

CANADIAN MUSEUM OF NATURE

QUARTERLY FINANCIAL REPORT

(Unaudited)

For the nine month period
ended December 31, 2015

Canada



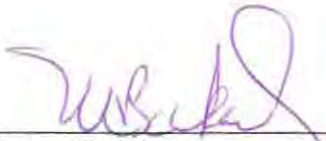
TABLE OF CONTENTS

Statement of Management Responsibility by Senior Officials	3
Financial Statements.....	4
Management Discussion and Analysis	16
Risk Analysis	18

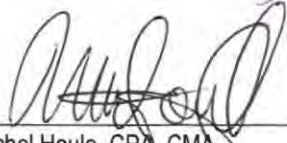
STATEMENT OF MANAGEMENT RESPONSIBILITY BY SENIOR OFFICIALS

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Corporation, as at the date of and for the periods presented in the quarterly financial statements.



Margaret Beckel
President and Chief Executive Officer



Michel Houle, CPA, CMA
Vice President, Corporate Services
and Chief Financial Officer

Ottawa, Canada
February 18, 2016

**Statement of Financial Position as at December 31
(Unaudited)**

<i>(in thousands of dollars)</i>	at Dec. 31 2015	Restated (Note 3) at Dec. 31 2014	at March 31 2015
Assets			
Current			
Cash	9,096	6,354	7,440
Restricted cash	631	991	855
Accounts receivable			
Trade	160	355	429
Government departments and agencies (Note 14)	323	254	201
Prepaid expenses	269	256	746
	10,479	8,210	9,671
Collections	1	1	1
Capital assets (Note 4)	189,871	195,613	194,210
	200,351	203,824	203,882
Liabilities			
Current			
Accounts payable and accrued liabilities			
Trade	1,483	1,362	2,038
Government departments and agencies (Note 14)	306	2	3
Obligation under capital lease (Note 5)	772	699	717
Deferred revenues, contributions and parliamentary appropriations (Note 6)	1,124	1,937	1,593
Employee future benefits	162	288	388
	3,847	4,288	4,739
Obligation under capital lease (Note 5)	27,050	27,822	27,636
Deferred capital funding (Note 7)	173,638	178,376	177,224
Employee future benefits	3,075	3,055	3,075
	207,610	213,541	212,674
Accumulated Deficit			
Unrestricted	4,330	1,567	2,575
Investment in capital assets (Note 9)	(11,589)	(11,284)	(11,367)
	(7,259)	(9,717)	(8,792)
	200,351	203,824	203,882

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

Statement of Operations for the nine month period ended Dec. 31 (Unaudited)

<i>(in thousands of dollars)</i>	at Dec. 31 2015	Restated (Note 3) at Dec. 31 2014
Revenue		
Admission and program fees (Note 11)	3,864	3,113
Ancillary operations (Note 12)	1,307	1,194
Contributions (Note 13)	878	1,450
Interest	79	84
Other	399	416
	6,527	6,257
Expenses (Note 15)		
Inspiration and engagement	7,069	6,925
Collections care and access	1,875	1,828
Research and discovery	3,079	3,113
Internal support services	3,045	3,499
Buildings and grounds	13,805	15,085
	28,873	30,450
Net result of operations before government funding	(22,346)	(24,193)
Parliamentary appropriations (Note 10)	23,879	24,917
Net result of operations	1,533	724

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

Statement of Changes in Accumulated Deficit for the nine month period ended Dec. 31 (Unaudited)

<i>(in thousands of dollars)</i>	Unrestricted	Invested in capital assets	at Dec. 31 2015	at Dec. 31 2014
Accumulated deficit, beginning of year	2,575	(11,367)	(8,792)	(10,136)
Net result of operations	1,533	-	1,533	724
Transfer of endowment (Note 8)	-	-	-	(305)
Net change in investment in capital assets (Note 9)	222	(222)	-	-
Accumulated deficit, end of period	4,330	(11,589)	(7,259)	(9,717)

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 nine month period ended Dec. 31
(Unaudited)

