

# CANADIAN MUSEUM OF NATURE

## QUARTERLY FINANCIAL REPORT

(Unaudited)

For the three-month period  
ended June 30, 2023

Canada



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## **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, 2023, 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. Internal operations such as research, exhibit development and essential services such as animal care continued throughout the period of closure. The Museum did not experience pandemic-related closures during 2022-23, nor during the first three months of 2023-24. General visitor attendance and interest in rental and other revenue-generating offerings began to recover during 2022-23 and have continued recovering into 2023-24.

During 2022-23 the Museum received \$5.1 million of supplementary funding to address revenue shortfalls resulting from the pandemic. The 2022-23 funding was received in the fourth quarter of 2022-23. No funds were accounted for in the financial results for the three months ended June 30, 2022.

### **FINANCIAL PERFORMANCE**

#### **REVENUE AND PARLIAMENTARY APPROPRIATIONS**

Revenue and parliamentary appropriations increased by \$1.1 million (11%) to \$12.0 million in the three months ended June 30, 2023 from \$10.8 million for the three months ended June 30, 2022, with parliamentary appropriations representing 73% of the total in the 2023-24, compared to 78% in the 2022-23 period.

##### **Parliamentary Appropriations**

On an accrual basis, parliamentary appropriations increased by \$0.2 million (3%) to \$8.7 million for the three months ended June 30, 2023 from \$8.5 million for the three months ended June 30, 2022. The increase was due to differences in the timing and amount of capital asset acquisitions in each period.

##### **Admission and Program Fees**

Revenue generated from admission and program fees for the three months ended June 30, 2023 was \$1.4 million, an increase of \$0.3 million (27%) compared to \$1.1 million earned in the same period of 2022-23. General admission totaled 96,668 for the first quarter of 2023-24, compared to 86,187 for the same period of 2022-23.

Following the COVID-19 pandemic, during 2022-23 programs including Nature Nocturne evenings, café, sleepovers and birthday parties remained shut down, with no revenues generated. During late 2022-23, the Museum reopened its café with limited offerings. In the second quarter of 2023-24, full café operations are anticipated to commence. Nature Nocturne events recommenced in the first quarter of 2023-24, with a total of four events planned for the year. The frequency of Nature Nocturne events are expected to scale up to pre-pandemic levels after 2023-24 as the Museum rebuilds its internal support structures and event attendance continues to recover.

### **Ancillary Operations**

Revenue associated with ancillary operations includes rentals of facilities, boutique sales, cafeteria leases, parking, and collection services. Revenue from ancillary operations was \$0.9 million for the three months ended June 30, 2023, an increase of \$0.2 million (34%) from \$0.7 million for the three months ended June 30, 2022. Increased revenues from ancillary operations were primarily driven by higher boutique sales and higher parking activity, both resulting from higher visitor attendance throughout 2022-23, and more rental activity at the VMMB as demand for facility rentals continued to recover to pre-pandemic levels.

### **Contributions**

Contributions recognized as revenue vary from year to year based upon the resources required to fund research, collections and public education programs including installing new permanent galleries. On an accrual basis, contributions including donations, sponsorships, in-kind sponsorships and specimen donations remained consistent at \$0.3 million for the three months ended June 30, 2023 and 2022.

### **Interest**

Interest revenue generated from cash deposits increased by \$0.4 million (413%) to \$0.5 million for the three months ended June 30, 2023, compared to \$0.1 million for the three months ended June 30, 2022. The increase in interest revenue was due to significantly higher interest rates and higher average cash balances between the two periods.

### **Other**

Other revenue remained consistent at \$0.2 million for the three months ended June 30, 2023 and 2022.

## **EXPENSES**

Expenses increased by \$1.3 million (14%) to \$11.0 million for the three months ended June 30, 2023 from \$9.7 million for the three months ended June 30, 2022. The higher costs in the current period were mainly due to variable costs associated with greater attendance and more rental activities, such as employees at the Victoria Memorial Museum Building, temporary exhibits, cost of goods sold at the Boutique, and security, as well as increases to utility costs due to higher market rates, and inflationary pressures on ongoing costs necessary to maintain the Museum's operations.

