

CANADA SCIENCE AND TECHNOLOGY  
MUSEUMS CORPORATION

QUARTERLY FINANCIAL REPORT  
(UNAUDITED)

FOR THE QUARTER ENDED JUNE 30, 2011

# **Narrative discussion (unaudited)**

June 30, 2011

This section of the quarterly financial report presents management's narrative discussion of the Corporation's financial performance during the first quarter ended June 30, 2011. Please read it in conjunction with the Corporation's quarterly financial statements, which follow this section.

## **OVERVIEW**

During the first quarter of 2011-12, the Corporation continued to focus its efforts on creating a national presence and sharing knowledge. The theme of Energy literacy has been the thread which will link Canada into meaningful discussions hopefully raising awareness on alternative sources and altering behavior in the area of energy use. This major initiative has involved all staff in a direct and indirect ways with three exhibitions being prepared and agreements being finalized with partners across Canada. The first exhibition opened in June 2011 at the Canada Aviation Space Museum and the two other exhibitions, one at the Canada Science and Technology Museum and one at the Canada Agriculture Museum, should open in September 2011. The Corporation also continued to implement the facility projects funded through the infrastructure funding of 2006 and projects funded through the 2008 budget which have been provided on a five year phased in approach. After the completion of the auditorium and classrooms at the Canada Aviation and Space Museum in February 2011, a new retail store was built at the site and opened in April 2011. The Corporation has now turned its focus to the Canada Agriculture Museum. The architectural phase has been undertaken and will lead to important modifications to the site in order to meet client demand and develop this growing market to a full year operation.

## **FINANCIAL RESULTS**

As of the end of the first quarter of 2011-12, the Corporation had a loss of \$753,000, compared to a loss of \$1,204,000 for the comparative quarter of the previous year. The seasonal nature of the operations has the museums incur significant costs in the first quarter preparing for the summer season where a reversal is expected with higher revenue offsetting this loss. The Corporation has implemented cost-reduction strategies that helped attenuate the impact of decreasing appropriations and pressures from inflation on accommodation costs. One of these strategies implies limiting capital expenses to projects funded through specific capital infrastructure funding. In addition, a large portion of the expenditures incurred in relation with the Energy exhibition have been covered with sponsorship money that the Corporation has secured.

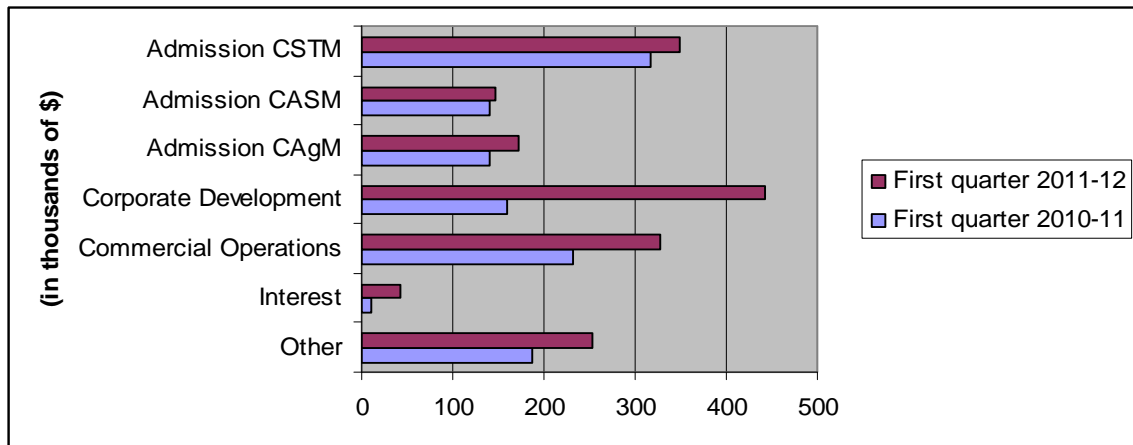
Even though considerable efforts were made to reduce the shortfall, the Corporation is still facing significant financial pressures and is forced to accentuate the reallocation of funds from museum key activities to ongoing building requirements. Last year, the Corporation was fortunate to receive an injection of funds of 3.7 million dollars to help in stabilizing the Corporation. Despite best efforts, the Corporation has unfortunately not been able to resolve the long term financial issues.

