

CANADIAN MUSEUM OF NATURE

QUARTERLY FINANCIAL REPORT

(Unaudited)

For the three-month period
ended June 30, 2019

Canada



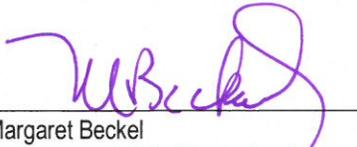
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STATEMENT OF MANAGEMENT RESPONSIBILITY BY SENIOR OFFICIALS

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.



Margaret Beckel
President and Chief Executive Officer



Ikram Zouari, CPA, CGA
Chief Financial Officer

Ottawa, Canada
August 22, 2019

Statement of Financial Position (Unaudited)

<i>(in thousands of dollars)</i>	at June 30 2019	at March 31 2019
Assets		
Current		
Cash and cash equivalents	18,977	18,475
Restricted cash	334	332
Restricted investments	1,516	1,516
Accounts receivable		
Trade	908	734
Government departments and agencies (Note 12)	18	183
Canadian museum of nature foundation	-	91
Inventories	165	164
Prepaid expenses	1,319	1,164
	23,237	22,659
Collections	1	1
Employee advances	493	505
Restricted investments	1,500	1,500
Investments	968	968
Capital assets (Note 3)	173,744	175,802
	199,943	201,435
Liabilities		
Current		
Accounts payable and accrued liabilities		
Trade	3,982	4,724
Government departments and agencies (Note 12)	291	632
Obligation under capital lease (Note 4)	1,091	1,065
Deferred revenues, contributions and parliamentary appropriations (Note 5)	7,836	7,233
Employee future benefits	146	223
	13,346	13,877
Obligation under capital lease (Note 4)	23,660	23,943
Deferred capital funding (Note 6)	161,072	162,879
Employee future benefits	2,889	2,889
	200,967	203,588
Accumulated Deficit		
Unrestricted	11,055	9,932
Investment in capital assets (Note 7)	(12,079)	(12,085)
	(1,024)	(2,153)
	199,943	201,435

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>	2019	2018
Revenue		
Admission and program fees (Note 9)	1,491	1,048
Ancillary operations (Note 10)	631	560
Contributions (Note 11)	461	464
Interest and Investment Income	77	53
Other	200	180
	2,860	2,305
Expenses (Note 13)		
Inspiration and engagement	2,986	2,923
Collections care and access	684	725
Research and discovery	1,180	1,156
Internal support services	1,362	1,344
Buildings and grounds	4,024	4,268
	10,236	10,416
Net result of operations before government funding	(7,376)	(8,111)
Parliamentary appropriations (Note 8)	8,505	8,388
Net result of operations	1,129	277

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

Statement of Changes in Accumulated Deficit (Unaudited)

For the three-month period ended June 30

<i>(in thousands of dollars)</i>	Unrestricted	Invested in capital assets	2019	2018
Accumulated deficit, beginning of period	9,932	(12,085)	(2,153)	(4,154)
Net result of operations	1,129	-	1,129	277
Net change in investment in capital assets (Note 7)	(6)	6	-	-
Accumulated deficit, end of period	11,055	(12,079)	(1,024)	(3,877)

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

A statement of remeasurement gains and losses has been excluded, as there have been no remeasurement gains or losses.

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

<i>(in thousands of dollars)</i>	2019	2018
Operating activities		
Cash receipts - customers and donors	2,781	2,161
Cash receipts - parliamentary appropriations	6,702	6,766
Cash disbursements - employees	(3,959)	(3,732)
Cash disbursements - suppliers	(4,231)	(4,665)
Interest received	77	53
Interest paid	(619)	(643)
Cash provided by (used in) operating activities	751	(60)
Capital activities		
Acquisition of capital assets	(533)	(1,113)
Cash used in capital activities	(533)	(1,113)
Financing activities		
Obligation under capital lease	(257)	(233)
Parliamentary appropriations received for purchase of capital assets	543	1,070
Cash provided by financing activities	286	837
Increase (decrease) in cash and restricted cash	504	(336)
Cash and cash equivalents, beginning of period	18,475	15,076
Restricted cash, beginning of period	332	190
Cash and cash equivalents and restricted cash, end of period	19,311	14,930
Cash and cash equivalents, end of period	18,977	14,796
Restricted cash, end of period	334	134
Cash and cash equivalents and restricted cash, end of period	19,311	14,930

