

CANADIAN MUSEUM OF NATURE

QUARTERLY FINANCIAL REPORT

(Unaudited)

For the three-month period
ended June 30, 2024

Canada



TABLE OF CONTENTS

MANAGEMENT DISCUSSION AND ANALYSIS.....	3
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING.....	7
FINANCIAL STATEMENTS.....	8

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, 2024, and with the narrative discussion included in this quarterly financial report of the Canadian Museum of Nature (the “Museum”).

The Canadian Museum of Nature pursues its national mandate as described in the *Museums Act*, within the context of the governance and accountability regime established in Part X of the *Financial Administration Act*. The Museum’s Board of Trustees and management are firmly committed to managing the public and private funds invested in the institution in a transparent, accountable manner, and to optimizing the value of the contribution the Museum makes to Canadians and Canadian society.

The Museum’s mandate 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 a special but not exhaustive reference to Canada, and by demonstrating the natural world, the knowledge derived from it and the understanding it represents.

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.

The Museum’s mission extends, through public engagement, to inspire people to know, engage with, and care for, nature and a sustainable natural future. The Museum is a leading research and collections facility with demonstrated national and international leadership in bio- and geo-diversity. The need for applying this research and using the collections, as accessed through the national and global networks of knowledge that it supports, will become increasingly important. Canada’s heightened role in the global dialogue about the environment and climate change will raise expectations for the national museum of nature to continue to contribute to the body of knowledge about nature’s past, present and future based on the evidence of nature collected over time.

In late 2023-24, the Museum received \$4.6 million of supplementary funding through Budget 2023 to address gaps between the Museum’s operating costs and parliamentary appropriations. The Museum anticipates receiving \$4.8 million of similar funding in 2024-25, \$1.2 million of this funding has been received as-at June 30, 2024.

FINANCIAL PERFORMANCE

REVENUE AND PARLIAMENTARY APPROPRIATIONS

Revenue and parliamentary appropriations increased by \$1.1 million (9%) to \$13.1 million in the three months ended June 30, 2024 from \$12.0 million for the three months ended June 30, 2023, with parliamentary appropriations comprising 73% of the total in both the 2024-25 and 2023-24 periods.

Parliamentary Appropriations

On an accrual basis, parliamentary appropriations increased by \$0.8 million (9%) to \$9.5 million for the three months ended June 30, 2024 from \$8.7 million for the three months ended June 30, 2023. The increase was due to the receipt of \$1.2 million of Budget 2023 funding in the current period, partially offset by 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, 2024 was \$1.5 million, an increase of \$0.1 million (7%) compared to \$1.4 million earned in the same period of 2023-24. The increase in admission and program fees was due to higher revenue from temporary exhibits, memberships, and programs in the current period. The Museum experienced a slight decrease in general admission revenues due to lower attendance in the current period, partially offset by higher admission prices. General admission totaled 90,114 for the first quarter of 2024-25, compared to 96,674 for the same period of 2023-24. Following the end of pandemic restrictions, the Museum experienced high attendance exceeding pre-pandemic levels in several months. The Museum is continuing to monitor admissions and currently believes that the recent decreases to general admission levels may indicate a normalization of admissions following this initial surge in demand.

During the COVID-19 pandemic, programs including Nature Nocturne evenings, cafeteria operations, sleepovers and birthday parties remained shut down, with no revenues generated. Café operations recommenced in late 2022-23, and Nature Nocturne events resumed in 2023-24. The Museum currently plans for the return of birthday parties and other programming as the Museum rebuilds its internal support structures and as public interest in, and demand for, events continue to recover.

Ancillary Operations

Revenue associated with ancillary operations includes rentals of its VMMB and NHC facilities, boutique sales, cafeteria operations, parking, and collection services. Revenue from ancillary operations was \$0.9 million for the three months ended June 30, 2024, consistent with \$0.9 million for the three months ended June 30, 2023. The composition of revenues generated from ancillary operations was similar to the previous period's results.

