



CANADIAN
MUSEUM
OF HISTORY
-
MUSÉE
CANADIEN
DE L'HISTOIRE



CANADIAN
WAR
MUSEUM
-
MUSÉE
CANADIEN
DE LA GUERRE

QUARTERLY FINANCIAL REPORT
FOR THE NINE MONTH PERIOD ENDED
DECEMBER 31, 2015
UNAUDITED

Canada

NARRATIVE DISCUSSION

These quarterly financial statements must be read in conjunction with the March 31, 2015 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.

VIRTUAL MUSEUM OF CANADA AND ONLINE WORKS OF REFERENCE

Budget 2014 announced the government's intention to transfer the responsibilities for the Virtual Museum of Canada (VMC) and the Online Works of Reference (OWR) from the Department of Canadian Heritage (PCH) to the Canadian Museum of History. The transfer was enacted through the approval of the Budget Implementation Act (BIA) in June 2014.

The effective dates of the transfers were August 29, 2014 for the OWR and September 30, 2014 for the VMC. The annualized funding for the VMC is \$6.2 million and the OWR is \$2.1 million.

CANADIAN HISTORY HALL

As part of the transformation from the Canadian Museum of Civilization to the Canadian Museum of History, the Corporation is receiving \$25 million over four years to help transform two of its permanent galleries (the Canada Hall and Face to Face) into one major permanent exhibition focusing on Canadian history. The \$25 million in funding is being allocated as follows: \$1 million in 2012–2013, \$1.5 million in 2013–2014, \$5.5 million in 2014–2015 and \$17 million in 2015–2016. The new gallery is scheduled to open in 2017.

STATEMENT OF OPERATIONS

Net results of operations at December 31, 2015 reflected a deficit of \$1.7 million, compared to a deficit of \$0.9 million the prior fiscal year. The deficit is mainly due to the timing of parliamentary appropriation draws, which are done on a pre-determined schedule based on anticipated need, not on an accrual basis as used in the preparation of the financial statements.

Parliamentary appropriations at December 31, 2015 were \$51.9 million, compared to \$51.6 million the prior fiscal year.

Operating expenses were higher than the prior fiscal year at \$67.9 million, compared to \$65.5 million. The increase in expenses is primarily related to the transfer of responsibilities for the VMC and OWR programs along with increased acquisitions of artifacts.

The Corporation continues to review its expenses to identify opportunities to reduce its costs through contract re-negotiations and implementation of efficiencies. However, certain costs outside the control of the organization, such as the Payment in Lieu of Taxes (property taxes) and other fixed costs continue to be challenging.

STATEMENT OF FINANCIAL POSITION

As at December 31, 2015, the Corporation's investments include Master Asset Vehicle (MAV) notes. The fair values of the MAVII notes are based on the Corporation's assessment of market conditions. At March 31, 2015, the MAVII notes were recorded at their estimated fair value of \$9.6 million. The Corporation has maintained this valuation at December 31, 2015.

The National Collection Fund represents funds for the acquisition of artifacts by the Canadian Museum of History and the Canadian War Museum. At December 31, 2015, the balance of the National Collection Fund stands at \$10.8 million.

The impact of seasonal fluctuations is also of note when comparing balances at December 31, 2015 against those at March 31, 2015.

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.



David Loye, CPA, CGA
Chief Operating Officer and Senior Vice-President



Melissa MacKenzie, CPA, CA
Chief Financial Officer

Gatineau, Quebec

February 24, 2016

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Statement of Financial Position

As at

(In thousands of dollars)

	December 31, 2015	March 31, 2015
Assets		
Current assets:		
Cash	\$ 8,798	\$ 4,070
Restricted cash and investments	4,908	1,129
Investments	7,084	7,384
Accounts receivable	1,776	1,769
Inventories	990	880
Prepaid expenses	1,264	527
	<u>24,820</u>	<u>15,759</u>
Restricted cash and investments	9,733	12,894
Investments	41,942	44,249
Collections	1	1
Capital assets	<u>241,202</u>	<u>243,493</u>
	<u>\$ 317,698</u>	<u>\$ 316,396</u>
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 17,764	\$ 16,540
Deferred contributions and deferred revenues (note 4)	10,158	8,291
Current portion of employee future benefits	215	251
	<u>28,137</u>	<u>25,082</u>
Deferred contributions - National Collection Fund (note 5)	10,820	10,759
Deferred contributions related to capital assets (note 6)	211,049	210,947
Employee future benefits	<u>5,814</u>	<u>5,454</u>
	<u>255,820</u>	<u>252,242</u>
Net assets:		
Unrestricted	17,038	18,721
Investment in capital assets	40,868	40,868
Accumulated remeasurement gains	<u>3,972</u>	<u>4,565</u>
	<u>61,878</u>	<u>64,154</u>
	<u>\$ 317,698</u>	<u>\$ 316,396</u>

