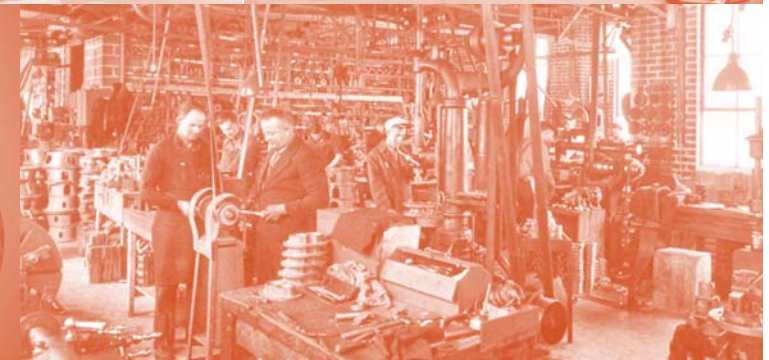
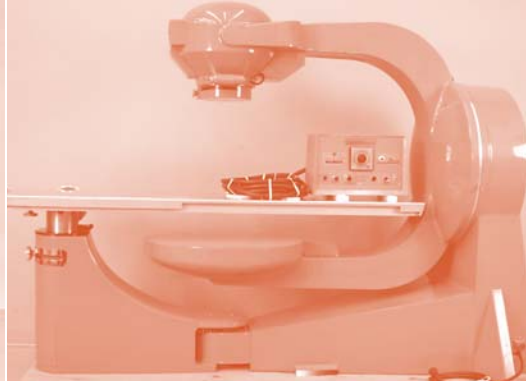
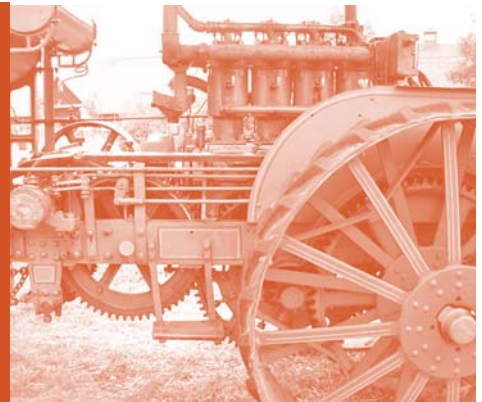


CANADA SCIENCE AND TECHNOLOGY MUSEUM CORPORATION



OPERATING BUDGET SUMMARY

2007-2008

CAPITAL BUDGET SUMMARY

2007-2008



**Canada Science and Technology
Museum Corporation**

*Canada Agriculture Museum
Canada Aviation Museum
Canada Science and Technology Museum*



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INTRODUCTION

This document comprises the 2007-2008 Operating Budget and 2007-2008 Capital Budget for the Canada Science and Technology Museum Corporation.

The Canada Science and Technology Museum Corporation is functioning under year 2 of the 2006-2007 to 2010-2011 five year Corporate Plan.

FINANCIAL SUMMARY

2007–2008 to 2011–2012

The Corporation had some success in securing one-time funding to address issues which had been hampering progress for the institution. Four proposals received approval and will be implemented during this planning period. The first funding decision will help in redressing the capital infrastructure mainly at the Canada Aviation Museum, the one stable site where long-term planning is possible. The Canada Science and Technology Museum will have short-term investments in health and safety, and other urgent issues while waiting for a decision on the long-term fate of the site. The Canada Agriculture Museum will also receive environmental and health and safety funding. Minimal investment has been requested on this site along with three private-sector leases which hold the main part of the national collection as the infrastructure is the landlords' responsibility. The Corporation will continue to minimize investments in the current CSTM facility and leased sites, to ensure all investments provide an adequate return.

The Corporation continues to face challenges in meeting its legislated mandate due to a lack of operating funds. The government did allocate funding in 2006–2007 to redress prior years' deficits but the ongoing pressure continues. The funds permitted management to focus on the future rather than try to redress the prior year losses; it has effectively slowed down the rate of program reduction required to offset the continuing increases in fixed facility management costs. Beyond the pressures felt from inflation, a permanent resolution to address the incremental operating cost of \$1.475 million for the Aviation Collection Wing continues to weigh heavily, resulting in annual operating losses as indicated in the following financial tables. This cannot be resolved within our current envelope without affecting the Museums' base program delivery.

Canadians expect to see the prominence of the scientific and technological heritage displayed and promoted in the same fashion as at other national institutions. As the least funded of the national heritage institutions, this continues to be a challenge for the CSTMC. The Corporation faces pressures not been experienced by sister institutions which have had an opportunity to centralize and obtain new accommodations thus relieving some stress on their operating funds. In this respect, the Corporation must also absorb the extra costs involved in operating three distinct public facilities, for which duplicate services must be provided, in order to comply with health and safety issues and core operations needs.

