

PREPARING FOR CHANGE



2011-2012 ANNUAL REPORT



TABLE OF CONTENTS

- 3 MESSAGE FROM THE CHAIR
- 4 MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER
- 6 A YEAR IN REVIEW
- 12 PERFORMANCE MEASURES
- 16 HISTORY
- 18 OUR PEOPLE
- 20 COMMUNICATING RESEARCH RESULTS
- 25 INVOLVING THE COMMUNITY
- 28 COLLABORATORS
- 34 MANAGING OUR FINANCIAL RESOURCES

Message from the Chair



On behalf of the Board of Trustees of the Canadian Museum of Nature I am pleased to present the 2011–2012 Annual Report. Two years have passed since the successful reopening of the Victoria Memorial Museum Building in May 2010. Good progress has been made towards consolidating the major advances achieved since the reopening as the Museum returned to steady-state operations. A comprehensive redevelopment of the Museum’s public galleries and the mounting of a lively public education programme have resulted in heightened interest in the public face of the museum and awareness of the scientific leadership, knowledge and expertise of the Museum.

The next five years to 2017, another major transition will occur. The Museum will move to expanding the Museum’s social relevance, reputation and horizons as an international first-rank Museum. It will use its renewed public facility to promote understanding and respect for the environment, reaching out to Canadians across the country via the internet, with its partners in the Alliance of Natural History Museums of Canada and other national and international networks.

The search for a new President and CEO was a top priority for the Board of Trustees in 2010–2011 and the new CEO, Margaret Beckel, was appointed by the Minister of Canadian Heritage and Official Languages in June 2011. Her proven leadership and operational skills and vast knowledge of museums, arts and culture has proved beneficial for the Museum and several significant advances have been made in a very short period of time.

We said farewell to two Board members, Lise des Greniers from Grandby, Quebec and Harold Robinson of Edmonton, Alberta. I would like to express my gratitude to both of them and acknowledge their very valuable contributions to the Museum during their terms on the Board. The Museum also welcomed two new Board members, Byron Neiles and Reg Manhas, both from Calgary, Alberta and Erin Rankin Nash from London, Ontario was re-appointed to the Board.

My fellow Trustees and I work hard to ensure that the Museum benefits from our governance, oversight and support. In order for the Museum to deliver on its mandate, it must have a cooperative and constructive relationship with the Government of Canada through the Minister of Canadian Heritage and Official Languages, and with Central Agencies. The Museum continues to make every effort to cultivate these relationships and the Board of Trustees would like to thank the Government of Canada for its continued support of the Museum.

In closing, the Museum has a significant national mandate and remains committed to ensuring that the significant investment of \$216 million made by the Government of Canada to restore this historical national natural history museum is of benefit to all Canadians. Under the leadership of President and CEO Margaret Beckel, with the expertise of management and staff, the guidance of the Board of Trustees, and the support of the Government of Canada, I remain confident and optimistic about the future of the Canadian Museum of Nature.

A handwritten signature in blue ink that reads "Florence Minz".

Florence Minz

Chair, Board of Trustees

Message from the President and Chief Executive Officer



Although I have held the position of CEO for less than a year at the time of writing this message, I am pleased to report that the Museum has implemented several key initiatives that work towards achieving its four strategic objectives: *Knowledge and Discovery*, *Inspiration and Education*, *Presence*, and *Performance*. A fifth objective, *Advancement* was developed for implementation in 2012–2013.

Several significant advances were made to promote, highlight and expand the scientific leadership, knowledge and expertise of the Museum this past year. *Extreme Mammals*, an international travelling exhibition and partnership with the American Museum of Natural History (AMNH), California Academy of Science and the Cleveland Museum, showcasing an array of specimens and models that include *Puijila darwini*, a Museum “missing link” discovery, continues to tour internationally. As well, a new partnership was established with the AMNH in New York and the Field Museum in Chicago, featuring four of our Museum scientists. The exhibition, *Creatures of Light*, an exhibition on bioluminescence, will appear at the Museum in Ottawa in 2014 after openings in March 2012 in New York, followed by a tour at the Field Museum in Chicago. Additionally, one of the Museum’s travelling exhibitions, *Moths*, will be showcased at the AMNH and the Field Museum in 2012–2013.

The Museum’s national travelling exhibition programme, considered to be the only one of its kind in Canada, continued to be popular and this year, has reached 30 communities and 173,287 visitors. One of the most popular exhibitions on tour, *Ice Age Mammals* featuring Museum scientists, is now travelling internationally, specifically at the Burpee Museum in Rockford, Illinois.

The Museum continues to demonstrate leadership in Arctic Research through its on-going projects, with a track record that is traced to the first Canadian Arctic Expedition from 1913–1916. The results of our work profile new specimen discoveries and are important to the national museum and our many collaborators. This work was regularly published in many scientific journals and presented at professional meetings, including the final gathering of the International Polar Year in Montreal. Two new proposals were submitted to *Nature Journal* featuring new palaeo discoveries in the High Arctic and China by Museum researchers. These submissions findings are of international importance and we expect that some of the new findings will become an integral part of new Arctic-related projects planned in preparation for Canada’s 150th anniversary in 2017.

Importantly, a new performance measurement framework was initiated in 2010–2011 that enables the organization to track performance and measure its impact and value to Canada and to people internationally. The Museum will constantly seek to improve its processes and performance targets and existing measures will be revised to reflect changes in the business environment, the prioritization of activities and outcomes through corporate planning exercises and new initiatives that contribute to the Museum’s key objectives.

A bronze sculpture of *Puijila darwini*, a “missing link” fossil discovered by a CMN scientist, was added to the *Extreme Mammals* exhibition in Ottawa.



In light of the new market opportunities for the Victoria Memorial Museum Building (VMMB) and to leverage the Government of Canada’s \$216 million investment, the Museum has invested in a new marketing approach with large promotion plans integrated to create awareness of the Museum’s line up of blockbusters, the first being *Whales Tohorā – The Exhibition*, an exhibition produced by the Museum of New Zealand Te Papa Tongarewa. New 3D movie offerings in the renovated theatre have allowed the Museum to regain the technological edge, generate extra revenue and add excitement to the visitor experience. A new pricing structure was introduced in March 2012 increasing the revenue potential of the Museum, one that better reflects the value proposition of the Museum’s products and services and one that allows more flexibility for visitors.

Fall 2011 saw the initiation of a new advancement strategy focused on building support from individual, corporate and foundation donors. This strategy will advance the Patron fundraising programme, create a National Nature Council and the development of a five-year plan and case for support to advance the Museum’s position as a leader in Arctic research and discovery, culminating in 2016–2017 with the unveiling of a Canadian Arctic Gallery.

In closing, I would like to thank the Museum staff for their dedication and efforts in support of these new directions and I look forward to an invigorating and exciting 2012–2013.

A handwritten signature in blue ink, appearing to read "M. Beckel". The signature is fluid and cursive, written over a white background.

Margaret Beckel

President and Chief Executive Officer

A YEAR IN REVIEW: HIGHLIGHTS

Progress was made towards consolidating the major advances achieved since the reopening of the renovated Victoria Memorial Museum Building in May 2010. As the Museum returned to steady-state operations, work continued towards achieving its four strategic objectives: knowledge and discovery, inspiration and education, presence, and performance.



Knowledge and Discovery

Objective 1:

To develop innovative approaches that increase awareness of Canada's natural environment based on research and collections programmes.

Several, significant advances were made to promote, highlight and expand the scientific leadership, knowledge and expertise of the Museum.



Odontochelys semistestacea (literally meaning toothed, half-shelled turtle) is the world's oldest known fossilized turtle providing the evidence for a long-standing mystery of evolution – how the turtle got its shell.



CMN botanist lays out bags of mosses for drying during arctic fieldwork on Victoria Island, Northwest Territories.

■ The overall capacity to create information related to biodiversity research was improved through the *Museum Research Centres of Excellence* established in 2010–2011 in the areas of *Arctic Research* and *Species Discovery*.

■ The Museum is an expert in Canada and abroad in the scientific skills encompassing species discovery. This involves taxonomic work in the field and laboratory, finding, describing, documenting and increasing access to natural history specimens. It also involves training young scientists, reviewing and contributing to the scientific literature, presenting new findings and working with educators and the public to make scientific knowledge more understandable, useful and appreciated. The results of its work in collection-based science are documented in the national collection and shared broadly and regularly with the scientific community and others. Significant progress was made towards making all of its digitized assets accessible through the internet, including a significant portion of the national algae collection that includes 4,500 images which are now available at nature.ca (www.nature-cana.ca/). Museum researchers discovered and described 12 new species of animals, plants, fossils and minerals.

■ The Museum led the establishment and coordination of the Arctic Flora of Canada and Alaska, a five-year project involving international experts to document the Arctic and to widely disseminate this knowledge through publications, online databases, workshops and symposia. The goal of the Arctic Flora of Canada and Alaska project is to produce a comprehensive flora of the Arctic ecozone in Canada and northern Alaska. This will be the first flora for the entire Arctic ecozone in North America. This large, multi-year project is being led by Museum botanists. It involves a large number of collaborators and includes: the University of Manitoba; Agriculture and Agri-Food Canada; University of Montreal; University of Alaska; the Fairbanks Natural History Museum and Botanical Garden, Oslo, Norway. Thousands of new specimens are being sorted, studied, prepared, scanned, documented, and disseminated through www.arcticplants.myspecies.info/

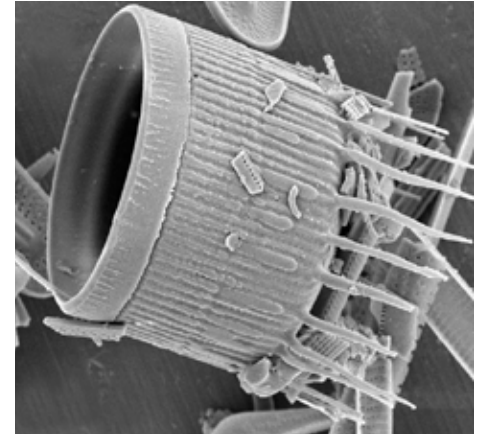


Arctous rubra is one of the many beautiful, delicate flora found in the Arctic.

A visitor observing Pacific tidal zone biodiversity in the marine aquarium of the RBC Blue Water Gallery.



Diatom CMN scientists study diatoms. These are simple organisms that provide valuable clues about past climates.



■ A partnership with the University of Ottawa will form the most modern and advanced earth sciences research facility in Canada. The Museum is responsible for the management and technical operation of the university electron microscopy laboratory. This type of partnership is a creative alternative strategy designed to ensure that Museum researchers have access to modern and advanced equipment and ensuring that scientific research programmes continue to demonstrate the Museum's leadership in the field of natural history research.

■ The Museum is the Co-chair of the Coordination Mechanism for the Global Taxonomy Initiative (GTI). The GTI is a programme that is important across all the themes of the United Nations convention for the Conservation of Biological Diversity. The Coordination Mechanism is the advisory body to the Executive Secretary of the Convention on how to increase capacity in taxonomic expertise. Two meetings were convened in Montreal last year, with another this April.

www.cbd.int/gti/

■ The Museum also serves as 1st Vice-chair of the Science Committee for the Global Biodiversity Information Facility (GBIF). This global data sharing initiative is one of the top institutions and is an essential component to biodiversity planning and conservation. Two meetings were held last year, one in Copenhagen hosted by the Danish government at the University, and in Buenos Aires, Argentina, where the annual Governing Board meeting and Science Symposium were held. The Ebbe Nielsen Prize and two graduate student awards for research excellence were awarded.

www.gbif.org/communications/news-and-events/ebbe-nielsen-prize/

■ Representing the Canadian Museum of Nature and on behalf of GBIF, the Museum was invited to participate in the 20th anniversary celebrations of CONABIO (Comisión Nacional para el Conocimiento y Uso de la Biodiversidad). CONABIO is the national institution for the conservation and use of biodiversity in Mexico and is looked upon as one of the world leaders for the use of biodiversity information in national planning and policy. The celebration was in Mexico City and was honored by a ceremony presided over by President Felipe Calderón.

www.en.wikipedia.org/wiki/Comisi%C3%B3n_Nacional_para_el_Conocimiento_y_Uso_de_la_Biodiversidad

■ The Museum was an invited expert to advise the Getty Museum's Leadership Institute (GLI). The long-time leader Phil Nowlen will soon retire and they are planning for the future. The GLI is a world leader in monitoring museum trends and in training museum executives. The advisory team met in Santa Monica, California, near the Getty Villa (site of the meetings and their museum of antiquities) and their home on the campus of Claremont Graduate University.

www.getty.edu/leadership/



This image of a Common sunstar, *Crossaster papposus*, was taken in the Canadian Arctic by a CMN marine biologist.