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

Notes to the Financial Statements

For the three-month period ended June 30, 2019

(Unaudited)

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:

- **Inspiration and engagement**
The Corporation develops and maintains exhibitions, programs, the nature.ca website, electronic and print publications, revenue generating activities and other activities to foster an understanding of, and respect for, nature.
- **Collections care and access**
The Corporation acquires, develops, preserves and makes accessible collections of natural history specimens, objects and information to meet the growing needs of the public and private sectors for research, education and informed decision-making about the natural world.
- **Research and discovery**
The Corporation studies the past and helps Canadians prepare for the future by conducting systematics and applied research, and by developing and maintaining networks and linkages with Canadian and international science communities.
- **Internal support 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.
- **Buildings and grounds**
The Corporation provides secure and functional facilities that meet all safety and building code requirements. Among these facilities is the renovated Victoria Memorial Museum Building that furthers the vision and mandate of the Corporation.

2. Significant Accounting Policies

A) Basis of Presentation

The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS), and reflect the application of the Section 4200 series for GNPOs.

B) Inter-Entity Transactions

Inter-entity transactions are transactions between commonly controlled entities. Inter-entity transactions, other than restructuring transactions, are recorded on a gross basis and are measured at the carrying amount, except for the following:

- i) 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 costs provided are recovered.
- ii) Goods or services received without charge between commonly controlled entities are unallocated costs not recovered by the recipient and not recorded by the Corporation. Services received by the Corporation without charge include audit services from the Office of the Auditor General of Canada and pension services from Public Services and Procurement Canada.

C) Measurement Uncertainty

The preparation of financial statements in accordance with PSAS 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 revenue and expenses for the year. Employee future benefits, the estimated useful lives of capital assets, and the fair market value of specimens donated to the collections are the most significant items for which estimates are used. Actual results could differ significantly from those estimated. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the fiscal year in which they become known.

D) Inventories

Inventories are valued at the lower of cost and net realizable value. Inventory 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 invaluable collections of natural history specimens for the benefit of Canadians, present and future. The collections are shown as an asset in the Statement of Financial Position at a nominal value of \$1,000 due to practical difficulties in determining a meaningful value for these assets. Specimens purchased for the collections are recorded as an expense in the year of acquisition.

F) Capital Assets

- Capital assets are recorded at cost, including material, equipment and other expenses acquired for the purpose of the design and the development of permanent exhibitions.
- Assets recorded as capital leases are initially recorded at the present value of the minimum lease payments at the inception of the lease.
- Land and building owned by the Government of Canada and that are under the control of the Corporation are recorded at their estimated cost.

Asset	Useful life
Victoria Memorial Museum Building	40 years
Property under capital lease	
Collection cabinets and compactors	35 years
Furnishings and office equipment	
General equipment	10 years
Permanent exhibitions	
Research equipment	
Building improvements	5 to 25 years
Leasehold improvements	5 years to end of lease term
Computer equipment	3 years

Amortization is calculated on the straight-line method using rates based on the estimated useful life of the assets, except for leasehold improvements, which are amortized on a straight-line basis over the shorter of the term of the lease agreement, and the asset's useful life.

When conditions indicate that an asset no longer contributes to the Corporation's ability to provide its services, the cost of the asset is written down to its residual value, if any.

