

CANADIAN MUSEUM OF HISTORY

Quarterly Financial Statements

For the six month period ended September 30, 2019

Unaudited

NARRATIVE DISCUSSION

These quarterly financial statements must be read in conjunction with the March 31, 2019 audited financial statements of the Canadian Museum of History (CMH) and with this narrative discussion.

OVERVIEW

The Corporation is committed to sustaining a strong financial and operational foundation for the delivery of quality museum programs and services. Responding to the Strategic Directions of its Board of Trustees, the Corporation builds accountability into its operational planning and reporting. The Corporation has at its core, a management culture that fosters excellence and adaptation of best practices for continued improvement. It is accountable to Parliament and Canadians in implementing its mandate.

STRATEGIC DIRECTION

In June 2014, the Corporation's Board of Trustees unveiled five Strategic Directions that introduced new priorities and broadened the Corporation's scope of activities. A detailed set of goals and objectives addresses each direction. The Corporation's five Strategic Directions are as follows:

Establish the Museum as a hub of Canadian history for Canada and the world.

Connect Canadians to their history and reflect this personal connection in all aspects of the Museum experience.

Develop a collection that better reflects Canada's history and distinctiveness.

Engage dynamic partnerships and networks across Canada and internationally for mutual benefit.

Ensure the Museum has the financial resources to carry out its Mandate.

STATEMENT OF OPERATIONS

The Corporation's net results of operations for the six month period ended September 30, 2019 reflects a surplus of \$2.1 million, compared to a surplus of \$3.4 million for the comparative period of the previous fiscal year.

Revenues for the period total \$11.5 million, compared to \$11.8 million for the same period of the previous fiscal year. The 2.5% decrease in revenues is primarily attributable to the following:

- Lower general admission revenues in the second quarter of 2019-20;
- Lower donation revenue recognition in 2019-20.

This decrease is partially offset by:

- Higher facility rental events and concession revenues in the first quarter of 2019-20;
- Higher travelling exhibition revenues explained by the presentation of the Franklin exhibit in Connecticut and Alaska.

Operating expenses for the period total \$49.7 million, compared to \$49.0 million for the comparative period of the previous fiscal year. The increase is mainly explained by higher personnel costs as a result of salary increases negotiated as part of collective agreements.

Parliamentary appropriations for the period total \$40.3 million, compared to the \$40.6 million for the same period in the previous fiscal year. The 2019-20 parliamentary appropriations include the fourth year of a five-year approval for additional capital funding, approved in Budget 2016, to address urgent health and safety related capital projects.

FINANCIAL POSITION

The Museum's unrestricted net assets as of September 30, 2019 represent \$14.9 million. The Museum also has a restricted net assets balance of \$14.9 million, for the renovation of permanent exhibition galleries, including the transformation of the Canadian Children's Museum. The decrease in restricted net assets, when compared to the balance as of March 31, 2019, is equivalent to the amortization of the capital costs invested in the permanent exhibition gallery update at the Canadian War Museum.

OUTLOOK

The Corporation continues to be challenged by escalating non-discretionary inflationary increases for utilities, building maintenance, and security costs.

The Corporation is responsible for two iconic national sites, one of which – the CMH – is thirty years old, and therefore many of its components have reached or will soon be reaching the end of their expected life cycle.

Management has put in place a plan that addresses immediate risks to the buildings. Management has maintained a comprehensive maintenance program over its facilities, which has reduced the need for extensive repairs, lengthened the life of the components of the building and ensured that issues are identified in a timely manner.

The Corporation will not be able to rely on revenue growth to cover these escalating non-discretionary costs. The Corporation is working with the Department of Canadian Heritage on a long-term solution to costs and aging infrastructure.

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.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations, remeasurement gains and losses, changes in net assets and cash flows of the Corporation, as at the date of and for the periods presented in the quarterly financial statements.