Inspiration and Education

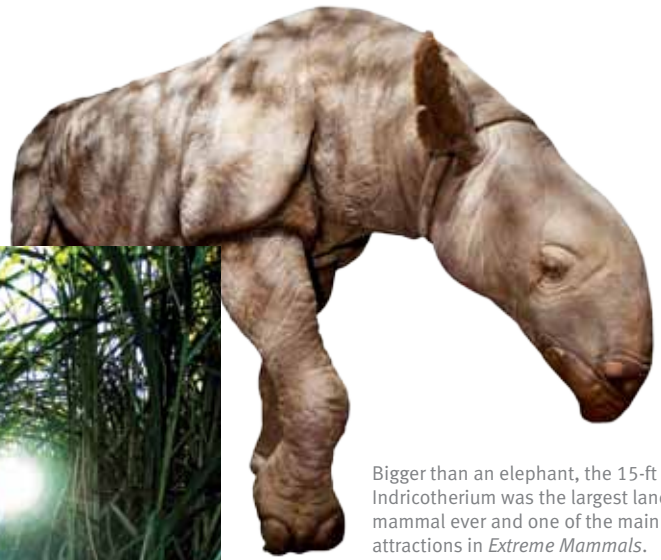
Objective 2:

To present the natural world through public education programmes that increase understanding of Canada's changing natural environment.

A comprehensive redevelopment of the Museum's public galleries and the mounting of a lively public education programme have resulted in heightened public interest and the launch of a new season for 2011–2012 that included blockbuster exhibitions and new programmes and activities that would appeal to visitors of all ages.



Whales Tohorā – The Exhibition takes you into the underwater world of whales to explore their history, amazing biology, and how people connect with them.



Bigger than an elephant, the 15-ft high Indricotherium was the largest land mammal ever and one of the main attractions in *Extreme Mammals*.

Preternatural, a contemporary art exhibition, explored the themes of nature, wonder and the extraordinary. Image courtesy of Anne Katrine Senstad.

■ In June, 2011, *Extreme Mammals: the Biggest, Smallest and Most Amazing Mammals of All Time* featured the Museum's own "missing link" discovery, *Puijila darwini*, a find of international significance. This special temporary exhibition was organized by the American Museum of Natural History in collaboration with the Canadian Museum of Nature, the California Academy of Sciences and the Cleveland Museum of Natural History.

■ A successful blockbuster exhibition was opened in March 2012, *Whales Tohorā*, a collaboration with the Museum of New Zealand Te Papa Tongarewa and timed with a new pricing strategy that provided increased flexibility for visitors and consistent with new enterprise model approach.

■ A new Nature Art series for adults was launched this past year featuring *Awesome Arctic: Images of Our Research in the North*, *Preternatural: Where Art and Nature Collide*, and *Unrequited Death*, paintings of biological specimens by Newfoundland artist Helen Gregory. Complimentary offerings were also showcased in the Museum's new Stone Wall Gallery and featured *On the Labrador*, photography by Arnold Zageris and *Lichens*, photography from the Museum's popular Lichens of North American by Museum researcher, Ernie Brodo.

■ In April of 2011, the Museum was the central site for Earth Month in Ottawa, as a variety of activities and community events were offered in sync with the largest and most celebrated event in the world, "Earth Day". The events attracted diverse audiences and included an Environmental Film Festival, multimedia shows and an Open House at the Natural Heritage Building in Gatineau, Quebec on April 30th for a rare behind the scenes look at its collections and research laboratories.

■ The introduction of 3D movies allowed the Museum to regain the technological edge, generate extra revenue and add excitement to the visitor experience. The primary audience for 3D screenings is families with young children and to date, an average of 25 percent capture rate has surpassed the 18 percent projections for attendance and revenues and offset some of the revenue shortfalls due to decreased attendance.

Presence

Objective 3:

To create unique experiences and increases value for visitors through the renewal of the Victoria Memorial Museum Building and associated programming and services.



The Patron Circle fundraising programme was launched at the I.C.E. event in November.

■ Attendance in 2011–2012 reached 413,000 visitors, slightly less than projections by 8 percent. This was an expected decrease from last year's 518,000 visitors due to the traditional attendance patterns following a significant reopening of a cultural institution and a significant drop in tourists to the National Capital Region.

■ A new marketing approach with large promotion plans to create awareness of the Museum's exciting line up of blockbuster exhibitions and complementary programming was used for the first time to promote *Whales Tohorā – The Exhibition*.

■ The Museum's travelling exhibition programme is considered to be the only national natural history travelling exhibition programme of its kind in Canada. This year, 20 travelling exhibitions reached 30 communities and 173,287 visitors. This significant decrease over last year's number of 314,000 visitors is due to the fact that many of the tours this past year were in smaller communities with much smaller

populations. Also of note, the Burpee Museum in Rockford, Illinois became the first international venue for *Ice Age Mammals* drawing visitors with a life-size Mastodon model, fascinating fossil specimens and engaging interactives. *Canada's Waterscapes* traveller continued with its cross-Canada tour that also included a popular lecture series.

■ There is renewed interest from Canadian and International Tour operators who bring students, adults and international visitors to the national capital region. Museum tourism marketing strategies have been implemented to encourage growth for both student and adult tour group markets.

■ Museum Memberships increased by 10 percent over projections and the Museum now has 3300 members, some of this due to a positive response to the new pricing strategy and new member offerings that were launched in March, 2012.

■ Media relations activity during 2011–2012 resulted in more than 200 reports involving the Canadian Museum of Nature in print, radio, TV and Web and reached an audience of approximately 21.5 million. Highlights of coverage included two blockbusters, *Extreme Mammals* and the opening of *Whales Tohorā*, where a concerted media campaign for *Whales Tohorā* led to an audience reach of about 8 million based on coverage of media outlets that reported on the exhibition. The Museum contracted High Road Communications to enhance the museum's media relations capabilities by working with Communications Services for the coming year.

■ Museum researchers representing Canada, participate in a variety of international projects and in several countries. This past year, collaborations took place in Nicaragua, Honduras, Cuba, Turkey, Australia, Iceland, Mexico, Denmark, Argentina, United Kingdom, Czech Republic, Bolivia, Belgium, Norway, Thailand, Italy, China and Scotland.

■ In March 2012, a new exhibition on bioluminescence, *Creatures of Light: Nature's Bioluminescence*, opened at the American Museum of Natural History in New York with much success featuring four of the Museum's scientists. The exhibition is in partnership with the American Museum of Natural History in New York, the Field Museum in Chicago, and the Canadian Museum of Nature.



Ice Age Mammals was seen in its first international venue in Rockford, Illinois.

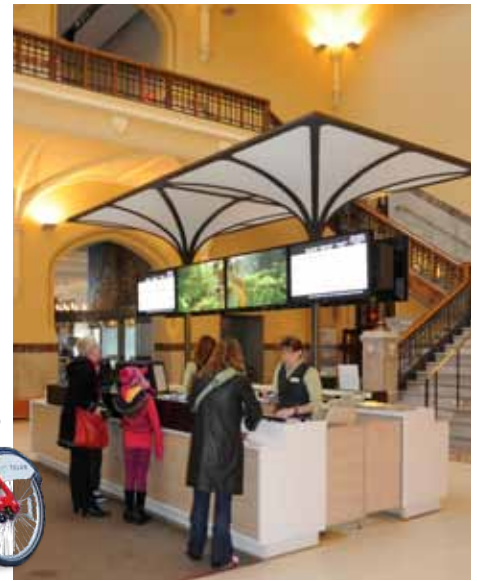
Performance

New plasma screens and an attractive canopy now grace the admissions desk.

Objective 4:

To establish leading edge governance practices and corporate systems that support and help finance the Museum's strategic directions and objectives.

The National Capital Commission installed two Bixi bike stations in front of and near the Museum, enabling the public to rent bicycles for their leisure. Image courtesy National Capital Commission.



■ The Museum has established a target of generating revenue excluding Parliamentary appropriations equivalent to 15 percent of base operating costs by 2011–2012. In 2011–2012 the Museum achieved its target of 15 percent with attendance of 413,055. In 2010–2011 the 15 percent target was surpassed one year ahead of schedule with revenue equivalent to 18 percent of base operating costs as attendance reached 518,000 as a result of the heightened public interest associated with the reopening of the Victoria Memorial Museum Building. In the future, the Museum is optimistic of reaching its objective of 15 percent as a result of the introduction of a new admission pricing structure that will coincide with an exciting line-up of blockbuster temporary special exhibitions.

■ In 2010–2011, a two-year financial plan was introduced to cover the funding gap to operate the two facilities under the Museum's stewardship. The Museum continues to face the impact of inflation on key inputs such as utilities and property taxes. Strategies were introduced in order to reduce costs and test the institution's revenue-generating strategies during the first two years of operation of the renovated Victoria Memorial Museum Building.

■ A new advancement strategy focused on building support from individual, corporate and foundation donors was launched to include a Patron Circle fundraising programme, a National Nature Council to raise the Museum's profile and the development of a five year plan to advance the Museum's position as a leader in Arctic research and discovery, culminating in 2016–2017 with the unveiling of the Canadian Arctic Gallery.

■ A new approach has been implemented, changing the Museum's "culture" to foster innovation and risk taking to support the new Museum enterprise model. The new enterprise model includes: a new pricing structure for admissions that better reflects the value proposition of the Museum's product and service offerings that are available to visitors; and an integrated approach to educational programme and exhibition planning that builds and strengthens the Museum's temporary exhibition programme and visitor experiences. This approach was initiated through strategies and plans developed for the new blockbuster, *Whales Tohorā* that opened in March 2012.

■ The next phase of the Museum's fundraising and development strategy was launched with the objective of raising \$15 million over the next five years. In 2011–2012, the Museum received a generous pledge of \$1 million from Barrick Gold Corporation in addition to \$500,000 from other sources for a total of \$1.5 million. Work continues to secure additional funding, with the prospect for additional pledges in 2012–2013 and beyond a realistic possibility.



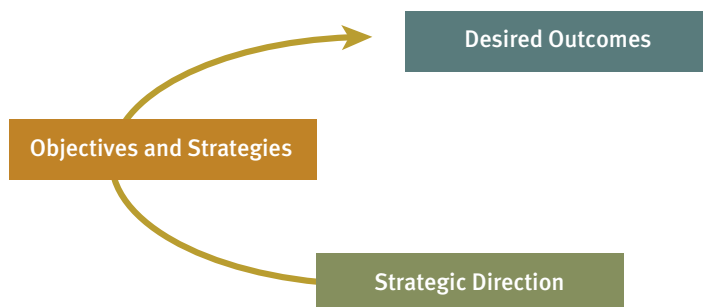
This rare million-dollar gold coin was loaned to the museum for display by Barrick Gold Corporation.

