

PRESERVING OUR PAST.



SECURING OUR FUTURE.

SUMMARY OF THE CAPITAL AND OPERATING BUDGET 2007-2008



PRESERVING OUR PAST. SECURING OUR FUTURE.

CANADIAN MUSEUM OF NATURE

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This document comprises the 2007-08 Capital and Operating Budget for the Canadian Museum of Nature. The Canadian Museum of Nature is functioning under year two of the 2006-07 to 2010-11 five-year Corporate Plan.

CORPORATE PROFILE

The Canadian Museum of Nature originated with the Geological Survey of Canada (GSC), formed in 1842. The museum divisions of the GSC and the Department of Mines became the National Museum of Canada in 1927. The National Museum of Natural Sciences was officially established with the enactment of the *National Museums Act* in 1968. In 1990, the *Museums Act* established the Canadian Museum of Nature as an autonomous Crown corporation with a mandate to increase knowledge of, and appreciation and respect for, the natural world throughout Canada and internationally.

The Museum has an important purpose – to lead Canadians in the adventure of discovering and understanding the natural world, and ultimately in learning how to live in balance with it. That adventure takes Canadian scientists into unexplored corners of this country and the world, under the sea and into the earth.

The collections held and protected by the Museum – over 10 million specimens – are the fruit of over 150 years of painstaking exploration, observation and gathering. They form the heart of the Museum and a basis for its contribution to Canada. The collections make it possible to analyze and address a variety of emerging challenges to the natural heritage of Canada.

The scientific work of the Museum considers a large range of time and space, and covers an enormous spectrum – from examining the evolution of the earth and the life on it to understanding polar environments in order to predict the impact of environmental change. In addition to their research, Museum scientists make a difference by leading and contributing to a large number of local, national and international organizations focused on preserving the natural heritage, and to many universities and respected publications. The Research and Collections divisions of the Museum are working to find effective methods to share freely collection-based scientific data in distributed networks in Canada and abroad.

The Museum is constantly changing and opening up new territory for Canadians to explore. Permanent exhibitions at the Museum's public galleries in Ottawa are complemented by special exhibitions that focus on particular aspects of the natural world, lively and original programmes of nature interpretation, workshops, films, lectures and demonstrations (see Appendix A). Travelling exhibitions reach across Canada and internationally. In addition, Canadians discover and explore the natural world through Museum multimedia products including the popular Web site nature.ca, videos, CD-ROMs and television programmes as well as print publications.

The Board of Trustees is the Museum's governing body, responsible to Parliament through the Minister of Canadian Heritage and Status of Women. The 11 members of the Board of Trustees are Governor-in-Council appointees from all regions of the country. Through accountability, strategic policy and planning frameworks, the Board provides corporate direction and delegates authority to the President for the management of the Museum.

The Museum employs 168 full-time staff for regular Museum operations and 16 employees dedicated to the Renewal Project of the Victoria Memorial Museum Building, and will outsource services where it is most cost effective. The Museum also benefits from the contribution of loyal and dedicated volunteers who assist in research, collections care and educational programmes. The Museum occupies two buildings within the National Capital Region: the Victoria Memorial Museum Building in Ottawa for exhibitions and public education, and the Natural Heritage Building in Gatineau for collections, research, public education and administration.

FINANCIAL RESOURCES

In 2007-08, the Museum will operate with a total base budget of \$29,965,000. As illustrated in Figure 1, 90 percent of the resource base comes from Government appropriations, while the remaining 10 percent is self-generated revenue. When including appropriation for the Renewal of the Victoria Memorial Museum Building, the resource base for the Museum totals \$87,965,000.

Figure 1: 2007-08 Resource Base (excluding appropriation for renovation of the Victoria Memorial Museum Building)

