,812
Deferred revenues – goods and services	399	400
	3,488	4,212

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

<i>(in thousands of dollars)</i>	December 31 2022	March 31 2022
Balance, beginning of period	4,212	5,278
Add:		
Restricted contributions received	418	1,379
Deferred revenue for the provision of goods and services	282	487
	700	1,866
Less:		
Restricted contributions recognized	(524)	(890)
Restricted parliamentary appropriations spent	(617)	(1,563)
Deferred revenue for the provision of goods and services recognized	(283)	(479)
	(1,424)	(2,932)
Balance, end of period	3,488	4,212

6. Asset Retirement Obligation

The Corporation has identified asset retirement obligations related to its diesel reservoirs, natural gas piping, chillers, and other operating equipment. Asset retirement obligations represent the present value or estimated future cash flows required to retire the underlying assets. A risk-free rate of 3.09% and inflation rate of 2.50% were used to determine the present value of the obligations. The obligations are expected to be incurred between 2036 and 2046.

Changes in asset retirement obligations are as follows:

<i>(in thousands of dollars)</i>	December 31 2022	March 31 2022
Balance, beginning of period	-	-
Initial recognition	1,850	-
Changes in estimates	(302)	-
Accretion of asset retirement obligation	37	-
Balance, end of period	1,585	-

7. 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>	December 31 2022	March 31 2022
Used for acquisitions:		
Deferred capital contributions from non-government sources	1,138	1,187
Deferred capital funding through parliamentary appropriations	142,260	146,953
	143,398	148,140

Changes in the deferred capital funding balance are as follows:

<i>(in thousands of dollars)</i>	December 31 2022	March 31 2022
Balance, beginning of period	148,140	153,448
Add: Capital asset acquisitions	1,103	2,691
Less: Capital asset disposals	(3)	-
	1,100	2,691
Less amounts recognized as revenue:		
Contributions	(168)	(382)
Parliamentary appropriations	(5,674)	(7,617)
	(5,842)	(7,999)
Balance, end of period	143,398	148,140

8. Investment in Capital Assets

The investment in capital assets consists of the following:

<i>(in thousands of dollars)</i>	December 31 2022	March 31 2022
Capital assets	154,028	158,058
Less: Asset retirement cost	(1,463)	-
Capital assets excluding asset retirement cost	152,565	158,058
Less amounts financed by:		
Capital lease	(20,411)	(21,471)
Deferred capital funding	(143,398)	(148,140)
	(11,244)	(11,553)

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

<i>(in thousands of dollars)</i>	December 31 2022	March 31 2022
Capital asset additions	1,103	2,691
Less: capital asset disposals	(3)	-
	1,100	2,691
Add: repayment of obligation under capital lease	1,061	1,297
Less: capital assets financed with deferred capital funding	(1,103)	(2,691)
Capital assets purchased with the Corporation's funds	1,061	1,297
Amortization of deferred capital funding	5,842	7,999
Amortization of capital assets	(6,594)	(8,998)
Net change in investment in capital assets	309	298

9. Parliamentary Appropriations

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

<i>(in thousands of dollars)</i>	Three-month period ended December 31		Nine-month period ended December 31	
	2022	2021	2022	2021
Appropriations received and receivable:				
Operating and capital budgets	6,912	13,742	20,788	27,586
Portion of parliamentary appropriations deferred for future projects	175	274	(811)	(1,709)
Previous periods' appropriations used in current period to complete specific projects	-	-	1,429	2,994
Appropriations used to purchase depreciable capital assets	(302)	(833)	(1,103)	(2,117)
Deferred capital funding recognized as revenue	1,927	1,980	5,674	5,677
Appropriations recognized during the period	8,712	15,163	25,977	32,431

10. Admission and Program Fees

Admission and program fees are comprised as follows:

<i>(in thousands of dollars)</i>	Three-month period ended December 31		Nine-month period ended December 31	
	2022	2021	2022	2021
Admission fees – general	649	458	3,075	973
Admission fees – temporary exhibitions	88	-	324	-
Memberships	92	76	287	151
Programs	23	8	80	12
	852	542	3,766	1,136

11. Ancillary Operations

Ancillary operations are comprised as follows:

	Three-month period ended December 31		Nine-month period ended December 31	
	2022	2021	2022	2021
<i>(in thousands of dollars)</i>				
Parking	157	126	618	266
Rental of facilities	150	28	341	52
Boutique revenues	210	160	844	335
	517	314	1,803	653

12. Contributions

Contributions are comprised as follows:

	Three-month period ended December 31		Nine-month period ended December 31	
	2022	2021	2022	2021
<i>(in thousands of dollars)</i>				
Cash contributions and sponsorships	301	360	767	756
Specimen donations	130	25	132	309
	431	385	899	1,065
Contributions from the Foundation	-	76	113	76
	431	461	1,012	1,141

13. 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	
	2022	2021	2022	2021
<i>(in thousands of dollars)</i>				
Revenues from Government of Canada related parties:				
Contributions	-	-	125	-
Ancillary operations	-	2	17	2
Other	-	-	-	21
	-	2	142	23

	Three-month period ended December 31		Nine-month period ended December 31	
	2022	2021	2022	2021
<i>(in thousands of dollars)</i>				
Expenses with Government of Canada related parties:				
Personnel costs	370	547	1,281	1,452
Real property taxes	307	299	923	896
Professional and special services	11	72	35	73
Information management, infrastructure and systems	6	2	16	5
Freight and cartage	4	2	50	4
Repairs and maintenance	3	-	3	1
	701	922	2,308	2,431

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

	September 30 2022	March 31 2022
<i>(in thousands of dollars)</i>		
Due from related parties	122	97
Due to related parties	2	358

14. Summary of Expenses by Object

	Three-month period ended December 31		Nine-month period ended December 31	
	2022	2021	2022	2021
<i>(in thousands of dollars)</i>				
Personnel costs	3,723	5,038	11,503	11,658
Amortization of capital assets	2,261	2,321	6,683	6,699
Operation and maintenance of buildings	1,393	944	3,432	2,761
Professional and special services	1,233	1,000	3,073	2,179
Real property taxes	618	573	1,832	1,826
Interest on capital lease obligation	512	547	1,564	1,664
Information management infrastructure and systems	466	510	1,056	1,134
Cost of goods sold - natureBOUTIQUE	76	68	319	146
Marketing and communications	165	93	421	179
Travel	89	46	205	98
Repairs and maintenance	85	34	228	164
Exhibitions	97	51	230	117
Accretion of asset retirement obligation	13	-	37	-
Freight and cartage	7	4	22	16
Objects for collections	131	25	133	310
Other	14	48	471	154
	10,883	11,302	31,209	29,105

15. 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 Corporation 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. Although many pandemic-related restrictions have been lifted, 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 2021-22, the Corporation received \$8.0 million to assist in maintaining essential services and address financial pressures resulting from the pandemic, and in 2022-23, the Museum received approval for \$5.1 million of supplementary funding to address revenue shortfalls resulting from the pandemic. The 2022-23 funding of \$5.1 million is anticipated to be received by March 31, 2023. No funds were received as of December 31, 2022.