PERFORMANCE MEASURES FOR 2011–2012



A Balanced Scorecard

In 2010–2011, the Museum established a new performance measurement framework that enables the organization not only to track its performance in diverse areas, but also to measure its impact on target audiences and its value to Canada and people around the world. Simply put, the framework is a detailed work plan that aligns the Museum’s strategic objectives to relevant expected outcomes. Each outcome is defined by a set of performance measures and targets.



A Balanced Scorecard distills the performance measurement framework and establishes a set of key, high-level measures that evaluate the efficacy of corporate strategies and the achievement of organizational objectives. The measures are organized according to four distinct ways of defining the Museum’s success. These four perspectives are:

1. *The scientific perspective*, which relates to the Museum’s goal to develop innovative approaches that increase awareness of Canada’s natural environment based on research and collections programmes (Objective 1: Knowledge and Discovery).
2. *The learning and growth perspective*, which considers the Museum’s on-going ability to present the natural world through public education programmes that increase understanding of Canada’s changing natural environment (Objective 2: Inspiration and Education).
3. *The customer perspective*, which is linked to the Museum’s aim of creating unique experiences and increasing value for visitors through the renewal of the Victoria Memorial Museum Building and associated programming and services (Objective 3: Presence).
4. *The financial perspective*, which is tied to the Museum’s goal to establish leading-edge governance practices and corporate systems that support and help finance the Museum’s strategic direction and objectives (Objective 4: Performance).

The Museum constantly seeks to improve its processes and performance targets. Consequently, the balanced scorecard is subject to refinement and will be revised over time to reflect changes in the business environment, the prioritization of activities and outcomes in conjunction with annual corporate planning exercises, and the evolution of new initiatives that contribute to the Museum’s key expected outcomes.

Scientific Perspective: Knowledge and Discovery

To develop innovative approaches that increase awareness of Canada's natural environment based upon research and collections programmes.

Outcome	<ul style="list-style-type: none"> Recognition of the Canadian Museum of Nature as a credible and comprehensive source of knowledge 	<ul style="list-style-type: none"> Gain by participants of high-quality and relevant information 	<ul style="list-style-type: none"> Safeguarding of assets
Measure	<ul style="list-style-type: none"> Use and reference of research findings Extent of the quality and usefulness of Museum-led research information 	<ul style="list-style-type: none"> Extent to which collections are developed in accordance with collections plans and strategies 	<ul style="list-style-type: none"> Extent to which assets are appropriately safeguarded
2011–2012 Performance Target	<ul style="list-style-type: none"> 50 primary publications Survey respondents' degree of satisfaction measured as very satisfied or satisfied at least 80% of the time 	<ul style="list-style-type: none"> 80 acquisitions events per year, consistent with collections plans and strategies Zero deaccessions 	<ul style="list-style-type: none"> Meet required environmental conditions at the Victoria Memorial Museum Building 97% of the time
2011–2012 Actual	<ul style="list-style-type: none"> 45 primary publications Very satisfied or satisfied 100% of the time 	<ul style="list-style-type: none"> 48 acquisitions per year, consistent with collections plans and strategies Zero deaccessions 	<ul style="list-style-type: none"> Temperature requirement met 96% of the time Humidity requirement met 92% of the time

Learning and Growth Perspective: Inspiration and Education

To present the natural world through public education programmes that increase understanding of Canada's changing natural environment.

Outcome	<ul style="list-style-type: none"> Participation in and use of the Canadian Museum of Nature's resources 	<ul style="list-style-type: none"> Satisfaction and loyalty to the Museum as a destination of choice
Measure	<ul style="list-style-type: none"> Accessibility and use of web-based information, products and services Interest in and attendance at the Museum's travelling exhibitions 	<ul style="list-style-type: none"> Extent to which visitors believe the website has been a valuable and satisfactory source of information
2011–2012 Performance Target	<ul style="list-style-type: none"> 1st position among selected NCR Museums 350,000 visitors 	<ul style="list-style-type: none"> Meet 75% of the 3 factors of the website satisfaction index*
2011–2012 Actual	<ul style="list-style-type: none"> 1st position among selected NCR Museums 173,287 visitors 	<ul style="list-style-type: none"> Survey conducted every 2 years. Next survey will be conducted in 2012–2013

* The website satisfaction index includes the following factors: content, navigation and look and feel.

Customer Perspective: Presence

To create unique experiences and increase value for visitors through the renewal of the Victoria Memorial Museum Building and associated programming services.

Outcome	<ul style="list-style-type: none"> Participation in and use of the Canadian Museum of Nature's resources 	<ul style="list-style-type: none"> Gain by participants of high-quality and relevant information 	<ul style="list-style-type: none"> Satisfaction and loyalty to Museum as a destination of choice
Measure	<ul style="list-style-type: none"> Effectiveness of marketing and communication strategies as measured through attendance at the Victoria Memorial Museum Building attendance by target audiences 	<ul style="list-style-type: none"> Extent to which visitors believe the exhibitions have increased their knowledge and understanding of issues related to the natural environment 	<ul style="list-style-type: none"> Extent to which visitors believe their visit to the Victoria Memorial Museum Building has been valuable and satisfactory
2011–2012 Performance Target	<ul style="list-style-type: none"> 450,000 visitors 	<ul style="list-style-type: none"> Meet 75% of the 5 factors of the exhibitions, educational impact index* 	<ul style="list-style-type: none"> Meet 75% of the 7 factors of Victoria Memorial Museum Building value proposition satisfaction index and loyalty index**
2011–2012 Actual	<ul style="list-style-type: none"> 413,055 visitors 	<ul style="list-style-type: none"> Scored 81% on client surveys 	<ul style="list-style-type: none"> Scored 86% on client surveys

* The exhibitions educational impact index includes the following factors: knowledge, attitude, interest, relevance and enjoyment.

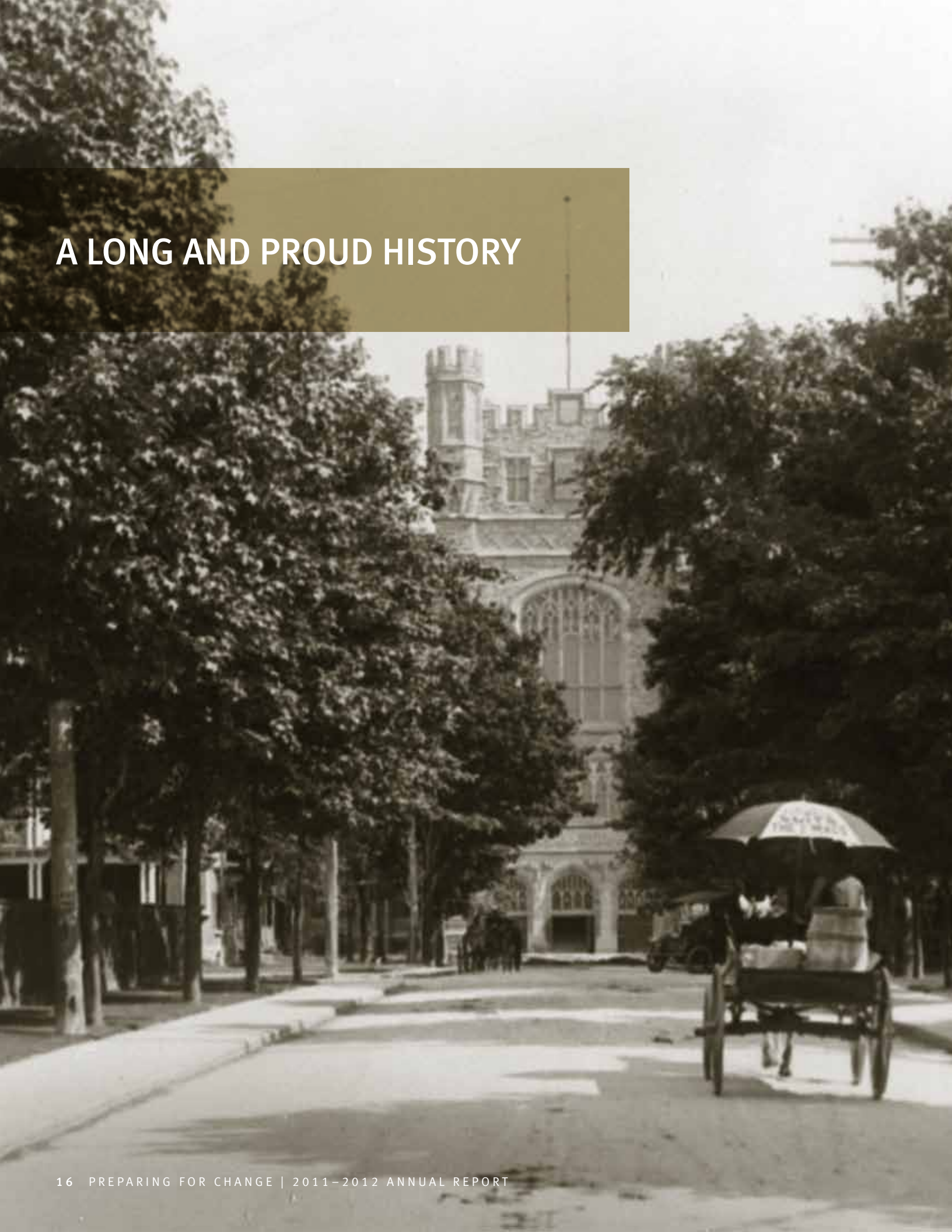
** The VMMB value proposition satisfaction index and loyalty index includes the following factors: experience, product, service, price, access, return visit and recommendation.

Financial Perspective: Performance

To establish leading-edge governance practices and corporate systems that support and help finance the Museum's strategic direction and objectives.

Outcome	<ul style="list-style-type: none"> Financial sustainability and revenue generation 	<ul style="list-style-type: none"> Efficient and effective operations
Measure	<ul style="list-style-type: none"> Revenue from earned and contributed sources as a percentage of base operating costs Extent to which revenue is generated by visitors to the Victoria Memorial Museum building and use of facilities Extent of ongoing and new donor support Renewal of memberships 	<ul style="list-style-type: none"> Extent to which facilities are maintained in accordance with financial planning framework strategies (operating and maintenance costs per square metre of the Natural Heritage Building and the Victoria Memorial Museum Building)
2011–2012 Performance Target	<ul style="list-style-type: none"> 15% \$3.75 per visitor \$1,000,000 raised 50% renewals 	<ul style="list-style-type: none"> Meet annual target of \$300 per square metre
2011–2012 Actual	<ul style="list-style-type: none"> 15% \$6.65 per visitor \$1,504,680 raised 40% renewals 	<ul style="list-style-type: none"> Total square metre cost of: <ul style="list-style-type: none"> - VMMB operations \$117.65 per square metre - NHB operations \$163.67 per square metre

A LONG AND PROUD HISTORY



The Canadian Museum of Nature originated in the Geological Survey of Canada, formed in 1842 by Sir William Logan. In 1851, Sir William developed a beautiful display of Canadian minerals of economic interest for the Great Exhibition of 1851 in London, England. The Survey's first exhibition work was enormously successful. "Of all the British colonies," the Exhibition Committee declared, "Canada is that whose exhibition is the most interesting and the most complete." Sir William's enormous success in London strengthened public support for the Survey, and set a precedent for the Museum's popular travelling exhibitions. In 1856, Parliament mandated the Geological Survey to publicly display its growing natural science collections. The collections moved into a mansion on St. Gabriel Street, which had been owned by Peter McGill, President of the Bank of Montreal. This building became the Museum's home for the next 30 years until it moved to George Street in Ottawa's Byward Market in 1881.

First purpose-built national museum

Commissioned by Sir Wilfrid Laurier, the Victoria Memorial Museum Building commemorates Queen Victoria, who died in 1901. The building opened its doors to the public in 1912 with spectacular exhibits of Canadian minerals, birds and fossils in beautiful new display cases. The skeleton of *Edmontosaurus* was the first dinosaur mounted for public display in Canada in 1913 and is now on view in the *Talisman Energy Fossil Gallery*. The bulk of the Museum's collections of dinosaurs were discovered by Charles M. Sternberg in southwestern Alberta.