Interest

Interest revenue generated from cash deposits increased by \$0.1 million (20%) to \$0.6 million for the three months ended June 30, 2024, compared to \$0.5 million for the three months ended June 30, 2023. The increase in interest revenue was due to higher average cash balances between the two periods.

Contributions

Contributions recognized as revenue vary from period to period based upon the resources required to fund research, collections and public education programs including installing or modifying permanent galleries. On an accrual basis, contributions including donations, sponsorships, in-kind sponsorships and specimen donations were consistent at \$0.3 million for the three months ended June 30, 2024 and 2023.

Professional and Scientific Services

Professional and scientific services include revenue earned from funding received for specific research and operational projects. Funding received for externally specified purposes is recognized as revenue as related expenses are incurred. Professional and scientific services remained unchanged at \$0.2 million for the three months ended June 30, 2024 and 2023. Professional and scientific services revenue may fluctuate significantly between periods depending on projects that have received funding, and the timing and scope of projects.

Other

Other revenue was minimal for the three months ended June 30, 2024 and 2023.

EXPENSES

Expenses increased by \$1.4 million (13%) to \$12.4 million for the three months ended June 30, 2024 from \$11.0 million for the three months ended June 30, 2023. The higher expenses in the current period were mainly due to personnel costs and variable costs associated with temporary exhibits, programming, and externally funded projects as well as increases to utility costs due to higher market rates, and inflationary pressures on recurring costs necessary to maintain the Museum's operations.

Experience and Engagement

Experience and engagement increased to \$3.2 million for the three months ended June 30, 2024 from \$2.5 million for the three months ended June 30, 2023. The increase of \$0.7 million (28%) was mainly due to development of content and exhibits,

temporary exhibits, marketing, and staff costs related to revenue-generating activities such as admissions, rentals, and boutique sales.

Collections Care and Access

Collections care and access increased by \$0.1 million (11%) from \$0.9 million for the three months ended June 30, 2023 to \$1.0 million for the three months ended June 30, 2024. 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 increased by \$0.3 million (23%) for the 3 months ended June 30, 2024 from \$1.3 million for the three months ended June 30, 2023 to \$1.6 million for the three months ended June 30, 2024. The higher expenses in the current period were primarily related to additional staff and fieldwork costs associated with externally funded projects.

Corporate Services

Corporate services increased by \$0.3 million (21%) from \$1.4 million for the three months ended June 30, 2023 to \$1.7 million for the three months ended June 30, 2024. Increased costs between the periods were due to initiatives to align and comply with new regulatory requirements, and inflationary cost pressures on services required to support the Museum's operations.

Facilities

Expenses related to the Museum's facilities were \$4.9 million remaining unchanged from the three months ended June 30, 2023. Expenses may fluctuate significantly between periods depending on the timing of required repairs and maintenance and market rates for natural gas and electricity.

NET RESULTS OF OPERATIONS

The net results of operations generated a surplus of \$0.7 million for the three months ended June 30, 2024. The surplus was attributable to earned revenues generated during the period and the receipt of \$1.2 million of Budget 2023 funding, partially offset by additional personnel costs, costs associated with temporary exhibits, and higher non-discretionary operating costs. For the three months ended June 30, 2023, the net results of operations generated a surplus of \$0.9 million. The surplus was attributable to high earned revenues generated during the period as the Museum continued to recover from the COVID-19 pandemic, partially offset by increased costs to support greater attendance and higher non-discretionary operating costs.

FINANCIAL SITUATION

Assets

Cash decreased by \$16.3 million (42%) to \$22.7 million as at June 30, 2024 from \$39.0 million as at March 31, 2024. The decrease was mainly due to the acquisition of long-term investments valued at \$16.5 million during the period. The long-term investments were acquired in order to secure fixed interest rates for minimum investment periods ranging from two to seven years in order to support the Museum's anticipated long-term cash needs.