### **Experience and Engagement**

Experience and engagement increased to \$2.5 million for the three months ended June 30, 2023 from \$2.3 million for the three months ended June 30, 2022. The increase of \$0.2 million (10%) is mainly due to additional staff costs to support higher attendance and rental activities, cost of goods sold associated with higher Boutique sales, and temporary exhibit and marketing costs. Increases in most experience and engagement expenses are correlated with increases to revenue-generating activities such as admission, rentals, and Boutique sales.

### **Collections Care and Access**

Collections care and access increased by \$0.2 million (28%) from \$0.7 million for the three months ended June 30, 2022 to \$0.9 million for the three months ended June 30, 2023. The higher expenses in the current period were primarily related to additional staff costs associated with externally-funded projects.

### **Research and Discovery**

Research and discovery remained consistent at \$1.3 million for the three months ended June 30, 2022 and 2023.

## **Corporate Services**

Corporate services increased by \$0.3 million (30%) from \$1.1 million for the three months ended June 30, 2022 to \$1.4 million for the three months ended June 30, 2023. Increased costs between the periods were due to inflationary cost pressures on services required to support the Museum's operations.

## **Facilities**

Expenses related to the Museum's buildings and grounds increased by \$0.6 million (13%) from \$4.3 million for the three months ended June 30, 2022 to \$4.9 million for the three months ended June 30, 2023. The increase was primarily attributable to higher security, utilities, and grounds maintenance costs.

## **NET RESULTS OF OPERATIONS**

The net results of operations generated a surplus of \$1.0 million for the three months ended June 30, 2023, which was partly attributable to high interest revenue of \$0.5 million and revenues generated during the period as the Museum experienced further recoveries in attendance and rental activities from pandemic levels.

## **FINANCIAL SITUATION**

### **Assets**

Cash increased by \$1.4 million (4%) to \$35.2 million at June 30, 2023 from \$33.8 million at March 31, 2022. The increase was mainly due to revenues generated during the period and increases to deferred operating revenues.

Capital assets decreased by \$2.1 million (1%) to \$149.1 million at June 30, 2023, compared to \$151.2 million at March 31, 2023 primarily due to amortization expense of \$2.1 million.

### **Liabilities**

Deferred revenue, contributions, parliamentary appropriations and capital funding increased by \$1.5 million (41%) to \$5.2 million at June 30, 2023 from \$3.7 million at March 31, 2023. The increase was mainly attributable to \$2.1 million of previously deferred revenue recognized for the provision of goods and services, partially offset by \$0.6 million of restricted contributions and revenues deferred to future years.

Deferred capital funding decreased by \$1.8 million (1%) to \$140.4 million at June 30, 2023 from \$142.2 million at March 31, 2023 due to \$1.9 million of deferred capital funding recognized as revenue, partially offset by \$0.1 million of capital asset acquisitions during the three months ended June 30, 2023. Deferred capital funding is recognized as revenue at the same pace as the amortization of the corresponding capital assets.

### **Net Assets**

Net assets of \$16.9 million as at June 30, 2023 are due to positive net results of operations for the three months ended June 30, 2023 of \$1.0 million, and 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.

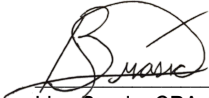
## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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  
August 17, 2023

## Statement of Financial Position (Unaudited)

<i>(in thousands of dollars)</i>	June 30 2023	March 31 2023
<b>Assets</b>		
Current		
Cash	35,245	33,864
Restricted cash	1,297	753
Accounts receivable		
Trade	367	321
Government departments and agencies (Note 4)	19	245
Inventories	211	189
Prepaid expenses	1,332	1,144
	38,471	36,516
Collections	1	1
Prepaid expenses	531	608
Employee advances	354	357
Restricted investments	1,196	1,196
Investments	940	940
Capital assets (Note 5)	149,062	151,158
	<b>190,555</b>	<b>190,776</b>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities		
Trade and other	4,814	5,009
Government departments and agencies (Note 4)	10	236
Obligation under capital lease (Note 6)	1,620	1,581
Deferred revenues, contributions, parliamentary appropriations, and capital funding (Note 7)	5,283	3,727
	11,727	10,553
Obligation under capital lease (Note 6)	18,038	18,459
Deferred capital funding (Note 7)	140,370	142,179
Asset retirement obligation (Note 8)	846	845
Employee future benefits	2,747	2,824
	<b>173,728</b>	<b>174,860</b>
<b>Net assets</b>		
Unrestricted	28,639	27,822
Investment in capital assets (Note 9)	(11,812)	(11,906)
	<b>16,827</b>	<b>15,916</b>
	<b>190,555</b>	<b>190,776</b>

