

INGENIUM – CANADA'S MUSEUMS OF
SCIENCE AND INNOVATION

QUARTERLY FINANCIAL REPORT
(UNAUDITED)

FOR THE QUARTER ENDED
SEPTEMBER 30, 2018

Narrative discussion

September 30, 2018

This section of the quarterly financial report presents management's narrative discussion of the Corporation's financial performance during the second quarter ended September 30, 2018. Please read it in conjunction with the Ingenium's quarterly financial statements, which follow this section.

FINANCIAL RESULTS

A summary of Ingenium's activities for the second quarter of 2018-2019 includes the following:

Overview

The second quarter of the financial year is the highest period of attendance at Ingenium's three museums, the Canada Agriculture and Food Museum (CAFM), the Canada Aviation and Space Museum (CASM), and the Canada Science and Technology Museum (CSTM). In particular, this was the first summer that CSTM was open since 2014, after re-opening in November 2017.

The museums hosted temporary exhibitions during this peak period of visitation. The CSTM hosted The Art of the Brick, a special exhibit featuring a critically acclaimed collection of inspiring artworks made exclusively from the LEGO® brick. The CASM hosted the special exhibit, Beyond Planet Earth: The Future of Space Exploration, aligned with the Museum's Year of Space themed programming for 2018. The CAFM's Learning Centre featured Plant Portraits: Native Plants of Canada, an exhibition of more than 30 original pieces of art in watercolour, graphite, and mixed media. The exhibition and programming were presented in partnership with the Ottawa Society of Botanical Artists.

Ingenium's first internationally-developed travelling exhibition Bike It opened on July 3, making its debut in Europe at Universum® Bremen in Germany. Through interactive displays that engage visitors young and old, Bike It explores the evolution of the bicycle over the past 200 years. This exhibition was curated, designed, and built by the Bloomfield Science Museum in Jerusalem and developed together with Universum® Bremen, Ingenium – Canada's Museums of Science and Innovation, and Città della Scienza in Naples, Italy.

Over a half-dozen of Ingenium's other travelling exhibitions were hosted by a variety of venues across the country. Notably, the Space to Spoon Techno-Zone at the Calgary Stampede, AB and at the Peel Art Gallery, Museum and Archives, in Brampton, ON; Canola: Seeds of Innovation opened at the Western Development Museums (Moose Jaw, SK) at the beginning of August after being on display in Yorkton, SK.

As in previous summers, the museums offered Summer Day Camps in July and August for children ages 5 to 12. The CAFM's sold-out summer camps allowed children and youth to participate in a living farm. The CASM continued to work with the Sonart Music School to offer Music and Aviation camps, offering a balance of music lessons combined with aerodynamics demonstrations and outdoor activities. The CSTM welcomed thousands of children and youth in LEGO®-inspired camps, where campers built and animated robots.

Narrative discussion

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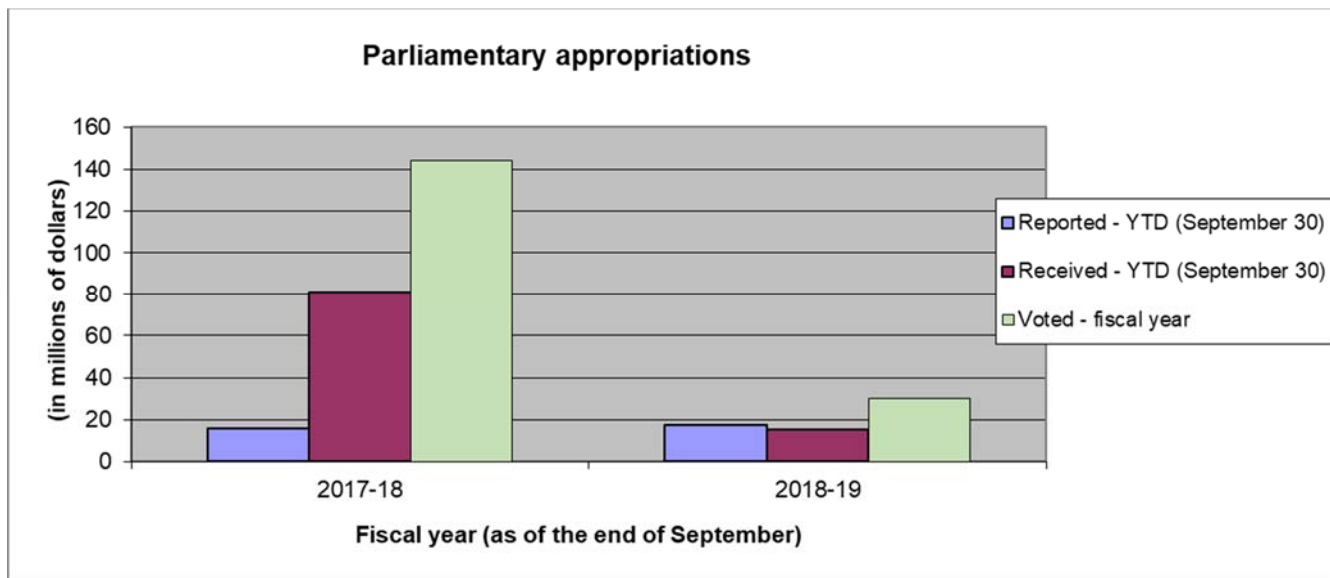
In addition to ongoing activities, the museums delivered a number of memorable events and public programs at its sites, including complementary programming to its special exhibitions, over July and August 2018. The CAFM offered a variety of unique programming to reach young and old, including Goat Yoga, art programming; Ice cream festival, World Honeybee Day, as well as outreach activities at many summer fairs across the region. The CASM hosted Canada Day festivities. It partnered with the Rockcliffe Flying Club to celebrate the adjacent Rockcliffe Airport's centennial. The CSTM became the backdrop for classical music as the local Music and Beyond festival offered an evening of music and science that included more than 100 short concerts, workshops, and activities that explored and presented the very strong links among science, math, and music. Thousands of visitors turned out on September 29 and 30 for the Maker Faire Ottawa weekend which was partially hosted by CSTM.