Capital assets decreased by \$1.6 million (1%) to \$142.2 million at June 30, 2024, compared to \$143.8 million at March 31, 2024 due to amortization expense of \$2.1 million, partially offset by asset acquisitions during the period.

Liabilities

Deferred revenues, contributions and parliamentary appropriations increased by \$0.3 million (7%) to \$4.9 million at June 30, 2024 from \$4.6 million at March 31, 2024. The increase was mainly attributable to \$0.9 million of previously deferred revenue recognized for the provision of goods and services, partially offset by \$1.2 million of restricted contributions and revenues received during the period and deferred for use in future periods.

Deferred capital funding decreased by \$1.4 million (1%) to \$134.6 million at June 30, 2024 from \$136.0 million at March 31, 2024 due to \$1.9 million of deferred capital funding recognized as revenue, partially offset by \$0.5 million of capital asset acquisitions during the three months ended June 30, 2024. Deferred capital funding is recognized as revenue at the same pace as the amortization of the corresponding capital assets.

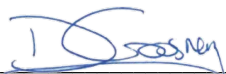
Net Assets

Net assets of \$20.6 million as at June 30, 2024 are due to positive net results of operations for the three months ended June 30, 2024 of \$0.7 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.

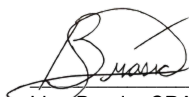
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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 20, 2024

Statement of Financial Position (Unaudited)

<i>(in thousands of dollars)</i>	June 30 2024	March 31 2024
Assets		
Current		
Cash	22,650	38,998
Restricted cash	2,633	2,465
Accounts receivable		
Trade	567	629
Government departments and agencies (Note 3)	120	195
Inventories	230	221
Prepaid expenses	1,469	935
	27,669	43,443
Collections	1	1
Prepaid expenses	193	114
Employee advances	297	297
Restricted investments	1,059	1,059
Investments	17,450	950
Capital assets (Note 4)	142,164	143,840
	188,833	189,704
Liabilities		
Current		
Accounts payable and accrued liabilities		
Trade and other	6,420	6,665
Government departments and agencies (Note 3)	641	320
Obligation under capital lease (Note 5)	1,789	1,745
Deferred revenues, contributions, parliamentary appropriations, and capital funding (Note	4,924	4,643
	13,774	13,373
Obligation under capital lease (Note 5)	16,249	16,713
Deferred capital funding (Note 6)	134,602	136,042
Asset retirement obligation (Note 7)	868	845
Employee future benefits	2,702	2,784
	168,195	169,757
Net assets		
Unrestricted	31,982	31,452
Investment in capital assets (Note 8)	(11,344)	(11,505)
	20,638	19,947
	188,833	189,704

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>	2024	2023
Revenue (Note 9)		
Admission and program fees	1,542	1,360
Ancillary operations	873	898
Interest	575	462
Contributions	312	279
Professional and scientific services	196	178
Other	18	51
	3,516	3,228
Expenses (Note 10)		
Experience and engagement	3,223	2,520
Collections care and access	1,030	918
Research and discovery	1,570	1,274
Corporate Services	1,661	1,410
Facilities	4,876	4,914
	12,360	11,036
Net result of operations before parliamentary appropriations	(8,844)	(7,808)
Parliamentary appropriations (Note 11)	9,535	8,719
Net result of operations	691	911

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

Statement of Changes in Net Assets for the three-month period ended June 30 (Unaudited)

<i>(in thousands of dollars)</i>	Unrestricted	Invested in capital assets (Note 8)	2024	2023
Net assets, beginning of period	31,452	(11,505)	19,947	15,916
Net result of operations	691	-	691	911
Net change in investment in capital assets	(161)	161	-	-
Net assets, end of period	31,982	(11,344)	20,638	16,827

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 three months ended June 30, 2023 and 2024.

