

CANADIAN MUSEUM OF NATURE

QUARTERLY FINANCIAL REPORT

(Unaudited)

For the three- and nine-month periods
ended December 31, 2019

Canada



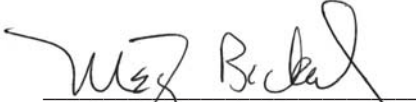
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STATEMENT OF MANAGEMENT RESPONSIBILITY BY SENIOR OFFICIALS

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
March 5, 2020

Statement of Financial Position (Unaudited)

<i>(in thousands of dollars)</i>	December 31 2019	March 31 2019
Assets		
Current		
Cash and cash equivalents	16,691	18,475
Restricted cash	338	332
Restricted investments	216	1,516
Accounts receivable		
Trade	332	734
Government departments and agencies (Note 12)	471	183
Canadian Museum of Nature Foundation	-	91
Inventories	173	164
Prepaid expenses	1,254	1,164
	19,475	22,659
Collections	1	1
Employee advances	482	505
Restricted investments	1,300	1,500
Investments	968	968
Capital assets (Note 3)	171,457	175,802
	193,683	201,435
Liabilities		
Current		
Accounts payable and accrued liabilities		
Trade	4,191	4,724
Government departments and agencies (Note 12)	561	632
Obligation under capital lease (Note 4)	1,146	1,065
Deferred revenues, contributions and parliamentary appropriations (Note 5)	6,397	7,233
Employee future benefits	136	223
	12,431	13,877
Obligation under capital lease (Note 4)	23,073	23,943
Deferred capital funding (Note 6)	159,287	162,879
Employee future benefits	2,889	2,889
	197,680	203,588
Accumulated Deficit		
Unrestricted	8,052	9,932
Investment in capital assets (Note 7)	(12,049)	(12,085)
	(3,997)	(2,153)
	193,683	201,435

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

Statement of Operations for the three- and nine-month periods ended December 31 (Unaudited)

<i>(in thousands of dollars)</i>	Three-month period ended December 31		Nine-month period ended December 31	
	2019	2018	2019	2018
Revenue				
Admission and program fees (Note 9)	855	961	4,193	3,426
Ancillary operations (Note 10)	602	616	1,939	1,744
Contributions (Note 11)	1,349	983	3,287	1,895
Interest and Investment Income	101	101	290	238
Other	148	275	518	607
	3,055	2,936	10,227	7,910
Expenses (Note 13)				
Inspiration and engagement	2,680	2,774	8,994	8,549
Collections care and access	1,355	767	7,380	2,306
Research and discovery	1,187	1,224	3,612	3,414
Internal support services	1,478	1,376	4,385	3,997
Buildings and grounds	4,502	4,719	13,320	13,504
	11,202	10,860	37,691	31,770
Net result of operations before government funding	(8,147)	(7,924)	(27,464)	(23,860)
Parliamentary appropriations (Note 8)	8,655	8,726	25,620	25,965
Net result of operations	508	802	(1,844)	2,105

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

Statement of Changes in Accumulated Deficit (Unaudited)

For the three-month period ended December 31

<i>(in thousands of dollars)</i>	Unrestrict	Invested in capital assets	2019	2018
	Accumulated deficit, beginning of period	7,561	(12,066)	(4,505)
Net result of operations	508	-	508	802
Net change in investment in capital assets	(17)	17	-	-
Accumulated deficit, end of period	8,052	(12,049)	(3,997)	(2,049)

For the nine-month period ended December 31

<i>(in thousands of dollars)</i>	Unrestrict	Invested in capital assets	2019	2018
	Accumulated deficit, beginning of period	9,932	(12,085)	(2,153)
Net result of operations	(1,844)	-	(1,844)	2,105
Net change in investment in capital assets (Note 7)	(36)	36	-	-
Accumulated deficit, end of period	8,052	(12,049)	(3,997)	(2,049)

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- and nine-month periods ended December 31
(Unaudited)**