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

## Statement of Operations for the three-month period ended June 30 (Unaudited)

<i>(in thousands of dollars)</i>	2023	2022 Restated (Note 3)
<b>Revenue (Note 10)</b>		
Admission and program fees	1,360	1,068
Ancillary operations	898	670
Contributions	316	314
Interest	462	90
Other	192	201
	<b>3,228</b>	<b>2,343</b>
<b>Expenses (Note 11)</b>		
Experience and engagement	2,520	2,287
Collections care and access	918	720
Research and discovery	1,274	1,239
Corporate Services	1,410	1,082
Facilities	4,914	4,331
	<b>11,036</b>	<b>9,659</b>
<b>Net result of operations before parliamentary appropriations</b>	<b>(7,808)</b>	<b>(7,316)</b>
Parliamentary appropriations (Note 12)	8,719	8,495
<b>Net result of operations</b>	<b>911</b>	<b>1,179</b>

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

## Statement of Changes in Net Assets (Unaudited)

For the three-month period ended June 30

<i>(in thousands of dollars)</i>	Unrestricted	Invested in capital assets (Note 9)	2023	2022 Restated (Note 3)
Net assets (accumulated deficit), beginning of period <sup>(1)</sup>	27,822	(11,906)	15,916	(586)
Net result of operations	911	-	911	1,179
Net change in investment in capital assets	(94)	94	-	-
<b>Net assets, end of period</b>	<b>28,639</b>	<b>(11,812)</b>	<b>16,827</b>	<b>593</b>

<sup>(1)</sup> June 30, 2022 balances of unrestricted net assets and net assets invested in capital assets have been restated. Refer to Note 3.

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 2022 and 2023 periods.



## Statement of Cash Flows for the three-month period ended June 30 (Unaudited)

<i>(in thousands of dollars)</i>	<b>2023</b>	<b>2022</b>
<b>Operating activities</b>		
Cash receipts - customers and donors	4,437	2,386
Cash receipts - parliamentary appropriations	6,967	6,962
Cash disbursements - employees	(4,572)	(3,852)
Cash disbursements - suppliers	(4,340)	(3,256)
Interest received	452	88
Interest paid	(494)	(530)
<b>Cash provided by operating activities</b>	<b>2,450</b>	<b>1,798</b>
<b>Capital activities</b>		
Acquisition of capital assets	(143)	(732)
Disposition of capital assets	-	1
<b>Cash used in capital activities</b>	<b>(143)</b>	<b>(731)</b>
<b>Financing activities</b>		
Obligation under capital lease	(382)	(343)
<b>Cash used in financing activities</b>	<b>(382)</b>	<b>(343)</b>
<b>Increase in cash and restricted cash</b>	<b>1,925</b>	<b>724</b>
Cash, beginning of period	33,864	25,731
Restricted cash, beginning of period	753	525
<b>Cash and restricted cash, end of period</b>	<b>36,542</b>	<b>26,980</b>
Cash, end of period	35,245	26,248
Restricted cash, end of period	1,297	732
<b>Cash and restricted cash, end of period</b>	<b>36,542</b>	<b>26,980</b>

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

# Notes to the Financial Statements for the three-month period ended June 30, 2023 (Unaudited, in thousands of dollars, unless otherwise specified)

## 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:

- **Experience and engagement**

The Corporation creates, disseminates, and inspires engagement with the public through high-quality immersive experiences in its permanent galleries and exhibitions, digital dialogue, programming, revenue generating activities including admissions, rentals, and contributions, audience research and partnerships, to foster an understanding of, and respect for, nature and inspire philanthropic support. Expenses attributed to these activities are primarily personnel costs, exhibition costs, and marketing and advancement costs.

- **Collections care and access**

The Corporation acquires, develops, preserves, and makes accessible collections of natural history specimens, objects, images, and information to meet the growing needs of the public and private sectors for research, education, and informed decision-making about the natural world and how it is changing. The collection comprises biodiversity and geodiversity specimens including genomic samples, library and archives collections, and art, photo, and historical materials collections. This national collection is a significant part of Canada's scientific and cultural resources and enables global research and discovery. Expenses attributed to collection activities are primarily personnel costs, collections care, preservation, and development costs, and collections digitization costs, including digitization equipment and information technology infrastructure. Revenue is generated primarily through external grants, sponsorships, partnerships, and donations.

