

# CANADIAN MUSEUM OF NATURE

## QUARTERLY FINANCIAL REPORT

(Unaudited)

For the three-month period  
ended June 30, 2020

Canada



## 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.



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Margaret Beckel  
President and Chief Executive Officer



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Ikram Zouari, CPA, CGA  
Chief Financial Officer

Ottawa, Canada  
September 1, 2020

## Statement of Financial Position (Unaudited)

<i>(in thousands of dollars)</i>	at June 30 2020	at March 31 2020
<b>Assets</b>		
Current		
Cash and cash equivalents	15,111	15,700
Restricted cash	459	440
Restricted investments	237	237
Accounts receivable		
Trade	238	634
Government departments and agencies (Note 12)	217	332
Canadian Museum of Nature Foundation	-	-
Inventories	191	192
Prepaid expenses	718	777
	17,171	18,312
Collections	1	1
Employee advances	468	476
Restricted investments	1,308	1,308
Investments	941	941
Capital assets (Note 3)	169,011	170,769
	<b>188,900</b>	<b>191,807</b>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities		
Trade	3,365	4,737
Government departments and agencies (Note 12)	90	335
Obligation under capital lease (Note 4)	1,204	1,175
Deferred revenues, contributions and parliamentary appropriations (Note 5)	6,784	6,254
Employee future benefits	219	230
	11,662	12,731
Obligation under capital lease (Note 4)	22,456	22,768
Deferred capital funding (Note 6)	157,277	158,851
Employee future benefits	2,900	2,900
	<b>194,295</b>	<b>197,250</b>
<b>Accumulated Deficit</b>		
Unrestricted	6,531	6,582
Investment in capital assets (Note 7)	(11,926)	(12,025)
	<b>(5,395)</b>	<b>(5,443)</b>
	<b>188,900</b>	<b>191,807</b>

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>	2020	2019
<b>Revenue</b>		
Admission and program fees (Note 9)	9	1,491
Ancillary operations (Note 10)	15	631
Contributions (Note 11)	486	461
Interest and Investment Income	25	77
Other	305	200
	<b>840</b>	<b>2,860</b>
<b>Expenses (Note 13)</b>		
Inspiration and engagement	2,045	2,986
Collections care and access	720	684
Research and discovery	1,114	1,180
Internal support services	1,075	1,362
Buildings and grounds	4,167	4,024
	<b>9,121</b>	<b>10,236</b>
<b>Net result of operations before government funding</b>	<b>(8,281)</b>	<b>(7,376)</b>
Parliamentary appropriations (Note 8)	8,329	8,505
<b>Net result of operations</b>	<b>48</b>	<b>1,129</b>

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	2020	2019
Accumulated deficit, beginning of period	6,582	(12,025)	(5,443)	(2,153)
Net result of operations	48	-	48	1,129
Net change in investment in capital assets	(99)	99	-	-
<b>Accumulated deficit, end of period</b>	<b>6,531</b>	<b>(11,926)</b>	<b>(5,395)</b>	<b>(1,024)</b>

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>	2020	2019
<b>Operating activities</b>		
Cash receipts - customers and donors	1,674	2,781 <sup>1</sup>
Cash receipts - parliamentary appropriations	6,847	6,702
Cash disbursements - employees	(3,172)	(3,959)
Cash disbursements - suppliers	(4,506)	(4,231)
Interest received	26	77
Interest paid	(576)	(619)
<b>Cash provided by operating activities</b>	<b>293</b>	<b>751</b>
<b>Capital activities</b>		
Acquisition of capital assets	(580)	(533)
<b>Cash used in capital activities</b>	<b>(580)</b>	<b>(533)</b>
<b>Financing activities</b>		
Obligation under capital lease	(283)	(257)
Parliamentary appropriations received for purchase of capital assets	-	543
<b>Cash (used in) provided by financing activities</b>	<b>(283)</b>	<b>286</b>
<b>(Decrease) increase in cash and restricted cash</b>	<b>(570)</b>	<b>504</b>
Cash and cash equivalents, beginning of period	15,700	18,475
Restricted cash, beginning of period	440	332
<b>Cash and cash equivalents and restricted cash, end of period</b>	<b>15,570</b>	<b>19,311</b>
Cash and cash equivalents, end of period	15,111	18,977
Restricted cash, end of year	459	334
<b>Cash and cash equivalents and restricted cash, end of period</b>	<b>15,570</b>	<b>19,311</b>

