

CANADIAN MUSEUM OF NATURE

QUARTERLY FINANCIAL REPORT

(Unaudited)

For the three and nine month periods
ended December 31, 2016

Canada



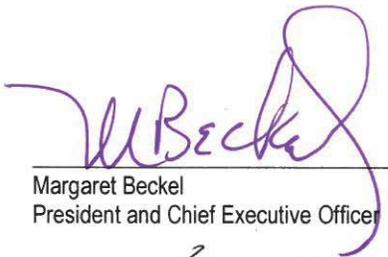
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STATEMENT OF MANAGEMENT RESPONSIBILITY BY SENIOR OFFICIALS

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



Ikram Zouari, CPA, CGA
Chief Financial Officer and Director of Finance

Ottawa, Canada
February 16, 2017

Statement of Financial Position (Unaudited)

(in thousands of dollars)	at December 31 2016	at March 31 2016
Assets		
Current		
Cash	9,516	8,444
Restricted cash	900	775
Accounts receivable		
Trade	334	519
Government departments and agencies (Note 13)	215	527
Prepaid expenses	157	770
	11,122	11,035
Collections	1	1
Capital assets (Note 4)	184,383	189,136
	195,506	200,172
Liabilities		
Current		
Accounts payable and accrued liabilities		
Trade	1,070	2,573
Government departments and agencies (Note 13)	441	449
Obligation under capital lease (Note 5)	852	791
Deferred revenues and contributions (Note 6)	725	950
Employee future benefits	212	319
	3,300	5,082
Obligation under capital lease (Note 5)	26,198	26,845
Deferred capital funding (Note 7)	169,152	173,154
Employee future benefits	2,980	2,980
	201,630	208,061
Accumulated Deficit		
Unrestricted	5,695	3,765
Investment in capital assets (Note 8)	(11,819)	(11,654)
	(6,124)	(7,889)
	195,506	200,172

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

Statement of Operations for the three and nine month periods ended December 31
(Unaudited)

(in thousands of dollars)	Three month period ended December 31		Nine month period ended December 31	
	2016	2015	2016	2015
Revenue				
Admission and program fees (Note 10)	889	728	4,065	3,864
Ancillary operations (Note 11)	582	412	1,441	1,307
Contributions (Note 12)	548	358	1,068	878
Interest	46	41	86	79
Other	168	108	522	399
	2,233	1,647	7,182	6,527
Expenses (Note 14)				
Inspiration and engagement	2,296	2,287	7,289	7,069
Collections care and access	765	702	1,931	1,875
Research and discovery	990	979	3,024	3,079
Internal support services	1,202	928	3,476	3,045
Buildings and grounds	4,507	4,824	13,621	13,805
	9,760	9,720	29,341	28,873
Net result of operations before government funding	(7,527)	(8,073)	(22,159)	(22,346)
Parliamentary appropriations (Note 9)	8,148	7,837	23,924	23,879
Net result of operations	621	(236)	1,765	1,533

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

Statement of Changes in Accumulated Deficit
(Unaudited)

For the three month period ended December 31

(in thousands of dollars)	Unrestricted	Invested in capital assets	at Dec. 31	
			2016	2015
Accumulated deficit, beginning of period	5,025	(11,770)	(6,745)	(7,023)
Net result of operations	621		621	(236)
Net change in investment in capital assets	49	(49)	-	-
Accumulated deficit, end of period	5,695	(11,819)	(6,124)	(7,259)

For the nine month period ended December 31

(in thousands of dollars)	Unrestricted	Invested in capital assets	at Dec. 31	
			2016	2015
Accumulated deficit, beginning of period	3,765	(11,654)	(7,889)	(8,792)
Net result of operations	1,765		1,765	1,533
Net change in investment in capital assets	165	(165)	-	-
Accumulated deficit, end of period	5,695	(11,819)	(6,124)	(7,259)

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

A statement of remeasurement gains and losses has been excluded as there have been no remeasurement gains or losses.