<i>(in thousands of dollars)</i>	Dec. 31 2015	Restated (Note 3) Dec. 31 2014	March 31 2015
Operating activities			
Cash receipts - customers	6,565	5,591	7,330
Cash receipts - parliamentary appropriations	19,611	18,953	26,327
Cash disbursements - employees	(10,275)	(10,814)	(14,502)
Cash disbursements - suppliers	(9,915)	(10,706)	(14,061)
Interest received	98	109	119
Interest paid	(2,096)	(2,144)	(2,851)
Cash provided by operating activities	3,988	989	2,362
Capital activities			
Acquisition of capital assets	(2,025)	(2,162)	(2,417)
Cash used in capital activities	(2,025)	(2,162)	(2,417)
Financing activities			
Obligation under capital lease	(531)	(481)	(649)
Transfer of endowment	-	(305)	(305)
Cash used in financing activities	(531)	(786)	(954)
Increase (decrease) in cash and restricted cash	1,432	(1,959)	(1,009)
Cash, beginning of year	7,440	7,888	7,888
Restricted cash, beginning of year	855	1,416	1,416
Cash and restricted cash, end of period	9,727	7,345	8,295
Cash, end of period	9,096	6,354	7,440
Restricted cash, end of period	631	991	855
Cash and restricted cash, end of period	9,727	7,345	8,295

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

Notes to the Financial Statements for the nine month period ended December 31, 2015 (Unaudited)

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 is classified as a government not-for-profit organization (GNPO).

The Corporation's mission is to increase, throughout Canada and internationally, interest in, knowledge of and appreciation and respect for the natural world by establishing, maintaining and developing for research and posterity a collection of natural history objects, with special but not exclusive reference to Canada, and by demonstrating the natural world, the knowledge derived from it and the understanding it represents.

Brief descriptions of the Corporation's activities are as follows:

- **Inspiration and engagement**
The Corporation develops and maintains exhibitions, programs, the **nature.ca** website, electronic and print publications, revenue generating activities and activities to foster an understanding of, and respect for, nature.
- **Collections care and access**
The Corporation acquires, develops, preserves and makes accessible collections of natural history specimens, objects and information to meet the growing needs of the public and private sectors for research, education and informed decision-making about the natural world.
- **Research and discovery**
The Corporation studies the past and helps Canadians prepare for the future by conducting systematics and applied research, and by developing and maintaining networks and linkages with Canadian and international science communities.
- **Internal support services**
The Corporation develops and implements the policies, processes and an accountability structure and processes to oversee the fulfilment of its mandate, including governance, strategic direction, corporate services, monitoring of corporate performance, and reporting to Parliament.
- **Buildings and grounds**
The Corporation provides secure and functional facilities that meet all safety and building code requirements. Among these facilities is the renovated Victoria Memorial Museum Building that furthers the vision and mandate of the Corporation.

2. Significant Accounting Policies

A) Basis of Presentation

The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS), and reflect the application of the Section 4200 series for GNPOs.

B) Measurement Uncertainty

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the year. Employee future benefits, the estimated useful lives of capital assets, and the fair market value of specimens donated to the collections are the most significant items for which estimates are used. Actual results could differ significantly from those estimated. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the fiscal year in which they become known.

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. Specimens purchased for the collections are recorded as an expense in the year of acquisition.

D) Capital Assets

- Capital assets are recorded at cost, including material, equipment and other expenses acquired for the purpose of the design and the development of permanent exhibitions.
- Assets recorded as capital leases are initially recorded at the present value of the minimum lease payments at the inception of the lease.
- Land and building owned by the Government of Canada and that are under the control of the Corporation are recorded at their estimated cost.

Amortization is calculated on the straight-line method using rates based on the estimated useful life of the assets, except for leasehold improvements which are amortized on a straight line basis over the shorter of the term of the lease agreement and the asset's useful life.

Asset	Useful life
Victoria Memorial Museum Building	40 years
Property under capital lease	35 years
Collection cabinets and compactors	35 years
Furnishings and office equipment	10 years
General equipment	
Permanent exhibitions	
Research equipment	
Building improvements	5 to 25 years
Leasehold improvements	5 years to end of lease term
Computer equipment	3 years

When conditions indicate that an asset no longer contributes to the Corporation's ability to provide its services, the cost of the asset is written down to its residual value, if any.