	Three-month period ended December 31		Nine-month period ended December 31	
	2019	2018	2019	2018
<i>(in thousands of dollars)</i>				
Operating activities				
Cash receipts - customers and donors	1,754	2,702	7,604	6,927
Cash receipts - parliamentary appropriations	4,132	5,973	20,108	20,193
Cash disbursements - employees	(4,140)	(3,608)	(11,947)	(11,214)
Cash disbursements - suppliers	(2,644)	(5,787)	(15,442)	(14,184)
Interest received	101	101	290	238
Interest paid	(606)	(379)	(1,837)	(1,659)
Cash (used in) provided by operating activities	(1,403)	(998)	(1,224)	301
Capital activities				
Acquisition of capital assets	(1,248)	(135)	(2,893)	(1,937)
Cash used in capital activities	(1,248)	(135)	(2,893)	(1,937)
Investment activities				
Decrease in restricted investment	1,500	-	1,500	-
Cash provided by investing activities	1,500	-	1,500	-
Financing activities				
Obligation under capital lease	(269)	(244)	(789)	(715)
Parliamentary appropriations received for purchase of capital assets	-	1,070	1,628	3,210
Cash (used in) provided by financing activities	(269)	826	839	2,495
Increase (decrease) in cash and restricted cash	(1,420)	(307)	(1,778)	859
Cash and cash equivalents, beginning of period	18,113	16,282	18,475	15,076
Restricted cash, beginning of period	336	150	332	190
Cash and cash equivalents and restricted cash, end of period	17,029	16,125	17,029	16,125
Cash and cash equivalents, end of period	16,691	15,914	16,691	15,914
Restricted cash, end of period	338	211	338	211
Cash and cash equivalents and restricted cash, end of period	17,029	16,125	17,029	16,125

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

Notes to the Financial Statements for the three- and nine-month periods ended December 31, 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 were 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 events 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) 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.

I) Investments

Investments within OCF as 10-year term fund are 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.

J) 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.

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) 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.

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>	December 31 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	62,692	142,091	204,783	58,929	145,854
Property under capital lease	35,040	23,551	11,489	35,040	22,805	12,235
Permanent exhibitions	10,122	4,990	5,132	10,122	4,228	5,894
Leasehold improvements	11,271	7,250	4,021	10,995	6,984	4,011
Research equipment	4,834	2,701	2,133	4,805	2,470	2,335
Collection cabinets and compactors	3,840	2,484	1,356	3,840	2,401	1,439
Building improvements	4,384	3,422	962	4,099	3,089	1,010
General equipment	1,143	418	725	1,056	337	719
Computer equipment	4,679	4,067	612	4,619	3,491	1,128
Furnishings and office equipment	1,537	1,402	135	1,530	1,365	165
Work in progress - Assets	2,174	-	2,174	385	-	385
	284,434	112,977	171,457	281,901	106,099	175,802

The amortization expense for the period amounts to \$6,878,000 (December 31, 2018 – \$6,905,000). During the period ended December 31, 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>	December 31 2019	March 31 2019
Total minimum future payments	(1) 41,125	43,750
Deduct: Imputed interest	(16,906)	(18,742)
Present value of financing obligations	(2) 24,219	25,008
Current portion	1,146	1,065
Long term portion	23,073	23,943
	24,219	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 \$24 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	875	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>	December 31 2019	March 31 2019
Deferred contributions from non-government sources	1,698	1,979
Deferred parliamentary appropriations	4,089	4,715
Total deferred contributions and parliamentary appropriations	5,787	6,694
Deferred revenues – goods and services	610	539
	6,397	7,233

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

<i>(in thousands of dollars)</i>	December 31 2019	March 31 2019
Balance, beginning of period	7,233	4,908
Add:		
Restricted contributions received	140	400
Restricted and deferred parliamentary appropriations received	1,628	4,280
Deferred revenue and contribution for the provision of goods and services	643	1,141
	2,411	5,821
Less:		
Restricted contributions recognized	(421)	(1,450)
Restricted parliamentary appropriations spent	(2,254)	(917)
Deferred revenue for the provision of goods and services recognized	(572)	(1,129)
	(3,247)	(3,496)
Balance, end of period	6,397	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>	December 31 2019	March 31 2019
Used for acquisitions:		
Deferred capital contributions from non-government sources	2,027	2,361
Deferred capital funding through parliamentary appropriations	157,260	160,518
	159,287	162,879