Statement of Cash Flows for the three and six month periods ended December 31
(Unaudited)

	Three month period ended December 31		Nine month period ended December 31	
(in thousands of dollars)	2016	2015	2016	2015
Operating activities				
Cash receipts - customers	1,974	1,630	6,947	6,565
Cash receipts - parliamentary appropriations	6,533	6,534	19,921	19,611
Cash disbursements - employees	(4,093)	(3,686)	(10,965)	(10,609)
Cash disbursements - suppliers	(4,342)	(2,935)	(10,869)	(9,581)
Interest received	46	44	97	98
Interest paid	(696)	(695)	(2,060)	(2,096)
Cash provided (used in) by operating activities	(578)	892	3,071	3,988
Capital activities				
Acquisition of capital assets	(322)	(854)	(1,287)	(205)
Cash used in capital activities	(322)	(854)	(1,287)	(2,025)
Financing activities				
Obligation under capital lease	(201)	(181)	(586)	(531)
Cash used in financing activities	(201)	(181)	(586)	(531)
Increase (decrease) in cash and restricted cash	(1,101)	(143)	1,198	1,432
Cash, beginning of period	10,658	9,271	8,444	7,440
Restricted cash, beginning of period	860	599	775	855
Cash and restricted cash, end of period	10,417	9,727	10,417	9,727
Cash, end of period	9,516	9,096	9,516	9,096
Restricted cash, end of period	900	631	900	631
Cash and restricted cash, end of period	10,416	9,727	10,416	9,727

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

Notes to the Financial Statements for the three and nine month periods ended December 31, 2016 (Unaudited)

1. Authority and Mission

The Canadian Museum of Nature (the "Corporation") was established by the Museums Act on July 1st, 1990. It is an agent Crown corporation named in Part I of Schedule III of the Financial Administration Act (FAA) and is not subject to the provisions of the Income Tax Act. The Corporation is classified as a government not-for-profit organization (GNPO).

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

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

- **Inspiration and engagement**
The Corporation develops and maintains exhibitions, programs, the nature.ca website, electronic and print publications, revenue generating activities and other activities to foster an understanding of, and respect for, nature.
- **Collections care and access**
The Corporation acquires, develops, preserves and makes accessible collections of natural history specimens, objects and information to meet the growing needs of the public and private sectors for research, education and informed decision-making about the natural world.
- **Research and discovery**
The Corporation studies the past and helps Canadians prepare for the future by conducting systematics and applied research, and by developing and maintaining networks and linkages with Canadian and international science communities.
- **Internal support services**
The Corporation develops and implements the policies, processes and an accountability structure 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	
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 up to March 31, 2012, as provided for under labor contracts and conditions of employment.

The severance benefit obligation for employees who retire or resign, that accrued up to March 31, 2012 and remains unpaid, is measured using the projected benefit method. The actuarial gains 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. Cash and Restricted Cash

Cash and restricted cash consist of balances with banks.

Restricted cash includes deferred contributions. Restricted cash accounts are managed in accordance with the donor's wishes and are invested in accordance with the Investment Policy of the Corporation.

As per the Corporation's Investments Policy, operating funds are invested in short-term money market instruments that are rated AA or better and guaranteed by the Government of Canada, a provincial government or the Canadian Imperial Bank of Commerce (CIBC). The investment vehicles consist of banker's acceptances, promissory notes and term deposits. During the nine-month period ended December 31, 2016, the Corporation invested \$2,000,000 of its cash and earned interest on investment of \$13,750 (2015 - nil).