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

Employees are entitled to severance benefits, as provided for under labor contracts and conditions of employment.

The severance benefit obligation for employees who retire or resign, that accrued up to March 31, 2012 and remains unpaid, is measured using the projected benefit method. The actuarial gains and losses are amortized over the expected average remaining service life of the related employee group.

Other event driven termination benefits are recognized in the period when the event that obligates the Corporation occurs.

iii) Sick leave benefits

The Corporation provides sick leave benefits for employees that accumulate but do not vest. The Corporation recognizes a liability and an expense for sick leave in the period in which employees render services in return for the benefits. The cost of the accrued benefit obligations related to sick leave entitlement earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of inflation, discount rate, employee demographics and sick leave usage of active employees. Actuarial gains (losses) are recognized on a systematic basis over the remaining service life of active employees covered by these sick leave benefits.

F) Revenue Recognition

i) Admission and program fees, ancillary operations and other revenues

Revenues from admission and program fees, ancillary operations, and other revenues are recognized when persuasive evidence of an arrangement exists between the two parties, goods have been delivered or services have been provided to the customers, price is fixed and determinable and collection is reasonably assured. The Corporation also records deferred revenue when amounts are received in advance of providing goods and services.

ii) Contributions

Contributions are comprised of donations received from individuals, foundations and corporations. The Corporation applies the deferral method to recognize its contributions as applicable for not-for-profit organizations.

Unrestricted contributions are recognized as revenue in the Statement of Operations when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions externally restricted for specific projects or expenses are deferred in the Statement of Financial Position and recognized as revenue in the Statement of Operations in the fiscal year in which the related expenditures are incurred.

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

iii) In-kind sponsorships and specimen donations

In-kind sponsorships involve obtaining non-financial support for a project, activity or product in return for substantial public relations benefit. An in-kind sponsorship is recognized if the contributed good or service is used in the normal course of operations and would otherwise have been purchased, and once the exchange has taken place. In-kind sponsorships are recorded at their fair market value as contributions with an offset to the related expense on the Statement of Operations.

Specimens donated to the collections are recorded as contributions with an offsetting expense to collections care and access at fair market value, when the following three criteria are met: i) a fair market value has been established for the specimen; ii) the acquisition has been approved; and iii) transfer of the specimen's title to the Corporation has taken place.

iv) Parliamentary appropriations

The Government of Canada provides financing to the Corporation through parliamentary appropriations.

- The parliamentary appropriations for operating expenditures are recognized as revenue in the fiscal years for which they are approved.
- The parliamentary appropriations for the purchase of depreciable capital assets are recorded as deferred revenues, contributions and parliamentary appropriations on the Statement of Financial Position. When the depreciable capital assets are purchased, the portion of the parliamentary appropriations used for acquisition of these capital assets is then reclassified as deferred capital funding on the Statement of Financial Position and recognized as revenue on the Statement of Operations on the same basis as the amortization of the corresponding capital assets.
- Parliamentary appropriations for specific expenses are recorded as deferred revenues, contributions and parliamentary appropriations on 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.

G) Volunteer Services

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

H) Financial Instruments

The Corporation's financial assets and financial liabilities are measured at cost. Financial assets include cash, restricted cash, and accounts receivable while financial liabilities include accounts payable and accrued liabilities.

Financial instruments are tested annually for impairment at the financial statements date, and any permanent impairment is reported in the Statement of Operations.

Transaction costs are added to the carrying value of items in the cost when they are initially recognized.

I) Allocation of Expenses

The Corporation does not apply the method of allocating costs for the purpose of distributing expenses between functions.

3. Accounting Changes and Restatement

In the previous fiscal year, the Corporation reviewed its approach for the capitalization of permanent exhibitions costs as assets. In the past, the Corporation expensed the cost related to permanent exhibitions and recognized any related

government funding as Revenue. The Corporation concluded that permanent exhibitions should be capitalized. Consequently, the Corporation corrected its accounting for capital assets and deferred capital funding, resulting in a retroactive restatement of prior years' balances.