Changes in the deferred capital funding were as follows:

<i>(in thousands of dollars)</i>	December 31 2019	March 31 2019
Balance, beginning of period	162,879	169,522
Add: Capital asset acquisitions	2,533	1,892
Less amounts recognized as revenue:		
Contributions	(377)	(499)
Parliamentary appropriations	(5,748)	(8,036)
	(6,125)	(8,535)
Balance, end of period	159,287	162,879

7. Investment in Capital Assets

The investment in capital assets consists of the following:

<i>(in thousands of dollars)</i>	December 31 2019	March 31 2019
Capital assets	171,457	175,802
Less amounts financed by:		
Capital lease	(24,219)	(25,008)
Deferred capital funding	(159,287)	(162,879)
	(12,049)	(12,085)

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

<i>(in thousands of dollars)</i>	December 31 2019	March 31 2019
Capital asset additions	2,533	1,892
Add: repayment of obligation under capital lease	789	964
Less: capital assets financed with deferred capital funding	(2,533)	(1,892)
Capital assets purchased with the Corporation's funds	789	964
Amortization of deferred capital funding	6,125	8,535
Amortization of capital assets	(6,878)	(9,536)
Net change in investment in capital assets	36	(37)

8. Parliamentary Appropriations

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

<i>(in thousands of dollars)</i>	Three-month period ended December 31		Nine-month period ended December 31	
	2019	2018	2019	2018
Appropriations received and receivable:				
Operating and capital budgets	4,132	7,798	21,736	23,338
Portion of parliamentary appropriations deferred for future projects	-	(858)	(4,089)	(4,186)
Previous period's appropriations used in current period	3,827	-	4,715	1,352
Appropriations used to purchase depreciable capital assets	(1,236)	(172)	(2,490)	(325)
Amortization of deferred capital funding	1,932	1,958	5,748	5,786
Appropriations recognized during the period	8,655	8,726	25,620	25,965

9. Admission and Program Fees

Admission and program fees were as follows:

<i>(in thousands of dollars)</i>	Three-month period ended December 31		Nine-month period ended December 31	
	2019	2018	2019	2018
Admission fees – general	438	497	2,510	2,123
Admission fees – temporary exhibitions	91	142	687	400
Memberships	129	146	459	377
Programs	197	176	537	526
	855	961	4,193	3,426

10. Ancillary Operations

Ancillary operations were as follows:

<i>(in thousands of dollars)</i>	Three-month period ended December 31		Nine-month period ended December 31	
	2019	2018	2019	2018
Parking	190	202	713	639
Rental of facilities	269	281	594	626
Boutique revenues	131	120	577	432
Cafeteria leases	12	13	55	47
	602	616	1,939	1,744

11. Contributions

Contributions were as follows:

<i>(in thousands of dollars)</i>	Three-month period ended December 31		Nine-month period ended December 31	
	2019	2018	2019	2018
Cash contributions and sponsorships	600	801	1,293	1,457
In-kind sponsorships	108	141	303	347
Specimen donations	641	41	1,691	91
	1,349	983	3,287	1,895

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>	Three-month period ended December 31		Nine-month period ended December 31	
	2019	2018	2019	2018
Revenues from Government of Canada related parties:				
Admission and program fees	1	-	1	-
Ancillary operations	-	3	-	11
Other	1	2	2	39
	2	5	3	50

<i>(in thousands of dollars)</i>	Three-month period ended December 31		Nine-month period ended December 31	
	2019	2018	2019	2018
Expenses with Government of Canada related parties:				
Personnel costs	374	382	1,176	1,198
Real property taxes	309	305	928	907
Information management, infrastructure and systems	2	-	10	1
Marketing and communications	9	-	9	10
Freight and cartage	2	2	7	4
Professional and special services	1	-	3	86
Repairs and maintenance	-	-	1	1
	697	689	2,134	2,207

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

<i>(in thousands of dollars)</i>	December 31	March 31
	2019	2019
Due from related parties	471	183
Due to related parties	561	632