Parliamentary connections

After a fire destroyed the Centre Block of the Parliament Buildings in 1916, the seat of government moved temporarily to the Victoria Memorial Museum Building. The House of Commons sat in the Auditorium for four years while the Senate occupied the East Wing.

New beginnings

The Canadian Museum of Nature became a Crown corporation on July 1, 1990, with a new mandate to increase interest in, knowledge of, and appreciation and respect for, the natural world throughout Canada and internationally.

The Natural Heritage Building in Gatineau was inaugurated in May 1997. With its leading-edge technology, the new collections and research facility was designed according to advanced collection management and protection requirements in order to safeguard Canada's natural history collection.

A fresh face

Cross-Canada consultations and a comprehensive strategic planning process resulted in a new vision of the national role and service of the Canadian Museum of Nature. The Museum realized this vision in tandem with the renewal of its exhibition site, the Victoria Memorial Museum Building, which was officially reopened to the public on May 22, 2010.

The rehabilitation work began in spring 2004, proceeded in phases and was completed in 2010. The Victoria Memorial Museum Building's 100th anniversary coincided with the completion of extensive rehabilitation during which the building was radically transformed and a new Strategic Plan for the Canadian Museum of Nature marked a new phase of the orga-



nization's evolution. A magnificent glass lantern was installed at the building's entrance and renovated facilities throughout the Victoria Memorial Museum Building have increased not only the visitor experience, but also the Museum's opportunity to capitalize on modern technology and increase revenues by renting the venue for special occasions. Several new exhibitions, including renewed *Vale Earth* and *RBC Blue Water* galleries were constructed to complement the building's reopening in May 2010.



OUR PEOPLE

The Real Fossil

La fosse authentique

Board of Trustees

The Board of Trustees is the Museum's governing body, responsible to Parliament through the Minister of Canadian Heritage and Official Languages. The 11 members are Governor-in-Council appointees from all regions of Canada. Through accountability and strategic policy and planning frameworks, the Board provides corporate direction and delegates authority to the President and CEO for the management of the Museum. In 2011–2012, the Board met two times in person and held two Board meetings through videoconference. One special meeting was held through videoconference and four meetings of the Committees of the Board were held either in person, by conference call or by videoconference.

As part of governance responsibilities, the Board undertook a review of its committee structure and corporate by-law. The committee structure was streamlined, the terms of reference were revised and the corporate by-law was updated to reflect the revised structure.

STANDING COMMITTEES

Executive Committee

Board Chair

Mandate: The Executive Committee's sole purpose is to act for the Board on urgent matters arising between regular Board meetings in cases where it is not possible to convene a meeting of the Board, and to do other things as delegated by the Board to the Committee

Audit and Finance Committee

Martin Joanisse, Chair

Mandate: The Audit and Finance Committee is responsible for overseeing the Canadian Museum of Nature's standards of integrity and behaviour, the integrity and credibility of the Canadian Museum of Nature's financial reports, and the systems and practices of internal control.

Governance and Nominating Committee

Nicholas Offord, Chair

Mandate: The Governance and Nominating Committee is responsible for monitoring when terms of office for members of the Board of Trustees expire and for recommending to the Board individuals to be nominated for appointment or reappointment as Trustees and to undertake annually the President's performance review.

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COMMUNICATING RESEARCH RESULTS



Research Services and Collections Services staff

Museum staff published 45 articles in refereed journals – which have other scientists review all articles submitted before they are accepted for publications – and 16 in non-referred publications. Museum staff also published a selection of books, reports and other papers. A complete list follows (names in boldface are Museum staff members). Publications are listed in the language in which they are written.

Refereed Publications

Klimaszewski, J. and **R.S. Anderson** (eds.). 2012. Biosystematics and ecology of Canadian Staphylinidae (Coleoptera) II. *Zookeys*, 186:1-348.

Brunke, A., J. Klimaszewski and **R.S. Anderson**. 2012. Present taxonomic work on Staphylinidae (Coleoptera) in Canada: progress against all odds. *Zookeys*, 186:1-5.

Anderson, R.S. and J. Klimaszewski (eds.). 2012. Biodiversity and ecology of the Coleoptera of New Brunswick, Canada. *Zookeys*, 179:1-406.

Webster, R.P., **R.S. Anderson**, J.D. Sweeney and I. DeMerchant. 2012. New Coleoptera records from New Brunswick, Canada: Anthribidae, Brentidae, Dryophthoridae, Brachyceridae, and Curculionidae, with additions to the fauna of Quebec, Nova Scotia and Prince Edward Island. *Zookeys*, 179:349–406.

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Piepenburg D., P. Archambault, W.A. Ambrose, A. Blanchard, B. Bluhm, M. Carroll, **K. Conlan**, M. Cusson, H. Feder, J.M. Grebmeier, S. Jewett, M. Lévesque, V.V. Petryashev, M.K. Sejr, B.I. Sirenko, M. Wlodarska-Kowalczyk. 2011. Towards a pan-Arctic inventory of the species diversity of the macro- and megabenthic fauna of the Arctic shelf seas. *Marine Biodiversity*, 41:51-70, doi: 10.1007/s12526-010-0059-7.

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- P.M. Peterson and **J.M. Saarela**. 2012. *Calamagrostis*. In B.G. Baldwin, S. Boyd, B.J. Ertter, R.W. Patterson, T.J. Rosatti, and D.H. Wilken (eds.). *The Second Edition of the Jepson Manual*. University of California Press, Berkeley, Los Angeles, 1431-1433, 1435.
- Sokoloff, P.C.** and **L.J. Gillespie**. 2011. Taxonomy of *Astragalus robbinsii* var. *fernaldii* (Fabaceae): molecular and morphological analyses support transfer to *Astragalus eucosmus*. *Botany*, 90:11-26 (2012), doi:10.1139/b11-077.
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Non-refereed publications

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- Conlan, K., E. Hendrycks** and A. Aitken. 2012. [Abstract]. Impoverishment to Richness: Gradients of Benthic Change in the Eastern Canadian Arctic. IPY 2012, Montreal.
- Gosselin, M.** 2012. Gustave et Bernadette Langelier : un chapitre oublié de l'histoire ornithologique québécoise. *QuébecOiseaux*, 23(2):18-22.
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Piilonen, P.C., A.M. McDonald, **G. Poirier**, **R. Rowe**, A.O. Larsen & S. Dalhgren. 2011. [Abstract] Magmatic and hydrothermal zircon from alkaline pegmatites in the Larvik Plutonic Complex, Oslo rift valley, Norway – implications for petrogenesis from trace element geochemistry. *Conference Proceedings, GAC-MAC 2011*, Ottawa, ON.

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Saarela, J.M., **L.J. Gillespie**, **L.L. Consaul**, **J.R. Starr**, **R.D. Bull**, **P.C. Sokoloff**. 2011. [Abstract]. DNA barcoding the vascular plant flora of the Canadian Arctic. International Botanical Congress 2011, Melbourne, Australia, 17-29 July 2011. pg. 639 [e-poster] <http://www.slideshare.net/jmsaarela/2011-saarela-et-al-ibc-2011-eposter-dna-barcoding>

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Sokoloff, P.C. and **L.J. Gillespie**. 2011. Fernald's milkvetch – conservation of native plants and the need for taxonomy. *Communique*, 80:22-24.

Stewart, K.M. 2011. [Abstract]. Pre-*sapiens* hominins, brain growth and the exploitation of freshwater environments. American Association of Physical Anthropologists.

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Reports and Other

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Gillespie, L.J., **J.M. Saarela** and B.A. Ford (eds). 2012 onwards. Arctic Flora of Canada and Alaska. <http://arcticplants.myspecies.info/>

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Research and Museum Associates

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Dr. D.A. Russell, North Carolina Museum of Natural Sciences, Raleigh, North Carolina
C.-t. Shih, National Taiwan Ocean University, Keelung, Taiwan

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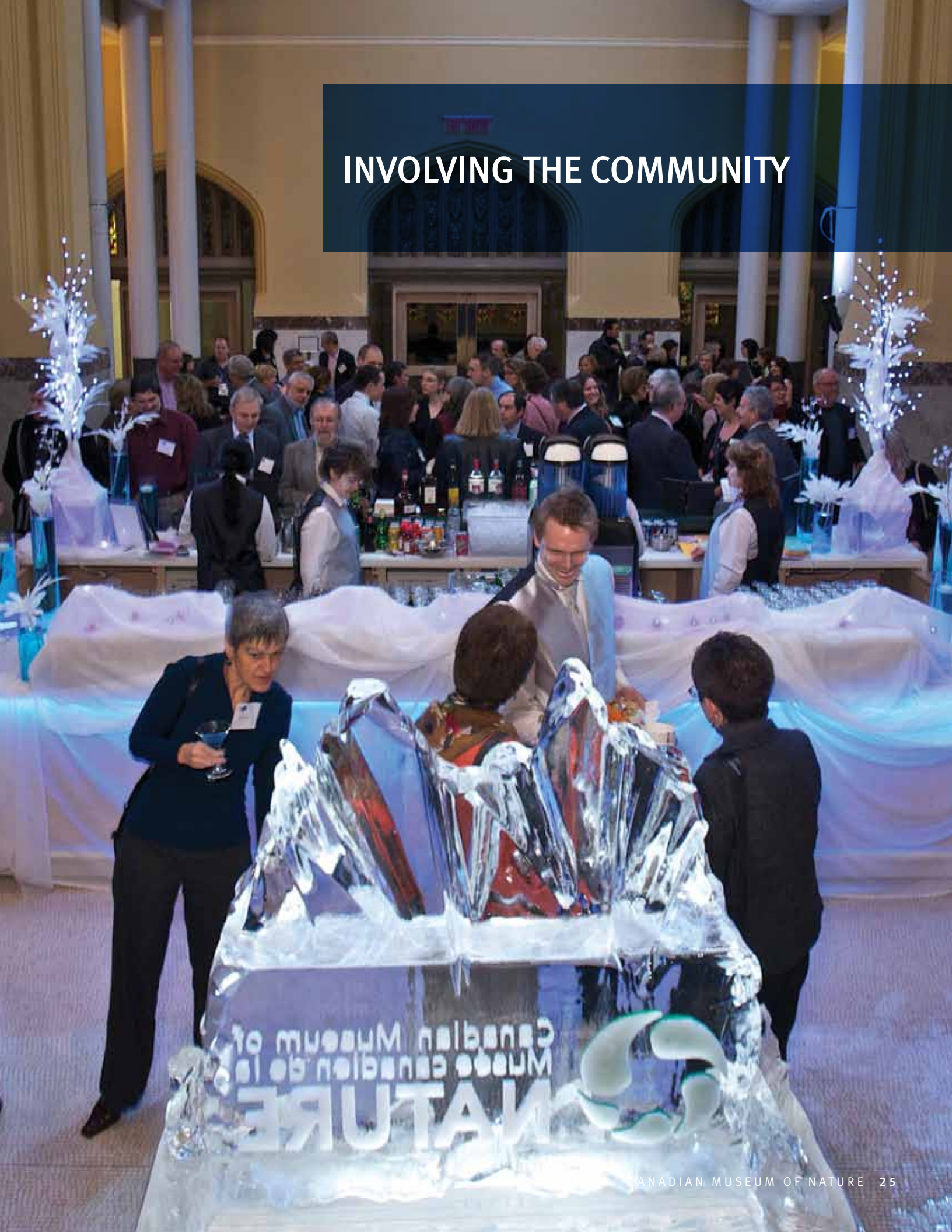
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**MANAGING
OUR FINANCIAL
RESOURCES**



The Canadian Museum of Nature's (the "Museum") 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 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 investment 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Overview

Two years have passed since the successful reopening of the Victoria Memorial Museum Building in May 2010. The comprehensive redevelopment of the Museum's public galleries and the mounting of a lively public education programme have resulted in heightened public interest. This past year the Museum returned to steady-state operations as work continued towards achieving its strategic objectives and priorities including the development of financial strategies to deal with emerging financial pressures.

