

CANADIAN MUSEUM OF HISTORY

Quarterly Financial Statements

For the nine month period ended December 31, 2020

Unaudited

NARRATIVE DISCUSSION

These quarterly financial statements must be read in conjunction with the March 31, 2020 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.

On March 11, 2020, the World Health Organization declared the new coronavirus (COVID-19) a global pandemic. Based on public health recommendations, and along with the other national museums, the Corporation made the decision to close its two sites to visitors and non-essential staff on March 14, 2020, until further notice.

The Canadian Museum of History and the Canadian War Museum reopened on July 23, with a special summer free offer of fun outdoor activities and enhanced safety measures.

The next phase of the Museum's public reopening was launched on September 2nd, 2020. The focus of this broader offer was primarily on permanent galleries. Some spaces — including the Canadian Children's Museum and CINE+ at the Museum of History, and the Memorial Hall at the War Museum — remain temporarily closed.

On October 11, 2020, the province of Quebec reinstated pandemic restrictions resulting in a second closure of the Canadian Museum of History. On December 24, 2020 similar restrictions were announced by the province of Ontario forcing the closure of the Canadian War Museum. Both Museum sites remain closed as of December 31, 2020.

The Museum will be ready to welcome its visitors, once again, when Public Health guidelines permit. Meanwhile the Museum remains connected with its audience through its digital offer with Museum at Home, Digital Museums Canada and its online programming offer.

STRATEGIC DIRECTION

The Corporation's six Strategic Directions are as follows:

Inspire Canadians across the country to engage in a greater understanding of their shared history

Position the Museum as a trusted source of research and knowledge about Canadian history

Strengthen relationships with indigenous peoples through respectful collaboration and shared stewardship of indigenous collections and intangible heritage

Build and share a collection that best reflects Canada's history and distinctiveness

Pursue cultural diplomacy to exchange ideas and values and advance mutually beneficial projects, both nationally and internationally

Ensure sustainability, capacity and museological excellence by continuing to develop an empowering corporate culture

STATEMENT OF OPERATIONS

The Corporation's net results of operations for the nine-month period ended December 31, 2020 reflects a surplus of \$7.4 million, compared to a surplus of \$4.0 million for the comparative period of the previous fiscal year.

On June 18, 2020, the Honourable Steven Guilbeault, Minister of Canadian Heritage announced an emergency investment intended to support the national museums to face the impacts of COVID-19 pandemic. The Museum welcomed this new funding of \$4.3 million, received in the second quarter of 2020-21, that alleviates some of the financial pressures the Corporation is experiencing in the current fiscal year.

The Museum also welcomes the confirmation of the salary economic increase funding totaling \$4.7 million and received during the second quarter of 2020-21. The net surplus position as of December 31, 2020 is partially explained by additional funding as it includes a retroactive payment to cover 2018-19 and 2019-20 salary economic increases. These expenses were incurred in these respective fiscal years.

The Museum's multiple closures, and limited re-opening, has had a significant negative impact on the revenues generated in the first three quarters. Revenues for the nine-month period total \$2.2 million, compared to \$15.9 million for the same period of the previous fiscal year, a decrease of \$13.7 million.

The Museum also experienced a reduction in operating expenses during the closure as expenses were limited to essential services and business continuity. Operating expenses for the period total \$61.7 million, compared to \$73.0 million for the comparative period of the previous fiscal year.

Parliamentary appropriations for the period total \$66.9 million, compared to the \$61.1 million for the same period in the previous fiscal year. The 2020-21 parliamentary appropriations include the last year of a five-year approval of additional capital funding, approved in Budget 2016, to address urgent health and safety related capital projects.

STATEMENT OF FINANCIAL POSITION

The Museum's unrestricted net assets as of December 31, 2020 represent \$20.9 million. The Museum also has a restricted net assets balance of \$14.8 million, for permanent exhibition galleries renewal, including the transformation of the Canadian Children's Museum. In 2017-18, an upgrade to a permanent gallery was completed at the CWM. The decrease in restricted net assets, when compared to the balance as of March 31, 2020, is equivalent to the amortization of this upgrade.

OUTLOOK

The current situation related to the global pandemic continues to impact significantly the attendance and the operations of the Museum. It is anticipated that this situation will have a significant negative impact on the operating revenues of the current and subsequent fiscal years.

In addition to the financial pressures caused by the Covid-19 pandemic, escalating non-discretionary accommodation costs and capital repairs remain a challenge. The Corporation is responsible for two iconic national sites, one of which is 31 years old and the other 15 years old.

The Museum will return to an annual base capital funding of \$2.5 million in future years as 2020-21 is the last year of the five-year one-time funding allocation, approved through Budget 2016 to complete health and safety related projects. Base funding remains below the levels necessary to keep aging infrastructure in good condition. The Corporation will continue to work with the Department of Canadian Heritage on a long-term solution to address operating challenges such as escalating non-discretionary costs and the need to address critical capital projects.