The fixed costs of facilities management, which include; rent, utilities, property taxes, repairs, maintenance and recapitalization, have been escalating, accounting for 32% of our available funds. The trend toward increased costs will continue with the current utilities increases and repairs and upkeep for aging buildings — particularly at the Canada Science and Technology Museum, as the building has exceeded its economic life. The current funding mechanism available to the Corporation for accommodation requirements is not indexed. As a consequence, Museum-mandated activities come under financial pressure to compensate for this funding erosion. Adjusting the funding process to the one more commonly used throughout the federal government for government-owned properties would better address the Corporation's current and long-term needs. Similar anomalies exist with respect to salary envelopes. Currently salaries absorb 57% of the available funds as the Corporation tries to remain competitive with wage rates paid by the federal government.

Collaborative partnerships and sponsorship/fundraising will continue to be a key component in the development of projects and activities. Revenue-generating programs are currently contributing \$4 million in gross revenue versus \$1 million in 1990. As impressive as this growth has been — and even with the determined pursuit of internal economies and external funding as noted above — funds available after assessing the costs required to generate revenue are still not expected to provide the Corporation with sufficient funds to reach its full potential. Efforts by the Corporation to look internally for efficiencies, and more effective ways to meet its responsibilities and objectives, will continue in its ongoing attempts to deal with resource pressures. The Corporation recognizes that these are aggressive but attainable targets. The results are monitored monthly allowing for adjustment to strategies and expenditures to avoid a negative impact on equity.

As we progress in a knowledge-based economy, the Museum is well positioned to expose and encourage the next generation to pursue a vocation in science and technology. The programs reaching students encourage creativity and innovation, influencing Canadians to pursue these fields, creating a made-in-Canada solution to the current import of technological experts. Canada has a long and proud history of excellence in the fields of science and technology and the Museum is home to many of these accomplishments. Showcasing the richness



of the collection and highlighting Canadian accomplishments will help stimulate interest in the science fields for future generations.

The Corporation requires the capacity to respond to advances in science and technology from both a heritage preservation and knowledge dissemination perspective. The Corporation will, therefore, pursue efforts with the Department of Canadian Heritage and other central agencies to increase its operational funding to meet this challenge.

Revenue Generation

Revenue generation provides a means by which the Corporation may supplement its parliamentary appropriation, and thereby contributes to the fulfilment its mandate. The success of revenue-generating initiatives depends upon a sound knowledge of markets and the development of attractive and saleable products.

The Corporation has recently received two separate funding decisions from the Treasury Board; one to raise its profile in the philanthropy field — and the other to enhance the facility at the Canada Aviation Museum to create new income streams and increase the current retail contributions. Implementation of these projects will begin in the 2007–2012 planning period with benefits in the later portion of the plan. Net revenue, given increases in labour and material costs, will continue to be monitored closely as it is this amount that can be used to supplement the Corporation's appropriation. The Corporation will continue to aggressively review revenue opportunities over the planning period. It will place continued emphasis on cooperative ventures, partnerships and product development with a market focus.

Note: Revenues from corporate development activities fluctuate from year to year, depending on sponsorship agreements, and opportunities for fundraising. It should be noted that in-kind contributions are not included in the corporate development budget totals.

OPERATING AND CAPITAL PLAN

FINANCIAL SUMMARY FOR THE PRECEDING YEAR, CURRENT YEAR AND PLANNING PERIOD

(in thousands of dollars)

	2005–2006 Actual	2006–2007 Forecast	2007–2008 Budget	2008–2009 Budget	2009–2010 Budget	2010–2011 Budget	2011–2012 Budget
BALANCE SHEET							
ASSETS							
Current							
Cash and short-term investments	2,122	3,272	1,881	179	(885)	(2,544)	(4,103)
Accounts receivable:							
— Government departments	260	900	900	900	900	900	900
— Trade	253	275	275	275	275	275	275
Inventories	457	450	450	450	450	450	450
Prepaid expenses	256	400	400	400	400	400	400
	3,348	5,297	3,906	2,204	1,140	(519)	(2,078)
Restricted cash and investments	340	250	250	—	—	—	—
Collection	1	1	1	1	1	1	1
Property and equipment	55,839	54,091	56,634	60,341	63,726	61,889	59,959
Intangible assets	147	147	147	147	147	147	147
	59,675	59,786	60,938	62,693	65,014	61,518	58,029
LIABILITIES AND EQUITY OF CANADA							
Current							
Accounts payable and accrued liabilities:							
— Government departments	242	275	275	275	275	275	275
— Trade	3,000	2,500	2,500	2,500	2,500	2,500	2,500
Current portion of employee future benefits	239	350	350	350	350	350	350
Deferred revenue	800	500	500	500	1,000	1,000	1,000
	4,281	3,625	3,625	3,625	4,125	4,125	4,125
Employee future benefits	1,917	1,650	1,675	1,700	1,725	1,750	2,000
Deferred contributions	340	250	250	—	—	—	—
Deferred capital funding	45,886	44,138	46,681	50,388	53,773	51,936	50,006
Equity of Canada	7,251	10,123	8,707	6,980	5,391	3,707	1,898
	59,675	59,786	60,938	62,693	65,014	61,518	58,029