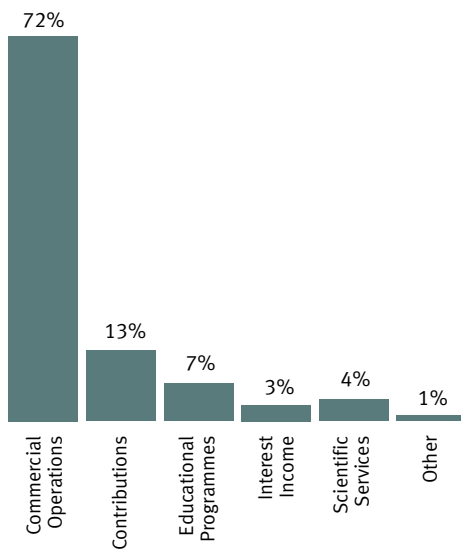
A contributing factor to the growing gap in funds to operate the two facilities under the stewardship of the Museum is the result of the Government of Canada's decision in 1994 to transfer the custody of Museum land and buildings to the Museums from Public Works and Government Services Canada. Parliamentary appropriations funding has not been indexed since the transfer to protect the Museum against the impact of inflation on key inputs such as utilities and property taxes.

Finding ways to close the Museum's operating funding gap, thus ensuring the financial sustainability of the institution, remained a top priority in 2011–2012. During that period the Museum:

- continued to implement year two of the Museum's two-year financial plan, which controlled expenditures and introduced organizational efficiencies;
- rolled out the next phase of the Museum's fundraising and development strategy, with the goal of raising \$15 million over five years in support of operations, new permanent galleries, temporary exhibitions and public education programmes. The Museum launched a new advancement strategy focused on building support from individual, corporate and foundation donors and as a result in 2011–2012, the Museum received a generous pledge of \$1.0 million from Barrick Gold Corporation in addition to \$0.5 million from other sources for a total of \$1.5 million, and;
- implemented a plan to increase revenues by capitalizing on the Victoria Memorial Museum Building's commercial operations, especially in the areas of attendance and membership fees, rentals and events income, and boutique and online sales. Revenue generating measures included a new marketing approach whereby large promotion plans were integrated to create awareness of the Museum's exciting line up of blockbuster special temporary exhibitions and complementary programming. This new approach was used for the first time to promote *Whales Tohorā – The Exhibition* and coincided with a new admission pricing structure. Features of the new pricing structure included increases of 20 percent for adults, 25 percent for seniors/students, 33 percent for children, surcharges for blockbuster special temporary exhibitions and the elimination of the family admissions.

Revenue

(Excluding parliamentary appropriations)



Effective April 1st, 2011, the Museum was reclassified as a Government Not-For-Profit Organization (GNPO) and adopted Public Sector Accounting Standards (PSAS) applicable for public sector not-for-profit organizations including the 4200 series of accounting standards applicable for GNPO's.

Effective for the 2011–2012 fiscal year and consistent with the Standard on Quarterly Financial Reports for Crown Corporations issued by the Treasury Board Secretariat of Canada the Museum began issuing and making available Quarterly Financial Reports to the public.

Financial Performance

Revenue and Parliamentary Appropriations

Revenue and parliamentary appropriations decreased to \$37.9 million in 2011–2012 from the \$42.5 million reported in 2010–2011 and appropriations represented 88 percent of the total in 2011–2012. Revenue decreased to \$4.7 million in 2011–2012 from the \$5.4 million reported in 2010–2011 mainly due to a decrease in the recognition of contributions which are normally tied to the development of permanent galleries.

The Museum has established a target of generating revenue excluding parliamentary appropriations equivalent to 15 percent of base operating costs by 2011–2012. In 2011–2012 the Museum achieved its target of 15 percent with attendance of 413,055. In 2010–2011 the 15 percent target was surpassed one year ahead of schedule with revenue equivalent to 18 percent of base operating costs as attendance reached 518,000 as a result of the heightened public interest associated with the reopening of the Victoria Memorial Museum Building in May 2010.

Parliamentary Appropriations

On an accrual basis, parliamentary appropriations decreased to \$33.2 million in 2011–2012 from the \$37.2 million reported in 2010–2011. Of the \$4.0 million year over year difference, \$2.9 million is related to “one time” funding in 2010–2011 as a result of Budget 2010 as the Government of Canada recognized the operating pressures that affect museums.

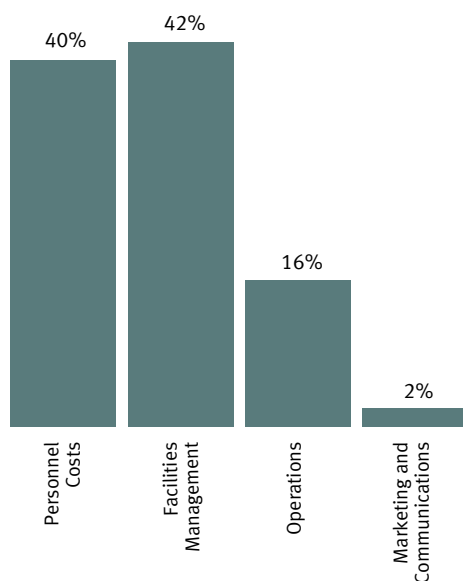
Commercial Operations

Revenue associated with commercial operations includes admission fees, parking, rentals of facilities, boutique and cafeteria leases, memberships and publishing royalties. Commercial operations decreased to \$3.4 million in 2011–2012 from the \$3.6 million reported in 2010–2011 mainly due to the decrease in attendance which impacted admission fees.

Contributions

Contributions recognized as revenues vary from year to year based upon the resources required to fund and install new permanent galleries. Contributions decreased to \$0.6 million in 2011–2012 from the \$1.2 million reported in 2010–2011. Although the design work associated with phase two of the Vale Earth Gallery occurred in 2011–2012, the majority of the production and installation work will occur in 2012–2013.

Expenses



Expenses

Expenses decreased to \$40.7 million in 2011–2012 from the \$41.4 million reported in 2010–2011.

Public Education Programmes

Public education programmes decreased to \$6.7 million in 2011–2012 from the \$7.6 million reported in 2010–2011 due to marketing and communications expenses decreasing by \$0.5 million and exhibitions expenses decreasing by \$0.7 million. Expenses were high in the previous fiscal year as a result of the successful marketing and public awareness campaign associated with the reopening of the Vitoria Memorial Museum Building in May 2010.

Accommodation

Accommodation increased to \$19.5 million in 2011–2012 from the \$19.0 million reported in 2010–2011. Amortization of capital assets represents \$6.8 million of the total in 2011–2012 and \$6.5 million in 2010–2011 and accounts for \$0.3 million of the increase. The remainder of the year over year increase is due to costs associated with managing the Museum's two buildings. The new museum-standard environmental control systems and additional space that must now be maintained at the renovated Victoria Memorial Museum Building have placed an additional pressure on the Museum's operating budget. The Museum continues to explore additional facilities cost reduction and control measures so as to minimize the financial impact on its programmes.

Net Results of Operations

The net results of operations resulted in a deficit of \$2.8 million in 2011–2012.

Of the deficit, \$0.5 million is due to the accounting treatment related to the amortization expense for the Museum's Natural Heritage Building located in Gatineau which is recorded on the Museum's Statement of Financial Position as a capital lease. This accounting treatment will keep the Museum's Accumulated Deficit in a deficit position for many years. The situation will begin to reverse near the mid-point of the lease term and will completely reverse itself over the full term of the lease. This does not impact the Museum's cash flow or financial stability in any way.

\$0.8 million of the deficit is due to an increase in the employee future benefits provision as a result of:

- A "one time" \$0.7 million increase to the provision related to the elimination and the pay-out of accumulated severance to employees for voluntary separation. As a result of collective bargaining and consistent with the Government of Canada's approach, effective April 1st, 2012, employees will no longer accumulate severance pay upon resignation or retirement. The accumulated severance pay will be calculated at the rate of one week of pay for each year of service.
- A \$0.1 million increase to the provision related to sick leave benefits. As a consequence of adopting PSAS applicable for public sector not-for-profit organizations including the 4200 series of accounting standards applicable for GNPO's, the Museum is required to recognize a liability for compensated absences including sick leave benefits. Based on an actuarial report the Museum recognized a liability of \$1.8 million and an expense of \$0.1 million in 2011–2012.

Furthermore, \$0.2 million is attributable to an increase in amortization of capital assets and \$1.3 million is attributable to a timing difference between the recognition of revenues that are recognized in the fiscal year for which they are earned and expenses that are recognized in the fiscal year they are incurred. Specifically, \$0.6 million of the 2010–2011 funds were used to commit to and prepay for three special temporary exhibits that opened in 2011–2012.

Financial Situation

Assets

Cash and cash equivalents decreased to \$12.3 million in 2011–2012 from the \$14.0 million reported in 2010–2011 mainly due to funds spent to commit and prepay for temporary special exhibitions. Cash and cash equivalents include capital funding related to the Museum’s approved five year long-term capital plan.

Prepaid expenses increased to \$1.7 million in 2011–2012 from the \$0.9 million reported in 2010–2011. Prepaid expenses include \$1.0 million used to commit to and prepay for special temporary exhibitions scheduled to open in 2012–2013.

Capital assets decreased to \$205.6 million in 2011–2012 from the \$210.9 reported in 2010–2011 due to amortization expense of \$7.3 million offset by acquisition of assets of \$2.0 million.

Liabilities

Accounts payable and accrued liabilities from trade increased to \$3.1 million in 2011–2012 from the \$2.4 million reported in 2010–2011 mainly due to accrual related to the outcome of collective agreements.

Deferred capital funding decreased to \$185.6 million in 2011–2012 from the \$189.9 million reported in 2010–2011 as deferred capital funding is recognized as revenue at the same pace as the amortization of the corresponding capital assets.

Employee future benefits increased to \$5.2 million in 2011–2012 from the \$4.4 million reported in 2010–2011 due to a \$0.7 million provision recorded for accumulated severance to employees and \$0.1 million provision recorded for sick leave benefits.

Accumulated Deficit

The accumulated deficit of \$10.7 million as at March 31, 2012, is mainly due to the accounting treatment related to the amortization expense for the Museum’s Natural Heritage Building located in Gatineau which is recorded on the Statement of Financial Position as an obligation under capital lease. The accumulated deficit will begin to reverse in 2019–2020 until it is fully eliminated in 2031–2032 at the end of the lease term. This does not impact the Museum’s cash flow or financial stability in any way.

Summary

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 Museum hopes to maintain the momentum gained after the reopening of the Victoria Memorial Museum Building and sustain revenues equivalent to cover 15 percent of base operating costs in 2012–2013 and beyond.

The Museum will concentrate on the following priorities for 2012–2013:

- Sustain the Museum’s scientific leadership, knowledge and expertise by focusing research and collections activities and communications on its two *Museum Research Centres of Excellence* and by maintaining its long-standing contribution to national and international bodies.
- Invest in blockbuster exhibitions aligned with the Museum’s strengths that position it as a Museum of international first rank and implement a pricing structure consistent with international best practice.
- Develop and implement a digital strategy to optimize the use of technology and improve the visitor experience.
- Invest in branding, marketing and a refreshed positioning strategy.
- Develop and implement a new business model moving from appropriation based to enterprise based.
- Develop and launch a comprehensive advancement strategy that incorporates and aligns fundraising, marketing, communications, government relations and institutional relations.
- Redesign the organizational structure to reflect and support the strategic direction of the Museum.