13. Summary of Expenses by Object

<i>(in thousands of dollars)</i>	Three-month period ended December 31		Nine-month period ended December 31	
	2019	2018	2019	2018
Personnel costs	3,776	3,877	11,887	11,484
Amortization of capital assets	2,310	2,349	6,878	6,905
Objects for collections	660	41	5,213	91
Professional and special services	955	1,097	2,979	2,722
Operation and maintenance of buildings	991	1,133	2,838	3,019
Interest on capital lease obligation	606	723	1,837	1,911
Real property taxes	599	379	1,774	1,659
Information management infrastructure and systems	428	365	1,122	1,025
Marketing and communications	257	176	850	848
Exhibitions	187	325	770	937
Travel	182	131	452	375
Repairs and maintenance	127	135	423	387
Cost of goods sold - natureBOUTIQUE	69	67	275	204
Freight and cartage	23	16	74	44
Other	32	46	319	159
	11,202	10,860	37,691	31,770

14. Comparative Figures

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

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 continues to play a leading role in disseminating relevant scientific knowledge, 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 nine-month period ended December 31, 2019, amounted to \$10,227,000, an increase of \$2,317,000 or 29 percent, compared to the \$7,910,000 for the nine-month period of the previous year. This increase is mainly due to the increase in revenue related to admission fees including surcharges related to the Museum's major temporary exhibitions **Butterflies in Flight and Pterosaur: Flight in the Age of Dinosaurs** and the recognition of \$1,710,000 in contribution revenue related to specimen donations.

Revenue for the three-month period ended December 31, 2019, amounted to \$3,055,000, an increase of \$119,000 or 4 percent, compared to the \$2,936,000 for the three-month period of the previous year. This increase is mainly due to higher revenue related to specimen donations offset by a decrease in revenue related to admission fees including surcharges related to the Museum's major temporary exhibitions **Butterflies in Flight and Me & My microbes: The Zoo inside you**.

On an accrual basis, parliamentary appropriations for the nine-month period ended December 31, 2019, amounted to \$25,620,000 compared to the \$25,965,000 for the nine-month period 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.

On an accrual basis, parliamentary appropriations for the three-month period ended December 31, 2019, amounted to \$8,655,000 compared to the \$8,726,000 for the three-month period 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 nine-month period ended December 31, 2019, amounted to \$37,691,000 compared to the \$31,770,000 for the nine-month period of the previous year, an increase of \$5,921,000 or 19 percent. The increase is mainly due to \$3,500,000 of specimens purchased for the collection recorded as an expense and \$1,710,000 specimen donations recorded as contribution revenue with an offsetting expense. The increase is also due to higher personnel and training costs.

Expenses for the three-month period ended December 31, 2019, amounted to \$11,202,000 compared to the \$10,860,000 for the three-month period of the previous year, an increase of \$342,000 or 3 percent. The increase is mainly due to higher specimen donations offset by lower operating expenses.

Net Result of Operations

The net result of operations for the nine-month period ended December 31, 2019, was a loss of \$1,844,000. The loss is mainly attributable to \$3,500,000 of specimens purchased for the collection during the period offset by higher revenue related to admission and program fees.

The net result of operations for the three-month period ended December 31, 2019 was a surplus of \$508,000. The surplus is mainly attributable to higher appropriations received and used to purchase capital assets 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 \$16,691,000 as at December 31, 2019, represents a decrease of \$1,784,000 or 10 percent from the March 31, 2019, level of \$18,475,000. This decrease is mainly due to specimen acquisitions offset by appropriations received and deferred for the purchase of capital assets.

Capital assets decreased to \$171,457,000 as at December 31, 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 decreased to \$6,397,000 as at December 31, 2019, from \$7,233,000 as at March 31, 2019, mainly due the timing difference in the payment of expenditures funded through deferred parliamentary appropriation received to purchase capital assets.

Deferred capital funding decreased to \$159,287,000 as at December 31, 2019, from \$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 \$3,997,000 as at December 31, 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 has begun reversing this year until it will be 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 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.