- **Research and discovery**

The Corporation is a recognized collections-based science leader that advances knowledge and understanding about biodiversity, geodiversity, and the Arctic through research and discovery and that develops and maintains networks and linkages with Canadian and international science communities. The Corporation's research informs our understanding of Earth's mineral diversity, the global biodiversity crisis, and the impacts of climate change and other change drivers on the natural world. Expenses attributed to these activities are primarily personnel costs, costs associated with field- and laboratory-based research, and publishing costs. Revenue is generated primarily through external grants, sponsorships, partnerships, and donations.

- **Corporate 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. Corporate services functions support all divisions of the Corporation. Functions include human resources, finance, information technology, internal and external reporting, compliance, risk management, strategic affairs, and governance. Expenses attributed to these activities are primarily personnel costs.

- **Facilities**

The Corporation provides secure and functional facilities that meet all safety and building code requirements. These facilities are the Victoria Memorial Museum Building (“VMMB”) located in Ottawa, Ontario, and the Natural Heritage Campus (“NHC”) located in Gatineau, Quebec. Expenses attributed to these activities are primarily personnel costs, and costs associated with maintaining, cleaning, securing, heating, cooling, and otherwise operating the facilities.

# Notes to the Financial Statements

## for the three-month period ended June 30, 2023

(Unaudited, in thousands of dollars, unless otherwise specified)

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. Since February 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 were prepared in accordance with Canadian Public Sector Accounting Standards ("PSAS"). The Corporation has elected to apply the Section 4200 series for government not-for-profit organizations, and the deferral method of accounting for contributions, in addition to the following significant accounting policies:

### B) Financial Instruments

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

Financial instruments are assessed annually for impairment at the date of the year-end financial statements. Any impairment losses resulting from these assessments are reported in the Statement of Operations. Accounts receivable are reported net of any provision for impairment or inability to collect. Accounts payable and accrued liabilities are derecognized only when the underlying liability has been extinguished.

Transaction costs are added to the carrying value of financial instruments at the time they are initially recognized.

### C) Cash and Restricted Cash

Cash, both restricted and unrestricted, consist of deposits with financial institution that can be withdrawn without prior notice or penalty. Restricted cash and cash equivalents reflect the unused portion of deferred contributions received from individuals and corporate entities for a specified purpose.

### D) Inventories

Inventory for resale is valued at the lower of cost and net realizable value, where 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 an invaluable collection of natural history specimens for the benefit of Canadians, present and future. The Corporation divides the collection into the following four discipline-related groups:

- Earth Sciences, consisting of minerals, rocks, gems and fossils,
- Vertebrates, consisting of mammals, birds, fish, amphibians, and reptiles,
- Invertebrates, consisting of mollusks, insects, crustaceans, parasites and annelids, and
- Botany, consisting of algae, vascular plants, bryophytes and lichens

## Notes to the Financial Statements for the three-month period ended June 30, 2023 (Unaudited, in thousands of dollars, unless otherwise specified)

The collections are shown as a nominal value of \$1.0 thousand in the Statement of Financial Position due to practical difficulties in determining a meaningful fair market value for these assets. Specimens purchased for the collections are recorded as an expense in the Statement of Operations in the year of their acquisition.

### F) Investments and Restricted Investments

Investments within the Ottawa Community Foundation (“OCF”) and established as 10-year term fund are recorded at amortized cost in the Statement of Financial Position. Investments are measured at amortized cost using the effective interest rate method through the Statement of Operations.

Restricted Investments within the OCF and established as a 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.

### G) Capital Assets

Land and buildings owned by the Government of Canada and under the control of the Corporation are recorded at their estimated historical cost for land and their estimated historical cost less accumulated amortization for buildings. The historical net costs of the building have been credited to deferred contributions for the amortization of capital assets, and the estimated historical cost of the land has been credited to net assets.

Leasehold improvements are amortized over the lesser of the remaining lease term and estimated future life. Properties under capital lease are recorded at the present value of the minimum principal payments at the inception of the lease and are amortized by their annual principal payments, to associate the asset to the matching liability, which is most reflective of the expiration of the economic benefit.