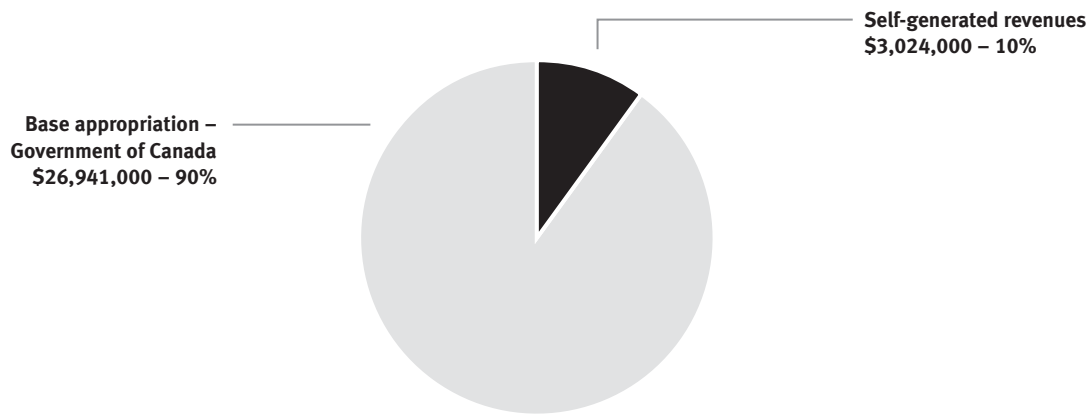


Figure 2: 2007-08 Operating Costs (excluding appropriation for renovation of the Victoria Memorial Museum Building)

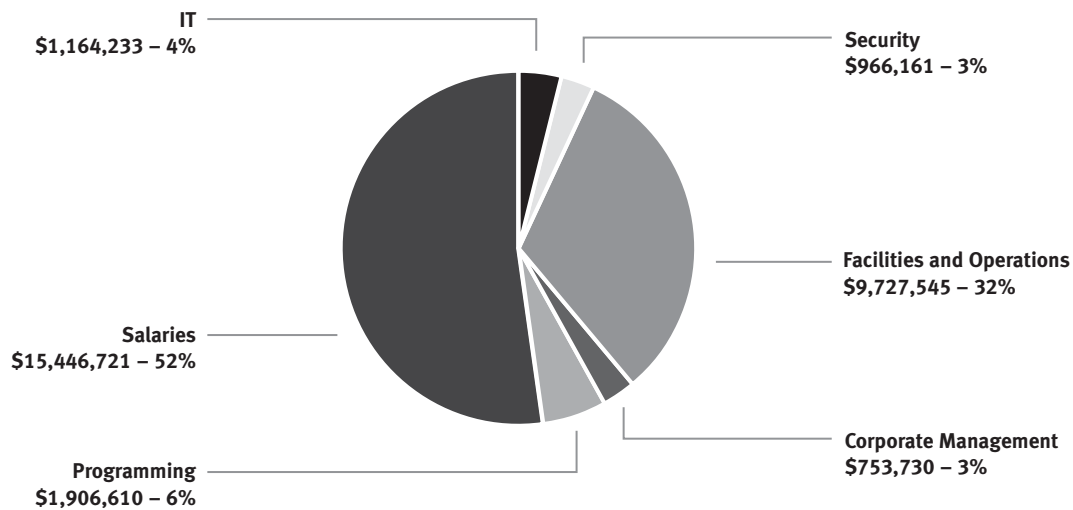


Figure 2 demonstrates the percentage of the Museum's budget allocated to corporate management, salaries and fixed or non-discretionary costs for facilities, security and information technology. When excluding appropriation for the building renovations, non-discretionary costs (fixed costs for facilities, security and information technology services) salaries and corporate management requirements (e.g., governance, reporting to Parliament, etc.) consume over 94 percent of the total self-generated revenue plus the Museum's base appropriation level. The increasing costs for maintaining the Museum's facilities, due to inflation and the renovation of the Victoria Memorial Museum Building, has been managed through strong oversight of the museum's operating costs, including a cap on salary expenses. New initiatives and programming rely heavily, therefore, on being financed through fundraising. This approach will not be sustainable in the long term.



FINANCIAL SUMMARY

FIVE-YEAR FINANCIAL PLAN

The Financial Plan represents the Corporation's forecast over the five year planning period 2007-08 to 2011-12. Table 1 shows the forecast by activity based upon approved reference levels and revenue forecasts for the current year and the planning period.

NOTE: Table 1 is a budget summary that is prepared on a cash basis and therefore cannot be compared directly to the audited financial statements for 2005-06.

Table 1: Corporate Budget Summary by Activity

(in thousands of dollars – except for staff levels)

	2005-06 Actual	2006-07 Forecast	2007-08 Budget	2008-09 Budget	2009-10 Budget	2010-11 Budget	2011-12 Budget
Staff Levels	172	186	184	184	180	168	168
Public Education programmes	7,384	6,412	5,453	5,933	4,057	3,473	3,119
Collections management	1,813	1,836	1,836	1,836	1,836	2,086	2,086
Research	3,624	3,739	3,768	3,768	3,768	4,018	4,018
Corporate management	6,170	6,176	6,176	6,176	6,176	6,176	6,176
Accommodation *	41,052	44,562	70,732	45,254	19,208	15,562	15,916
Sub-total	60,043	62,725	87,965	62,967	35,045	31,315	31,315
Less revenues	(3,893)	(3,073)	(3,024)	(3,796)	(4,594)	(5,094)	(5,094)
Appropriations	56,150	59,652	84,941	59,171	30,451	26,221	26,221
* These figures include the Renovation of the VMMB	30,000	33,000	58,000	32,000	3,600	–	–

ANNUAL BUDGET

2007-08 OPERATING AND CAPITAL BUDGET

The budgets have been formulated on the basis of the operating forecast and the programme activity architecture and services required in support of these activities. Table 2 summarizes the operating and capital budget.