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 nine month periods ended December 31, 2015

(In thousands of dollars)

	Three month period ended December 31		Nine month period ended December 31	
	2015	2014	2015	2014
				(Restated Note 3)
Revenues:				
Donations and sponsorships (note 7)	\$ 1,768	\$ 767	\$ 2,057	\$ 1,166
Net investment income	354	364	923	997
Operating (schedule 1)	2,773	2,793	11,352	10,837
	<u>4,895</u>	<u>3,924</u>	<u>14,332</u>	<u>13,000</u>
Expenses (schedule 2):				
Collect and research	4,546	3,661	10,663	9,338
Exhibit, educate and communicate	5,215	5,619	16,211	14,223
Accommodation	9,464	9,657	28,106	28,529
Corporate management	4,132	4,329	12,896	13,427
	<u>23,357</u>	<u>23,266</u>	<u>67,876</u>	<u>65,517</u>
Net result of operations before government funding	(18,462)	(19,342)	(53,544)	(52,517)
Parliamentary appropriations (note 8)	15,039	17,115	51,861	51,594
Net result of operations	<u>\$ (3,423)</u>	<u>\$ (2,227)</u>	<u>\$ (1,683)</u>	<u>\$ (923)</u>

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

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Statement of Remeasurement Gains and Losses

For the three and nine month periods ended December 31, 2015

(In thousands of dollars)

	Three month period ended December 31		Nine month period ended December 31	
	2015	2014	2015	2014
Accumulated remeasurement gains, beginning of period	\$ 3,962	\$ 3,003	\$ 4,565	\$ 2,867
Unrealized gains (losses) attributed to investments	10	463	(722)	550
Amounts reclassified to the Statement of Operations - investments	-	-	129	49
Net change in accumulated remeasurement gains (losses) for the period	10	463	(593)	599
Accumulated remeasurement gains, end of period	\$ 3,972	\$ 3,466	\$ 3,972	\$ 3,466

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 nine month periods ended December 31, 2015

(In thousands of dollars)

For the three month period ended	Unrestricted	Investment in capital assets	Accumulated remeasure- ment gains	December 31, 2015	December 31, 2014
Net assets, beginning of period	\$ 20,461	\$ 40,868	\$ 3,962	\$ 65,291	\$ 64,665
Net result of operations	(3,423)	-	-	(3,423)	(2,227)
Net change in accumulated remeasurement gains (losses)	-	-	10	10	463
Net assets, end of period	\$ 17,038	\$ 40,868	\$ 3,972	\$ 61,878	\$ 62,901

For the nine month period ended	Unrestricted	Investment in capital assets	Accumulated remeasure- ment gains	December 31, 2015	December 31, 2014
Net assets, beginning of period	\$ 18,721	\$ 40,868	\$ 4,565	\$ 64,154	\$ 63,225
Net result of operations	(1,683)	-	-	(1,683)	(923)
Net change in accumulated remeasurement gains (losses)	-	-	(593)	(593)	599
Net assets, end of period	\$ 17,038	\$ 40,868	\$ 3,972	\$ 61,878	\$ 62,901

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 nine month periods ended December 31, 2015

(In thousands of dollars)

	Three month period ended December 31		Nine month period ended December 31	
	2015	2014	2015	2014
				(Restated Note 3)
Operating activities:				
Cash receipts from clients	\$ 3,420	\$ 4,106	\$ 14,752	\$ 14,641
Cash receipts from parliamentary appropriations	12,158	13,345	48,818	42,457
Cash paid to and on behalf of employees	(8,186)	(7,763)	(24,804)	(24,416)
Cash paid to suppliers	(9,219)	(9,560)	(33,770)	(30,667)
Restricted contributions and related investment income	398	558	813	1,093
Interest received	347	385	1,046	1,044
Net cash through operating activities	(1,082)	1,071	6,855	4,152
Investing activities:				
Principal repayments of investments	17	12	36	55
Increase in restricted cash and investments	-	(3,598)	-	(11,812)
Decrease in restricted cash and investments	3,011	1,978	4,847	5,245
Net cash through investing activities	3,028	(1,608)	4,883	(6,512)
Capital activities:				
Acquisition of capital assets	(2,292)	(1,535)	(7,773)	(4,435)
Financing activities:				
Parliamentary appropriations for the acquisition of capital assets	2,146	1,040	4,542	4,073
Increase (decrease) in cash and restricted cash	1,800	(1,032)	8,507	(2,722)
Cash and restricted cash, beginning of period:				
Cash	10,368	2,354	4,070	2,627
Restricted cash	1,538	2,544	1,129	3,961
	11,906	4,898	5,199	6,588
Cash and restricted cash, end of period:				
Cash	8,798	2,415	8,798	2,415
Restricted cash	4,908	1,451	4,908	1,451
	\$ 13,706	\$ 3,866	\$ 13,706	\$ 3,866

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

CANADIAN MUSEUM OF HISTORY

Notes to the Financial Statements

(Unaudited)

For the nine month period ended December 31, 2015
(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, fund raising, commercial activities, finance and administration, human resources and information systems.