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

<i>(in thousands of dollars)</i>	2024	2023
Operating activities		
Cash receipts - customers and donors	3,233	4,437
Cash receipts - parliamentary appropriations	8,133	6,967
Cash disbursements - employees	(5,671)	(4,572)
Cash disbursements - suppliers	(4,514)	(4,340)
Interest received	575	452
Interest paid	(455)	(494)
Cash provided by operating activities	1,301	2,450
Investing activities		
Purchase of investments	(16,500)	-
Acquisition of capital assets	(561)	(143)
Cash used in investing activities	(17,061)	(143)
Financing activities		
Obligation under capital lease	(420)	(382)
Cash used in financing activities	(420)	(382)
Increase (decrease) in cash and restricted cash	(16,180)	1,925
Cash, beginning of period	38,998	33,864
Restricted cash, beginning of period	2,465	753
Cash and restricted cash, end of period	25,283	36,542
Cash, end of period	22,650	35,245
Restricted cash, end of period	2,633	1,297
Cash and restricted cash, end of period	25,283	36,542

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

Notes to the Financial Statements for the three-month period ended June 30, 2024 (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 exhibits, 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, exhibit 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, 2024

(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, 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, consists of deposits with a financial institution that can be withdrawn without prior notice or penalty. Restricted cash reflects 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, 2024
(Unaudited, in thousands of dollars, unless otherwise specified)

The collections are shown at 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 held with the Canadian Imperial Bank of Commerce (CIBC) 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
Permanent exhibitions	5 to 15
Leasehold improvements	Shorter of 5 years or lease term
Building improvements	5 to 25
Equipment and furnishings	5 to 20
Collection cabinets and compactors	35
Website	5
Computer equipment	3 to 5

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 is less

Notes to the Financial Statements for the three-month period ended June 30, 2024 (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.

Management is required to estimate the expected useful lives of capital assets. In determining the expected useful lives of these assets, Management takes into account past experience, industry trends and specific factors such as changing technologies and expectations for the in-service period of these assets. The appropriateness of useful lives of these assets and depreciation method are assessed annually, with the effect of any changes in estimates accounted for on a prospective basis.

H) Asset Retirement Obligation

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 in 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 obligation 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.

Notes to the Financial Statements for the three-month period ended June 30, 2024 (Unaudited, in thousands of dollars, unless otherwise specified)

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 obligation is actuarially determined using the projected benefit method prorated on service and management's best estimates of future costs. The cost of the accrued sick leave obligation is actuarially determined using the Last-in-First-Out method and management's best estimates of future costs. Such estimates include inflation rates, discount rates, 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

Admission and program fees

Admission and program fees include general admission, temporary exhibit admission, programming, and memberships. Revenues from admission and program fees are recognized when an arrangement exists, the price is fixed and determinable and payment has been collected in the case of admissions, or collection is reasonably assured for program fees that were not paid in advance of program delivery, and the Museum has granted access to view general exhibits, or temporary exhibits, or the delivered guided tours, workshops, or other specified programming.

For memberships, the Museum's performance obligations include providing unlimited access to the Museum during public operating hours and providing specified discounts on Museum goods and services. Memberships have a one-year term and are purchased by customers in advance. Membership purchases are recognized as deferred revenue when purchased, then recognized as revenue on a monthly basis over the one-year term.

Ancillary operations

Significant ancillary operations include boutique sales, parking, and VMMB facility rentals. Boutique revenues are generated from sales of merchandise at the Museum's Nature Boutique. The Museum's performance obligations are achieved when possession of purchased goods is transferred to the payor. Revenue is recognized at the time of sale.

For parking, the Corporation's performance obligations are satisfied when the payor is granted access to the Museum's parking lots at the VMMB. Parking is offered on a daily and monthly basis. For daily parking, revenue is recognized when the visitor leaves the Museum's parking lot. For monthly parking, parking is paid for and recognized in the same month. Monthly parking is unlimited and not tied to the frequency of use.