Table 2: Summary of Operating and Capital Budget

(in thousands of dollars)

	2005-06 Actual	2006-07 Approved	2006-07 Forecast	2007-08 Proposed
Operating	24,311	28,887	15,636	30,465
Capital	35,732	33,432	47,089	57,500
Less revenues	(3,893)	(3,174)	(3,073)	(3,024)
Appropriations	56,150	59,145	59,652	84,941

The variation in both appropriations and capital expenses from 2005-06 to 2006-07 and 2007-08 is due to the cash flow requirements of the Renewal Project as approved by the Treasury Board Secretariat.

FINANCIAL SUMMARY

FINANCIAL STATEMENTS

The financial statements forecasts have been prepared in accordance with Canadian generally accepted accounting principles consistent with those reported in the institution's annual report.

Statement 1: Balance Sheet

(in thousands of dollars)

	2005-06 Results	2006-07 Forecast	2007-08 Pro forma	2008-09 Pro forma	2009-10 Pro forma	2010-11 Pro forma	2011-12 Pro forma
Assets							
Current							
Cash and short-term investments	25,464	5,782	4,990	4,145	4,695	5,281	5,908
Accounts receivable							
Trade	353	350	350	350	350	350	350
Government departments and agencies	3,983	700	700	700	700	700	700
Prepaid expenses	443	500	500	500	500	500	500
	30,243	7,332	6,540	5,695	6,245	6,831	7,458
Restricted cash, short-term investments and receivables	1,508	1,259	1,009	989	969	949	929
Collections	1	1	1	1	1	1	1
Capital assets	100,753	143,397	194,899	220,849	219,329	213,085	206,874
	132,505	151,989	202,449	227,534	226,544	220,866	215,262
Liabilities							
Current							
Accounts payable and accrued liabilities							
Trade	9,234	2,000	2,000	2,000	2,000	2,000	2,000
Government departments and agencies	3,118	2,000	2,000	2,000	2,000	2,000	2,000
Current portion – obligation under capital lease	294	325	359	396	437	482	533
Deferred revenue and parliamentary appropriation	15,041	50	50	50	50	50	50
Employee future benefits	317	352	387	422	457	492	527
	28,004	4,727	4,796	4,868	4,944	5,024	5,110
Obligation under capital lease	32,121	31,797	31,438	31,042	30,605	30,122	29,590
Deferred capital funding	74,756	118,398	170,901	197,852	197,335	192,090	186,878
Employee future benefits	1,946	1,985	2,025	2,065	2,106	2,149	2,192
Deferred contributions	1,154	904	654	634	614	594	574
	137,981	157,811	209,814	236,461	235,604	229,979	224,344
Endowment	305	305	305	305	305	305	305
Equity of Canada	(5,781)	(6,127)	(7,670)	(9,232)	(9,365)	(9,418)	(9,387)
	132,505	151,989	202,449	227,534	226,544	220,866	215,262

FINANCIAL SUMMARY

Statement 2: Statement of Operations & Equity of Canada

(in thousands of dollars)