G) Employee Future Benefits

i) Pension benefits

Substantially all the employees of the Corporation are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation to cover current service 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 benefits

Employees are entitled to severance benefits up to March 31, 2012, as provided for under labor 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 event driven termination benefits are recognized in the period when the event that obligates the Corporation occurs.

iii) Sick leave benefits

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 benefit obligations related to sick leave entitlement earned by employees is actuarially determined using the projected benefit method prorated on service and Management's best estimate of inflation, discount rate, employee demographics and sick leave usage of active employees. Actuarial gains (losses) are recognized on a systematic basis over the remaining service life of active employees covered by these sick leave benefits.

H) Revenue Recognition

i) Admission and program fees, ancillary operations and other revenues

Revenues from admission and program fees, ancillary operations, and other revenues are recognized when persuasive evidence of an arrangement exists between the two parties, goods have been delivered or services have been provided to the customers, price is fixed and determinable and collection is reasonably assured. The Corporation also records deferred revenue when amounts are received in advance of providing goods and services.

ii) Contributions

Contributions are comprised of donations received from individuals, foundations and corporations. 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.

Contributions externally restricted for specific projects or 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.

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.

iii) In-kind sponsorships and specimen donations

In-kind sponsorships involve obtaining non-financial support for a project, activity or product in return for substantial public relations benefit. An in-kind sponsorship is recognized if the contributed good or service is used in the normal course of operations and would otherwise have been purchased, and once the exchange has taken place. In-kind sponsorships are recorded at their fair market value as contributions with an offset to the related expense in the Statement of Operations.

Specimens donated to the collections are recorded as contributions with an offsetting expense to collections care and access at fair market value, when the following three criteria are met: i) a fair market value has been established for the specimen; ii) the acquisition has been approved; and iii) transfer of the specimen's title to the Corporation has taken place.

iv) Parliamentary appropriations

The Government of Canada provides financing to the Corporation through parliamentary appropriations.

- The parliamentary appropriations for operating expenditures are recognized as revenue in the fiscal years for which they are approved.
- The parliamentary appropriations for the purchase of depreciable capital assets are recorded as deferred parliamentary appropriations in the Statement of Financial Position. When the depreciable capital assets are purchased, the portion of the parliamentary appropriations 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.
- Parliamentary appropriations for specific expenses are recorded as deferred parliamentary appropriations in the Statement of Financial Position and recognized as revenue in the Statement of Operations in the fiscal year in which the related expenses are incurred.

The Corporation is required to report on the spending of appropriations in its annual report.

v) Restricted investments

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.

vi) Investments

Investment income distributed from the term fund is recognized as revenue in the Statement of Operations.

I) 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.

J) Financial Instruments

The Corporation's financial assets and financial liabilities are measured at cost or amortized cost. Financial assets include cash and cash equivalents, restricted cash, restricted investments, investments and accounts receivable while financial liabilities include accounts payable and accrued liabilities.

Financial instruments are tested annually for impairment at the financial statements date, and any permanent impairment is reported in the Statement of Operations.

Transaction costs are added to the carrying value of items in the cost when they are initially recognized.

K) Restricted investments

Restricted Investments within the Ottawa Community Foundation (OCF) as spend-down fund are recorded at amortized cost on 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.

L) Investments

Investments within OCF as 10-year term fund is recorded at amortized cost 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.

M) Allocation of Expenses

The Corporation does not apply the method of allocating costs for the purpose of distributing expenses between functions.