The construction on the major infrastructure project, the new Collections Conservation Centre, continued to progress with the envelop enclosure works starting as well as the interior walls and finishes.

Efforts of curatorial, conservation and collection services staff focused on activities to prepare the national science and technology collection for its move to the new Collections Conservation Centre, while continuing artifacts and collections research, preservation, installations and supporting exhibitions content.

Parliamentary appropriations

Total appropriation reported in the Corporation's statements on an accrual basis for the second quarter of 2018-2019 is \$17.2 million (\$15.7 million in 2017-2018). For the fiscal year 2018-2019, the total voted appropriation is \$30.2 million (\$144.5 million in 2017-2018). The level of appropriation was significantly higher in 2017-2018 mainly due to the funding for the construction of the new Collections Conservation Centre.

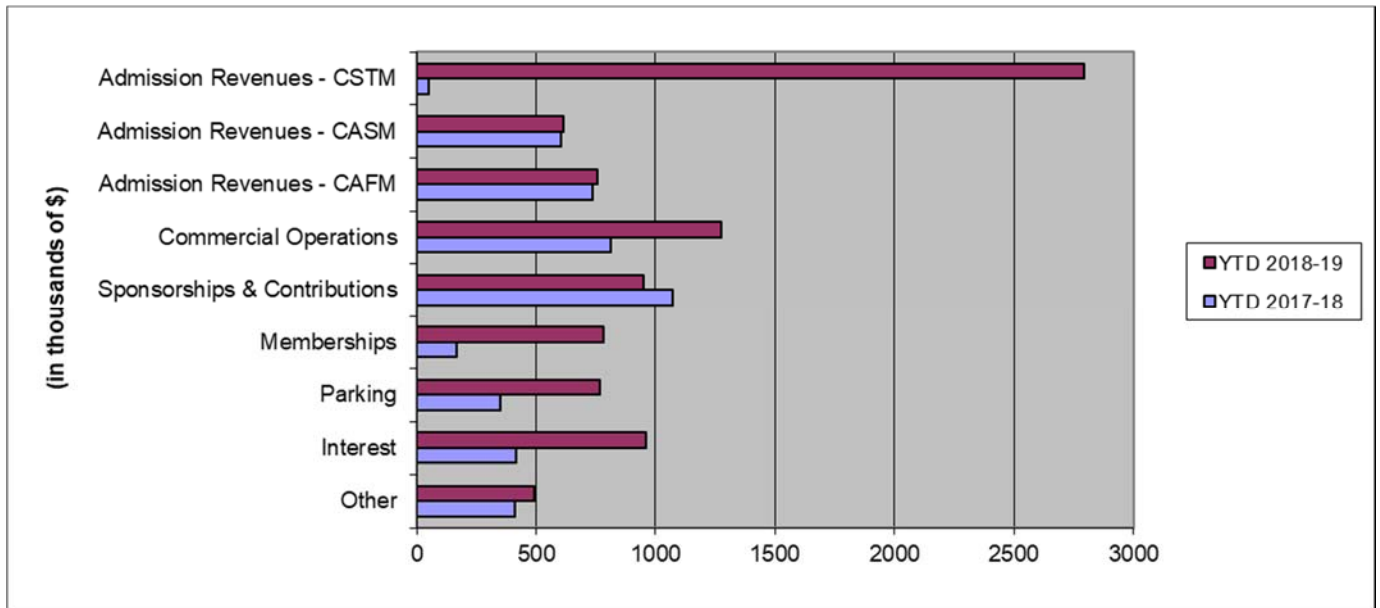


Narrative discussion

September 30, 2018

Revenues

Revenue generation continues to be a priority for the Corporation in an attempt to counter the escalating operating costs. At the end of September 2018, second quarter revenues were \$4.8 million higher than those generated in the second quarter of 2017-2018. The increase in revenues can be attributed to the Canada Science and Technology Museum being open during the busy summer season, and the presentation of the Art of the Brick special exhibition, which have a positive impact on CSTM admission, parking revenues, memberships and boutique sales. The increase of revenues can also attributed to relatively significant interest income from investments recorded during the second quarter of 2018-2019.



Operating Expenditures

The Corporation's total expenses were \$26.2 million for the first two quarters of 2018-2019 (\$19.8 million in 2017-18) with the majority of funds spent on exhibits, programs and outreach, as well as museum and collection buildings which were \$10.5 million (\$6.7 million in 2017-18) and \$8.4 million (\$6.7 million in 2017-18) respectively. Relatively significant expenses were incurred this year for the advertising and delivering exhibitions and programs to visitors at the re-opened Canada Science and Technology Museum. This explains the increase in sharing knowledge costs when comparing the first two quarters of 2018-2019 with 2017-2018. As for the increase in accommodation costs in 2018-2019, it can be explained by the increase in utilities, property management services and the amortization of capital assets expenses for the renewed CSTM building.

Narrative discussion

September 30, 2018

Capital Expenditures

For the second quarter of 2018-2019, the Corporation made investments in capital assets for an amount of \$37.0 million (\$38.5 million in 2017-18). Nearly all of these investments are related to the construction of the new Collection Conservation Centre building currently in progress.

Narrative discussion

September 30, 2018

RISK ANALYSIS