4. Capital Assets

(in thousands of dollars)	Dec. 31 2016			March 31 2016		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Land	627	-	627	627	-	627
Victoria Memorial Museum Building	204,727	47,671	157,056	204,727	43,920	160,807
Property under capital lease	35,040	20,576	14,464	35,040	19,833	15,207
Leasehold improvements	9,667	6,189	3,478	9,630	5,932	3,698
Permanent exhibitions	5,227	2,084	3,143	4,024	1,693	2,331
Building improvements	3,842	1,970	1,872	3,747	1,678	2,069
Collection cabinets and compactors	3,840	2,152	1,688	3,840	2,070	1,770
Computer equipment	1,802	1,498	304	1,742	1,312	430
Furnishings and office equipment	1,492	1,196	296	1,490	1,135	355
Research equipment	2,322	2,067	255	2,290	2,028	262
General equipment	374	173	201	357	150	207
Work in progress - Exhibitions	999	-	999	1,373	-	1,373
	269,959	85,576	184,383	268,887	79,751	189,136

The amortization expense for the nine month period ended December 31, 2016 amounts to \$5,827,000 (Dec 31, 2015 – 6,298,000). During the nine month period ended December 31, 2016, the Corporation did not sell or retire an asset.

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 in aggregate, under the financing obligation are as follows:

(in thousands of dollars)		Dec. 31 2016	March 31 2016
Total minimum future payments	(1)	50,750	54,250
Deduct: Imputed interest		(23,700)	(26,614)
Present value of financing obligations	(2)	27,050	27,636
Current portion		852	791
Long term portion		26,198	26,845
		27,050	27,636

(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 \$29 million.

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

(in thousands of dollars)	2017	2018	2019	2020	2021	thereafter
Future minimum payments	875	3,500	3,500	3,500	3,500	35,875

6. Deferred Revenues and Contributions

Deferred revenues, and contributions were as follows:

(in thousands of dollars)	Dec. 31 2016	March 31 2016
Total deferred contributions	424	604
Deferred revenues – goods and services	301	346
	725	950

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

(in thousands of dollars)	Dec. 31 2016	March 31 2016
Balance, beginning of period	950	1,593
Add:		
Restricted contributions received	401	552
Deferred revenue for the provision of goods and services	575	772
	976	1,324
Less:		
Restricted contributions recognized	(582)	(629)
Restricted parliamentary appropriations spent	-	(516)
Deferred revenue for the provision of goods and services recognized	(619)	(822)
	(1,201)	(1,967)
Balance, end of period	725	950

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:

(in thousands of dollars)	Dec. 31 2016	March 31 2016
Used for acquisitions:		
Deferred capital contributions from non-government sources	2,364	2,101
Deferred capital funding through parliamentary appropriations	166,788	171,053
	169,152	173,154

Changes in the deferred capital funding balance are as follows:

(En milliers de dollars)	31 déc. 2016	31 mars 2016
Solde au début de la période	173 154	177 224
Ajout : Acquisitions d'immobilisations	1 075	2 718
Moins : Disposition d'immobilisations	-	(2)
	1 075	2 716
Moins montants constatés comme produits :		
Apports	(245)	(326)
Crédits parlementaires	(4 832)	(6 460)
	(5 077)	(6 786)
Solde à la fin de la période	169 152	173 154

8. Investment in Capital Assets

The investment in capital assets consists of the following:

(in thousands of dollars)	Dec. 31 2016	March 31 2016
Capital assets	184,383	189,136
Less amounts financed by:		
Capital lease	(27,050)	(27,636)
Deferred capital funding	(169,152)	(173,154)
	(11,819)	(11,654)

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

(in thousands of dollars)	Dec. 31 2016	March 31 2016
Net capital asset additions	1,075	2,716
Add: repayment of obligation under capital lease	585	717
Less: capital assets financed with deferred capital funding	(1,075)	(2,716)
Capital assets purchased with the Corporation's funds	585	717
Amortization of deferred capital funding	5,077	6,786
Amortization of capital assets	(5,827)	(7,790)
Net change in investment in capital assets	(165)	(287)

9. Parliamentary Appropriations

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

(in thousands of dollars)	Three month period ended December 31		Nine month period ended December 31	
	2016	2015	2016	2015
Appropriations received and receivable:				
Operating and capital budgets	6,532	6,532	19,597	19,597
Supplementary budgets	63	185	63	185
	6,595	6,717	19,660	19,782
Previous year's appropriations used in current period to complete specific projects	-	93	-	516
Appropriations used to purchase depreciable capital assets	(110)	(754)	(568)	(1,721)
Amortization of deferred capital funding	1,663	1,781	4,832	5,302
Appropriations recognized during the period	8,148	7,837	23,924	23,879