**FINANCIAL SUMMARY FOR THE PRECEDING YEAR,
CURRENT YEAR AND PLANNING PERIOD**
(in thousands of dollars)

	2005–2006 Actual	2006–2007 Forecast	2007–2008 Budget	2008–2009 Budget	2009–2010 Budget	2010–2011 Budget	2011–2012 Budget
STATEMENT OF OPERATIONS							
REVENUE							
Admission							
Science and Technology	957	980	975	980	980	985	985
Aviation	400	430	515	520	520	525	525
Agriculture	327	360	335	340	340	350	350
Other	490	575	595	595	595	600	600
Commercial operations	945	960	960	960	975	975	1,000
Corporate development	520	900	900	1,200	1,500	1,500	1,500
Interest	149	120	150	150	140	120	120
	3,788	4,325	4,430	4,745	5,050	5,055	5,080
EXPENSES							
Heritage preservation	4,304	4,615	4,300	4,300	4,300	4,300	4,300
Sharing knowledge	10,900	11,480	10,500	10,500	10,567	10,567	10,567
Support activities	5,930	6,097	6,250	6,250	6,300	6,300	6,350
Accommodation	9,958	9,408	9,700	9,750	9,800	9,900	10,000
Amortization	2,453	2,548	2,748	3,023	2,948	3,134	3,216
	33,545	33,846	33,498	33,823	33,915	34,201	34,433
Net Results of operations before Government funding	(29,757)	(29,521)	(29,068)	(29,078)	(28,865)	(29,146)	(29,353)
Parliamentary Appropriation*	27,408	32,393	27,652	27,351	27,276	27,462	27,544
Net Income (Loss)	(2,349)	2,872	(1,416)	(1,727)	(1,589)	(1,684)	(1,809)
Equity of Canada at the start of the year	9,600	7,251	10,123	8,707	6,980	5,391	3,707
Equity of Canada at the end of the year	7,251	10,123	8,707	6,980	5,391	3,707	1,898

*Appropriation has been reported on an accrual basis, modified from our parliamentary vote as follows:

	2005–2006	2006–2007	2007–2008	2008–2009	2009–2010	2010–2011	2011–2012
FUNDING							
Appropriations	\$24,446	\$25,577	\$25,584	\$25,584	\$25,584	\$25,584	\$25,584
Adjustment to vote	2,475	5,068	4,987	5,440	5,047	—	—
Amount used to purchase depreciable property and equipment	(1,966)	(800)	(5,667)	(6,696)	(6,303)	(1,256)	(1,256)
Amortization of deferred Capital funding	2,453	2,548	2,748	3,023	2,984	3,134	3,216
Appropriations reported in Statements	27,408	32,393	27,652	27,351	27,276	27,462	27,544

**FINANCIAL SUMMARY FOR THE PRECEDING YEAR,
CURRENT YEAR AND PLANNING PERIOD**
(in thousands of dollars)

	2005–2006 Actual	2006–2007 Forecast	2007–2008 Budget	2008–2009 Budget	2009–2010 Budget	2010–2011 Budget	2011–2012 Budget
STATEMENT OF CASH FLOWS							
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES							
Cash received (clients)	4,171	3,163	4,200	4,595	5,410	4,935	4,960
Parliamentary appropriations received	24,955	29,845	24,904	24,328	24,328	24,328	24,328
Cash paid (employees and suppliers)	(33,087)	(32,058)	(30,725)	(30,775)	(30,942)	(31,042)	(30,967)
Interest received	149	120	150	150	140	120	120
Total cash flows from/(used in) operating activities	(3,812)	1,070	(1,471)	(1,702)	(1,064)	(1,659)	(1,559)
CASH FLOWS USED IN INVESTING ACTIVITIES							
Acquisition of Property and Equipment	(1,818)	(800)	(5,291)	(6,730)	(6,333)	(1,296)	(1,286)
Decrease or increase in restricted cash and investments	(63)	90	—	250	—	—	—
Total cash flows used in investing activities	(1,881)	(710)	(5,291)	(6,480)	(6,333)	(1,296)	(1,286)
CASH FLOWS FROM FINANCING ACTIVITIES							
Funding for Acquisition of Property and equipment	1,818	800	5,291	6,730	6,333	1,296	1,286
Restricted contributions and related investments	143	(10)	80	(250)	—	—	—
Total Cash flows from Financing Activities	1,961	790	5,371	6,480	6,333	1,296	1,286
Increase (Decrease) in Cash and short-term investments	(3,732)	1,150	(1,391)	(1,702)	(1,064)	(1,659)	(1,559)
Cash and short-term investments, beginning of the year	5,854	2,122	3,272	1,881	179	(885)	(2,544)
Cash and short-term investments, end of the year	2,122	3,272	1,881	179	(885)	(2,544)	(4,103)