3. Capital Assets

<i>(in thousands of dollars)</i>	June 30 2019			March 31 2019		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Land	627	-	627	627	-	627
Victoria Memorial Museum Building	204,783	60,183	144,600	204,783	58,929	145,854
Property under capital lease	35,040	23,054	11,986	35,040	22,805	12,235
Permanent exhibitions	10,122	4,482	5,640	10,122	4,228	5,894
Leasehold improvements	11,033	7,073	3,960	10,995	6,984	4,011
Research equipment	4,805	2,546	2,259	4,805	2,470	2,335
Collection cabinets and compactors	3,840	2,428	1,412	3,840	2,401	1,439
Building improvements	4,199	3,189	1,010	4,099	3,089	1,010
Computer equipment	4,619	3,678	941	4,619	3,491	1,128
General equipment	1,074	362	712	1,056	337	719
Furnishings and office equipment	1,537	1,377	160	1,530	1,365	165
Work in progress - Assets	437	-	437	385	-	385
	282,116	108,372	173,744	281,901	106,099	175,802

The amortization expense for the period amounts to \$2,273,000 (June 30, 2018 – \$2,256,000). During the period ended June 30, 2019, the Corporation did not sell or retire assets.

4. 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:

<i>(in thousands of dollars)</i>	June 30 2019	March 31 2019
Total minimum future payments	(1) 42,875	43,750
Deduct: Imputed interest	(18,124)	(18,742)
Present value of financing obligations	(2) 24,751	25,008
Current portion	1,091	1065
Long term portion	23,660	23,943
	24,751	25,008

(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 \$27 million.

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

<i>(in thousands of dollars)</i>	2020	2021	2022	2023	2024	thereafter
Future minimum payments	2,625	3,500	3,500	3,500	3,500	26,250

5. Deferred Revenues, Contributions and Parliamentary Appropriations

Deferred revenues, contributions and parliamentary appropriations were as follows:

<i>(in thousands of dollars)</i>	June 30	March 31
	2019	2019
Deferred contributions from non-government sources	1,912	1,979
Deferred parliamentary appropriations	5,138	4,715
Total deferred contributions and parliamentary appropriations	7,050	6,694
Deferred revenues – goods and services	786	539
	7,836	7,233

Changes in the deferred revenues, contributions and parliamentary appropriations were as follows:

<i>(in thousands of dollars)</i>	June 30	March 31
	2019	2019
Balance, beginning of period	7,233	4,908
Add:		
Restricted contributions received	87	400
Restricted parliamentary appropriations received	543	4,280
Deferred revenue and contribution for the provision of goods and services	384	1,141
	1,014	5,821
Less:		
Restricted contributions recognized	(154)	(1,450)
Restricted parliamentary appropriations spent	(120)	(917)
Deferred revenue for the provision of goods and services recognized	(137)	(1,129)
	(411)	(3,496)
Balance, end of period	7,836	7,233

6. Deferred Capital Funding

Deferred capital funding represents the portion of the parliamentary appropriations and contributions from non-government sources used to purchase depreciable capital assets.

The deferred capital funding consists of the following:

<i>(in thousands of dollars)</i>	June 30	March 31
	2019	2019
Used for acquisitions:		
Deferred capital contributions from non-government sources	2,237	2,361
Deferred capital funding through parliamentary appropriations	158,835	160,518
	161,072	162,879

Changes in the deferred capital funding balance are as follows:

<i>(in thousands of dollars)</i>	June 30 2019	March 31 2019
Balance, beginning of period	162,879	169,522
Add: Capital asset acquisitions	215	1,892
Less amounts recognized as revenue:		
Contributions	(124)	(499)
Parliamentary appropriations	(1,898)	(8,036)
	(2,022)	(8,535)
Balance, end of period	161,072	162,879

7. Investment in Capital Assets

The investment in capital assets consists of the following:

<i>(in thousands of dollars)</i>	June 30 2019	March 31 2019
Capital assets	173,744	175,802
Less amounts financed by:		
Capital lease	(24,751)	(25,008)
Deferred capital funding	(161,072)	(162,879)
	(12,079)	(12,085)

The net change in investment in capital assets is calculated as follows:

<i>(in thousands of dollars)</i>	June 30 2019	March 31 2019
Capital asset additions	215	1,892
Add: repayment of obligation under capital lease	257	964
Less: capital assets financed with deferred capital funding	(215)	(1,892)
Capital assets purchased with the Corporation's funds	257	964
Amortization of deferred capital funding	2,022	8,535
Amortization of capital assets	(2,273)	(9,536)
Net change in investment in capital assets	6	(37)