Mark O'Neill
President and Chief Executive Officer



Marie-Josée Lacombe, CPA, CGA
Chief Financial Officer and Vice-President of Finance

Gatineau, Quebec

November 29, 2019

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Statement of Financial Position

As at

(In thousands of dollars)

	September 30, 2019	March 31, 2019
Assets		
Current assets		
Cash	\$ 9,594	\$ 12,277
Restricted cash	2,997	2,311
Restricted investments	1,698	1,706
Investments	6,928	10,885
Accounts receivable	1,939	2,285
Inventories	866	863
Prepaid expenses	1,107	955
	25,129	31,282
Restricted investments	10,628	10,651
Investments	57,069	50,127
Collections	1	1
Capital assets	219,629	226,460
	\$ 312,456	\$ 318,521
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 10,463	\$ 13,445
Deferred contributions (note 3)	11,900	12,145
Deferred revenues	1,035	1,309
	23,398	26,899
Deferred contributions - National Collection Fund (note 4)	10,621	10,497
Deferred contributions related to capital assets (note 5)	197,202	202,358
Employee future benefits	10,597	10,208
	241,818	249,962
Net assets		
Unrestricted	14,910	12,800
Restricted for permanent exhibit renewal	14,860	14,891
Investment in capital assets	40,868	40,868
	70,638	68,559
	\$ 312,456	\$ 318,521

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

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Statement of Operations

For the three and six month periods ended September 30

(In thousands of dollars)

	Three month period ended September 30		Six month period ended September 30	
	2019	2018	2019	2018
Revenues				
Donations and sponsorships (note 6)	\$ 141	\$ 203	\$ 741	\$ 981
Net investment income	475	425	935	831
Operating (schedule 1)	5,313	5,716	9,852	10,010
	5,929	6,344	11,528	11,822
Expenses (schedule 2)				
Collect and research	\$ 2,858	\$ 2,877	\$ 5,845	\$ 6,014
Exhibit, educate and communicate	6,510	6,875	14,259	14,118
Accommodation	10,179	9,773	19,750	19,556
Corporate management	4,972	4,748	9,892	9,330
	24,519	24,273	49,746	49,018
Net result of operations before parliamentary appropriations	(18,590)	(17,929)	(38,218)	(37,196)
Parliamentary appropriations (note 7)	20,057	20,472	40,297	40,579
Net result of operations	\$ 1,467	\$ 2,543	\$ 2,079	\$ 3,383

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

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Statement of Changes in Net Assets

For the three and six month periods ended September 30

(In thousands of dollars)

For the three month period ended	Unrestricted	Restricted for permanent exhibit renewal	Investment in capital assets	September 30 2019	September 30 2018
Net assets, beginning of period	\$ 13,431	\$ 14,872	\$ 40,868	\$ 69,171	\$ 67,479
Net result of operations	1,479	(12)	-	1,467	2,543
Net assets, end of period	\$ 14,910	\$ 14,860	\$ 40,868	\$ 70,638	\$ 70,022

For the six month period ended	Unrestricted	Restricted for permanent exhibit renewal	Investment in capital assets	September 30 2019	September 30 2018
Net assets, beginning of period	\$ 12,800	\$ 14,891	\$ 40,868	\$ 68,559	\$ 66,639
Net result of operations	2,110	(31)	-	2,079	3,383
Net assets, end of period	\$ 14,910	\$ 14,860	\$ 40,868	\$ 70,638	\$ 70,022

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

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Statement of Cash Flows

For the three and six month periods ended September 30

(In thousands of dollars)

	Three month period ended September 30		Six month period ended September 30	
	2019	2018	2019	2018
Operating activities				
Cash receipts from clients and other receivables	\$ 6,492	\$ 6,844	\$ 12,064	\$ 13,072
Cash receipts from parliamentary appropriations	15,359	15,403	29,782	28,754
Cash paid to and on behalf of employees	(9,070)	(9,903)	(19,663)	(21,211)
Cash paid to suppliers	(13,123)	(13,661)	(25,146)	(24,888)
Restricted contributions and related investment income	477	315	1,023	663
Interest received	360	313	928	883
Net cash through operating activities	495	(689)	(1,012)	(2,727)
Investing activities				
Principal repayments of investments	-	3	-	3
Increase in investments and restricted investments	-	(1,013)	(3,810)	(5,007)
Decrease in investments and restricted investments	-	1,009	803	1,009
Net cash through investing activities	-	(1)	(3,007)	(3,995)
Capital activities				
Acquisition of capital assets	(568)	(584)	(2,686)	(4,468)
Financing activities				
Parliamentary appropriations for the acquisition of capital assets	2,763	2,785	4,708	6,018
Increase (decrease) in cash and restricted cash	2,690	1,511	(1,997)	(5,172)
Cash and restricted cash, beginning of period				
Cash	7,370	2,424	12,277	9,376
Restricted cash	2,531	2,090	2,311	1,821
	9,901	4,514	14,588	11,197
Cash and restricted cash, end of period				
Cash	9,594	3,626	9,594	3,626
Restricted cash	2,997	2,399	2,997	2,399
	\$ 12,591	\$ 6,025	\$ 12,591	\$ 6,025