Amounts included in capital projects in progress are transferred to the appropriate capital asset classification upon completion and are amortized accordingly. All other capital assets are recorded at cost and are amortized over their estimated useful life, using the straight-line method. Useful lives are as follows:

Capital Asset	Useful Life (Years)
Victoria Memorial Museum Building	40
Property under capital lease	35
Collection cabinets and compactors	35
Building improvements	5 to 25
Leasehold improvements	Shorter of 5 years and lease term
Equipment and furnishings	10
Permanent exhibitions	10
Website	5
Computer equipment	3

When conditions indicate that a capital asset is no longer able to contribute to the Corporation’s ability to provide goods or services, the capital asset is written down to its residual value, if any, and the resulting impairment loss is recognized as an expense in the Statement of Operations. When the value of future economic benefits associated with the capital asset are less

## Notes to the Financial Statements for the three-month period ended June 30, 2023 (Unaudited, in thousands of dollars, unless otherwise specified)

than the net book value of the capital asset, the capital asset is written down to its residual value, if any, and the resulting impairment loss is recognized as an expense in the Statement of Operations.

### H) Asset Retirement Obligations

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, as well as remaining asbestos in the Victoria Memorial Museum Building. Asset retirement obligations are recognized when, as of the financial reporting date, there is a legal obligation to incur retirement costs in relation to a capital asset that are the result of a past transaction or event that has occurred, where it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made.

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 added to the capital asset class of the underlying 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. The asset retirement obligation is revalued at the end of each reporting period for changes in estimates. 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 increases or decreases to the asset retirement obligation and associated asset retirement cost included in capital assets in the year they become known. Actual asset retirement obligation expenditures up to the recorded liability at the time are charged against the obligation as the costs are incurred.

Expenditures required to settle the Corporation's asset retirement obligations include, but are not limited to, costs required to decommission or dismantle a tangible capital asset that was acquired, constructed, or developed, to remediate contamination of a tangible capital asset created by its normal use, post-retirement activities such as monitoring, and to construct other tangible capital assets to perform post-retirement activities.

### I) Employee Future Benefits

#### i) Pension benefits

Eligible 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 and sick leave 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 termination benefits are recognized in the period when the event that obligates the Corporation occurs.

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 severance and sick leave benefit obligations is actuarially determined using the projected benefit method prorated on service and management's best estimates of future costs. Such estimates include inflation rates, discount rates,

## Notes to the Financial Statements for the three-month period ended June 30, 2023 (Unaudited, in thousands of dollars, unless otherwise specified)

employee demographics and, for sick leave benefits, sick leave usage of active employees. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. Actuarial gains (losses) are recognized on a systematic basis over the remaining service life of active employees covered by these benefits.

### 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.

Externally restricted contributions are recorded as deferred revenue and recognized as revenue in the year in which the related expenses are recognized.

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

Parliamentary appropriations are recognized as revenue when the payments are authorized and all eligibility criteria have been met, except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the funding is recorded as deferred revenue and recognized as revenue in the year in which the related expenses are recognized. As such, appropriations for the purchase of capital assets are recorded as deferred revenue and recognized as revenue on the same basis as the amortization of the capital assets acquired.

#### v) Interest income

Interest on cash and unrestricted investments is recognized as revenue in the year it is earned. Interest earned from externally restricted investments is recorded as deferred revenue and recognized as revenue in the year in which the related expenses are recognized, including on the same basis as amortization for those related to the purchase of capital assets.

## Notes to the Financial Statements for the three-month period ended June 30, 2023 (Unaudited, in thousands of dollars, unless otherwise specified)

### vi) Investments and Restricted investments

Investment income distributed from the 10-year term fund is recognized as revenue in the Statement of Operations.

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.

### 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) Inter-Entity Transactions

Related party transactions, other than inter-entity transactions, are recorded at their exchange amount. Inter-entity transactions are transactions between two commonly controlled entities, which are recorded on a gross basis and are measured at the carrying amount, except for the following:

- 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 the costs provided are covered.
- Goods or services received without charge between commonly controlled entities are not recognized in the financial statements, including audit services from the Office of the Auditor General of Canada and pension services from Public Services and Procurement Canada.

### M) Measurement Uncertainty

The preparation of financial statements requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenue and expenses for the year. Employee future benefits, the estimated useful lives of capital assets, and estimated discount rates, inflation rates, timing of abandonment activities, and the costs necessary to settle obligations that are used to determine the present value of asset retirement obligations are the most significant items for which estimates are used. Actual results could differ significantly from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the fiscal year in which they become known.