A summary of the financial activity for the first quarter of 2011-2012 includes the following:

# Narrative discussion (unaudited)

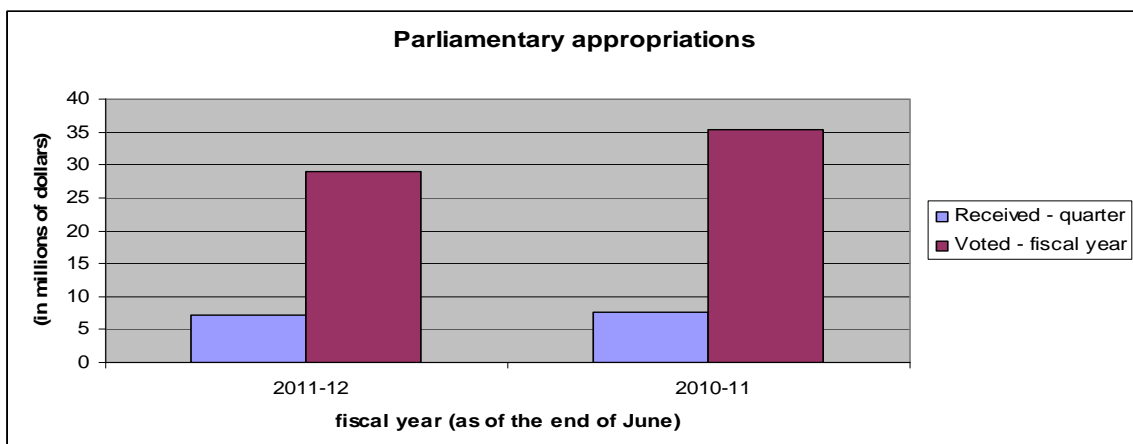
## Revenues

The revenue generation continues to be a priority for the Corporation in an attempt to counter the escalating costs. The Corporation recorded revenues of \$1.7 million for the first quarter of 2011-2012, an increase of \$643 thousand over last year. The Commercial operations improved by \$96 thousand due to the opening of the new expanded boutique at the Canada Aviation and Space Museum. Corporate development revenues have improved by \$378 thousand. Significant sponsorships have been recognized as Corporate development revenues in the first quarter in relation with the preparation of the energy exhibitions. In addition, the Corporation received a contribution of \$127,000 from the Canada Science and Technology Museums Corporation Foundation.



## Parliamentary appropriations

Total appropriation in the Corporation's statements is reported on an accrual basis in the amount of \$7.5 million. Parliamentary appropriations received by the Corporation fell approximately \$0.4 million, or 5 percent compared to the same period last year. For the fiscal year 2011-12, the total voted appropriation is \$29.0 million (\$35.4 million in 2010-11) and includes \$2.6 million coming from the 2008 budget for specific projects (\$5.1 million in 2010-11).