The Museum offers several spaces at the VMMB for rental by external parties for weddings, conferences, and other events. In addition to use of the physical space, the Museum also offers services such as audio-visual at the payor's discretion. The Museum's performance obligations are satisfied when access is provided to the Museum's facilities on the date of the event, and any contracted services are provided. Revenue is recognized when the event takes place. Payments received in advance are recognized as deferred revenue until the event takes place.

Other revenues

Other revenues consist primarily of temporary rentals of the Corporation's exhibits ("exhibit loans") for display at customer facilities. The Corporation's performance obligations related to exhibit loans include the delivery and permitted use of temporary exhibit structures, materials and collections items. When payments are received in advance of the exhibit loan or prior to the completion of the loan, any unearned portion is recorded as deferred revenue. Exhibit loan revenue is recognized equally over the term of the loan.

Notes to the Financial Statements for the three-month period ended June 30, 2024 (Unaudited, in thousands of dollars, unless otherwise specified)

ii) Contributions

Contributions consist of cash contributions, sponsorships, specimen and in-kind donations.

Cash contributions

Contributions are comprised of donations received from individuals, foundations and corporations, and donations of specimens. 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 until the related expenses are incurred, at which time revenue is recognized.

Contributions that are externally restricted for the purchase of depreciable capital assets are deferred in the Statement of Financial Position when funds are received. 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.

Sponsorships

Sponsorships are comprised of cash or in-kind support received from individuals, foundations and corporations for specific programs or initiatives. Sponsorships are accounted for as exchange transactions. Sponsorships are recorded as deferred revenue until the Corporation's performance obligations are met, at which time revenue is recognized.

Performance obligations associated with sponsorships may include provision of marketing, use of designated space at Museum facilities during specified events, naming rights, admission to specific events, or other non-cash consideration.

Specimen and in-kind donations

Donations of specimens are recorded as in-kind contributions using the fair value at the date of the contribution when the fair value of the donation has been determined through a professional appraisal. If an appraisal value cannot be determined, no value is assigned to the specimen donation and no transaction is recognized for financial reporting purposes. For in-kind donations, including sponsorships, the transaction price is considered to be the fair value of goods or services received.

iv) Professional and scientific services

Professional and scientific services include externally restricted funding received for specific research, scientific, or other professional projects. When externally restricted project funding is received in advance of a project, it is recorded as deferred revenue. When expenses are incurred to progress or complete the projects in accordance with terms specified in the related funding agreement, an equal amount of deferred revenue is recognized as professional and scientific services revenue.

v) 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.

Notes to the Financial Statements for the three-month period ended June 30, 2024 (Unaudited, in thousands of dollars, unless otherwise specified)

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.

vi) 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.

vii) 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 obligation 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

Notes to the Financial Statements
for the three-month period ended June 30, 2024
(Unaudited, in thousands of dollars, unless otherwise specified)

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.

3. 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.

	2024	2023
Revenues from Government of Canada related parties:		
Professional and scientific services	118	101
Other	17	-
Ancillary operations	15	6
Contributions	1	-
	151	107

Prior period 'Other' has been reclassified to conform with the current period's presentation.

	2024	2023
Expenses with Government of Canada related parties:		
Personnel costs	517	633
Real property taxes	317	308
Information management, infrastructure and systems	5	-
Freight and cartage	2	-
	841	941

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

	June 30 2024	March 31 2024
Due from related parties	120	195
Due to related parties	641	320

Notes to the Financial Statements
for the three-month period ended June 30, 2024
(Unaudited, in thousands of dollars, unless otherwise specified)