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

## Notes to the Financial Statements for the three-month period ended June 30, 2020 (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 fulfilment 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	35 years
Collection cabinets and compactors	
Furnishings and office equipment	10 years
General equipment	
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 a straight-line method using rates over 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) Restricted investments

Restricted Investments within the Ottawa Community Foundation (OCF) established as spend-down fund are recorded at amortized cost in the Statement of Financial Position. Spend-down amounts and investment income distributed from the fund for the purchase of depreciable capital assets are recorded as deferred revenues in the Statement of Financial Position.

Service fees charged by the OCF for the management of the fund are recorded as expenses in the Statement of Operations in the year incurred.

### I) Investments

Investments within OCF established 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>	June 30 2020			March 31 2020		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Land	627	-	627	627	-	627
Victoria Memorial Museum Building	204,783	65,196	139,587	204,783	63,946	140,837
Property under capital lease	35,040	24,047	10,993	35,040	23,799	11,241
Permanent exhibitions	10,351	5,504	4,847	10,351	5,267	5,084
Leasehold improvements	12,721	7,440	5,281	12,104	7,338	4,766
Research equipment	4,855	2,858	1,997	4,855	2,780	2,075
Collection cabinets and compactors	3,840	2,539	1,301	3,840	2,511	1,329
Building improvements	5,255	3,748	1,507	4,726	3,619	1,107
General equipment	1,143	472	671	1,143	446	697
Computer equipment	4,479	4,156	323	4,479	4,057	422
Furnishings and office equipment	1,540	1,424	116	1,540	1,414	126
Work in progress	1,761	-	1,761	2,458	-	2,458
	286,395	117,384	169,011	285,946	115,177	170,769

The amortization expense for the period amounts to \$2,207,000 (June 30, 2019 - \$2,273,000). During the period ended June 30, 2020, 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 2020	March 31 2020
Total minimum future payments	(1)	39,375	40,250
Deduct: Imputed interest		(15,715)	(16,307)
<b>Present value of financing obligations</b>	(2)	<b>23,660</b>	<b>23,943</b>
Current portion		1,204	1,175
Long term portion		22,456	22,768
		<b>23,660</b>	<b>23,943</b>

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 \$25 million.

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

<i>(in thousands of dollars)</i>	2021	2022	2023	2024	2025	Thereafter
Future minimum payments	2,625	3,500	3,500	3,500	3,500	22,750

## 5. Deferred Revenues, Contributions and Parliamentary Appropriations

Deferred revenues, contributions and parliamentary appropriations were as follows:

<i>(in thousands of dollars)</i>	June 30 2020	March 31 2020
Deferred contributions from non-government sources	2,415	1,925
Deferred parliamentary appropriations	3,709	3,888
Total deferred contributions and parliamentary appropriations	6,124	5,813
Deferred revenues – goods and services	660	441
	<b>6,784</b>	<b>6,254</b>

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

<i>(in thousands of dollars)</i>	June 30 2020	March 31 2020
Balance, beginning of period	6,254	7,233
Add:		
Restricted contributions received	583	421
Restricted parliamentary appropriations received	-	2,170
Deferred revenue for the provision of goods and services	510	1,044
	1,093	3,635
Less:		
Restricted contributions recognized	(95)	(475)
Restricted parliamentary appropriations spent	(177)	(2,998)
Deferred revenue for the provision of goods and services recognized	(291)	(1,141)
	(563)	(4,614)
<b>Balance, end of period</b>	<b>6,784</b>	<b>6,254</b>

## 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 2020	March 31 2020
Used for acquisitions:		
Deferred capital contributions from non-government sources	1,780	1,905
Deferred capital funding through parliamentary appropriations	155,497	156,946
	<b>157,277</b>	<b>158,851</b>

Changes in the deferred capital funding balance are as follows:

<i>(in thousands of dollars)</i>	June 30 2020	March 31 2020
Balance, beginning of period	158,851	162,879
Add: Capital asset acquisitions	449	4,248
Less amounts recognized as revenue:		
Contributions	(126)	(501)
Parliamentary appropriations	(1,897)	(7,775)
	(2,023)	(8,276)
<b>Balance, end of period</b>	<b>157,277</b>	<b>158,851</b>

## 7. Investment in Capital Assets

The investment in capital assets consists of the following:

<i>(in thousands of dollars)</i>	June 30 2020	March 31 2020
Capital assets	169,011	170,769
Less amounts financed by:		
Capital lease	(23,660)	(23,943)
Deferred capital funding	(157,277)	(158,851)
	<b>(11,926)</b>	<b>(12,025)</b>

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

<i>(in thousands of dollars)</i>	June 30 2020	March 31 2020
Capital asset additions	449	4,248
Add: repayment of obligation under capital lease	283	1,065
Less: capital assets financed with deferred capital funding	(449)	(4,248)
Capital assets purchased with the Corporation's funds	283	1,065
Amortization of deferred capital funding	2,023	8,276
Amortization of capital assets	(2,207)	(9,281)
<b>Net change in investment in capital assets</b>	<b>99</b>	<b>60</b>

## 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 2020	June 30 2019
<b>Appropriations received and receivable:</b>		
Operating and capital budgets	6,703	7,245
Portion of parliamentary appropriations deferred for future projects	(3,709)	(5,138)
Previous period's appropriations used in current period to complete specific projects	3,887	4,715
Appropriations used to purchase depreciable capital assets	(449)	(215)
Amortization of deferred capital funding	1,897	1,898
<b>Appropriations recognized during the period</b>	<b>8,329</b>	<b>8,505</b>

## 9. Admission and Program Fees

Admission and program fees are comprised as follows:

<i>(in thousands of dollars)</i>	June 30 2020	June 30 2019
Admission fees – general	-	873
Admission fees – temporary exhibitions	-	230
Memberships	9	136
Programs	-	252
	<b>9</b>	<b>1,491</b>

## 10. Ancillary Operations

Ancillary operations are comprised as follows:

<i>(in thousands of dollars)</i>	June 30 2020	June 30 2019
Parking	7	233
Rental of facilities	8	162
Boutique revenues	-	216
Cafeteria leases	-	20
	<b>15</b>	<b>631</b>

## 11. Contributions

Contributions are comprised as follows:

<i>(in thousands of dollars)</i>	June 30 2020	June 30 2019
Cash contributions and sponsorships	396	321
In-kind sponsorships	90	140
Contributions	<b>486</b>	<b>461</b>

## 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 2020	June 30 2019
<b>Revenues from Government of Canada related parties:</b>		
Other	35	1
	<b>35</b>	<b>1</b>

<i>(in thousands of dollars)</i>	June 30 2020	June 30 2019
<b>Expenses with Government of Canada related parties:</b>		
Personnel costs	380	397
Real property taxes	297	305
Professional and special services	1	2
Information management, infrastructure and systems	1	6
	<b>679</b>	<b>712</b>

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 2020	March 31 2020
Due from related parties	217	332
Due to related parties	90	335

### 13. Summary of Expenses by Object

<i>(in thousands of dollars)</i>	June 30 2020	June 30 2019
Personnel costs	3,710	3,939
Amortization of capital assets	2,207	2,273
Operation and maintenance of buildings	886	820
Professional and special services	631	757
Interest on capital lease obligation	592	619
Real property taxes	576	567
Information management infrastructure and systems	272	317
Marketing and communications	75	261
Repairs and maintenance	61	113
Travel	13	48
Exhibitions	8	240
Freight and cartage	2	19
Objects for collections	-	2
Cost of goods sold - natureBOUTIQUE	-	98
Other	88	163
	<b>9,121</b>	<b>10,236</b>

### 14. COVID-19 and subsequent events

On March 11, 2020, the WHO declared the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally. As a result of this, effective March 14, 2020, and based on public health recommendations, the Corporation along with the other national Museums made the decision to close the Museums across Canada to visitors and all other groups until further notice. Internal operation such as research, exhibit development and essential services such as animal care have continued and expect to continue throughout the period of closure.

The Corporation has considered the impact of this event on the valuation of its assets and has determined that assets are appropriately valued and that no impairments are required.