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

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the six month period ended September 30, 2019
(In thousands of dollars)

1. Mission and mandate

The Canadian Museum of History (the “Corporation”), formerly named the Canadian Museum of Civilization, was established on December 12, 2013 through an amendment to the *Museums Act*. The Canadian Museum of History is an agent Crown corporation named in *Part I of Schedule III to the Financial Administration Act* and is not subject to income tax under the provisions of the *Income Tax Act*. The Canadian Museum of History includes the Canadian War Museum.

The mission, as stated in the *Museums Act*, is as follows:

“to enhance Canadians’ knowledge, understanding and appreciation of events, experiences, people and objects that reflect and have shaped Canada’s history and identity, and also to enhance their awareness of world history and cultures.”

The Canadian Museum of History’s operations are divided into four mutually supportive activities which work together to meet all aspects of its mandate. These activities are:

Collect and research

Manages, develops, conserves, and undertakes research on the collections to enhance program delivery and augment the scientific knowledge base.

Exhibit, educate and communicate

Develops, maintains, and communicates exhibits, programs and activities to further knowledge, critical understanding, appreciation and respect for human cultural achievements and human behaviour.

Accommodation

Managing and maintaining all facilities and related security and hosting services.

Corporate management

Governance, corporate management, audit and evaluation, fundraising, commercial activities, finance and administration, human resources and information systems.

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the six month period ended September 30, 2019

(In thousands of dollars)

2. Significant accounting policies

Basis of accounting

These unaudited financial statements have been prepared in accordance with Canadian public sector accounting standards. The Corporation has elected to apply the Section 4200 series for government-not-for-profit organizations, and the deferral method of accounting for contributions.

Basis of preparation

These interim financial statements are intended to provide an update on the latest complete set of audited annual financial statements for the year ended March 31, 2019. Accordingly, they should be read in conjunction with the audited annual financial statements. The interim financial statements are unaudited for all periods presented. The accounting policies used in the preparation of these interim condensed financial statements are consistent with those disclosed in the Corporation's last audited annual financial statements.

Contingencies

In the normal course of its operations, the Corporation becomes involved in various claims or legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. 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 recorded in the Corporation's financial statements.

Measurement uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards applicable for 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 income and expenses for the period. Employee future benefits, artifact donations and the estimated useful lives of capital assets are the most significant items where estimates are used. Actual results could differ significantly from those estimated.

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the six month period ended September 30, 2019

(In thousands of dollars)

3. Deferred contributions

Deferred contributions represent contributions from non-government sources and Parliamentary appropriations received by the Corporation that are restricted for specific purposes.

Changes in the deferred contributions balance during the period were as follows:

	Non- government sources	Parliamentary appropriations	September 30, 2019 (6 months)	March 31, 2019 (12 months)
Balance, beginning of period	\$ 4,260	\$ 7,885	\$ 12,145	\$ 10,157
Additions				
Amounts received during the period	520	-	520	4,817
Deferred investment income	51	-	51	97
	571	-	571	4,914
Deductions				
Amounts recognized as revenue	-	(816)	(816)	(2,926)
Balance, end of period	\$ 4,831	\$ 7,069	\$ 11,900	\$ 12,145

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the six month period ended September 30, 2019

(In thousands of dollars)

4. Deferred contributions - National Collection Fund

The National Collection Fund represents funds for the acquisition of artifacts by the Canadian Museum of History and the Canadian War Museum. Funds are deducted from the National Collection Fund upon acquisition of selected artifacts.