The Statement of Cash Flows has been adjusted as a result of the restricted cash reclassification in the Statement of Financial Position as a current asset. Consequently, the decrease in restricted cash and cash equivalents presented in prior years as investing activities was eliminated. The Corporation also noted the inclusion of non-cash items in its Statement of Cash Flows and has restated comparative figures. There was no impact on the net result of operations.

In this fiscal year, the Corporation has changed the distribution of expenses to its Program Alignment Architecture (PAA). This resulted in a reclassification of prior years' balances. There was no impact on the net result of operations.

The impacts of these corrections are as follows:

<i>(in thousands of dollars)</i>	Dec. 31 2014 Previously Reported	Exhibitions Adjustment	Cash Flow Adjustment	PAA Reclassificaton	Dec. 31 2014 Restated
Statement of Financial Position					
Capital assets	192,784	2,829			195,613
Deferred capital funding	175,547	2,829			178,376
Statement of Operations					
Contributions	1,299	151			1,450
Inspiration and engagement	5,585	175		1,165	6,925
Internal support services	4,630			(1,131)	3,499
Buildings and grounds	15,119			(34)	15,085
Parliamentary appropriations	24,893	24			24,917
Statement of Cash Flows					
Cash receipts – parliamentary appropriations	17,529		1,424		18,953
Cash disbursements – suppliers	(11,444)	125	613		(10,706)
Acquisition of capital assets	(1,424)	(125)	(613)		(2,162)
Decrease in restricted cash and cash equivalent	425		(425)		-
Appropriations used to purchase depreciable tangible capital assets	1,424		(1,424)		-
Restricted cash, beginning of year	-		1,416		1,416
Restricted cash, end of year	-		991		991

4. Capital Assets

<i>(in thousands of dollars)</i>	Dec. 31 2015			Restated Dec. 31 2014		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Land	627	-	627	627	-	627
Victoria Memorial Museum Building	204,727	42,666	162,061	204,727	37,654	167,073
Property under capital lease	35,040	19,584	15,456	35,040	18,591	16,449
Leasehold improvements	9,599	6,348	3,251	9,487	5,522	3,965
Permanent exhibitions	4,025	1,592	2,433	3,959	1,190	2,769
Collection cabinets and compactors	3,840	2,042	1,798	3,840	1,931	1,909
Building improvements	3,682	1,643	2,039	3,090	1,311	1,779
Furnishings and office equipment	1,488	1,125	363	1,495	1,113	382
Research equipment	2,280	2,015	265	3,458	3,169	289
General equipment	353	143	210	607	400	207
Computer equipment	1,233	1,111	122	1,570	1,466	104
Work in progress - Exhibitions	1,246	-	1,246	60	-	60
	268,140	78,269	189,871	267,960	72,347	195,613

The amortization expense for the period amounts to \$6,298,000 (Dec. 2014 – \$6,925,000). During the period, the Corporation sold an asset in the category of furnishings and office equipment for \$12,000. The cost and accumulated amortization were \$35,000. For the same period last year, the Corporation retired tangible capital assets that were fully amortized. The total cost of the disposed tangible capital assets was \$2,946,000.

5. Obligation Under Capital Lease

The Natural Heritage Campus houses the Corporation's natural history collections and administrative functions, on the Corporation's site in Gatineau, Quebec. The Corporation is acquiring the building through a lease purchase agreement with a term of 35 years. It is committed to pay rent under all circumstances and in the event of termination of the lease, at the Corporation's option or otherwise, pay sufficient rent to repay all financing on the building. Management intends to completely discharge its obligation under the lease and obtain free title to the building in 2031, after the Corporation uses its right to purchase the building for ten dollars.

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

<i>(in thousands of dollars)</i>	Dec. 31 2015	Dec. 31 2014
2016	875	875
2017	3,500	3,500
2018	3,500	3,500
2019	3,500	3,500
2020	3,500	3,500
Thereafter	40,250	43,750
Total minimum future payments	(1) 55,125	58,625
Deduct: Imputed interest	(27,303)	(30,104)
Present value of financing obligations	(2) 27,822	28,521
Current portion	772	699
Long term portion	27,050	27,822
	27,822	28,521

(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 \$30 million.