These measures, combined with the continuing support of the Government of Canada and a highly motivated and skilled team, will allow the Museum to continue to fulfill its mandate to “...increase throughout Canada and internationally, interest in, knowledge of and appreciation and respect for the natural world...”

Management's Responsibility for Financial Reporting

Management is responsible for establishing and maintaining a system of books, records, internal controls and management practices to provide reasonable assurance that: reliable financial information is produced; the assets of the Corporation are safeguarded and controlled; the transactions of the Corporation are in accordance with the relevant legislation, regulations and by-laws of the Corporation; the resources of the Corporation are managed efficiently and economically; and the operations of the Corporation are carried out effectively.

Management is also responsible for the integrity and objectivity of the financial statements of the Corporation. The accompanying financial statements were prepared in accordance with Canadian Public Sector Accounting Standards. The financial information contained elsewhere in this annual report is consistent with that in the financial statements.

The Board of Trustees is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit and Finance Committee, which includes a majority of members who are not officers of the Corporation. The Committee meets from time to time with management, the Corporation's internal auditors and the Office of the Auditor General of Canada to review the manner in which these groups are performing their responsibilities and to discuss auditing, internal controls, and other relevant financial matters. The Board of Trustees has reviewed the financial statements with the Office of the Auditor General of Canada and has approved them.

The financial statements have been audited by the Auditor General of Canada. His report offers an independent opinion on the financial statements to the Minister of Canadian Heritage and Official Languages.



Margaret Beckel

President and Chief Executive Officer



Michel Houle, CMA

*Vice President, Corporate Services
and Chief Financial Officer*

June 14, 2012



INDEPENDENT AUDITOR'S REPORT

To the Minister of Canadian Heritage and Official Languages

Report on the Financial Statements

I have audited the accompanying financial statements of the Canadian Museum of Nature, which comprise the statements of financial position as at 31 March 2012, 31 March 2011 and 1 April 2010, and the statements of operations, statements of changes in accumulated deficit and statements of cash flows for the years ended 31 March 2012 and 31 March 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Canadian Museum of Nature as at 31 March 2012, 31 March 2011 and 1 April 2010, and the results of its operations and its cash flows for the years ended 31 March 2012 and 31 March 2011 in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in Canadian public sector accounting standards have been applied, after giving retroactive effect to the adoption of the new standards as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the National Canadian Museum of Nature that have come to my notice during my audits of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Museums Act* and the by-laws of the Canadian Museum of Nature.



Maurice Laplante, CA
Assistant Auditor General
for the Auditor General of Canada

14 June 2012
Ottawa, Canada

Statement of Financial Position

(in thousands of dollars)	at March 31, 2012	at March 31, 2011	at April 1, 2010
Assets			
Current			
Cash and cash equivalents (note 4)	12,267	14,020	19,181
Accounts receivable			
Trade	223	272	249
Government departments and agencies (note 15)	356	507	755
Prepaid expenses	1,717	936	593
	14,563	15,735	20,778
Restricted cash, cash equivalents and receivables (note 4)	2,076	1,804	1,927
Collections (note 5)	1	1	1
Capital assets (note 6)	205,565	210,875	211,579
	222,205	228,415	234,285
Liabilities			
Current			
Accounts payable and accrued liabilities			
Trade	3,056	2,399	5,088
Government departments and agencies (note 15)	114	569	441
Current portion – obligation under capital lease (note 7)	532	483	437
Deferred revenues, contributions and parliamentary appropriations (note 8)	8,790	8,459	12,635
Employee future benefits (note 10)	1,883	705	632
	14,375	12,615	19,233
Obligation under capital lease (note 7)	29,590	30,123	30,605
Deferred capital funding (note 9)	185,575	189,881	189,584
Employee future benefits (note 10)	3,320	3,701	3,862
	232,860	236,320	243,284
Accumulated Deficit			
Unrestricted	(828)	1,401	(257)
Endowment (note 11)	305	305	305
Investment in capital assets (note 12)	(10,132)	(9,611)	(9,047)
	(10,655)	(7,905)	(8,999)
	222,205	228,415	234,285

Contractual Obligations and Contingencies (notes 16 and 17).

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

Approved by the Board of Trustees:



Nicholas Offord

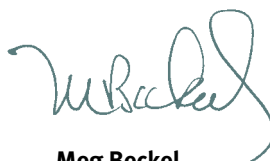
Interim Chair of the Board of Trustees



Martin Joanisse

Chair of the Audit and Finance Committee

Recommended by Management:



Meg Beckel

President and Chief Executive Officer



Michel Houle, CMA

Vice President, Corporate Services and Chief Financial Officer

Statement of Operations for the year ended March 31, 2012

(in thousands of dollars)	2012	2011
Revenue		
Commercial operations (note 14)	3,361	3,550
Contributions	634	1,244
Educational programmes	353	304
Interest	154	129
Scientific services	191	47
Other	30	89
	4,723	5,363
Expenses (note 19)		
Public education programmes	6,713	7,620
Collection management	2,131	2,296
Research	4,421	4,430
Internal services	7,927	8,053
Accommodation	19,475	19,034
	40,667	41,433
Net result of operations before government funding	(35,944)	(36,070)
Parliamentary appropriations (note 13)	33,194	37,164
Net result of operations	(2,750)	1,094

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

Statement of Changes in Accumulated Deficit for the year ended March 31, 2012

(in thousands of dollars)	Unrestricted	Endowment	Invested in capital assets	2012	2011
Accumulated Deficit, beginning of the year	1,401	305	(9,611)	(7,905)	(8,999)
Net result of operations	(2,750)			(2,750)	1,094
Net change in investment in capital assets (note 12)	521		(521)		
Accumulated Deficit, end of year	(828)	305	(10,132)	(10,655)	(7,905)

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 year ended March 31, 2012

(in thousands of dollars)	2012	2011
Operating activities		
Cash receipts – customers	6,904	5,518
Cash receipts – parliamentary appropriations	25,114	26,874
Cash disbursements – employees	(16,133)	(15,837)
Cash disbursements – suppliers	(14,037)	(18,465)
Interest received	173	132
Interest paid	(3,018)	(3,070)
Cash provide by (used in) operating activities	(997)	(4,848)
Capital activities		
Acquisition of capital assets	(1,951)	(6,348)
Appropriations used to purchase depreciable capital assets	1,951	6,348
Cash provided by (used in) capital activities	–	–
Investing activities		
Decrease (increase) in restricted cash, cash equivalents and receivables	(272)	123
Cash provided by (used in) investing activities	(272)	123
Financing activities		
Obligation under capital lease	(484)	(436)
Cash provided by (used in) financing activities	(484)	(436)
Decrease in cash and cash equivalents	(1,753)	(5,161)
Cash and cash equivalents, beginning of year	14,020	19,181
Cash and cash equivalents, end of year	12,267	14,020

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

Note to the Financial Statements for the year ended March 31, 2012

1. AUTHORITY AND MISSION

The Canadian Museum of Nature (the “Corporation”) was established by the *Museums Act* on July 1st, 1990, and is an agent Crown corporation named in Part I of Schedule III of the *Financial Administration Act* and is not subject to the provisions of the *Income Tax Act*.

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:

Public Education Programme

The Corporation develops and maintains exhibitions, programmes, the **nature.ca** website, electronic and print publications, and activities to foster an understanding of, and respect for, nature.

Collections Management

The Corporation 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

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 Services

The Corporation develops and implements the policies, processes and an accountability structure and processes to oversee the fulfilment of its mandate, including governance, strategic direction, corporate services, monitoring of corporate performance, reporting to Parliament and revenue generating activities.

Accommodation

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

The financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS) for government not-for-profit organizations and reflect the following policies.

A) Basis of Presentation

The Corporation has prepared its financial statements as at March 31, 2012 by applying Section 4200 of the PSAS relating to not-for-profit organizations. The financial statements audited as at March 31, 2011 and the opening balances of its Statement of Financial Position at April 1st, 2010 prepared in accordance with Canadian generally accepted accounting principles (GAAP) were restated. At March 31, 2011 the organization was classified as a government business-type organization (GBTO).

The Corporation applies the deferral method to recognize contributions for not-for-profit organizations.

B) Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards (PSAS) for government not-for-profit organizations 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 and the estimated useful lives of capital assets 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 which they become known.

C) 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 on the Statement of Financial Position at a nominal value of \$1,000 due to practical difficulties in determining a meaningful value for these assets. Objects purchased for the collections are recorded as an expense in the year of acquisition. Objects donated to the Corporation are recorded as assets at the nominal value.

D) Capital Assets

Capital assets are recorded at cost. 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. Amortization is calculated on the straight-line method using rates based on the estimated useful life of the assets.

Material and equipment acquired for the purpose of the design, development and maintenance of exhibits are charged to operations in the year of acquisition.

E) Employee Future Benefits

i) Pension benefits

Substantially all of 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 cost. 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 and sick leave benefits

Employees are entitled to severance benefits and sick leave benefits, as provided for under labor contracts and conditions of employment. The cost of these benefits is accrued to operations as the employees render the services necessary to earn them. Management determined the accrued severance benefit obligation by using a method based upon assumptions and its best estimates while an actuarial method is used to determine the value of the sick leave obligation. The actuarial gains and losses are amortized over the expected average remaining service life of the related employee group. The severance benefits represent the only obligation of the Corporation that entails settlement by future payment.

F) Revenue Recognition

Revenues from commercial operations, educational programmes, scientific services 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.

40 years	Victoria Memorial Museum Building
35 years	Property under capital lease
35 years	Collection cabinets and compactors
10 years	Research equipment General equipment Furnishings and office
5 to 25 years	Building improvements
5 years	Motor vehicles
3 to 5 years	Leasehold improvements
3 years	Computer equipment

G) 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 allocated to the purchase of depreciable capital assets are recorded as deferred revenue, contributions and parliamentary appropriations on the Statement of Financial Position. When depreciable capital assets are purchased, the portion of the parliamentary appropriations used for the acquisition of these capital assets is then reclassified as deferred capital funding on the Statement of Financial Position and recognised as revenue on the Statement of Operations on the same basis as the amortization of the corresponding capital assets.
- Parliamentary appropriations allocated to 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 the related expenses are incurred.

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

H) Donations

Donations are comprised of contributions received from individuals, foundations and corporations.

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 the related expenditures are incurred. Investment income related to restricted contributions is first recorded in the Statement of Financial Position and then recognized as revenue in the Statement of Operations in the fiscal year in which the related expenses are incurred.

Externally restricted endowment stipulating that the principal of the endowment fund be maintained permanently is recorded as direct increases to accumulated deficit during the period in which they are received. Investment income on the endowment is externally restricted for specific purposes and is included in the accumulated deficit until it is used for specific externally restricted purposes when it is then recognised as revenue in the Statement of Operations.

I) Volunteer Services

Volunteers contribute a significant number of hours every year. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

J) Financial Instruments

After initial recognition at fair value, the measurement of financial instruments depends on their classification. The Corporation's financial assets and financial liabilities are classified and measured as follows:

Asset / Liability	Classification	Measurement
Cash and cash equivalents	Held for trading	Fair value
Restricted cash and cash equivalents	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Restricted receivables	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

Any unrealized fluctuations in the fair value of cash and cash equivalents (unrestricted and restricted) are reported in the Statement of Remeasurement Gains and Losses. Any realized gains and losses are reclassified in the Statement of Operations. Financial instruments are tested annually for impairment at the financial statements date, and any permanent impairment would be reported in the Statement of Operations. Transaction costs are recorded as expenses in the Statement of Operations in the year incurred.