10. Admission and Program Fees

Admission and program fees are comprised as follows:

(in thousands of dollars)	Three month period ended December 31		Nine month period ended December 31	
	2016	2015	2016	2015
Admission fees – general	469	421	2,392	2,292
Admission fees – temporary exhibitions	142	62	759	718
Programs	142	80	431	402
Memberships	136	165	483	452
	889	728	4,065	3,864

11. Ancillary Operations

Ancillary operations are comprised as follows:

(in thousands of dollars)	Three month period ended December 31		Nine month period ended December 31	
	2016	2015	2016	2015
Parking	191	153	643	605
Rental of facilities	355	229	685	531
Boutique and cafeteria leases	36	30	113	171
	582	412	1,441	1,307

12. Contributions

Contributions are comprised as follows:

(in thousands of dollars)	Three month period ended December 31		Nine month period ended December 31	
	2016	2015	2016	2015
Cash contributions and sponsorships	270	250	655	654
In-kind sponsorships	64	61	199	171
Specimen donations	214	47	214	53
	548	358	1,068	878

13. 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.

(in thousands of dollars)	Three month period ended December 31		Nine month period ended December 31	
	2016	2015	2016	2015
Revenues from Government of Canada related parties:				
Admission and program fees	-	-	8	1
Ancillary operations	7	-	34	-
Other	41	39	162	214
	48	39	204	215

(in thousands of dollars)	Three month period ended December 31		Nine month period ended December 31	
	2016	2015	2016	2015
Expenses with Government of Canada related parties:				
Personnel costs	429	423	1,243	1,226
Real property taxes	440	630	1,317	970
Information management infrastructure and systems	2	1	17	5
Marketing and communications	5	7	14	15
Freight and cartage	2	2	5	2
Operation and maintenance of buildings	-	-	2	2
	878	1,063	2,598	2,220

The following balances with Government of Canada related parties were outstanding

(in thousands of dollars)	December 31 2016	March 31 2016
Due from related parties	215	527
Due to related parties	441	449

14. Summary of Expenses by Object

(in thousands of dollars)	Three month period ended December 31		Nine month period ended December 31	
	2016	2015	2016	2015
Personnel costs	3,432	3,312	10,263	10,049
Amortization of capital assets	1,995	2,111	5,827	6,298
Operation and maintenance of buildings	945	835	2,943	2,732
Real property taxes	672	936	2,170	1,880
Professional and special services	961	636	2,114	1,736
Interest on capital lease obligation	675	693	2,039	2,094
Information management infrastructure and systems	314	309	1,083	993
Marketing and communications	172	233	997	915
Exhibitions	290	198	909	880
Repairs and maintenance	138	149	437	487
Travel	117	140	339	305
Freight and cartage	16	17	49	42
Objects for collections	9	50	13	244
Other	24	101	158	218
	9,760	9,720	29,341	28,873

15. Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation of the three and nine month periods ended December 31, 2016.

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, 2016 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 nine-month period ended December 31, 2016 amounted to \$7,182,000, an increase of \$655,000 or 10 percent, compared to the \$6,527,000 for the nine-month period of the previous year. This increase is mainly due to the increase in revenue related to rental of facilities, specimen donations, memberships, and admissions fees including surcharges related to the Museum's major temporary exhibitions Ultimate Dinosaurs and Reptiles.

On an accrual basis, parliamentary appropriations for the nine-month period ended December 31, 2016 amounted to \$23,924,000 compared to the \$23,879,000 for the nine-month period of the previous year. The difference is mainly due to the variation in deferred capital funding.

Revenue for the three-month period ended December 31, 2016 amounted to \$2,233,000, an increase of \$586,000 or 36 percent, compared to the \$1,647,000 for the three-month period of the previous year. This increase is mainly due to the increase in revenue related to rental of facilities, specimen donations, memberships, and admissions fees including surcharges related to the Museum's major temporary exhibition Reptiles opened on October 7, 2016.