In its 2018-2019 corporate plan, the three key risks that were identified as the highest in terms of impact and likelihood for the Corporation were: the impact of cost overruns for the Collections Conservation Centre construction project and the ability to successfully complete the project with proper building and site functionality; endangering the national collection in storage due to inappropriate housing conditions; and the widening gap between operating costs and revenues and the limited capacity to invest in new programming and exhibitions.

In March 2016, the federal budget included funding of \$156.4 million for the Corporation to build and move into the new Collections Conservation Centre, as well as \$12.624 million in funding to address other deferred capital projects over five years (2016-2017 to 2020-2021).

The construction of the Collections Conservation Centre that will house the national science and technology collection, conservation laboratories and corporate offices is expected to be ready for occupancy by June 2019. As of September 30, 2018, the major capital project is on budget although significant building and site fit-up have had to be deferred, as these were beyond the 15% contingency budget's capacity to absorb. The Corporation has engaged a highly qualified project team to deliver the project, and has strengthened project oversight by the Executive and the Board of Trustees. The Corporation will continue to examine every project cost to ensure funds are allocated the most efficiently possible. The Corporation will also commit its own equity to address unavoidable costs that exceed the project budget.

Until the Collections Conservation Centre is complete, the national science and technology collection continues to be at risk in the leased facilities where it is currently stored. Budget 2016 recapitalization funds has been used to make repairs to building systems and roofs, while accelerated collection rationalization, hazard identification, and artifact preparation efforts are underway to alleviate overcapacity and prepare for a safe and efficient move.

The Corporation's financial situation continues to be a main preoccupation due to rising facility operating costs. The ever-growing gap between the operating costs in order to deliver on its mandate and the funds available are primarily a result of funding not adjusted to inflation or to the growth of its capital portfolio.

To mitigate the operating cost pressures, the Corporation practices sound fiscal management based on return-on-investment and value-for-money analyses, cost-reduction and containment measures, revenue diversification, and solicits sponsorships and contributions. It also reaches out externally to establish collaborative working and financial relationships to help deliver programs. It has significantly increased operating revenues with the re-opening of the Canada Science and Technology Museum. The new Collections Conservation Centre, should it be completed with full functionality, will eliminate leasing costs which will be re-invested operating and maintaining the new building.

Financial Statements

Quarterly Financial Statements (unaudited)

Statement of Management Responsibility

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.