6. Deferred Revenues, Contributions and Parliamentary Appropriations

Deferred revenues, contributions and parliamentary appropriations during the period were as follows:

<i>(in thousands of dollars)</i>	Dec. 31 2015	Dec. 31 2014
Deferred contributions from non-government sources	869	991
Deferred parliamentary appropriations	-	629
Total deferred contributions and parliamentary appropriations	869	1,620
Deferred revenues – goods and services	255	317
	1,124	1,937

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

<i>(in thousands of dollars)</i>	Dec. 31 2015	Dec. 31 2014
Balance, beginning of year	1,593	3,283
Add:		
Restricted contributions received	540	132
Deferred revenue for the provision of goods and services	521	675
	1,061	807
Less:		
Restricted contributions recognized	(352)	(182)
Restricted parliamentary appropriations spent	(516)	(1,410)
Deferred revenue for the provision of goods and services recognized	(662)	(561)
	(1,530)	(2,153)
Balance, end of period	1,124	1,937

7. Deferred Capital Funding

Deferred capital funding represents the portion of the parliamentary appropriations and contributions from non-government sources used to purchase depreciable capital assets.

The deferred capital funding consists of the following:

<i>(in thousands of dollars)</i>	Dec. 31 2015	Restated Dec. 31 2014
Used for acquisitions:		
Deferred capital contributions from non-government sources	1,925	2,172
Deferred capital funding through parliamentary appropriations	171,713	176,204
	173,638	178,376

Changes in the deferred capital funding balance are as follows:

<i>(in thousands of dollars)</i>	Dec. 31 2015	Restated Dec. 31 2014
Balance, beginning of year	177,224	183,001
Add:		
Capital asset acquisitions	1,959	1,549
	1,959	1,549
Less amounts recognized as revenue:		
Contributions	(243)	(239)
Parliamentary appropriations	(5,302)	(5,935)
	(5,545)	(6,174)
Balance, end of period	173,638	178,376

8. Endowment Restrictions

An endowment fund for Systematic Entomology was 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.

In the second quarter of the previous fiscal year, the principal amount of \$305,000 was transferred to the Community Foundation of Ottawa. The transfer was authorized by the donor. Annually, the Corporation will continue to receive the net investment income earned on this endowment.

The net investment income earned on resources held for endowment is \$9,827 (Dec. 2014 – \$6,807). The total accumulated amount of deferred investment income earned on resources held for endowment is \$25,536 (Dec. 2014 – \$17,068). This amount is available for activities related to systematic entomology. During the period, \$4,600 (Dec. 2014 – \$0) was recognized 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.

9. Investment in Capital Assets

The investment in capital assets consists of the following:

<i>(in thousands of dollars)</i>	Dec. 31 2015	Restated Dec. 31 2014
Capital assets	189,871	195,613
Less amounts financed by:		
Capital lease	(27,822)	(28,521)
Deferred capital funding	(173,638)	(178,376)
	(11,589)	(11,284)

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

<i>(in thousands of dollars)</i>	Dec. 31 2015	Restated Dec. 31 2014
Capital asset additions	1,959	1,549
Add: repayment of obligation under capital lease	531	481
Less: capital assets financed with deferred capital funding	(1,959)	(1,549)
Capital assets purchased with the Corporation's funds	531	481
Amortization of deferred capital funding	5,545	6,174
Amortization of capital assets	(6,298)	(6,925)
Net change in investment in capital assets	(222)	(270)

10. Parliamentary Appropriations

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

<i>(in thousands of dollars)</i>	Dec. 31 2015	Restated Dec. 31 2014
Appropriations received and receivable:		
Operating and capital budgets	19,597	18,898
Supplementary budgets	185	136
	19,782	19,034
Previous year's appropriations used in current period to complete specific projects	516	1,409
Appropriations used to purchase depreciable capital assets	(1,721)	(1,461)
Amortization of deferred capital funding	5,302	5,935
Appropriations recognized during the period	23,879	24,917

11. Admission and Program Fees

Admission and program fees are comprised as follows:

<i>(in thousands of dollars)</i>	Dec. 31 2015	Dec. 31 2014
Admission fees – general	2,292	1,832
Admission fees – temporary exhibitions	718	539
Programs	402	425
Memberships	452	317
	3,864	3,113