Changes in the National Collection Fund balance during the period were as follows:

	Parliamentary appropriations	Non- government entities	September 30, 2019 (6 months)	March 31, 2019 (12 months)
Balance, beginning of period	\$ 9,306	\$ 1,191	\$ 10,497	\$ 10,295
Additions				
Amounts received during the period	-	3	3	153
Deferred investment income	108	13	121	232
	108	16	124	385
Deductions				
Amounts recognized as revenue	-	-	-	(183)
Balance, end of period	\$ 9,414	\$ 1,207	\$ 10,621	\$ 10,497

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the six month period ended September 30, 2019

(In thousands of dollars)

5. Deferred contributions related to capital assets

Changes in the deferred contributions related to capital assets balance during the period were as follows:

	<u>Used for acquisitions</u>		<u>To be used for capital asset acquisitions</u>		September 30,	March 31,
	Non- government sources	Parliamentary appropriations	Parliamentary appropriations	Parliamentary appropriations	2019 (6 months)	2019 (12 months)
Balance, beginning of period	\$ 1,708	\$ 182,316	\$ 18,334	\$ 202,358	\$ 208,963	
Additions						
Capital asset acquisitions	-	1,432	-	1,432	4,468	
Parliamentary appropriations deferred for capital asset acquisitions in future periods	-	-	2,500	2,500	7,983	
	-	1,432	2,500	3,932	12,451	
Deductions						
Amounts used during the period	(32)	(8,578)	(478)	(9,088)	(19,056)	
Balance, end of period	\$ 1,676	\$ 175,170	\$ 20,356	\$ 197,202	\$ 202,358	

Deferred capital contributions from non-government sources represent the unamortized portion of donations from non-government sources restricted and used to acquire depreciable capital assets.

Deferred capital funding through Parliamentary appropriations represents the unamortized portion of Parliamentary appropriations restricted and used to acquire depreciable capital assets or restricted to be used for future acquisitions of depreciable capital assets.

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the six month period ended September 30, 2019

(In thousands of dollars)

6. Donations and sponsorships

Donations and sponsorships revenue is composed of:

	September 30, 2019	September 30, 2018
Cash donations and sponsorships	\$ 492	\$ 557
In-kind sponsorships and artifact donations	249	424
	\$ 741	\$ 981

7. Parliamentary appropriations

The Corporation receives Parliamentary appropriations from the Government of Canada to support its operating and capital activities. The table below illustrates the Parliamentary appropriations received during the period, and the accounting adjustments required to arrive at the calculation of revenue that conforms to public sector accounting standards.

	September 30, 2019	September 30, 2018
Main Estimates amount provided for operating and capital activities	\$ 34,358	\$ 34,529
Less current period Parliamentary appropriations not recognized as revenue:		
Used for capital asset acquisitions	(955)	(953)
Deferred for future capital asset acquisitions	(2,500)	(2,500)
Add prior period Parliamentary appropriations recognized as revenue in current period:		
Amortization of deferred capital funding	8,578	8,718
Restricted amounts used in current period	816	785
Parliamentary appropriations recognized as revenue	\$ 40,297	\$ 40,579

8. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation adopted in the current period.

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Schedule 1 - Operating Revenues

For the three and six month periods ended September 30
(In thousands of dollars)

	Three month period ended		Six month period ended	
	September 30		September 30	
	2019	2018	2019	2018
General admission and programmes	\$ 2,757	\$ 3,089	\$ 4,866	\$ 5,136
Facility rental, events and concessions	758	759	1,751	1,626
Boutique sales	772	882	1,389	1,451
Parking	615	665	1,082	1,147
Travelling exhibits	230	114	405	219
Memberships	138	158	270	336
Other	43	49	89	95
	\$ 5,313	\$ 5,716	\$ 9,852	\$ 10,010

Schedule 2 - Expenses

For the three and six month periods ended September 30
(In thousands of dollars)

	Three month period ended		Six month period ended	
	September 30		September 30	
	2019	2018	2019	2018
Personnel costs	\$ 9,652	\$ 9,322	\$ 19,950	\$ 19,247
Amortization of capital assets	4,300	4,388	8,633	8,772
Payments in lieu of property taxes	2,916	2,422	5,060	4,813
Building operations	1,634	1,596	3,280	3,264
Exhibit fabrication and rental	748	824	2,041	1,867
Online programs assistance	918	1,061	1,864	1,835
Professional and special services	837	702	1,590	1,469
Repairs and maintenance	706	691	1,505	1,412
Utilities	713	699	1,426	1,395
IT infrastructure and systems	541	556	1,065	1,169
Cost of goods sold	395	419	704	728
Marketing and advertising	255	521	680	830
Travel and hospitality	201	191	563	528
Materials and supplies	215	273	425	484
Collection acquisitions	172	301	380	658
Royalties	73	13	114	51
Rentals and leases	53	119	109	183
Other	190	175	357	313
	\$ 24,519	\$ 24,273	\$ 49,746	\$ 49,018