	2005-06 Results	2006-07 Forecast	2007-08 Pro forma	2008-09 Pro forma	2009-10 Pro forma	2010-11 Pro forma	2011-12 Pro forma
Revenue							
Commercial operations	351	635	930	1,151	1,570	1,570	1,570
Contributions	1,756	1,601	1,591	2,142	2,541	3,041	3,041
Interest income	1,343	450	350	350	250	250	250
Educational programmes	265	206	126	126	206	206	206
Scientific services	43	25	25	25	25	25	25
Other	135	156	2	2	2	2	2
	3,893	3,073	3,024	3,796	4,594	5,094	5,094
Expenses							
Personnel costs	15,214	15,272	15,447	15,447	15,447	15,447	15,447
Interest on capital lease obligation	3,233	3,206	3,175	3,141	3,104	3,063	3,018
Operation and maintenance of buildings	2,767	2,993	4,347	4,011	2,315	3,180	3,001
Professional and special services	2,052	800	800	800	400	650	650
Depreciation of capital assets	1,499	4,445	5,998	6,996	7,447	7,729	7,836
Real property leases and taxes	1,545	1,750	1,775	1,775	1,775	2,300	2,300
Exhibitions	3,891	3,901	3,310	3,255	2,655	2,255	2,255
Information management infrastructure and systems	1,495	1,164	1,164	1,164	1,164	1,200	1,200
Marketing and communications	428	300	400	400	800	200	200
Repairs and maintenance	633	200	200	200	200	200	200
Travel	545	300	300	300	300	300	300
Freight and cartage	85	75	75	75	75	75	75
Purchase of objects for collections	10	4	4	4	4	4	4
Other	243	10	10	10	10	10	10
	33,640	34,420	37,005	37,578	35,696	36,613	36,496
Net result of operations before government funding	(29,747)	(31,347)	(33,981)	(33,782)	(31,102)	(31,519)	(31,402)
Parliamentary appropriation	29,257	31,001	32,438	32,220	30,969	31,466	31,433
Net result of operations	(490)	(346)	(1,543)	(1,562)	(133)	(53)	31
Equity of Canada, beginning of year	(5,291)	(5,781)	(6,127)	(7,670)	(9,232)	(9,365)	(9,418)
Equity of Canada, end of year	(5,781)	(6,127)	(7,670)	(9,232)	(9,365)	(9,418)	(9,387)

Notes:

1. The Museum received borrowing authority to enter into a long term capital lease obligation to fund the Gatineau facility. The Statement of Operations and Equity of Canada therefore reflects interest on the capital lease obligation as well as depreciation charges because of the recognition of the building as an asset. The accounting treatment of the costs associated with the Gatineau facility has a significant negative impact on the Museum's Statement of Operations and Equity of Canada.

2. The forecasted deficit of \$1.3 million for 2007-08 and \$1.4 million for 2008-09 is a result of two factors. The first one as explained in note 1 above relates to depreciation charges. The second factor contributing to the forecasted deficit is the increasing capital requirements for the Natural Heritage Building and the escalation in operating and maintenance costs for the renovated Victoria Memorial Museum Building, estimated to reach \$2.4 million annually as of 2009-10, which have not been funded by Treasury Board. For fiscal years 2009-10 and subsequent, the Museum has made the assumption that the gap between the requirements and the funding for the operating and capital costs of both facilities had been addressed by the federal government. Therefore, the Museum has chosen not to present the increasing operating costs of the facilities nor the related appropriation for those years.

FINANCIAL SUMMARY

Statement 3: Cash Flow Statement

(in thousands of dollars)

	2005-06 Results	2006-07 Forecast	2007-08 Pro forma	2008-09 Pro forma	2009-10 Pro forma	2010-11 Pro forma	2011-12 Pro forma
Operating Activities							
Cash receipts – customers	1,083	5,847	2,674	3,446	4,346	4,843	4,844
Cash receipts – parliamentary appropriation	20,659	12,563	27,441	26,225	24,523	24,738	24,597
Cash disbursements – suppliers and employees	(34,332)	(35,354)	(28,007)	(27,386)	(25,089)	(25,764)	(25,584)
Interest received	1,341	512	350	350	250	250	250
Interest paid	(3,234)	(3,206)	(3,175)	(3,141)	(3,104)	(3,063)	(3,018)
	(14,483)	(19,638)	(717)	(506)	926	1,004	1,089
Financing Activities							
Appropriation used to purchase depreciable capital assets	35,732	47,089	57,500	32,946	5,928	1,483	1,624
Obligation under capital lease	(267)	(293)	(325)	(359)	(396)	(438)	(482)
	35,465	46,796	57,175	32,587	5,532	1,045	1,142
Investing Activities							
Acquisition of capital assets	(35,732)	(47,089)	(57,500)	(32,946)	(5,928)	(1,483)	(1,624)
Decrease in restricted cash, short-term investments and receivables	19	249	250	20	20	20	20
	(35,713)	(46,840)	(57,250)	(32,926)	(5,908)	(1,463)	(1,604)
(Decrease) increase in cash and short-term investments	(14,731)	(19,682)	(792)	(845)	550	586	627
Cash and short-term investments, beginning of year	40,195	25,464	5,782	4,990	4,145	4,695	5,281
Cash and short-term investments, end of year	25,464	5,782	4,990	4,145	4,695	5,281	5,908



HONESTY AND INTEGRITY
RESPECT FOR PEOPLE AND NATURE
THE PURSUIT OF EXCELLENCE
CONTINUOUS LEARNING

CMN Corporate Values