In support of its responsibility, Management has developed and maintains books of account, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information that assets are safeguarded and controlled, and that transactions are in accordance with the *Financial Administration Act* and regulations, as well as the *Museums Act* and the by-laws of the Corporation.

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.

Christina Tessier
President and CEO

Fern Proulx
Chief Operating Officer

November 28, 2018

STATEMENT OF FINANCIAL POSITION (unaudited)

As at September 30

<i>(in thousands of dollars)</i>	September 30, 2018	March 31, 2018
ASSETS		
Current		
Cash and cash equivalents	\$ 91,403	\$ 126,994
Accounts receivable		
Government departments	2,490	3,752
Trade	478	574
Inventories	505	403
Prepaid expenses	604	775
	<u>95,480</u>	<u>132,498</u>
Collection (Note 3)	1	1
Capital Assets	<u>226,897</u>	<u>184,067</u>
	<u>\$ 322,378</u>	<u>\$ 316,566</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 26,206	\$ 18,704
Current portion of employee future benefits	283	283
Deferred revenues and deferred appropriations	64,364	109,338
	<u>90,853</u>	<u>128,325</u>
Employee future benefits	310	310
Long-term advance (Note 4)	4,208	4,208
Deferred contributions related to capital assets	213,390	170,507
	<u>308,761</u>	<u>303,350</u>
NET ASSETS		
Unrestricted	3,515	3,114
Investment in capital assets	10,102	10,102
	<u>13,617</u>	<u>13,216</u>
	<u>\$ 322,378</u>	<u>\$ 316,566</u>

The accompanying notes and schedule form an integral part of these financial statements.

STATEMENT OF OPERATIONS (unaudited)

For the quarter ended September 30

<i>(in thousands of dollars)</i>	Q2 2018	Q2 2017	YTD 2018	YTD 2017
REVENUES				
Operating (Schedule 1)	\$ 4,591	\$ 1,730	\$ 7,478	\$ 3,134
Contributions (Schedule 1)	576	715	949	1,072
Interest	457	203	962	416
Total revenues	5,624	2,648	9,389	4,622
EXPENSES (Schedule 2)				
Heritage preservation and research	1,467	1,260	2,743	2,448
Exhibits, programs and outreach	5,118	3,381	10,490	6,718
Internal services	2,444	1,886	4,534	3,902
Museum and collection buildings	4,313	3,628	8,420	6,726
Total expenses	13,342	10,155	26,187	19,794
Deficit before parliamentary appropriations	(7,718)	(7,507)	(16,798)	(15,172)
Parliamentary appropriations (Note 5)	7,936	7,903	17,198	15,684
Surplus for the period	\$ 218	\$ 396	\$ 400	\$ 512

The accompanying notes and schedule form an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS (unaudited)

For the quarter ended September 30

	September 30, 2018	March 31, 2018
(in thousands of dollars)		
Investment in capital assets, beginning of period	\$10,102	\$10,102
Change in investment in capital assets		-
Investment in capital assets, end of period	10,102	10,102
Unrestricted net assets, beginning of period	3,114	3,172
Surplus for the period	401	(58)
Unrestricted net assets, end of period	3,515	3,114
Net assets, end of period	\$ 13,617	\$13,216

The accompanying notes and schedule form an integral part of these financial statements.

STATEMENT OF CASH FLOWS (unaudited)

For the quarter ended September 30

<i>(in thousands of dollars)</i>	Q2 2018	Q2 2017	YTD 2018	YTD 2017
Operating activities:				
Cash received (clients and donors)	\$ 4,209	\$ 1,740	\$ 8,879	\$ 2,977
Parliamentary appropriations received for operations	6,158	7,063	13,709	14,269
Cash paid to suppliers	(5,078)	(3,996)	(12,041)	(7,772)
Payments related to salary and benefits	(6,265)	(5,443)	(12,396)	(10,830)
Cash received from the foundation	111	175	156	231
Interest received	474	203	1,011	481
Net cash generated (spent) through operating activities	(391)	(258)	(682)	(644)
Capital activities:				
Payments related to capital acquisitions	(14,257)	(22,012)	(37,009)	(38,481)
Net cash used through capital activities	(14,257)	(22,012)	(37,009)	(38,481)
Financing activities:				
Sponsorship received for the acquisition of capital assets	229	-	535	705
Appropriations received for the acquisition of capital assets	1,510	37,843	1,565	67,027
Net cash generated through financing activities	1,739	37,843	2,100	67,732
Increase (decrease) in cash and cash equivalents	(12,909)	15,573	(35,591)	28,607
Cash and equivalents, beginning of period	104,312	90,210	126,994	77,176
Cash and cash equivalents, end of period	\$ 91,403	\$ 105,783	\$ 91,403	\$ 105,783

The accompanying notes and schedule form an integral part of these financial statements.