CANADIAN MUSEUM OF HISTORY

Notes to the Financial Statements

(Unaudited)

For the nine month period ended December 31, 2015
(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, 2015. 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, contingent liabilities, valuation of Master Asset Vehicle notes, 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

Notes to the Financial Statements

(Unaudited)

For the nine month period ended December 31, 2015
(In thousands of dollars)

3. Accounting changes and restatement:

In fiscal 2014-2015, the Corporation reviewed its approach for the capitalization of permanent exhibition costs as assets. In the past, the Corporation expensed the costs related to permanent exhibitions and recognized any related government funding as revenue. The Corporation concluded that permanent exhibitions should be capitalized. Consequently, the Corporation amended its capital assets, deferred contributions and deferred revenues as well as deferred contributions related to capital assets as at March 31, 2015, resulting in a retroactive restatement of prior years' balances.

In fiscal 2014-2015, the Corporation also revised its approach to calculating cash amounts in the various sub-components of its Statement of Cash Flows. This resulted in the adjustment of certain comparative figures. Finally, other comparative figures in the financial statements have also been reclassified to conform to the presentation adopted in the current year.

While there was no impact on the net result of operations or net assets, the comparative figures for the period ended December 31, 2014 have been restated as follows:

	December 31, 2014 Restated	Adjustments: Permanent Exhibitions	Adjustments: Cash Flow and Other	December 31, 2014 As previously stated
Statement of Operations				
Expenses:				
Exhibit, educate and communicate	\$ 14,223	\$ (1,458)	\$ -	\$ 15,681
Accommodation	28,529	(67)	(131)	28,727
Corporate management	13,427	-	131	13,296
Net result of operations before government funding	(52,517)	1,525	-	(54,042)
Parliamentary appropriations	51,594	(1,525)	-	53,119
Statement of Cash Flows				
Operating Activities:				
Cash receipts from parliamentary appropriations	42,457	(1,541)	657	43,341
Cash paid to and on behalf of employees	(24,416)	825	-	(25,241)
Cash paid to suppliers	(30,667)	716	84	(31,467)
Capital Activities:				
Acquisition of capital assets	(4,435)	(1,541)	(84)	(2,810)
Financing Activities:				
Parliamentary appropriations for the acquisition of capital assets	4,073	1,541	(657)	3,189

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the nine month period ended December 31, 2015

(In thousands of dollars)

4. Deferred contributions and deferred revenues:

Deferred contributions and deferred revenues are as follows:

	December 31, 2015	March 31, 2015
Deferred contributions from non-government sources	\$ 3,821	\$ 3,264
Deferred Parliamentary appropriations	4,704	3,453
Total deferred contributions	8,525	6,717
Deferred revenues - goods and services	1,055	1,079
Deferred revenues - grants and sponsorships	578	495
Balance, end of period	\$ 10,158	\$ 8,291

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

	December 31, 2015 (9 months)	March 31, 2015 (12 months)
Balance, beginning of period	\$ 6,717	\$ 3,125
Additions:		
Restricted contributions received from non-government sources	556	1,082
Restricted Parliamentary appropriations received	2,200	3,216
Deferred investment income	46	45
	2,802	4,343
Deductions:		
Amounts recognized as revenue	(994)	(751)
Balance, end of period	\$ 8,525	\$ 6,717

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the nine month period ended December 31, 2015

(In thousands of dollars)

5. Deferred contributions - National Collection Fund:

Deferred contributions for the National Collection Fund consist of the following:

	December 31, 2015	March 31, 2015
Deferred Parliamentary appropriations	\$ 8,955	\$ 8,920
Contributions from non-government entities	1,865	1,839
Balance, end of period	\$ 10,820	\$ 10,759

Changes in the deferred contributions were as follows:

	December 31, 2015 (9 months)	March 31, 2015 (12 months)
Balance, beginning of period	\$ 10,759	\$ 10,417
Additions:		
Contributions from non-government entities received in the year	3	39
Deferred realized investment income	208	292
Unrealized gain (loss) on investments	(150)	255
	61	586
Deductions:		
Amounts recognized as revenue	-	(244)
Balance, end of period	\$ 10,820	\$ 10,759

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the nine month period ended December 31, 2015

(In thousands of dollars)

6. Deferred contributions related to capital assets:

Deferred contributions related to capital assets is composed of:

	December 31, 2015	March 31, 2015
Used for acquisitions:		
Deferred capital contributions from non-government entities	\$ 1,922	\$ 1,972
Deferred capital funding through Parliamentary appropriations	198,211	200,452
	<u>200,133</u>	<u>202,424</u>
To be used for future acquisitions:		
Deferred capital funding through Parliamentary appropriations	10,916	8,523
	<u>10,916</u>	<u>8,523</u>
Balance, end of period	<u>\$ 211,049</u>	<u>\$ 210,947</u>

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

	December 31, 2015 (9 months)	March 31, 2015 (12 months)
Balance, beginning of period	\$ 210,947	\$ 217,841
Add:		
Capital asset acquisitions	8,355	5,040
Funded by prior year Parliamentary appropriations	(3,232)	(1,029)
Funded by current period Parliamentary appropriations	5,123	4,011
Parliamentary appropriations deferred for capital asset acquisitions in future periods	5,625	3,412
Parliamentary appropriations	<u>10,748</u>	<u>7,423</u>
Less amounts recognized as revenue:		
Deferred capital contributions	(49)	(65)
Parliamentary appropriations	(10,597)	(14,252)
	<u>(10,646)</u>	<u>(14,317)</u>
Balance, end of period	<u>\$ 211,049</u>	<u>\$ 210,947</u>

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the nine month period ended December 31, 2015

(In thousands of dollars)

7. Donations and sponsorships:

Donations and sponsorships revenue is composed of:

	December 31, 2015	December 31, 2014
Cash donations and sponsorships	\$ 319	\$ 392
In-kind sponsorships and artifact donations	1,738	774
	\$ 2,057	\$ 1,166

8. Parliamentary appropriations:

Parliamentary appropriations recognized as revenue:

	December 31, 2015	December 31, 2014 (Restated Note 3)
Main Estimates amount provided for operating and capital expenses	\$ 83,369	\$ 63,430
Supplementary estimates and transfers	-	5,399
	83,369	68,829
Parliamentary appropriations receivable at period end	(30,104)	(23,699)
Parliamentary appropriations received in the current period	53,265	45,130
Deferred Parliamentary appropriations, beginning of year	11,975	6,672
Parliamentary appropriations available for use	65,240	51,802
Portion of amount deferred for specific projects and acquisitions	(15,621)	(7,897)
Amounts used to purchase capital assets	(8,355)	(3,005)
Amortization of deferred capital funding	10,597	10,694
Parliamentary appropriations recognized as revenue	\$ 51,861	\$ 51,594

Reconciliation of deferred parliamentary appropriations:

	December 31, 2015	December 31, 2014
Deferred Parliamentary appropriations, beginning of period	\$ 11,975	\$ 6,672
Parliamentary appropriations deferred for specific projects and acquisitions in future periods	7,825	2,663
Deferred Parliamentary appropriations used in the current period	(4,179)	(1,438)
Deferred Parliamentary appropriations, end of period	\$ 15,621	\$ 7,897

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Schedule 1 - Operating Revenues

For the three and nine month periods ended December 31, 2015

(In thousands of dollars)

	Three month period ended December 31		Nine month period ended December 31	
	2015	2014	2015	2014
General admission and programmes	\$ 962	\$ 841	\$ 4,864	\$ 4,114
Facility rental, events and concessions	709	714	2,044	2,155
Boutique sales	367	373	1,697	1,654
Parking	368	340	1,451	1,280
Giant screen theatre	168	211	788	922
Memberships	77	66	218	196
Travelling exhibits	62	178	143	259
Other	60	70	147	257
	\$ 2,773	\$ 2,793	\$ 11,352	\$ 10,837

Schedule 2 - Expenses

For the three and nine month periods ended December 31, 2015

(In thousands of dollars)

	Three month period ended December 31		Nine month period ended December 31	
	2015	2014	2015	2014
				(Restated Note 3)
Personnel costs	\$ 8,512	\$ 7,995	\$ 25,616	\$ 24,732
Amortization of capital assets	3,539	3,577	10,646	10,776
Payments in lieu of property taxes	2,457	2,448	7,421	7,345
Building operations	1,391	1,642	4,196	5,032
Collection acquisitions	1,871	1,144	2,872	1,641
Online programs assistance	749	904	2,508	904
Professional and special services	855	1,025	2,370	2,636
Exhibit fabrication and rental	682	776	2,338	1,955
Repairs and maintenance	769	790	2,061	2,084
Utilities	673	733	2,053	1,991
IT infrastructure and systems	584	680	1,572	1,961
Marketing and advertising	287	457	1,048	1,188
Cost of goods sold	174	190	790	843
Materials and supplies	272	295	767	830
Travel and hospitality	278	286	753	732
Royalties	45	68	194	239
Other	219	256	671	628
	\$ 23,357	\$ 23,266	\$ 67,876	\$ 65,517