OPERATING BUDGET SUMMARY 2007–2008

The Canada Science and Technology Museum Corporation's Operating Budget for 2007–2008 is \$33,498,000. This budget is presented on an accrual basis of accounting.

OPERATING BUDGET SUMMARY 2007–2008

(in thousands of dollars)

	2007–2008 Budget	2006–2007 Budget
REVENUES		
Operations		
Admissions		
Science and Technology	975	950
Aviation	515	515
Agriculture	335	335
Other	595	625
	2,420	2,425
Development	900	850
Commercial Operations	960	959
Interest	150	120
Revenues from Operations	4,430	4,354
Appropriations		
Main estimates	25,584	25,577
Adjustments to the vote	4,987	—
Purchase of capital assets	(5,667)	(1,256)
Amortization of deferred capital funding	2,748	2,570
Total from Appropriations	27,652	26,891
Total Revenues	32,082	31,245
EXPENSES		
Heritage Preservation	4,300	4,591
Sharing Knowledge	10,500	10,692
Support Activity	6,250	6,089
Accommodation	9,700	8,721
	30,750	30,093
Amortization	2,748	2,570
Total Expenses	33,498	32,663
Surplus (deficit)	(1,416)	(1,418)



Assumptions

The Operating Budget for 2007–2008 is based on the following assumptions.

Admissions

The estimated revenue from admission fees for 2007–2008 is based on the assumption that attendance will increase from the 2006–2007 numbers, consistent with the long-term plan, having recaptured some of the lost market share. The attendance at CAVM fell in 2005–2006 from reduced hours and the opening of the new Canadian War Museum.

Other

The Corporation provides a variety of services on a cost-recovery basis to Museum visitors and other clients. The services include travelling exhibitions, facility rentals and farm operations. Revenues from these sources will increase slightly with concentration on facility rentals.

Commercial Operations

Revenues from the gift shops and cafeterias at the Canada Science and Technology (CSTM), the Canada Aviation Museum (CAvM) and the Canada Agriculture Museum (CAgM) depend directly upon a stable and consistent number of visitors to the Museums. A small profit is expected from catalogue sales. We will continue to review results, and projections will be adjusted in the future plans. Sales from the Web are experiencing a slow but steady growth with limited promotion. Other retail sales include fees from the ATM machines and the coin press machine.

Interest

This item consists mainly of interest revenue and compensation for the collection of provincial taxes.

Corporate Development

Development activities include sponsorship, fundraising and membership programs.

Appropriation

The appropriation amounts included in the five-year plan, and operating budget for 2007–2008, are the reference levels approved by the Treasury Board following its review of the annual financial plan adjusted for the funding approved for infrastructure projects.

Expenses

The expenses in the Operating Budget have been allocated in accordance with the priorities of the Corporation, as outlined in the Corporate Plan.

Significant Commitments

The Corporation has entered into various agreements mainly for accommodation. The minimum payments under these agreements for 2007–2008 are \$2,784,000.

CAPITAL BUDGET SUMMARY 2007–2008

The Canada Science and Technology Museum Corporation's Capital Budget for 2007–2008 is \$5,667,000. The budget is presented on the accrual basis of accounting.

CAPITAL BUDGET SUMMARY 2007–2008 (in thousands of dollars)

Expenditures	2007–2008 Budget	2006–2007 Budget
Heritage Preservation	1,639	960
Sharing Knowledge	175	166
Support Activity	279	40
Accommodation	3,574	90
Total Expenditures	5,667	1,256

Assumptions

Capital investments for 2007–2008 are based on the following assumptions.

Sources of Funds

The budget is based on reference levels approved by the Treasury Board, following its review of the annual financial plan.

Expenses

The Corporation received a major injection in capital funding to rectify infrastructure issues. The first phase of this funding is reflected in 2008–2009 which explains the marked difference with the previous year. The investment will be focused at the Canada Aviation Museum, as it is the one site owned by the Corporation with long-term occupancy plans. Resolving the accommodation issues for collection storage and the Canada Science and Technology Museum is a priority for the Corporation in 2007–2008. The current building has exceeded its useful life while the collection storage space cannot continue to accommodate the growing needs and is considered a sub-standard environment.