NOTES TO UNAUDITED QUARTERLY FINANCIAL STATEMENTS

September 30, 2018

The quarterly financial statements of INGENIUM - Canada's Museums of Science and Technology must be read in conjunction with the most recent annual audited financial statements and with the narrative discussion included in the quarterly financial report.

1. Authority, mandate and operations

The National Museum of Science and Technology was established by the *Museums Act* on July 1, 1990, and is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act* and is not subject to income taxes under the provisions of the *Income Tax Act*.

The mandate of the Corporation, as stated in the *Museums Act*, is to foster scientific and technological literacy throughout Canada by establishing, maintaining and developing a collection of scientific and technical objects, with special but not exclusive reference to Canada, and by demonstrating the products and processes of science and technology and their economic, social and cultural relationships with society.

The Corporation operates as INGENIUM - Canada's Museums of Science and Technology. It manages three museum sites: the Canada Science and Technology Museum, the Canada Aviation and Space Museum, and the Canada Agriculture and Food Museum. The Corporation's operations are organized by functionality as follows;

Heritage Preservation

This includes documentation, cataloguing, conservation, historical research, the library and related services.

Sharing Knowledge

This includes the development and maintenance of exhibitions, interpretive and educational activities, communication and promotion, Web activities, and other services to visitors.

Internal Services

This includes services such as human resources, finance and facilities management, corporate development and commercial operations, all of which are provided centrally.

Accommodation

This includes operating and maintenance expenses for all owned and leased facilities including security services. It also includes a significant portion of the amortization expense since the main capital acquisitions relate to the Corporation facilities.

Directive pursuant to Section 89 of the *Financial Administration Act*

In July 2015, the Corporation was issued a directive (P.C. 2015-1105) pursuant to section 89 of the *Financial Administration Act* 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 the Corporation's legal obligations, and to report on the implementation of this directive in the Corporation's next corporate plan. To fulfill this reporting requirement, and in order to ensure compliance with the directive, the Corporation reviewed and revised its policies, guidelines and practices to align with Treasury Board instruments. Effective April 1, 2016, 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, hospitality and event expenditures. In the current fiscal year, the Corporation has put in place the reporting and proactive disclosure requirements per Treasury Board instruments. Reporting on the implementation of this directive has been included in the 2018-2019 to 2022-2023 Corporate Plan.

NOTES TO UNAUDITED QUARTERLY FINANCIAL STATEMENTS

September 30, 2018

2. Accounting policies

The significant accounting policies are:

(a) Basis of presentation

These financial statements have been prepared in accordance with Canadian Public Sector Accounting standards (PSAS) applicable to government-not-for-profit organizations. The Corporation has prepared the financial statements applying the Section 4200 series of PSAS. The Corporation applies the deferral method of accounting for contributions for not-for-profit organizations.

(b) Cash and cash equivalents

The Corporation's investments are highly liquid as they are redeemable on demand without prior notice or penalty and limited to fixed income securities in reputable financial institutions that are members of the Canadian Payment association, government backed paper and commercial paper rated A++ by the Canadian Bond Rating Services (DBRS).

Restricted cash and cash equivalents arise from unused appropriations and deferred contributions from individual and corporate entities for a specific purpose.

(c) Accounts receivable

Accounts receivable are stated at amounts expected to be ultimately realized. The Corporation establishes an allowance for doubtful accounts that reflects the estimated impairment of accounts receivable. The allowance is based on specific accounts and is determined by considering the Corporation's knowledge of the financial condition of its customers, the aging of accounts receivable, current business and political climate, customers and industry concentrations and historical experience.

All write downs against accounts receivable are recorded within operating expenditures on the Statement of Operations.

(d) Inventories

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

(e) Collection

The collection constitutes the major portion of the Corporation's assets but is shown at a nominal value of \$1,000 on the Statement of financial position because of the practical difficulties in reflecting it at a meaningful value.

Items purchased for the collection are recorded as expenses in the year of acquisition. Items donated to the Corporation are recorded as assets at the nominal value.