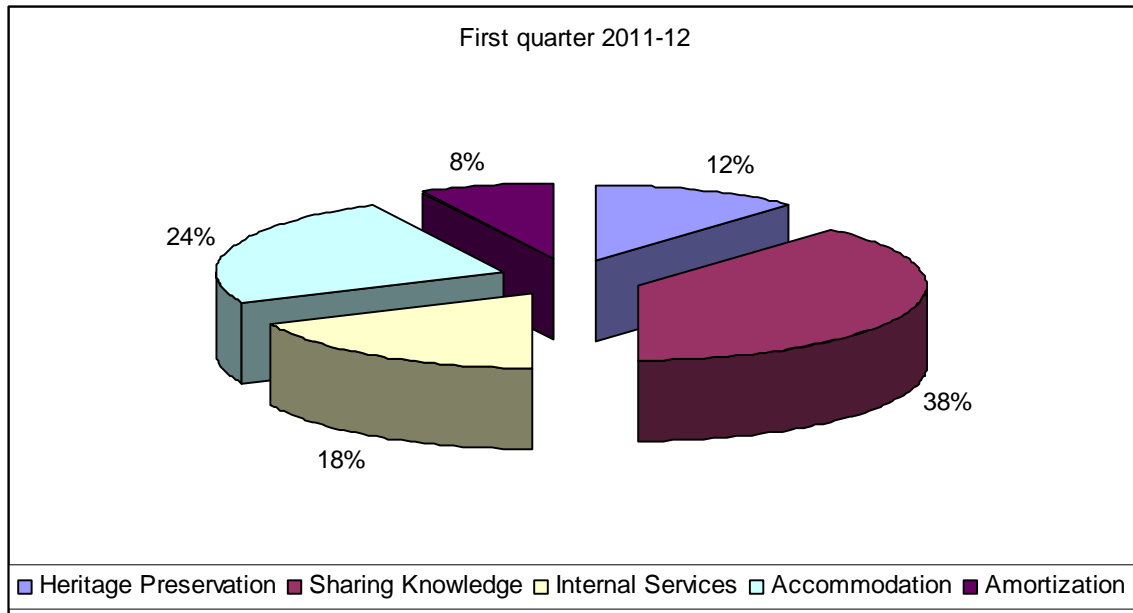


## Narrative discussion (unaudited)

### Operating Expenditures

The Corporation's total expenses were \$10.0 million for the first quarter of 2011-2012 with the two main uses of funds being personnel and accommodation costs, totaling \$5.4 million and \$2.4 million respectively.

The increase was planned when compared to last year mainly due to the completion of the Energy exhibitions on all three sites; this can be seen in the schedule of expenses in the personnel and Design and display lines. Inflation is the other contributing factor to the expense increase. Despite the fact that the Corporation has implemented many cost reduction strategies, total operating costs have still increased by \$800,000 when comparing the first quarter of 2011-12 with the first quarter of 2010-11.



### Capital Expenditures

For the quarter ended June 30, 2011, the Corporation invested approximately \$0.8 million in property and equipment (2010: \$1.1 million). The most significant project was the construction of a new retail shop at the Canada Aviation and Space opened in April 2011. This project was funded by the infrastructure funding of 2006 for the construction of new revenue generating facilities at the Canada Aviation and Space Museum.

# Narrative discussion (unaudited)

## RISK ANALYSIS

### Facilities

The Corporation maintains a very diverse portfolio of real property holdings. Importantly, other than the Canada Aviation and Space Museum, the buildings occupied by the Corporation were never designed to house a national collection of important artefacts or provide a safe and secure environment to welcome visitors. The collection is in fact stored in industrial grade warehouses, which have exceeded their physical capacity. The collection growth although well planned and controlled does pose significant challenges to CSTMC in providing adequate appropriate storage within its current resource base. The Corporation continues to work towards securing proper accommodations to resolve both the substandard environmental issues and the over crowding in its current reserves.

At the same time, work continues in redressing the capital infrastructure reducing high risk areas with the use of one time funding injections received from the Government of Canada in 2006 and 2008; funding was received in each case on a five year plan which are being implemented on schedule. The main focus being put on the Canada Aviation and Space Museum and the Canada Agriculture Museum sites. The balancing act continues in investing in a building at the Canada Science and Technology Museum which we are hoping to leave. The recent investments have been limited to health and safety, legislative and energy efficiencies. There are major capital investments required in this building which are looming and unfunded.

### Human resource challenges

Museums are comprised of a very diverse set of skills from curatorial researchers, exhibition fabricators and designers, educators, conservation experts to name a few. Succession planning continues to be a priority for the Corporation as many very experienced employees will be retiring within the next five years. A full succession plan is in place to ensure continuity for the organization. The Corporation, having very limited financial resources, puts the emphasis on internal on the job training and mentoring for specific at risk positions. The Corporation has also been provided with a full-time coach in residence without charge to support the employees' leadership development.