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, 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.



Caroline Dromaguet
Acting President and Chief Executive Officer



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

Gatineau, Quebec

February 22, 2021

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Statement of Financial Position

As at

(In thousands of dollars)

	December 31, 2020	March 31, 2020
Assets		
Current assets		
Cash	\$ 31,246	\$ 19,869
Restricted cash	5,995	2,515
Restricted investments	3,225	3,667
Investments	14,053	14,139
Accounts receivable	1,908	2,469
Inventories	811	832
Prepaid expenses	578	580
	57,816	44,071
Restricted investments	7,290	8,737
Investments	41,919	46,018
Collections	1	1
Capital assets	206,716	216,506
	\$ 313,742	\$ 315,333
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 12,846	\$ 13,782
Deferred contributions (note 3)	15,329	14,508
Deferred revenues	770	825
	28,945	29,115
Deferred contributions - National Collection Fund (note 4)	10,884	10,714
Deferred contributions related to capital assets (note 5)	185,648	195,335
Employee future benefits	11,723	10,983
	237,200	246,147
Net assets		
Unrestricted	20,870	13,482
Restricted for permanent exhibit renewal	14,804	14,836
Investment in capital assets	40,868	40,868
	76,542	69,186
	\$ 313,742	\$ 315,333

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

(In thousands of dollars)

	Three month period ended December 31		Nine month period ended December 31	
	2020	2019	2020	2019
Revenues				
Donations and sponsorships (note 6)	\$ 111	\$ 714	\$ 553	\$ 1,455
Net investment income	403	481	1,206	1,416
Operating (schedule 1)	225	3,194	474	13,046
	739	4,389	2,233	15,917
Expenses (schedule 2)				
Collect and research	\$ 2,625	\$ 3,119	\$ 7,710	\$ 8,964
Exhibit, educate and communicate	5,838	6,743	16,887	21,002
Accommodation	8,282	8,683	25,310	28,433
Corporate management	4,382	4,717	11,821	14,609
	21,127	23,262	61,728	73,008
Net result of operations before parliamentary appropriations	(20,388)	(18,873)	(59,495)	(57,091)
Parliamentary appropriations (note 7)	21,648	20,754	66,851	61,051
Net result of operations	\$ 1,260	\$ 1,881	\$ 7,356	\$ 3,960

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

(In thousands of dollars)

For the three month period ended	Unrestricted	Restricted for permanent exhibit renewal	Investment in capital assets	December 31 2020	December 31 2019
Net assets, beginning of period	\$ 19,600	\$ 14,814	\$ 40,868	\$ 75,282	\$ 70,638
Net result of operations	1,270	(10)	-	1,260	1,881
Net assets, end of period	\$ 20,870	\$ 14,804	\$ 40,868	\$ 76,542	\$ 72,519

For the nine month period ended	Unrestricted	Restricted for permanent exhibit renewal	Investment in capital assets	December 31 2020	December 31 2019
Net assets, beginning of period	\$ 13,482	\$ 14,836	\$ 40,868	\$ 69,186	\$ 68,559
Net result of operations	7,388	(32)	-	7,356	3,960
Net assets, end of period	\$ 20,870	\$ 14,804	\$ 40,868	\$ 76,542	\$ 72,519

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

(In thousands of dollars)

	Three month period ended December 31		Nine month period ended December 31	
	2020	2019	2020	2019
Operating activities				
Cash receipts from clients and other receivables	\$ 1,003	\$ 4,408	\$ 3,891	\$ 16,472
Cash receipts from parliamentary appropriations	16,620	15,907	52,276	45,689
Cash paid to and on behalf of employees	(8,992)	(10,110)	(29,054)	(29,773)
Cash paid to suppliers	(5,544)	(8,461)	(21,194)	(33,607)
Restricted contributions and related investment income	873	974	1,616	1,997
Interest received	307	389	1,021	1,317
Net cash through operating activities	4,267	3,107	8,556	2,095
Investing activities				
Principal repayments of investments	-	-	-	-
Increase in investments and restricted investments	-	(1,000)	-	(4,810)
Decrease in investments and restricted investments	6,020	3,750	6,020	4,553
Net cash through investing activities	6,020	2,750	6,020	(257)
Capital activities				
Acquisition of capital assets	(1,017)	(1,932)	(3,715)	(4,618)
Financing activities				
Parliamentary appropriations for the acquisition of capital assets	630	2,258	3,996	6,966
Increase (decrease) in cash and restricted cash	9,900	6,183	14,857	4,186
Cash and restricted cash, beginning of period				
Cash	24,075	9,594	19,869	12,277
Restricted cash	3,266	2,997	2,515	2,311
	27,341	12,591	22,384	14,588
Cash and restricted cash, end of period				
Cash	31,246	15,395	31,246	15,395
Restricted cash	5,995	3,379	5,995	3,379
	\$ 37,241	\$ 18,774	\$ 37,241	\$ 18,774