### N) Contingent Liabilities

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is recognized, and an expense is recorded. If the likelihood is not determinable, or the amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

### O) Allocation of Expenses

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

**Notes to the Financial Statements**  
**for the three-month period ended June 30, 2023**  
(Unaudited, in thousands of dollars, unless otherwise specified)

**3. Adoption of New Accounting Standard**

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. In its initial adoption in the June 30, 2022 financial statements, the Corporation applied the prospective method, which did not result in the restatement of any comparative information. Subsequently, in order to align with Treasury Board directions, the Corporation applied the modified retrospective method, which resulted in the restatement of 2022 comparative information. Results for the three months ended June 30, 2022 have been restated from originally disclosed values due to the change from adoption of PS 3280 under the prospective method to the modified retrospective method.

Under the modified retrospective method, the Corporation recognized liabilities for its existing retirement obligations, adjusted for accumulated accretion, asset retirement costs and accumulated amortization, and an adjustment to the opening balance of accumulated surplus. Accumulated accretion and amortization were calculated from the date the obligation was first incurred up to April 1, 2022. Comparative balances for the year ended March 31, 2022 have been restated to include these balances and cumulative expenses. In accordance with the provisions for modified retrospective adoption of the standard under PS 3280, retrospective adjustments were calculated using the risk-free interest rates and inflation rates in place at the date of policy adoption, April 1, 2022.

The adoption of PS 3280 by applying the modified retroactive method resulted in the recognition of an asset retirement obligation of \$1.0 million, capital assets of \$0.2 million, and net assets of \$0.8 million in the statement of financial position as at April 1, 2022.

The adoption of PS 3280, Asset Retirement Obligations using the modified retrospective method resulted in the restatement of March 31, 2022 financial statement line items and capital asset line items in order to reflect the recognition of asset retirement obligations and asset retirement costs at the time in which the Corporation became subject to those obligations, and accretion expense and amortization expense incurred up to March 31, 2022.



**Notes to the Financial Statements**  
**for the three-month period ended June 30, 2023**  
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A comparison of the impacted financial statement line items before and after the adoption of PS 3280 as-at or for the three months ended June 30, 2022 are as follows:

	June 30, 2022 As previously presented	Adjustments	June 30, 2022 Restated
<b>Statement of Operations</b>			
Facilities	4,362	(31)	4,331
Net result of operations before parliamentary appropriations	(7,347)	31	(7,316)
Net result of operations	1,148	31	1,179
<b>Statement of Changes in Net Assets</b>			
Net assets (accumulated deficit), beginning of period	8,259	(834)	7,425
Net result of operations	1,148	31	1,179

Note 11 includes restated information resulting from the adoption of PS 3280.

Further information regarding the adoption of PS 3280 can be found in notes 2(h) and 8.

#### 4. Inter-Entity 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.

	2023	2022
<b>Revenues from Government of Canada related parties:</b>		
Contributions	-	125
Ancillary operations	6	16
Other	101	-
	<b>107</b>	<b>141</b>
<b>Expenses with Government of Canada related parties:</b>		
Personnel costs	633	486
Real property taxes	308	307
Professional and special services	-	16
Information management, infrastructure and systems	-	7
Freight and cartage	-	2
	<b>941</b>	<b>818</b>

**Notes to the Financial Statements**  
**for the three-month period ended June 30, 2023**  
(Unaudited, in thousands of dollars, unless otherwise specified)

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

	June 30 2023	March 31 2023
Due from related parties	19	245
Due to related parties	10	236

## 5. Capital Assets

### Cost

	March 31 2023				June 30 2023
	Opening Balance	Additions and changes in estimates	Transfers	Dispositions / Impairment	Closing Balance
Victoria Memorial Museum Building	205,072	(6)	-	-	205,066
Property under capital lease	35,040	-	-	-	35,040
Permanent exhibitions	13,132	23	-	-	13,155
Leasehold improvements	12,785	7	-	-	12,792
Building improvements	8,497	16	115	-	8,628
Equipment and furnishings	8,080	27	-	-	8,107
Collection cabinets and compactors	3,985	-	-	-	3,985
Capital projects in progress	1,052	-	(115)	(29)	908
Land	627	-	-	-	627
Website	486	-	-	-	486
Computer equipment	4,656	10	-	-	4,666
	293,412	77	-	(29)	293,460