The Corporation is pleased to be able to comply with the pay equity legislation but has come at a significant cost (approximately \$1M) which has never been funded. The collective agreement expired on March 31, 2011, negotiations are currently underway.

### Financing

The Corporation financial viability continues to be one of the main preoccupations. The Corporation is highly dependent on the Government funding to be able to deliver its mandate.

The inflation combined with the increasing costs related to the operation and maintenance of the storage hangar has shifted the balance of funds to base building requirements, at the expense of the raison d'être of the institution, that of Heritage preservation and Sharing knowledge. The increase in non-discretionary costs has also impacted the Corporation's

## **Narrative discussion (unaudited)**

capacity to allocate funds to recapitalization of property and equipment. Current funding no longer provides enough resources to undertake the development of exhibition and to invest in capital assets without funding from the private sector and from one-time injection of capital infrastructure appropriations respectively.

In response to the decrease in funding, the Corporation has already implemented many cost-stabilization strategies, including no development of new exhibitions unless funded by sponsorships, delay building maintenance and repairs, stretching the use of equipments that have exceeded their useful life expectancy, energy efficiency programs and staff cost reductions. All these initiatives have helped stabilize the expenses but are not sufficient to match the decrease in funding and can not be sustained on the long term.

Given the financial position, revenue generation continues to be one of the main focuses of the Corporation. The use of improved revenue generating facilities has produced some successes with increased revenue in retail operations and facility rentals at the Canada Aviation and Space Museum. The foundation that was created to help support the organization held two events in the first quarter of 2011-12 and raised more than \$150,000. Important sponsorship revenues have also been recognized in the first quarter in relation with expenditures incurred for the energy exhibitions. These initiatives have generated additional revenues, but not enough to offset the rising costs of operations. The Corporation will continue to monitor and exploit all opportunities to help in this area.

### **SUMMARY**

There was great progress in the development of the Energy initiative with the opening of the energy exhibition at the Canada Aviation and Space Museum: Green Skies Ahead and the preparation of the two other energy exhibitions that will be launched in the near future.

The accommodations have continued to improve through the infrastructure funding injection, particularly at the Canada Aviation and Space Museum with the completion of a new upgraded retail store which helped generate increased revenues.

Improving the financial situation has been and will continue to be one of the main focuses of the Corporation. The issues of rising facility costs and the identification of a permanent resolution for the operating cost of the Collection storage hangar are issues that remain without a definitive solution. A suitable solution to the financial pressures will be required to stabilize the program delivery; the sharing knowledge part of our mandate to share this impressive collection and knowledge with all Canadians. The Corporation is well positioned with a world class collection and exceptional personnel who have year after year delivered quality programs with very limited resources. In a knowledge economy, the importance of science and innovation is part of the recipe for success for our country. The Corporation will continue to contribute by sharing this knowledge, helping Canadians discover the past, and understand the present in order to influence the future.

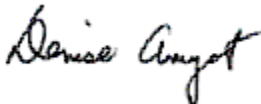
# Quarterly Financial Statements (unaudited)

## Statement of Management Responsibility

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.

In support of its responsibility, Management has developed and maintains books of account, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled, and that transactions are in accordance with the *Financial Administration Act* and regulations, as well as the *Museums Act* and the by-laws of the Corporation.

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.