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 nine month period ended December 31, 2020
(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 nine month period ended December 31, 2020

(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, 2020. 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 nine month period ended December 31, 2020

(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	December 31, 2020 (9 months)	March 31, 2020 (12 months)
Balance, beginning of period	\$ 4,286	\$ 10,222	\$ 14,508	\$ 12,145
Additions				
Amounts received during the period	1,367	680	2,047	4,792
Deferred investment income	64	-	64	106
	1,431	680	2,111	4,898
Deductions				
Amounts recognized as revenue	-	(1,290)	(1,290)	(2,535)
Balance, end of period	\$ 5,717	\$ 9,612	\$ 15,329	\$ 14,508

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the nine month period ended December 31, 2020

(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	December 31, 2020 (9 months)	March 31, 2020 (12 months)
Balance, beginning of period	\$ 9,481	\$ 1,233	\$ 10,714	\$ 10,497
Additions				
Amounts received during the period	-	6	6	29
Deferred investment income	145	19	164	240
	145	25	170	269
Deductions				
Amounts recognized as revenue	-	-	-	(52)
Balance, end of period	\$ 9,626	\$ 1,258	\$ 10,884	\$ 10,714

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Notes to the Financial Statements

For the nine month period ended December 31, 2020

(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</u>	December 31, 2020 (9 months)	March 31, 2020 (12 months)
	Non- government sources	Parliamentary appropriations	<u>for capital</u> <u>asset</u> <u>acquisitions</u> Parliamentary appropriations		
Balance, beginning of period	\$ 1,643	\$ 170,928	\$ 22,764	\$ 195,335	\$ 202,358
Additions					
Capital asset acquisitions	-	2,590	-	2,590	5,616
Parliamentary appropriations deferred for capital asset acquisitions in future periods	-	-	1,365	1,365	6,170
	-	2,590	1,365	3,955	11,786
Deductions					
Amounts used during the period	(49)	(12,510)	(1,083)	(13,642)	(18,809)
Balance, end of period	\$ 1,594	\$ 161,008	\$ 23,046	\$ 185,648	\$ 195,335

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 nine month period ended December 31, 2020

(In thousands of dollars)

6. Donations and sponsorships

Donations and sponsorships revenue is composed of:

	December 31, 2020	December 31, 2019
Cash donations and sponsorships	\$ 351	\$ 1,025
In-kind sponsorships and artifact donations	202	430
	\$ 553	\$ 1,455

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.

	December 31, 2020	December 31, 2019
Main Estimates amount provided for operating and capital activities	\$ 51,979	\$ 52,522
Supplementary estimates and transfers	4,624	-
Less current period Parliamentary appropriations not recognized as revenue:		
Used for capital asset acquisitions	(1,507)	(2,084)
Deferred for future capital asset acquisitions	(1,365)	(3,300)
Restricted for specific purposes	(680)	-
Add prior period Parliamentary appropriations recognized as revenue in current period:		
Amortization of deferred capital funding	12,510	12,823
Restricted amounts used in current period	1,290	1,090
Parliamentary appropriations recognized as revenue	\$ 66,851	\$ 61,051

CANADIAN MUSEUM OF HISTORY

(Unaudited)

Schedule 1 - Operating Revenues

For the three and nine month periods ended December 31
(In thousands of dollars)

	Three month period ended December 31		Nine month period ended December 31	
	2020	2019	2020	2019
General admission and programmes	\$ 52	\$ 1,286	\$ 140	\$ 6,152
Parking	45	437	104	1,519
Boutique sales	66	413	99	1,802
Travelling exhibits	18	62	49	467
Facility rental, events and concessions	12	845	27	2,596
Memberships	-	126	-	396
Other	32	25	55	114
	\$ 225	\$ 3,194	\$ 474	\$ 13,046

Schedule 2 - Expenses

For the three and nine month periods ended December 31
(In thousands of dollars)

	Three month period ended December 31		Nine month period ended December 31	
	2020	2019	2020	2019
Personnel costs	\$ 9,566	\$ 9,705	\$ 29,193	\$ 29,655
Amortization of capital assets	4,201	4,272	12,592	12,905
Payments in lieu of property taxes	1,895	1,204	6,113	6,264
Building operations	977	1,590	2,905	4,870
Online programs assistance	1,173	799	2,865	2,663
Utilities	545	771	1,658	2,197
IT infrastructure and systems	573	533	1,555	1,598
Repairs and maintenance	613	740	1,423	2,245
Professional and special services	596	1,039	1,317	2,629
Materials and supplies	145	257	635	682
Exhibit fabrication and rental	310	696	471	2,737
Marketing and advertising	180	540	294	1,220
Collection acquisitions	95	305	202	685
Rentals and leases	70	98	137	207
Cost of goods sold	33	190	71	894
Travel and hospitality	2	263	14	826
Royalties	2	19	2	133
Other	151	241	281	598
	\$ 21,127	\$ 23,262	\$ 61,728	\$ 73,008