(f) Capital assets

Capital assets are recorded on the following basis. Acquired capital assets owned by the Corporation are recorded at cost and amortized over their estimated useful life. Land and

NOTES TO UNAUDITED QUARTERLY FINANCIAL STATEMENTS

September 30, 2018

buildings owned by the Government of Canada and under the control of the Corporation are recorded at their estimated historical cost for land and at their estimated historical cost less accumulated amortization for buildings. The estimated historical net costs of the buildings have been credited to deferred contributions related to capital assets, and the estimated historical cost of the land has been credited to net assets under the heading of investments in capital assets on the Statement of Financial Position. Land for which the historical cost cannot be reasonably determined is recorded at a nominal value with a corresponding amount credited to net assets. Improvements that extend the useful life or service potential of buildings and exhibits are capitalized and recorded at cost. Building and exhibit improvements are amortized over the estimated useful life of the improvements. Permanent exhibitions represent costs that are directly attributable to the exhibition and meet the definition of a capital asset. They may include employee salaries and benefits, professional service fees, permanent exhibit and building structures as well as images and copyrights.

When conditions indicate that a capital asset no longer contributes to the Corporation's ability to provide goods and services, or that the value of future economic benefits associated with the capital asset is less than its net book value, the cost of the tangible capital asset is reduced to reflect the decline in the asset's value. The net write-down is then accounted for as an expense on the Statement of Operations.

Amortization is calculated on a straight-line basis over their estimated useful lives, using a half year-rule in the year of acquisition, as follows:

Buildings	10 to 40 years
Building improvements	10 to 25 years
Office furniture	5 to 12 years
Computer software	5 years
Museum permanent exhibition	5 to 20 years
Equipment	5 to 12 years

Amounts included in capital projects in progress are transferred to the appropriate capital asset classification upon completion, and are amortized accordingly.

(g) Employee future benefits

i) Pension benefits

Substantially all of 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 cost. 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 termination benefits

Prior to May 11, 2012, eligible employees of the Corporation were entitled to specified benefits as provided for under labour contracts and conditions of employment, through a severance benefit plan. The Corporation has eliminated this benefit as of May 11, 2012 and any outstanding payments due as at year end have been accrued and are re-measured on a yearly basis to take into consideration salary increases.

NOTES TO UNAUDITED QUARTERLY FINANCIAL STATEMENTS

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The Corporation continues to provide termination benefits to employees that are being laid-off. Severance and termination benefits are not pre-funded and thus have no assets. Severance and termination benefits will be paid from future appropriations.

iii) Sick leave benefits

Employees accumulate unused sick leave days available which may be used in future years. An employee's unused sick leave balance is carried forward until the employee departs the Corporation, at which point any unused balance cannot be redeemed for pay and the Corporation's liability lapses. The Corporation recognizes the cost of future sick leave benefits over the periods in which the employees render services to the Corporation. The valuation of the liability is based on management's best estimate of inflation, discount rate, employee demographics and sick leave usage of active employees.

(h) Revenue recognition

i) Parliamentary appropriations

The Government of Canada provides funding to the Corporation.

Parliamentary appropriations received for the purchase of amortizable capital assets including exhibits with a useful life of over one year are initially recorded as deferred contributions on the Statement of Financial Position. When a purchase is made, the portion of parliamentary appropriation used to make the purchase is recorded as deferred contributions related to capital assets and is recognized as revenue on the same basis and over the same periods as the related capital assets acquired.

Parliamentary appropriations restricted for specific expenses are deferred on the Statement of Financial Position and recognized as revenue on the Statement of Operations in the period that those expenses are incurred.

Parliamentary appropriations that are not restricted to a specific purpose are recognized as revenue in the Statement of Operations in the period for which the parliamentary appropriation is authorized.

ii) Operating

Revenues from Museum operations include the sale of general admission and programs, boutique sales, facility rentals, memberships, farm operations and other revenues. They are recognized in the year in which the sale of goods is completed or the services are provided.

iii) Contributions

Contributions from sponsorships received for the purchase and developments of exhibitions with a useful life over one year are initially recorded as deferred contributions on the Statement of Financial Position. When a purchase is made, the portion of sponsorships used to make the purchase is recorded as deferred contributions related to capital assets and is recognized as revenue on the same basis and over the same periods as the related exhibition acquired.

Contributions externally restricted for specific expenses and purposes are deferred on the Statement of Financial Position and recognized as revenue on the Statement of Operations in the period in which the related expenditures are recognized and requirements are met.

NOTES TO UNAUDITED QUARTERLY FINANCIAL STATEMENTS

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Unrestricted contributions are recognized as revenue on the Statement of Operations when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions in kind, when used in the normal course of the Corporation's operations and would otherwise have been purchased are recorded at their estimated fair value when they are received. Because of the difficulty in determining their fair value, donated objects for the collection (Note 3) are not recognized in these financial statements.

iv) Interest revenues

Interest revenues are recognized in the period in which they are earned using the effective interest rate method.