### Accumulated Amortization

	March 31 2023				June 30 2023
	Opening Balance	Additions	Dispositions / Impairment	Closing Balance	
Victoria Memorial Museum Building	79,197	1,255	-	80,452	
Property under capital lease	26,772	248	-	27,020	
Permanent exhibitions	8,632	234	-	8,866	
Leasehold improvements	8,368	43	-	8,411	
Building improvements	5,687	185	-	5,872	
Equipment and furnishings	6,070	113	-	6,183	
Collection cabinets and compactors	2,855	29	-	2,884	
Website	97	24	-	121	
Computer equipment	4,576	13	-	4,589	
	142,254	2,144	-	144,398	

**Notes to the Financial Statements**  
**for the three-month period ended June 30, 2023**  
(Unaudited, in thousands of dollars, unless otherwise specified)

**Net Book Value**

	June 30 2023	March 31 2023
Victoria Memorial Museum Building	124,614	125,875
Property under capital lease	8,020	8,268
Permanent exhibitions	4,289	4,500
Leasehold improvements	4,381	4,417
Building improvements	2,756	2,810
Equipment and furnishings	1,924	2,010
Collection cabinets and compactors	1,101	1,130
Capital projects in progress	908	1,052
Land	627	627
Website	365	389
Computer equipment	77	80
	<b>149,062</b>	<b>151,158</b>

Amortization expense for the three months ended June 30, 2023 was \$2.1 million (June 30, 2022 - \$2.1 million). No assets were sold during the three months ended June 30, 2023. During the three months ended June 30, 2022, the Corporation sold a fully amortized asset in the category of equipment and furnishings for \$1.1 thousand, resulting in a gain of \$1.1 thousand. During the three months ended June 30, 2023, the Corporation derecognized \$29.1 thousand of capital projects in progress that have been suspended indefinitely.

**6. Obligation Under Capital Lease**

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

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

		June 30 2023	March 31 2023
Total minimum future payments	(1)	28,875	29,750
Less: Interest component of minimum future payments		(9,217)	(9,710)
<b>Present value of principal payments</b>	(2)	<b>19,658</b>	<b>20,040</b>
Current liability		1,620	1,581
Long term liability		18,038	18,459
		<b>19,658</b>	<b>20,040</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 \$20.5 million.

**Notes to the Financial Statements**  
**for the three-month period ended June 30, 2023**  
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Future minimum lease payments, by year under the financing obligation are as follows:

	2024	2025	2026	2027	2028	Thereafter
Future minimum payments	2,625	3,500	3,500	3,500	3,500	12,250

## 7. Deferred Revenues, Contributions, Parliamentary Appropriations, and Capital Funding

Deferred revenues, contributions and parliamentary appropriations are as follows:

	March 31 2023			June 30 2023
	Opening Balance	Funding received	Funding recognized	Closing Balance
Parliamentary appropriations	376	-	-	376
Contributions	2,825	1,572	(396)	4,001
Operating revenues	526	580	(200)	906
	<b>3,727</b>	<b>2,152</b>	<b>(596)</b>	<b>5,283</b>

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 is as follows:

	March 31 2023			June 30 2023
	Opening Balance	Capital assets acquired	Recognized as revenue	Closing Balance
Parliamentary appropriations	141,099	81	(1,834)	139,346
Contributions	1,080	-	(56)	1,024
	<b>142,179</b>	<b>81</b>	<b>(1,890)</b>	<b>140,370</b>

## 8. Asset Retirement Obligation

Asset retirement obligations represent the present value of estimated future cash flows required to settle the Corporation's legal obligations associated with the retirement of its tangible capital assets. The Corporation has asset retirement obligations associated with certain of its operating equipment, including chillers, diesel reservoirs, piping, and freezers, as well as asbestos in the Victoria Memorial Museum Building. A risk-free rate of 3.09% (March 31, 2023: 3.02%) and inflation rate of 2.00% (March 31, 2023: 2.00%) were used to determine the present value of the obligations. The Corporation uses Bank of Canada bond yields as the basis for the risk-free rate. The undiscounted, uninflated asset retirement obligation at June 30, 2023 was \$1.0 million (March 31, 2023 - \$1.0 million). No asset retirement obligations were identified or settled during the three months ended June 30, 2023, nor the year ended March 31, 2023. The asset retirement obligations are expected to be incurred between 2036 and 2046. The Corporation does not have any legal requirements for financial assurance or funding for its current asset retirement obligations.