All financial instruments measured at fair value must be classified in fair value hierarchy levels prioritizing the valuation techniques used to determine the fair value of a financial instrument based on whether the inputs to these techniques are observable or unobservable:

- **Level 1** – Financial instruments are considered Level 1 when valuation can be based on quoted prices in active markets for identical assets and liabilities.
- **Level 2** – Financial instruments are considered Level 2 when they are valued using quoted prices for similar assets and liabilities, quoted prices in markets that are not active, or models using inputs that are observable.
- **Level 3** – Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

The Corporation's cash and cash equivalents (unrestricted and restricted) corresponds to the Level 1 fair value hierarchy classification.

The required disclosures are included in Note 18.

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS

Effective April 1st, 2011, the Corporation adopted PSAS for public sector not-for-profit organizations. This involves a retroactive application with restatement of the audited annual financial statements at March 31, 2011 and the opening balances of its Statement of Financial Position at April 1st, 2010.

Key adjustments resulting from the adoption of these standards are indicated in the following tables:

Statement of Financial Position

The March 31, 2011 Balance Sheet has been replaced by the Statement of Financial Position which includes the presentation of Accumulated Deficit.

(in thousands of dollars)	References	Audited March 31, 2011	Sick Leave Adjustment	Classification Adjustment	Adjusted March 31, 2011
Liabilities:					
Deferred revenues, contributions and parliamentary appropriations	(c)	7,078		1,381	8,459
Current employee future benefits	(a)	535	170		705
Long term employee future benefits	(a)	2,118	1,583		3,701

(in thousands of dollars)	References	Audited April 1 st , 2010	Sick Leave Adjustment	Classification Adjustment	Adjusted April 1 st , 2010
Liabilities:					
Deferred revenues, contributions and parliamentary appropriations	(c)	11,353		1,282	12,635
Current Employee Future Benefits	(a)	486	146		632
Long term Employee Future Benefits	(a)	2,295	1,567		3,862

Statement of Operations

The Statement of Operations and Comprehensive Income for the year ended March 31, 2011 has been replaced by the Statement of Operations. Other comprehensive income is not recognized by PSAS standards.

(in thousands of dollars)	Audited March 31, 2011	Adjustments	Adjusted March 31, 2011
Net result of operations	1,135	(41)	1,094

Statement of Changes in Accumulated Deficit

The Statement of Changes in Equity for the year ended March 31, 2011 has been replaced by the Statement of Changes in Accumulated Deficit, which reports the extent to which the expenditures of the year are offset by the revenues recognized in the year, as well as acquisitions of tangible capital assets and an obligation under capital lease explaining the difference between the net result of the year and the change in accumulated deficit for the year.

(in thousands of dollars)	References	Unrestricted	Endowment	Invested in capital assets	March 31, 2011
Accumulated deficit, beginning of year	(b)	(257)	305	(9,047)	(8,999)
Net result of operations		1,094		(564)	1,094
Net changes in investment in capital assets	(d)	564			
Accumulated deficit, end of year		1,401	305	(9,611)	(7,905)

(in thousands of dollars)	References	Unrestricted	Endowment	Invested in capital assets	April 1 st , 2010
Accumulated deficit, beginning of year		2,407	305	(8,442)	(5,730)
Cumulative adjustment of previous fiscal years relating to future benefits	(a)	(1,713)			(1,713)
Net result of operations		(1,556)			(1,556)
Net changes in investment in capital assets	(d)	605		(605)	
Accumulated Deficit, end of year		(257)	305	(9,047)	(8,999)

a) Employee future benefits

PSAS requires that the expense be recognized during the professional life of the employee or when specific events take place, and that the amounts be calculated according to an actuarial method or, in some cases, using estimates determined by management.

Retroactive application of the provisions in Section 3255 of PSAS requires that the Corporation recalculate accrued benefits, post-employment benefits and paid leave obligations at the time of transitioning to PSAS.

i) Severance Benefits

Accounting standards applicable for Canadian public sector not-for-profit organizations require that severance benefits obligations be established on the basis of the accrued benefits. Prior to the transition to PSAS, the Corporation determined this cost based on the most probable internal assumptions and estimates, as employees rendered the services required to accumulate the corresponding rights. No PSAS transition adjustment is required given that the method used by the Corporation to assess severance pay obligations according to PSAS remains the same.

ii) Sick Leave benefits

The Corporation has never recorded obligations related to sick leave, because no rights could be acquired at an employee's exit.

Under PSAS, the Corporation must record an obligation related to sick leave accruing even if it is not paid at the time of an employee's exit.

The Corporation called on an independent actuary to determine the value of the obligation that will be recognized as a sick leave benefit. Liabilities and expenses related to accrued sick leave obligations were added to the 2011 restated financial statements. Sick leave obligations are \$1,753,000 at March 31, 2011 and \$1,713,000 at April 1st, 2010. The ending balances as at March 31, 2011 and April 1st, 2010 have been adjusted.

b) Accumulated deficit

The Equity section in the Statement of Financial Position has been renamed “Accumulated Deficit” to mirror the presentation of the financial statements according to Section PS 4200 of public sector not-for-profit organizations. Retained earnings or deficit and the other elements of comprehensive income that previously appeared in the Corporation’s financial statements prior to the transition to PSAS are reclassified in the Statement of Changes in Accumulated Deficit as unrestricted, endowment and investment in capital assets.

Endowment of \$305,000 are permanently restricted amounts as indicated in note 11 of the financial statements.

Accumulated deficit related to investment in capital assets of \$9,611,000 at March 31, 2011 and \$9,047,000 at April 1st, 2010 is determined by the variance between the net book value of the Corporation’s capital assets minus the book value of the obligation under capital lease and the amount of deferred financing obligations.

Unrestricted accumulated deficit of \$1,401,000 at March 31, 2011 and \$(257,000) at April 1st, 2010 represent the remaining balance of the Corporation’s accumulated deficit.

c) Other comprehensive income and comprehensive income for the year

The concept of disclosing other comprehensive income is not recognized in PSAS.

Consequently, other comprehensive income and the comprehensive income for the year previously stated in the Corporation’s financial statements prior to the transition to the PSAS are not presented in the Corporation’s Statement of Operations. Therefore, the accumulated other comprehensive income of \$1,684,000 at March 31, 2011 and \$1,586,000 at April 1st, 2010 previously presented in the balance sheet (statement of financial position) were reclassified as deferred revenue, contributions and parliamentary appropriations (\$1,381,000 at March 31, 2011 and \$1,282,000 at April 1st, 2010) and restricted accumulated deficit for endowment purposes (\$305,000 at March 31, 2011 and April 1st, 2010). Amounts reclassified as deferred revenue, contributions and parliamentary appropriations represent restricted contributions received by the Corporation from non-governmental sources.

Other comprehensive income at March 31, 2011 and April 1st, 2010 previously recorded as revenue in 2011 and 2010 were reversed.

d) Statement of Changes in Equity and Statement of Changes in Accumulated Deficit

To comply with Section 4200 of PSAS for public sector not-for-profit organizations, the Statement of Changes in Equity that was previously presented has been replaced by the Statement of Changes in Accumulated Deficit that presents accumulated deficit at the beginning of the year, net result of operations in the year, and net change in investment in capital assets.

In 2011, investment in capital assets decreased by \$564,000 (\$605,000 in 2010). These amounts appear as an increase in unrestricted accumulated deficit and as a decrease in investment in capital assets of each year. The presentation shows that the Corporation used this portion of its investment in capital assets for its operations for each year.

e) Other changes and exemptions*– Section 3450 of PSAS – Financial Instruments*

The Corporation has chosen early adoption of Section 3450 of PSAS, which establishes standards on how to record and present the financial instruments. By choosing to adopt Section 3450 early, the Corporation must also adopt Sections 1201 Financial Statement Presentation, 3041 Portfolio Investments and 2601 Foreign Currency Translation early. These standards were not applied retroactively but rather prospectively from April 1st, 2011 per requirement in Section 3450 of PSAS. Section 2601 of PSAS has no effect on the Corporation’s financial statements. The following requirements of Sections 3450, 1201 and 3041 of PSAS are noteworthy:

- In accordance with Section 3450, financial instruments recognition, de-recognition and measurement followed by the Corporation in prior periods have not been reversed and therefore the March 31, 2011 financial statements and April 1st, 2010 opening balances have not been adjusted.
- On April 1st, 2011, the Corporation recognized all financial assets and liabilities in its Statement of Financial Position. The only financial instruments measured by the Corporation at fair value are Cash and Cash Equivalents (Unrestricted and Restricted). Therefore, the recognition of Cash and Cash Equivalents (Unrestricted and Restricted) at fair value on April 1st, 2011 resulted in no remeasurement gain or loss.

– *Section 4270 of PSAS – Disclosure of Allocated Expenses by Not-for-Profit Organizations*

Presently, the Corporation does not apply the method of allocating costs for the purpose of distributing expenses between functions; therefore, Section 4270 does not apply to these financial statements.

– *Section 2125 of PSAS – First Time Adoption by Government Organizations*

Section 2125 of PSAS specifies that any new user, as is presently the case of the Corporation, is not obliged to comply with all the requirements of Section 3150 (Tangible capital assets) to record retroactively the decreases in the value of tangible capital assets that occur prior to the date of the transition to PSAS. If a new user applies this exemption, the criteria to guide the recording of a decrease in value of a tangible capital assets stated in Section PS 3150 are forecasted as of the date of the transition. The Corporation chose to take advantage of this exemption.

Statement of Cash Flows

The statement of cash flows now presents a new category for capital activities. The information was previously presented in investing activities.

4. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, CASH EQUIVALENTS AND RECEIVABLES

Cash and cash equivalents consist of balances with banks and investments in money market instruments with terms to maturity of 90 days or less.

Restricted cash, cash equivalents and receivables include deferred contributions, funds received for the Endowment and amounts receivable for contributions from the non-owners. Restricted cash accounts are managed in accordance with the donor's wishes and are investment in accordance with the Investment Policy of the Corporation.

Restricted cash and cash equivalents consist of balances with banks and investments in money market instruments with terms to maturity of 90 days or less.

As per the Corporation's Investments Policy, operating funds are investment in short-term money market instruments that are rated AA or better and guaranteed by the Government of Canada, a provincial government or the National Bank of Canada. The investment vehicles consist of banker's acceptances, promissory notes and term deposits. The Corporation held investments during the year and earned interest revenue on these investments. However, as of March 31, 2012 and 2011, as well as April 1st 2010, the entire amount was held in cash.

5. COLLECTIONS

The natural history collections consist of over 10.5 million specimens and grew by 10,507 items this fiscal year (2011 – 5,829). These are exceptional scientific resources that are available nationally and internationally for research, exhibits and education.

The Corporation maintains multiple collection groupings, with the major collections as noted below divided into four discipline-related groups:

- the Earth Sciences collection (minerals, rocks, gems, fossils),
- the Vertebrates collection (mammals, birds, fish, amphibians and reptiles),
- the Invertebrates collection (molluscs, insects, crustaceans, parasites, annelids), and
- the Botany collection (algae, vascular plants, bryophytes, lichens).

The collections are managed and cared for through a collections risk assessment process that seeks to preserve the value of collections and uses a rational process for the establishment of priorities for their care. The Corporation has incurred \$2.1 million in 2012 (2011 – \$2.3 million) for the management, protection and conservation of its collections.

There were no material changes or sale of specimens related to the collections during the year.

6. CAPITAL ASSETS

(in thousands of dollars)	Cost	Accumulated amortization	March 31, 2012 Net book value	Cost	Accumulated amortization	March 31, 2011 Net book value	April 1 st , 2010 Net book value
Land	627	–	627	627	–	627	627
Victoria Memorial Museum Building	204,727	23,900	180,827	204,727	18,885	185,842	185,655
Property under capital lease	35,040	15,866	19,174	35,040	14,872	20,168	21,159
Collection cabinets and compactors	3,678	1,631	2,047	3,639	1,526	2,113	2,217
Leasehold improvements	3,932	1,923	2,009	2,304	1,234	1,070	544
Furnishings and office equipment	1,265	903	362	1,259	848	411	338
Research equipment	3,364	3,128	236	3,290	3,008	282	467
Computer equipment	2,830	2,690	140	2,644	2,450	194	414
Building improvements	144	84	60	144	58	86	85
General equipment	412	329	83	395	313	82	69
Motor vehicles	42	42	–	42	42	–	4
	256,061	50,496	205,565	254,111	43,236	210,875	211,579

The current year amortization expense amounts to \$ 7,261,000 (2011: \$ 7,052,000).