(i) Foreign currency translation

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates in effect at the time of those transactions. Monetary assets and liabilities denominated in foreign currencies are translated using exchange rates at September 30.

Realized gains and losses resulting from foreign currency translation are reported on the Statement of Operations. Gains are reported as Other revenues in the Schedule of Operating Revenues and losses are reported as Miscellaneous expenses on the Schedule of Expenses.

(j) Financial assets and liabilities

The classification of financial instruments is determined by the Corporation at initial recognition and depends on the purpose for which the financial assets were acquired or liabilities were incurred. All financial instruments are recognized initially at fair value.

The fair value of financial instruments on initial recognition is based on the transaction price, which represents the fair value of the consideration given or received. Subsequent to initial recognition, financial instruments are measured based on the accounting treatment corresponding to their classification.

Financial assets and financial liabilities are measured at cost or amortized cost. Financial assets consist of cash and cash equivalents, and accounts receivable. Financial liabilities consist of long-term advance, and accounts payable and accrued liabilities.

(k) Related party transactions

i) 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:

- 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 cost provided are recovered.
- Goods or services received without charge between commonly controlled entities are not recorded.

NOTES TO UNAUDITED QUARTERLY FINANCIAL STATEMENTS

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ii) Other related party transactions

Related party transactions, other than inter-entity transactions, are recorded at the exchange amount.

(l) Contingent liabilities

Contingent liabilities are potential liabilities that 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 recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

(m) Measurement uncertainty

The preparation of financial statements in accordance with Canadian Public Sector Accounting standards applicable to government not-for-profit organizations 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 revenues and expenses for the year.

Accrued liabilities, allowance for doubtful accounts, employee future benefits and the estimated useful lives of capital assets 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 fiscal year in which they become known.

3. Collection

Part of the mandate of the Corporation is “to foster scientific and technological literacy throughout Canada by establishing, maintaining and developing a collection of scientific and technological objects...” This collection is the main asset of the Corporation and is divided in the following areas:

- Communications
- Non-renewable resources and industrial design
- Natural resources
- Physical sciences and medicine
- Renewable resources, including agriculture and forestry
- Instruments, tools and systems with direct application to mathematics, chemistry, physics, as well as astronomy, astrophysics, meteorology, surveying and mapping, and information technology
- Transportation: land, marine, and air and space

NOTES TO UNAUDITED QUARTERLY FINANCIAL STATEMENTS
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4. Long-term advance

The Corporation received funding from the Treasury Board between fiscal years 2008 and 2010 to construct educational facilities, retail space and an auditorium at the Canada Aviation and Space Museum.

<i>(in thousands of dollars)</i>	2018	2017
Funding for construction of revenue generating facilities	\$ 4,208	\$ 4,208
	\$ 4,208	\$ 4,208

The Corporation received the funding on the basis that a repayment mechanism be established. However, repayment of the funding for the construction of revenue-generating facilities was not expected before 25 years after the project commences. As of September 30, 2018, a repayment mechanism has yet to be established for the funding received for the construction of revenue-generating facilities. The Corporation is not subject to paying interest on this funding.

5. Parliamentary appropriations

<i>(in thousands of dollars)</i>	2018	2017
Main Estimates amount provided for operating and capital expenditures	\$15,207	\$81,037
Appropriations received in previous years used for the purchase of capital assets in the current year	46,135	-
Appropriations approved in current year for expenses and purchases of capital assets in future periods	(1,425)	(31,472)
Amounts used to purchase depreciable capital assets	(46,275)	(35,554)
Amortization of deferred contribution related to capital assets	3,556	1,673
Parliamentary appropriations	\$17,198	\$15,684

NOTES TO UNAUDITED QUARTERLY FINANCIAL STATEMENTS

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6. Related party transactions

The Corporation is related as a result of common ownership to all Government of Canada departments, agencies and Crown corporations. Related party also includes key management personnel having authority and responsibility for planning, directing and controlling the activities of the Corporation. This includes the Senior Management Team, all members of the Board of Trustees and immediate family members thereof. With the exception of transactions described below, the Corporation enters into transactions with these entities in the normal course of operations, under the same terms and conditions that apply to outside parties. These transactions are recorded at the exchange amount.

During the year, the Corporation received services that were obtained without charge from Agriculture and Agri-Food Canada and from the Office of the Auditor General of Canada. Lease of buildings for the Canada Agriculture and Food Museum buildings located on the Central Experimental Farm site and auditing services were provided without charge and are not presented in the Corporation's Statement of Operations.