Denise Amyot  
President and Chief Executive Officer



Fernand Proulx  
Chief Operating Officer

August 25, 2011

## BALANCE SHEET (Unaudited)

As at June 30

(in thousands of dollars)

2011

2010

ASSETS		
Current		
Cash and cash equivalents	\$10,881	\$16,721
Accounts receivable		
Government departments	1,180	154
Trade	506	390
Inventories	455	321
Prepaid expenses	176	205
	13,198	17,791
Collection (Note 3)	1	1
Property and equipment	64,915	59,243
Intangible assets	346	312
	\$78,460	\$77,347
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current		
Accounts payable and accrued liabilities		
Government departments	\$789	\$789
Accrued salaries and other	3,166	3,783
Current portion of employee future benefits	552	731
Deferred revenues and parliamentary appropriations	772	741
	5,279	6,044
Employee future benefits	1,986	2,085
Long-term advance (Note 4)	4,533	4,533
Deferred capital funding	57,108	56,027
	68,906	68,689
SHAREHOLDER'S EQUITY		
Contributed surplus	10,102	10,102
Retained earnings (deficit)	(548)	(1,434)
	9,554	8,658
	\$78,460	\$77,347

Contingencies (Notes 8)

The accompanying notes and schedule form an integral part of these financial statements.



## STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY (Unaudited)

For the quarter ended June 30  
(in thousands of dollars)

	2011	2010
<b>CONTRIBUTED SURPLUS</b>		
Contributed surplus, beginning of quarter	\$10,102	\$10,102
Contributed surplus for the quarter	-	-
Contributed surplus, end of quarter	10,102	10,102
<b>RETAINED EARNINGS</b>		
Net earnings (deficit), beginning of quarter	205	(240)
Net loss for the quarter	(753)	(1,204)
Deficit, end of quarter	(548)	(1,444)
<b>SHAREHOLDER'S EQUITY AT THE END OF THE QUARTER</b>	<b>\$9,554</b>	<b>\$8,658</b>

The accompanying notes and schedule form an integral part of these financial statements.

## STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (Unaudited)

For the quarter ended June 30  
(in thousands of dollars)

	2011	2010
<b>REVENUES</b>		
Admission		
Science and Technology	\$349	\$318
Aviation and Space	146	140
Agriculture	173	140
Commercial operations	327	231
Corporate development	442	159
Interest	43	10
Other	253	187
<b>Total revenues</b>	<b>1,733</b>	<b>1,185</b>
<b>EXPENSES (Schedule)</b>		
Heritage preservation	1,164	1,251
Sharing knowledge	3,842	3,441
Internal services	1,808	1,706
Accommodation	2,418	2,137
Amortization of property and equipment, and intangible assets	759	656
<b>Total expenses</b>	<b>9,991</b>	<b>9,191</b>
Excess of expenses over revenues	(8,258)	(8,006)
Parliamentary appropriations (Note 5)	7,505	6,802
<b>Net loss for the quarter</b>	<b>(753)</b>	<b>(1,204)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Restricted contributions received during the quarter	127	-
Contributions spent during the quarter	(127)	-
<b>Other comprehensive income for the quarter</b>	<b>-</b>	<b>-</b>
<b>Comprehensive income (loss) for the quarter</b>	<b>\$(753)</b>	<b>\$(1,204)</b>

The accompanying notes and schedule form an integral part of these financial statements.

## STATEMENT OF CASH FLOWS (Unaudited)

For the quarter ended June 30  
(in thousands of dollars)

	2011	2010
<b>Cash flows from/(used in) operations</b>		
Cash received (clients)	\$1,228	\$1,533
Parliamentary appropriations received	6,847	8,158
Cash paid (employees and suppliers)	(10,403)	(7,434)
Interest received	43	11
<b>Total cash flows used in operating activities</b>	<b>(2,285)</b>	<b>2,268</b>
<b>Cash flows from/(used in) investing activities</b>		
Acquisition of property and equipment	(802)	(2,695)
<b>Total cash flows used in investing activities</b>	<b>(802)</b>	<b>(2,695)</b>
<b>Cash flows from financing activities</b>		
Appropriations received for the acquisition of property and equipment	487	1,522
Cash received for restricted contributions	127	-
<b>Total cash flows from financing activities</b>	<b>614</b>	<b>1,522</b>
Increase (decrease) in cash and cash equivalents	(2,473)	1,095
Cash and cash equivalents, beginning of the quarter	13,354	15,626
<b>Cash and cash equivalents, end of the quarter</b>	<b>\$10,881</b>	<b>\$16,721</b>

The accompanying notes and schedule form an integral part of these quarterly financial statements.