8. Parliamentary Appropriations

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

<i>(in thousands of dollars)</i>	June 30 2019	June 30 2018
Appropriations received and receivable:		
Operating and capital budgets	7,245	7,770
Portion of parliamentary appropriations deferred for future capital projects	(5,138)	(2 410)
Previous period's appropriations used in current period to complete specific projects	4,715	1,352
Appropriations used to purchase depreciable capital assets	(215)	(218)
Amortization of deferred capital funding	1,898	1,894
Appropriations recognized during the period	8,505	8,388

9. Admission and Program Fees

Admission and program fees are comprised as follows:

<i>(in thousands of dollars)</i>	June 30 2019	June 30 2018
Admission fees – general	873	660
Admission fees – temporary exhibitions	230	61
Memberships	136	95
Programs	252	232
	1,491	1,048

10. Ancillary Operations

Ancillary operations are comprised as follows:

<i>(in thousands of dollars)</i>	June 30 2019	June 30 2018
Parking	233	185
Rental of facilities	162	213
Boutique revenues	216	146
Cafeteria leases	20	16
	631	560

11. Contributions

Contributions are comprised as follows:

<i>(in thousands of dollars)</i>	June 30 2019	June 30 2018
Cash contributions and sponsorships	321	357
In-kind sponsorships	140	107
	461	464

12. Related Party 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.

<i>(in thousands of dollars)</i>	June 30 2019	June 30 2018
Revenues from Government of Canada related parties:		
Ancillary operations	-	8
Other	1	34
	1	42

<i>(in thousands of dollars)</i>	June 30 2019	June 30 2018
Expenses with Government of Canada related parties:		
Personnel costs	397	409
Real property taxes	305	300
Information management infrastructure and systems	6	-
Professional and special services	2	86
Freight and cartage	2	1
Repairs and maintenance	-	1
	712	797

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

<i>(in thousands of dollars)</i>	June 30 2019	March 31 2019
Due from related parties	18	183
Due to related parties	291	632

13. Summary of Expenses by Object

<i>(in thousands of dollars)</i>	June 30 2019	June 30 2018
Personnel costs	3,939	3,801
Amortization of capital assets	2,273	2,256
Operation and maintenance of buildings	820	828
Professional and special services	757	786
Interest on capital lease obligation	619	643
Real property taxes	567	575
Information management infrastructure and systems	317	358
Marketing and communications	261	273
Exhibitions	240	399
Repairs and maintenance	113	123
Cost of goods sold - natureBOUTIQUE	98	64
Travel	48	104
Freight and cartage	19	9
Objects for collections	2	-
Other	163	197
	10,236	10,416

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

These quarterly financial statements must be read in conjunction with the Canadian Museum of Nature's most recent audited annual financial statements for the year ended March 31, 2019, and with the narrative discussion included in this quarterly financial report.

The Canadian Museum of Nature's primary objective is to fulfill its national mandate as described in the *Museums Act*, within the context of the governance and accountability regime established in that Act and in Part X of the *Financial Administration Act*. To this end, the Museum's Board of Trustees and Management are committed to managing the public and private funds invested in the Museum in a transparent, accountable manner and to optimizing the value of the contribution the Museum makes to Canadians and to Canadian society.

The strategic directions for the Museum acknowledge the intent to be a leading source of natural history knowledge and scientific inquiry for scientists and the public, thus contributing a distinctly Canadian perspective to the global body of knowledge. The Museum will disseminate the results of this scientific inquiry, thus helping inspire Canadians to act conscientiously about the natural environment. As a public institution, the Museum also wishes to continue to demonstrate accountability, value and fiscal effectiveness through achieving measurable, meaningful results.

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.