The Corporation is also related to other entities by virtue of the Corporation's significant influence over these organizations. Related party transactions with the Foundation (note 7) and the Rockcliffe Flying Club (note 8) are disclosed elsewhere in these financial statements.

7. Canada Science and Technology Museums Corporation Foundation

The Canada Science and Technology Museums Corporation Foundation (the "Foundation") was incorporated under the *Canada Corporations Act* on November 14, 2007 and has been a registered charitable non-profit organization under the *Income Tax Act* since April 1, 2008. This is a separate legal entity from the National Museum of Science and Technology, and all funds that will be raised by the Foundation will be for projects determined by the Foundation.

8. Rockcliffe Flying Club

The Rockcliffe Flying Club ("RFC") is a non-profit organization which has for objective to both conduct a Department of Transport Flying Training Course for club members and provide aircraft to club members for recreational flying. The RFC operates the Rockcliffe Airport that is owned by the National Museum of Science and Technology and located on the grounds of the Canada Aviation and Space Museum. The Corporation has an economic interest in the RFC due to the significant resources provided to the RFC in exchange for maintenance of the property. The Corporation provides the RFC with the airport at no cost in exchange for the operation and maintenance of the airport runways, taxiways, aprons, grounds, parking lots and access roadway. Because of the difficulty in determining the fair value of the services received or the services given, the transactions are not recognized in these financial statements.

NOTES TO UNAUDITED QUARTERLY FINANCIAL STATEMENTS
September 30, 2018

9. Contingencies

In the normal course of its operations, the Corporation becomes involved in various claims or legal actions. To the extent that 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 accrued and an expense is recorded in the Corporation's financial statements. As at September 30, 2018, no provision has been recorded based on the Corporation's and external legal firm assessment of potential liability (2017 - no provision). The effect, if any, of ultimate resolution of these matters will be accounted for when determinable. As at September 30, 2018, the Corporation had no contingent assets to disclose.

SCHEDULE 1: SCHEDULE OF OPERATING REVENUES AND CONTRIBUTIONS (unaudited)

For the quarter ended September 30

Operating Revenues

<i>(in thousands of dollars)</i>	Q2	Q2	YTD	YTD
	2018	2017	2018	2017
General admissions and programs				
Science and Technology	\$ 1,846	\$ 43	\$ 2,795	\$ 51
Aviation and Space	391	345	615	605
Agriculture and Food	529	460	757	736
Boutique Sales	494	224	839	390
Facility Rental and concessions	209	156	385	359
Parking	434	190	765	348
Membership	414	90	780	170
Farm Operations	88	82	168	176
Thematic experiences	43	51	50	66
Other	143	89	324	233
TOTAL	\$ 4,591	\$ 1,730	\$ 7,478	\$ 3,134

Contributions

<i>(in thousands of dollars)</i>	Q2	Q2	YTD	YTD
	2018	2017	2018	2017
Grants and Sponsorships	\$ 406	\$ 479	\$ 646	\$ 775
Other Contributions from corporations and individuals	59	32	192	93
Contributions from the Foundation	111	204	111	204
TOTAL	\$ 576	\$ 715	\$ 949	\$ 1,072

SCHEDULE 2: SCHEDULE OF EXPENSES (unaudited)

For the quarter ended September 30

<i>(in thousands of dollars)</i>	Q2	Q2	YTD	YTD
	2018	2017	2018	2017
Personnel costs	\$ 6,421	\$ 5,067	\$ 12,223	\$10,180
Amortization of capital assets	1,937	973	3,873	1,907
Design and Display	537	26	1,305	109
Professional and special services	546	718	1,185	1,537
Property taxes	571	686	1,100	1,094
Lease of Buildings	532	539	1,087	1,096
Property management services	570	353	1,085	576
Utilities	323	332	708	620
Material and supplies	321	287	677	509
Repairs and upkeep of buildings	318	239	540	347
Protection services	260	256	533	476
Gift shop and product marketing	233	118	394	206
Advertising	199	169	394	334
Repairs and upkeep of equipment	133	54	314	82
Miscellaneous expenses	162	17	195	62
Travel	59	70	138	142
Freight, express and cartage	32	35	115	63
Communications	80	73	109	125
Publications	45	87	84	121
Office supplies and equipment	36	30	70	105
Rentals of equipment	20	19	39	89
Purchase of objects for the collection	3	-	10	2
Books	4	7	9	12
Total	\$ 13,342	\$ 10,155	\$ 26,187	\$ 19,794