4. Capital Assets

Cost

	March 31 2024				June 30 2024
	Opening Balance	Additions	Transfers	Dispositions / Impairment	Closing Balance
Victoria Memorial Museum Building	204,973	16	-	-	204,989
Property under capital lease	35,040	-	-	-	35,040
Permanent exhibitions	13,156	-	-	-	13,156
Leasehold improvements	12,799	7	-	-	12,806
Building improvements	9,811	6	-	-	9,817
Equipment and furnishings	7,734	13	-	-	7,747
Collection cabinets and compactors	3,985	-	-	-	3,985
Capital projects in progress	175	403	-	-	578
Land	627	-	-	-	627
Website	486	-	-	-	486
Computer equipment	4,720	17	-	-	4,737
	293,506	462	-	-	293,968

Accumulated Amortization

	March 31 2024				June 30 2024
	Opening Balance	Additions		Dispositions / Impairment	Closing Balance
Victoria Memorial Museum Building	84,144		1,252	-	85,396
Property under capital lease	27,766		247	-	28,013
Permanent exhibitions	9,429		194	-	9,623
Leasehold improvements	8,541		44	-	8,585
Building improvements	6,379		175	-	6,554
Equipment and furnishings	5,749		107	-	5,856
Collection cabinets and compactors	2,928		72	-	3,000
Website	194		25	-	219
Computer equipment	4,536		22	-	4,558
	149,666		2,138	-	151,804

Notes to the Financial Statements
for the three-month period ended June 30, 2024
(Unaudited, in thousands of dollars, unless otherwise specified)

Net Book Value

	June 30	March 31
	2024	2024
Victoria Memorial Museum Building	119,593	120,829
Property under capital lease	7,027	7,274
Permanent exhibitions	3,533	3,727
Leasehold improvements	4,221	4,258
Building improvements	3,263	3,432
Equipment and furnishings	1,891	1,985
Collection cabinets and compactors	985	1,057
Capital projects in progress	578	175
Land	627	627
Website	267	292
Computer equipment	179	184
	142,164	143,840

Amortization expense for the three months ended June 30, 2024 was \$2.1 million (June 30, 2023 - \$2.1 million). No assets were sold during the three months ended June 30, 2024 and 2023. During the three months ended June 30, 2024 no capital projects in progress were derecognized (June 2023 \$29.1 thousand).

5. 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	March 31
		2024	2024
Total minimum future payments	(1)	25,375	26,250
Less: Interest component of minimum future payments		(7,337)	(7,792)
Present value of principal payments	(2)	18,038	18,458
Current liability		1,789	1,745
Long term liability		16,249	16,713
		18,038	18,458

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 \$18.7 million.

Notes to the Financial Statements
for the three-month period ended June 30, 2024
(Unaudited, in thousands of dollars, unless otherwise specified)

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

	2025	2026	2027	2028	2029	Thereafter
Future minimum payments	2,625	3,500	3,500	3,500	3,500	8,750

6. Deferred Revenues, Contributions, Parliamentary Appropriations, and Capital Funding

Deferred revenues, contributions and parliamentary appropriations are as follows:

	March 31 2024			June 30 2024
	Opening Balance	Funding received	Funding recognized	Closing Balance
Contributions	3,946	473	(389)	4,030
Operating revenues	697	683	(486)	894
	4,643	1,156	(875)	4,924

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 2024			June 30 2024
	Opening Balance	Capital assets acquired	Recognized as revenue	Closing Balance
Parliamentary appropriations	135,186	446	(1,848)	133,784
Contributions	856	-	(38)	818
	136,042	446	(1,886)	134,602

7. Asset Retirement Obligation

Asset retirement obligation represents 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 3.39% (March 31, 2024: 3.48%) and inflation rate of 2.00% (March 31, 2024: 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 as at June 30, 2024, was \$1.2 million (March 31, 2024 - \$1.2 million). No asset retirement obligation was identified or settled during the three months ended June 30, 2024, nor the year ended March 31, 2024. The asset retirement obligation is 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 obligation.