Revenue

Revenue for the first three months of the year amounted to \$2,860,000, an increase of \$555,000 or 24 percent, compared to the \$2,305,000 for the first three months of the previous year. This increase is mainly due to the increase in revenue related to memberships and admission fees including surcharges related to the Museum's major temporary exhibitions *Butterflies in Flight* and *Pterosaur: Flight in the Age of Dinosaurs*.

On an accrual basis, parliamentary appropriations for the first three months of the year amounted to \$8,505,000 compared to the \$8,388,000 for the first three months of the previous year. The difference is mainly due to appropriations received and used to purchase depreciable capital assets and the variation in deferred capital funding.

Expenses

Expenses for the first three months of the year amounted to \$10,236,000 compared to the \$10,416,000 for the first three months of the previous year, a decrease of \$180,000 or 2 percent. The decrease is mainly due to lower exhibitions expenses.

Net Result of Operations

The net result of operations for the first three months of the year was a surplus of \$1,129,000. The surplus is mainly attributable to higher revenues and a timing difference in the recognition of expenses related to programs that are expected to be incurred later in the fiscal year.

Statement of Financial Position

Assets

The level of cash and cash equivalents of \$18,977,000 as at June 30, 2019, represents an increase of \$502,000 or 3 percent from the March 31, 2019, level of \$18,475,000. This increase is mainly due to a timing difference in the payment of invoices.

Capital assets decreased to \$173,744,000 as at June 30, 2019, from \$175,802,000 as at March 31, 2019, mainly due to amortization expense offset by the acquisition of capital assets.

Liabilities

Deferred revenues, contributions and parliamentary appropriations increased to \$7,836,000 as at June 30, 2019, from \$7,233,000 as at March 31, 2019, mainly due to the deferral of parliamentary appropriation received to purchase capital assets.

Deferred capital funding decreased to \$161,072,000 as at June 30, 2019, from the \$162,879,000 as at March 31, 2019, as deferred capital funding is recognized as revenue at the same pace as the amortization of the corresponding capital assets.

Accumulated Deficit

The accumulated deficit of \$1,024,000 as at June 30, 2019, is due to the accounting treatment related to 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. This accounting treatment has kept the Museum's accumulated deficit in a deficit position for many years due to the interest expense on the capital lease obligation being higher in the earlier years than in the years closer to the end of the lease term. Accordingly, the accumulated deficit related to this accounting treatment will begin to reverse this year until it is fully eliminated by the end of the lease term in 2031. This does not impact the Museum's cash flow or financial stability in any way.

RISK ANALYSIS

The Museum has in place an enterprise risk management framework designed to effectively and proactively manage the risks that could prevent the Museum from achieving its objectives. The Museum's Corporate Plan identifies four risks and their related mitigation strategies. The risk mitigation step involves the development of mitigation strategies designed to manage, eliminate, or reduce risk to an acceptable level, ideally low. Once a strategy is implemented, it is continually monitored to assess its efficacy with the intent of revising the course of action if needed.

Summary of key risks and mitigation strategies are as follows:

1. Structural Deficit - Risk that the structural deficit will continue to increase due to expenses increasing at a greater rate than revenue, such as utilities, property taxes and general inflation. This is mitigated by a continuous process of expenditure review, admission revenue monitoring and earned revenue growth.
2. Advancement – Risk that a limited donor pipeline may constrain financial resources available to support the investment required for the implementation of the Museum's strategic objectives. This is mitigated by a comprehensive advancement program that identifies, cultivates, solicits and stewards donors and prospects, led by a team of fundraising professionals and a new group of committed fundraising volunteers and board members.
3. Succession - Risk that a significant number of employees are eligible for retirement resulting in the loss of corporate memory and key skills. To mitigate this risk the Museum developed and monitors a succession plan that includes skills development.
4. Budget 2016 - Risk that capital projects funded through budget 2016 and identified in this submission would not be completed on time and on budget to meet the required scope. Quarterly tracking internally will ensure the Museum fulfills its spending commitments.