The pandemic and closure have had and will continue to have a significant impact on the Corporation's revenue generation and operations. The duration and impact of the COVID-19 pandemic remain unclear at this time. It is not possible to reliably estimate the full effect of the outbreak on the Corporation results of operations and financial condition at this time. Management is actively monitoring the effect on the Corporation's financial condition and probing ways to address potential future financial impacts. On June 18, 2020, the Government of Canada announced emergency funding to assist the Museum sector of which \$5.9 million has been allocated to help the Corporation maintain essential services and be ready to reopen to the public on September 5, 2020, based on the guidance from the Public Health Agency of Canada.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

These quarterly financial statements must be read in conjunction with the most recent audited annual financial statements for the year ended March 31, 2020, and with the narrative discussion included in this quarterly financial report of the Canadian Museum of Nature (the "Museum").

The Museum'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.

The new factor affecting the market for museum visitation is the COVID-19 pandemic and its effect on visitors' willingness to visit museums. Various organizations have conducted visitor intention surveys that will guide our estimates for visitations and our forecasts for earned revenue this fiscal and in years to come.

In 2020-21, the impact of the COVID-19 global pandemic on the financial stability of the Museum enterprise is the most critical operational issue facing the Museum. The second most pressing issue is the gap in funds to operate the two facilities under the stewardship of the Museum.

On June 18, 2020, the Government of Canada announced emergency funding to assist the Museum sector of which \$5.9 million has been allocated to help the Corporation maintain essential services and be ready to reopen to the public and staff once precautionary measures are lifted based on the guidance from the Public Health Agency of Canada. This funding will help offset the net impact of the Museum closure due to the pandemic and the ensuing revenue losses during closure and anticipated after a planned reopening on September 5, 2020.

### Revenue

Revenue for the three-month period ended June 30, 2020, amounted to \$840,000, a decrease of \$2,020,000 compared to \$2,860,000 for the three-month period of the previous year. This decrease is due to the closure of the Museum throughout the period, resulting in the absence of admission and program fees, and significant decreases in revenues from ancillary operations.

On an accrual basis, parliamentary appropriations for the three-month period ended June 30, 2020, amounted to \$8,329,000 compared to \$8,505,000 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 three-month period ended June 30, 2020, amounted to \$9,121,000, a decrease of \$1,115,000 compared to the three-month period of the previous year. The decrease was primarily due to the closure of the Museum during the period, resulting in savings on personnel, travel, program and security costs and deferral of marketing and exhibitions expenses to the second quarter when the Museum reopens to the public on September 5, 2020.

## Net Result of Operations

The net result of operations for the three-month period ended June 30, 2020, was a surplus of \$48,000. The modest surplus is mainly attributable to significant revenue losses due to the Museum closure offset by savings on expenses, deferred costs and the recognition of deferred appropriations and contributions received to purchase capital assets offset by amortization expense.

## Statement of Financial Position

### Assets

The level of cash and cash equivalents of \$15,111,000 as at June 30, 2020, represents a decrease of \$589,000 from the March 31, 2020, level of \$15,700,000. This decrease is mainly due to the use of deferred appropriations received in prior years for the purchase of capital assets.

Capital assets decreased to \$169,011,000 as at June 30, 2020, from \$170,769,000 as at March 31, 2020, mainly due to amortization expense offset by the acquisition of capital assets.

### Liabilities

Deferred revenues, contributions and parliamentary appropriations increased to \$6,784,000 as at June 30, 2020, from \$6,254,000 as at March 31, 2020, mainly due to the timing difference in the payment of expenditures funded through deferred parliamentary appropriation received to purchase capital assets.

Deferred capital funding decreased to \$157,277,000 as at June 30, 2020, from \$158,851,000 as at March 31, 2020, 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 \$5,395,000 as at June 30, 2020, 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 began to reverse in 2019-20 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. The global pandemic will increase the risk that the structural deficit and advancement programs will not provide the funding needed to fulfill the mandate of the Museum. These two risks have been partially offset by the timely infusion of emergency financial relief from the Government of Canada. The mitigation strategies for each risk will be 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 and due to the impacts of the COVID-19 pandemic on visitor attendance and associated revenues. 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 initial 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.