**Notes to the Financial Statements**  
**for the three-month period ended June 30, 2023**  
(Unaudited, in thousands of dollars, unless otherwise specified)

Changes in asset retirement obligations are as follows:

	Equipment and Furnishings	Leasehold Improvements	Victoria Memorial Museum Building	Total Asset Retirement Obligation
<b>Balance, March 31, 2023</b>	30	46	769	845
Changes in estimates	-	-	(5)	(5)
Accretion of asset retirement obligation	-	-	6	6
<b>Balance, June 30, 2023</b>	30	46	770	846

## 9. Investment in Capital Assets

The investment in capital assets is internally restricted and consists of the following:

	June 30, 2023	March 31, 2023
Capital assets (Note 5)	149,062	151,158
Less amounts financed by:		
Asset retirement obligation (Note 8)	(846)	(845)
Capital lease (Note 6)	(19,658)	(20,040)
Deferred capital funding (Note 7)	(140,370)	(142,179)
	<b>(11,812)</b>	<b>(11,906)</b>

Net change in investment in capital assets for the three months ended June 30, 2023 and year ended March 31, 2023 is calculated as follows:

	June 30, 2023	March 31, 2023
Capital asset additions	82	1,594
Add: repayment of obligation under capital lease	382	1,431
Less: accretion of asset retirement obligation	(6)	(26)
Less: asset derecognitions	(29)	-
Plus: impact of changes in estimates to asset retirement estimate	2	82
Less: capital assets financed with deferred capital funding	(82)	(1,594)
Capital assets purchased with the Corporation's funds	349	1,487
Amortization of deferred capital funding	1,889	7,667
Amortization of capital assets	(2,144)	(8,673)
<b>Net change in investment in capital assets</b>	<b>94</b>	<b>481</b>

**Notes to the Financial Statements**  
**for the three-month period ended June 30, 2023**  
(Unaudited, in thousands of dollars, unless otherwise specified)

**10. Revenue**

Components of the Corporation's primary sources of revenue are detailed as follows:

**Admission and program fees**

	<b>2023</b>	<b>2022</b>
Admission fees – general	959	890
Admission fees – temporary exhibitions	143	41
Memberships	99	82
Programs	159	55
	<b>1,360</b>	<b>1,068</b>

**Ancillary operations**

	<b>2023</b>	<b>2022</b>
Boutique revenues	351	263
Parking	224	197
VMMB facility rentals	190	117
NHC facility rentals	49	41
NHC collection services	84	52
	<b>898</b>	<b>670</b>

**Contributions**

	<b>2023</b>	<b>2022</b>
Cash contributions and sponsorships	316	313
Specimen donations	-	1
	<b>316</b>	<b>314</b>

**Other**

	<b>2023</b>	<b>2022</b>
Professional and scientific services	178	173
Exhibit loans	4	8
Other	10	20
	<b>192</b>	<b>201</b>

**Notes to the Financial Statements**  
**for the three-month period ended June 30, 2023**  
(Unaudited, in thousands of dollars, unless otherwise specified)

**11. Summary of Expenses by Object**

	<b>2023</b>	<b>2022</b> <b>Restated (Note 3)</b>
Personnel costs	4,214	3,890
Amortization of capital assets	2,144	2,127
Professional and special services	1,189	821
Operation and maintenance of buildings	1,120	956
Real property taxes	611	584
Interest on capital lease obligation	494	530
Information management infrastructure and systems	470	157
Exhibitions	197	49
Travel	160	58
Cost of goods sold - natureBOUTIQUE	133	101
Marketing and communications	95	84
Repairs and maintenance	56	49
Accretion of asset retirement obligation	6	6
Freight and cartage	6	8
Objects for collections	4	1
Other	137	238
	<b>11,036</b>	<b>9,659</b>

**12. Parliamentary Appropriations**

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

	<b>2023</b>	<b>2022</b>
Operating	6,930	6,914
Supplementary	37	48
Amortization of deferred contributions related to capital assets	1,834	1,807
Prior years' deferred appropriations recognized in current year	-	1,429
Appropriations deferred for future capital projects	-	(1,364)
Appropriations used to purchase amortizable capital assets	(82)	(339)
<b>Appropriations recognized during the period</b>	<b>8,719</b>	<b>8,495</b>

**13. Comparative Figures**

Certain comparative figures have been reclassified to conform to the current period's presentation.