Notes to the Financial Statements
for the three-month period ended June 30, 2024
(Unaudited, in thousands of dollars, unless otherwise specified)

Changes in asset retirement obligation are as follows:

	Equipment and Furnishings	Leasehold Improvements	Victoria Memorial Museum Building	Total Asset Retirement Obligation
Balance, March 31, 2024	16	29	800	845
Changes in estimates	-	-	16	16
Accretion of asset retirement obligation	-	-	7	7
Balance, June 30, 2024	16	29	823	868

8. Investment in Capital Assets

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

	June 30 2024	March 31 2024
Capital assets (Note 4)	142,164	143,840
Less amounts financed by:		
Asset retirement obligation (Note 7)	(868)	(845)
Capital lease (Note 5)	(18,038)	(18,458)
Deferred capital funding (Note 6)	(134,602)	(136,042)
	(11,344)	(11,505)

Net change in investment in capital assets for the three months ended June 30, 2024 and year ended March 31, 2024 is calculated as follows:

	June 30 2024	March 31 2024
Capital asset additions	462	1,445
Add: repayment of obligation under capital lease	420	1,582
(Deduct): accretion of asset retirement obligation	(7)	(26)
Add (deduct): impact of changes in estimates to asset retirement estimate	(16)	26
(Deduct): capital assets financed with deferred capital funding	(446)	(1,382)
Capital assets purchased with the Corporation's funds	413	1,645
Net disposition of capital assets	-	(237)
Amortization of deferred capital funding	1,886	7,519
Amortization of capital assets	(2,138)	(8,526)
Net change in investment in capital assets	161	401

Notes to the Financial Statements
for the three-month period ended June 30, 2024
(Unaudited, in thousands of dollars, unless otherwise specified)

9. Revenue

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

Admission and program fees

	2024	2023
Admission fees – general	925	959
Admission fees – temporary exhibits	219	143
Memberships	133	99
Programs	265	159
	1,542	1,360

Ancillary Operations

	2024	2023
Boutique revenues	291	306
Parking	223	224
VMMB facility rentals	214	219
NHC collection services	85	84
NHC facility rentals	49	49
Cafeteria leases	11	16
	873	898

Components of ancillary operations disclosed in the prior period were reclassified to conform with the current period's presentation.

Interest

	2024	2023
Cash	575	462

Contributions

	2024	2023
Cash contributions and sponsorships	301	279
Specimen and in-kind donations	11	-
	312	279

Notes to the Financial Statements
for the three-month period ended June 30, 2024
(Unaudited, in thousands of dollars, unless otherwise specified)

Professional and Scientific Services

	2024	2023
Professional and scientific services - cash	124	106
Professional and scientific services - in-kind	72	72
	196	178

Professional and scientific services were included as a component of other revenue in the prior period. Prior period amounts were reclassified to conform with the current period's presentation.

Other

	2024	2023
Exhibit loans	-	4
Other	18	47
	18	51

Professional and scientific services were included as a component of other revenue in the prior period. Prior period amounts were reclassified to conform with the current period's presentation.

10. Summary of Expenses by Object

	2024	2023
Personnel costs	5,333	4,214
Amortization of capital assets	2,138	2,144
Operation and maintenance of buildings	1,234	1,120
Professional and special services	1,075	1,189
Real property taxes	648	611
Interest on capital lease obligation	455	494
Information management infrastructure and systems	444	470
Exhibits	-	197
Repairs and maintenance	210	56
Marketing and communications	142	95
Cost of goods sold - natureBOUTIQUE	127	133
Travel	127	160
Freight and cartage	13	6
Accretion of asset retirement obligation	7	6
Objects for collections	4	4
Other	86	137
	12,043	11,036

Notes to the Financial Statements
for the three-month period ended June 30, 2024
(Unaudited, in thousands of dollars, unless otherwise specified)

11. Parliamentary Appropriations

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

	2024	2023
Operating	6,930	6,930
Supplementary	1,203	37
Amortization of deferred contributions related to capital assets	1,848	1,834
Appropriations used to purchase amortizable capital assets	(446)	(82)
Appropriations recognized during the period	9,535	8,719

12. Comparative Figures

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