12. Ancillary Operations

Ancillary operations are comprised as follows:

<i>(in thousands of dollars)</i>	Dec. 31 2015	Dec. 31 2014
Parking	605	517
Rental of facilities	488	531
Boutique and cafeteria leases	214	146
	1,307	1,194

13. Contributions

Contributions are comprised as follows:

<i>(in thousands of dollars)</i>	Dec. 31 2015	Restated Dec. 31 2014
Cash contributions and sponsorships	654	863
In-kind sponsorships	171	86
Specimen donations	53	501
	878	1,450

14. Related Party Transactions

The Corporation is related to all Government of Canada departments, agencies and Crown corporations. The Corporation conducted transactions with these entities in the normal course of operations, under the same terms and conditions that applied to outside parties and recorded at the exchange amount.

<i>(in thousands of dollars)</i>	Dec. 31 2015	Dec. 31 2014
Revenues from Government of Canada related parties:		
Admission and program fees	1	1
Ancillary operations	-	2
Other	3	7
	4	10

<i>(in thousands of dollars)</i>	Dec. 31 2015	Dec. 31 2014
Expenses with Government of Canada parties:		
Personnel costs	1,226	1,234
Real property taxes	970	1,279
Marketing and communications	15	1
Information management infrastructure and systems	5	9
Operation and maintenance of buildings	2	2
Freight and cartage	2	1
Professional and special services	-	9
Exhibits	-	2
	2,220	2,537

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

<i>(in thousands of dollars)</i>	Dec. 31 2015	Dec. 31 2014
Due from related parties	323	254
Due to related parties	306	2

15. Summary of Expenses by Object

<i>(in thousands of dollars)</i>	Dec. 31 2015	Restated Dec. 31 2014
Personnel costs	10,049	10,680
Amortization of capital assets	6,298	6,925
Operation and maintenance of buildings	2,732	2,749
Interest on capital lease obligation	2,094	2,144
Real property taxes	1,880	2,072
Professional and special services	1,736	1,689
Information management infrastructure and systems	993	1,033
Marketing and communications	915	816
Exhibitions	880	946
Repairs and maintenance	487	385
Travel	305	248
Freight and cartage	42	38
Objects for collections	244	525
Other	218	200
	28,873	30,450

16. Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation of the nine month period ended December 31, 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

These quarterly financial statements must be read in conjunction with the Canadian Museum of Nature's most recent audited annual financial statements for the year ended March 31, 2015 and with the narrative discussion included in this quarterly financial report.

The Canadian Museum of Nature's primary objective is to fulfill its national mandate as described in the *Museums Act*, within the context of the governance and accountability regime established in that Act and in Part X of the *Financial Administration Act*. To this end, the Museum's Board of Trustees and Management are committed to managing the public and private funds invested in the Museum in a transparent, accountable manner and to optimizing the value of the contribution the Museum makes to Canadians and to Canadian society.

The strategic directions for the Museum acknowledge the intent to be a leading source of natural history knowledge and scientific inquiry for scientists and the public, thus contributing a distinctly Canadian perspective to the global body of knowledge. The Museum 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.

Revenue

Revenue for the first nine months of the year amounted to \$6,527,000, an increase of \$270,000 or 4 percent, compared to the \$6,257,000 for the first nine months of the previous year. Revenue from admission and program fees increased by \$751,000 to \$3,864,000 as a result of the increase in memberships and admission fees related to the *Animal Inside Out* and *Bugs: Outside the Box* temporary exhibitions. This is in addition to the program fees related to the successful *Nature Nocturne* evenings.

On an accrual basis, parliamentary appropriations for the first nine months of the year amounted to \$23,879,000 compared to the \$24,917,000 for the first nine months of the previous year. The difference is mainly due to the variation in deferred capital funding.

Expenses

Expenses for the first nine months of the year amounted to \$28,873,000 compared to the \$30,450,000 for the first nine months of the previous year. The \$1,577,000 or 5 percent decrease is mainly due to the decreases of \$631,000 in personnel costs, \$192,000 in real property taxes and \$448,000 for specimen donations. In the previous year, expenses for objects for collections included the offset of \$500,000 for significant non-recurring specimens donated to the collections.