On an accrual basis, parliamentary appropriations for the three-month period ended December 31, 2016 amounted to \$8,148,000 compared to the \$7,837,000 for the three-month period of the previous year. The difference is mainly due to the variation in deferred capital funding.

Expenses

Expenses for the nine-month period ended December 31, 2016 amounted to \$29,341,000 compared to the \$28,873,000 for the nine-month period of the previous year, an increase of \$468,000 or 2 percent mainly attributable to the increase in operating costs related to utilities and the change in the accounting treatment related to real property taxes during the previous nine-month period.

Expenses for the three-month period ended December 31, 2016 amounted to \$9,760,000 compared to the \$9,720,000 for the three-month period of the previous year, an increase of \$40,000 or 0.4 percent attributable to the increase in operating costs related to utilities offset by the change in the accounting treatment related to real property taxes during the previous three-month period.

As at December 31, 2016, expenses related to buildings and grounds represent 46 percent of total expenses. The museum-standard environmental control systems and additional space must be maintained at Victoria Memorial Museum Building

(VMMB), thus placing 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 nine-month period ended December 31, 2016 was a surplus of \$1,765,000. The surplus is mainly attributable to higher admission fees and membership revenues than planned and 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 surplus is \$165,000 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.

The net result of operations for the three-month period ended December 31, 2016 was a surplus of \$621,000. The surplus is mainly attributable to higher admission fees and membership revenues than planned and 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 surplus is \$49,000 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 \$9,516,000 as at December 31, 2016 represents an increase of 1,072,000 or 13 percent from the March 31, 2016 level of \$8,444,000. This increase is attributable to higher admissions fees and membership revenues and a timing difference in the payment of invoices that are expected to be paid later in the fiscal year.

Capital assets decreased to \$184,383,000 as at December 31, 2016 from \$189,136,000 as at March 31, 2016, mainly as a result of the amortization expense related to the VMMB.

Liabilities

Deferred revenues, contributions and parliamentary appropriations decrease to \$725,000 as at December 31, 2016 from \$950,000 as at March 31, 2016 due to restricted contributions and deferred revenue recognized.

Deferred capital funding decreased to \$169,152,000 as at December 31, 2016 from the \$173,154,000 as at March 31, 2016 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 \$6,124,000 as at December 31, 2016, is 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 Corporate Plan identifies five risks and their related mitigation strategies. The risk mitigation step involves development of mitigation strategies designed to manage, eliminate, or reduce risk to an acceptable level. Once a strategy is implemented, it is continually monitored to assess its efficacy with the intent of revising the course of action, if needed.

Summary of key risks and mitigation strategies are as follow:

1. Advancement Risk that a limited donor pipeline may constrain financial resources available to support the investment required for initial implementation of the Museum's strategic objectives. This is **mitigated** by a comprehensive advancement program that identifies, cultivates, solicits and stewards donors and prospects, led by a team of fundraising professionals and a new group of committed fundraising volunteers and board members.
2. Structural Deficit - Risk that the structural deficit will continue to increase due to expenses increasing at a greater rate than revenues, such as utilities, property taxes and general inflation. This is mitigated by a continuous process of expenditure review and earned revenue growth.
3. Information Technology Risk that information technologies and systems are not available or leveraged to support organizational objectives. This is mitigated by new leadership and skills in Information Technology (IT) and an IT strategy that responds to and enables the strategic objectives of the Museum within the resources available.
4. Succession - Risk that a significant number of employees are eligible for retirement resulting in the loss of corporate memory and key skills. To mitigate this risk the Museum developed and monitors a succession plan that includes skills development.
5. Budget 2016 - Risk that capital projects funded through budget 2016 and identified in the Museum Corporate plan would not be completed on time and on budget to meet the required scope. This is mitigated by continuous monitoring of project activities, deliverables and spending.