During the year, the Corporation did not dispose of, or write off any assets.

7. OBLIGATION UNDER CAPITAL LEASE

The Natural Heritage Building 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, by year and in aggregate, under the financing obligation are as follows:

(in thousands of dollars)	Obligation under capital lease at March 31, 2012	Obligation under capital lease at March 31, 2011
2013	3,500	3,500
2014	3,500	3,500
2015	3,500	3,500
2016	3,500	3,500
2017	3,500	3,500
Thereafter	50,750	54,250
Total minimum future payments	⁽¹⁾ 68,250	71,750
Deduct: Imputed interest	(38,128)	(41,144)
Present value of financing obligations	⁽²⁾ 30,122	30,606

(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 \$33 million.

8. DEFERRED REVENUES, CONTRIBUTIONS AND PARLIAMENTARY APPROPRIATIONS

Contributions received and appropriations that are restricted for a specified purpose are deferred, and recognized as revenue in the fiscal year that the related expenses are incurred.

Funds received by the Corporation for Museum operations, educational programs, or scientific services that are not yet earned through the provision of goods or services, are deferred by the Corporation, and recognized as revenue in the fiscal year that the earnings process is culminated.

Deferred revenues, contributions and appropriations during the fiscal year were as follows:

(in thousands of dollars)	2012	2011	2010
Deferred contributions from non-government sources	2,010	1,381	1,282
Deferred parliamentary appropriations	6,500	6,795	10,975
Total deferred contributions and parliamentary appropriations	8,510	8,176	12,257
Deferred revenues – goods and services	280	283	378
Balance, end of year	8,790	8,459	12,635

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

(in thousands of dollars)	2012	2011
Balance, beginning of year	8,459	12,635
Add :		
Restricted contributions received	1,188	1,049
Restricted parliamentary appropriations received	1,789	3,272
Deferred revenue for the provision of goods and services	412	667
	3,389	4,988
Less :		
Deferred revenue of the previous year for the provision of goods and services	(415)	(762)
Restricted contributions recognized	(558)	(951)
Restricted parliamentary appropriations spent	(2,085)	(7,451)
	(3,058)	(9,164)
Balance, end of year	8,790	8,459

9. DEFERRED CAPITAL FUNDING

Deferred capital funding represents the portion of the parliamentary appropriations used to purchase depreciable capital assets.

Changes in the deferred capital funding balance are as follows:

(in thousands of dollars)	2012	2011
Balance, beginning of year	189,881	189,584
Appropriations used to purchase capital assets	1,951	6,348
Amortization of deferred contributions related to capital assets	(6,257)	(6,051)
Balance, end of year	185,575	189,881

10. EMPLOYEE FUTURE BENEFITS

i) Pension benefits

The Corporation and all eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of services and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. The Corporation's and employees' contributions to the plan during the year were as follows:

(in thousands of dollars)	2012	2011
Corporation's contributions	1,546	1,640
Employees' contributions	802	885

The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate effective at year end was 1.86% (1.94% for the prior year). Total contributions of \$1,546,000 (\$1,640,000 in prior year) were recognized as expense in the current year.

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2 percent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

ii) Severance benefits

The Corporation provides severance benefits to its employees based on years of service and final salary. This benefit plan is unfunded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. Benefits will be paid from future appropriations. Information about the plan, measured at the Statement of Financial Position date, is as follows:

(in thousands of dollars)	2012	2011
Accrued benefit obligation, beginning of year	2,653	2,781
Cost for the year	800	239
Benefits paid during the year	(57)	(367)
Accrued benefit obligation, end of year	3,396	2,653
Short term portion	1,698	535
Long term portion	1,698	2,118
	3,396	2,653

iii) Paid Sick Leave

The Corporation has recorded an obligation related to sick leave benefits for its employees. Sick leave obligations were \$ 1,807,000 at March 31, 2012 and \$1,753,000 at March 31, 2011.

The estimated average remaining service period of the employees is estimated at 12 years. The Corporation has chosen to amortize the actuarial loss of sick leave over the 12 years.

Information on these benefits, evaluated by an actuary at the date of the Statement of Financial Position consists of the following:

(in thousands of dollars)	2012	2011
Sick leave obligations, at the beginning of the fiscal year	1,753	1,713
Current service cost	114	101
Interest cost on accrued benefit obligation	70	71
Actuarial loss on obligation	20	14
Sick leave used during the fiscal year	(150)	(146)
Sick leave obligation, end of year	1,807	1,753
Short term portion	185	170
Long term portion	1,622	1,583
	1,807	1,753

Assumptions in the actuarial evaluation include a discount rate of 2.75% for 2012 (4.03% for 2011) as well as an inflation rate of 1.50% for both period. The non-amortized actuarial loss as at March 31, 2012 is \$ 220,409 (\$ 148,167 as at March 31, 2011).

11. ENDOWMENT RESTRICTIONS

An endowment fund received from Anne and Henry Howden in the principal amount of \$305,000, as well as a significant entomological collection. The endowment was established to enable professional studies and research of entomological collections for the Corporation.

The entire amount of accumulated deficit restricted for endowment purposes is subject to externally imposed restrictions stipulating that the resources be maintained permanently in the principal of the endowment fund. Investment income on the endowment is externally restricted for specified purposes and is included in the accumulated deficit until it is used for specific purposes of the externally imposed restrictions, at which time it is recorded as revenue in the Statement of Operations.

In the event that the Corporation decides not to maintain entomological collections, the Systematic Entomology Endowment Fund shall be transferred, along with any entomological collections, to the Royal Ontario Museum.

12. INVESTMENT IN CAPITAL ASSETS

A. The investment in capital assets consists of the following:

(in thousands of dollars)	2012	2011
Capital assets	205,565	210,875
Less amounts financed by capital lease	(30,122)	(30,605)
Less amounts financed by deferred contributions related to capital assets	(185,575)	(189,881)
	(10,132)	(9,611)

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

(in thousands of dollars)	2012	2011
Capital asset additions	1,951	6,348
Add: repayment of obligation under capital lease	483	437
Less: capital assets financed with deferred capital contributions	(1,951)	(6,348)
Capital assets purchased with the Corporation's funds	483	437
Amortization of deferred capital contributions	6,257	6,051
Amortization of capital assets	(7,261)	(7,052)
Net change in investment in capital assets	(521)	(564)

13. PARLIAMENTARY APPROPRIATIONS

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

(in thousands of dollars)	2012	2011
Appropriations received and receivable:		
Operating and Capital Budgets	28,555	30,361
Supplementary Budgets	37	2,921
	28,592	33,282
Portion of parliamentary appropriations received in current year deferred for future capital projects	(1,789)	(3,272)
Previous year's appropriations used in current year to complete specific projects	2,085	7,451
Appropriations used to purchase depreciable capital assets	(1,951)	(6,348)
Amortization of deferred capital funding	6,257	6,051
Appropriations recognized during the year	33,194	37,164

14. COMMERCIAL OPERATIONS

Commercial operations revenue is comprised as follows:

(in thousands of dollars)	2012	2011
Admission fees	1,845	2,042
Parking	656	658
Rental of facilities	403	358
Boutique and cafeteria leases	204	254
Memberships	234	214
Publishing royalties	2	12
Publishing revenues	17	12
	3,361	3,550

15. RELATED PARTY TRANSACTIONS

The Corporation is related to all Government of Canada departments, agencies and Crown corporations.

In addition to those related party transactions disclosed elsewhere in these financial statements, the Corporation incurred expenses for the work and services provided by other government departments, agencies, and Crown corporations totalling \$3,174,000 (\$3,338,000 in 2011), and earned revenues totalling \$55,000 (\$33,000 in 2011). These transactions were conducted in the normal course of operations, under the same terms and conditions that applied to outside parties and recorded at the exchange amount.

16. CONTRACTUAL OBLIGATIONS

As of March 31, 2012, the Corporation has contracts for information systems and building maintenance services with a remaining value of \$7,457,000 (\$6,040,000 in 2011). Estimated future minimum payments under these contracts are as follows:

(in thousands of dollars)	2013	2014	2015	2016	2017
Future minimum payments	6,626	684	77	35	35

17. CONTINGENCIES

In the normal course of its operations, the Corporation becomes involved in various claims or legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability and an expense are recorded in the Corporation's financial statements.

As of March 31, 2012 and March 31, 2011, there were no claims against the Corporation.

18. FINANCIAL INSTRUMENTS

A) Financial Risk Management

All of the following risks have no significant impact on the Corporation's financial statements.

i) Credit risk

The risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet its financial commitments. The Corporation is exposed to credit risk, through its normal commercial activities, on its accounts receivable of \$579,000 (\$779,000 at March 31, 2011 and \$1,004,000 at April 1st, 2010). In order to reduce this risk, the Corporation closely monitors the issuance and collection of credit to commercial clients and the concentration of this risk is also minimized because the Corporation has a large and diverse customer base. The Investment Policy limits the Corporation to secure investments (see note 4).

As at March 31, 2012, \$144,000 (\$72,000 at March 31, 2011 and \$564 at April 1st, 2010) of accounts receivables were past due and fully provisioned by an allowance for bad debt. The allowance for doubtful accounts is based on an account by account analysis that considers the aging of the account and the current creditworthiness of the customer. Accounts which have exceeded 120 days are considered past due.

ii) Liquidity risk

Liquidity risk is the potential inability to meet financial obligations as they become due. The Corporation manages this risk by maintaining detailed cash forecasts, as well as long-term operating and strategic plans. The management of liquidity requires a constant monitoring of expected cash inflows and outflows which is achieved through a forecast of the Corporation's liquidity position, to ensure adequacy and efficient use of cash resources. The Corporation's financial liabilities are due as follows:

(in thousands of dollars)	2012	2011	2010
	Accounts payable and accrued liabilities	Accounts payable and accrued liabilities	Accounts payable and accrued liabilities
Less than 3 months	3,165	2,963	5,486
3 to 6 months	5	5	43
	3,170	2,968	5,529

iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument of its issuer, or factors affecting all similar financial instruments traded in the market. Market risks comprise three types of risk: Currency risk, Interest rate risk, and Price risk. As the entire amount of cash and cash equivalents (unrestricted and restricted) was held in cash at March 31, 2012, March 31, 2011 and April 1st, 2010, the Corporation is not exposed to market risk.

B) Fair value

The carrying amounts of the Corporation's accounts payable and accrued liabilities approximate their fair values due to their short term maturity.

19. SUMMARY OF EXPENSES BY OBJECT

(in thousands of dollars)	2012	2011
Personnel costs	16,133	15,837
Amortization of capital assets	7,261	7,052
Operation and maintenance of buildings	4,021	3,340
Interest on capital lease obligation	3,017	3,063
Real property taxes	2,611	2,607
Professional and special services	2,724	3,281
Exhibitions	1,406	2,068
Information management infrastructure and systems	1,388	1,373
Repairs and maintenance	694	851
Marketing and communications	891	1,389
Travel	342	370
Freight and cartage	68	73
Purchase of objects for collections		1
Others	111	128
	40,667	41,433

Canadian Museum of Nature
nature.ca

Victoria Memorial Museum Building
240 McLeod Street, Ottawa, Ontario

Natural Heritage Building
1740 Pink Road, Gatineau, Quebec

Information
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