Expenses related to buildings and grounds represent 48 percent of total expenses. The new museum-standard environmental control systems and additional space that must now be maintained at the renovated Victoria Memorial Museum Building have placed additional severe pressure on the Museum's operating budget. The Museum continues to explore additional facilities cost reduction and control measures in order to minimize the financial impact on its programs.

Net Result of Operations

The net result of operations for the first nine months of the year was a surplus of \$1,533,000. The surplus is mainly attributable an increase in revenue and to a timing difference in the recognition of expenses related to programs that are expected to be incurred later in the fiscal year. Partially offsetting this timing difference is \$214,000 in expenses due to the accounting treatment related to the Museum's Natural Heritage Campus located in Gatineau, Quebec which is recorded on the Statement of Financial Position as an obligation under capital lease.

Statement of Financial Position

Assets

The level of cash of \$9,096,000 as at December 31, 2015 represents an increase of \$2,742,000 or 43 percent from the December 31, 2014 level of \$6,354,000. The significant increase in the level of cash is due to a combination of revenue generation and cost containment measures implemented over the past six years. In addition, this increase is due to a timing difference of expenses related to programs that are expected to be incurred later in the fiscal year.

Capital assets decreased to \$189,871,000 as at December 31, 2015 from the \$195,613,000 as at December 31, 2014, mainly as a result of the amortization expense related to the Victoria Memorial Museum Building.

Liabilities

Deferred revenues, contributions and parliamentary appropriations decreased to \$1,124,000 as at December 31, 2015 from \$1,937,000 as at December 31, 2014 due to restricted parliamentary appropriation spent to acquire capital assets and restricted contributions spent for public education programming.

Deferred capital funding decreased to \$173,638,000 as at December 31, 2015 from the \$178,376,000 as at December 31, 2014 as deferred capital funding is recognized as revenue at the same pace as the amortization of the corresponding capital assets.

Accumulated Deficit

The accumulated deficit of \$7,259,000 as at December 31, 2015, is mainly due to the accounting treatment related to the Museum's Natural Heritage Campus located in Gatineau, Quebec which is recorded on the Statement of Financial Position as an obligation under capital lease. This accounting treatment will keep the Museum's accumulated deficit in a deficit position for many years due to the interest expense on the capital lease obligation being higher in the earlier years than in the years closer to the end of the lease term. Accordingly, the accumulated deficit related to this accounting treatment will begin to reverse in 2019–2020 until it is fully eliminated by the end of the lease term in 2031. This does not impact the Museum's cash flow or financial stability in any way.

RISK ANALYSIS

The Museum has in place an enterprise risk management framework designed to effectively and proactively manage the risks that could prevent the Museum from achieving its objectives. The Museum's Corporate Plan identifies six risks and their related mitigation strategies:

1. Risk that a limited donor pipeline may constrain financial resources available to support the investment required for initial implementation of the Museum's strategic objectives. This is mitigated by an aggressive prospecting program by a team of fundraising professionals and a new group of committed volunteers and board members.
2. Risk that the structural deficit will continue to increase due to expenses increasing at a greater rate than revenues, such as facilities maintenance, taxes and general inflation. This is mitigated by a continuous process of expenditure review and new revenue center creation.
3. Risk that new skills and responsibilities of staff evolve at a different pace than needed by the enterprise business model. This is mitigated by a performance management program supported by coaching, training, clear accountabilities and regular tracking of progress against plan.
4. Risk that information technologies and systems are not available or leveraged to support organizational objectives. This is mitigated by new leadership and skills in IT and an IT plan that responds to and enables the strategic objectives of the Museum.
5. Risk that aging research equipment, funding constraints, and other factors impair the ability of the Museum to attract research talent and/or collaborators to fulfill research objectives. This is mitigated by continuous investment in equipment through resource reallocation and ongoing fundraising in support of research equipment and fieldwork.
6. Risk that significant number of employees are eligible for retirement resulting in the loss of corporate memory. To mitigate this risk the Museum developed and monitors a succession plan.