## NOTES TO UNAUDITED QUARTERLY FINANCIAL STATEMENTS

June 30, 2011

The quarterly financial statements of the Canada Science and Technology Museums Corporation must be read in conjunction with the most recent annual audited financial statements and with the narrative discussion included in the quarterly financial report.

### 1. Authority, mandate and operations

The National Museum of Science and Technology was established by the *Museums Act* on July 1, 1990, and is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act* and is not subject to income taxes under the provisions of the *Income Tax Act*.

The mandate of the Corporation, as stated in the *Museums Act*, is to foster scientific and technological literacy throughout Canada by establishing, maintaining and developing a collection of scientific and technical objects, with special but not exclusive reference to Canada, and by demonstrating the products and processes of science and technology and their economic, social and cultural relationships with society.

The Corporation operates as the Canada Science and Technology Museums Corporation. It manages three museum sites: the Canada Science and Technology Museum, the Canada Aviation and Space Museum, and the Canada Agriculture Museum. The Corporation's operations are organized by functionality as follows;

#### Heritage Preservation

This includes documentation, cataloguing, conservation, historical research, the library and related services.

#### Sharing Knowledge

This includes the development and maintenance of exhibitions, interpretive and educational activities, communication and promotion, Web activities, and other services to visitors.

#### Internal Services

This includes services such as human resources, finance and facilities management, corporate development and commercial operations, all of which are provided centrally.

#### Accommodation

This includes operating and maintenance expenses for all owned and leased facilities including security services.

### 2. Accounting policies

These quarterly financial statements have been prepared in accordance with Public Sector Accounting standards for recognition and measurement, which are consistent with Canadian generally accepted accounting principles for Government non-profit organizations. Notwithstanding, these quarterly financial statements have not been prepared in accordance with Public Sector Accounting Standards for presentation. The same presentation, accounting policies and methods of computation are followed in the quarterly financial statements as compared with the most recent annual financial statement. The significant accounting policies are:

## NOTES TO UNAUDITED QUARTERLY FINANCIAL STATEMENTS

June 30, 2011

### (a) Cash equivalents

The Corporation's investments are highly liquid and have a term to maturity of less than 90 days in Schedule "A" banks, government backed paper and commercial paper rated A++ by the Canadian Bond Rating Services (CBRS).

### (b) Accounts receivable

The Corporation establishes an allowance for doubtful accounts that reflects the estimated impairment of accounts receivable. The allowance is based on specific accounts and is determined by considering the Corporation's knowledge of the financial condition of its customers, the aging of accounts receivable, current business and political climate, customers and industry concentrations and historical experience.

All write downs against accounts receivable are recorded within operating expenditures on the Statement of Operations and Comprehensive Income.

### (c) Inventories

Inventories are valued at the lower of cost and net realizable value. Inventory cost is determined by using the average weighted cost method.

### (d) Collection

The collection constitutes the major portion of the Corporation's assets but is shown at a nominal value of \$1,000 on the balance sheet because of the practical difficulties in reflecting it at a meaningful value.

Items purchased for the collection are recorded as expenses in the year of acquisition. Items donated to the Corporation are recorded as assets at the nominal value.

### (e) Property and equipment

Property and equipment are recorded on the following basis. Acquired property and equipment owned by the Corporation are recorded at cost and amortized over their estimated useful life. Land and buildings owned by the Government of Canada and under the control of the Corporation are recorded at their estimated historical cost, less accumulated amortization for buildings. The estimated historical net costs of the buildings have been credited to deferred capital funding and the estimated historical cost of the land has been credited to the contributed surplus. Land for which the historical cost cannot be reasonably determined is recorded at a nominal value with a corresponding amount credited to the contributed surplus. Improvements that extend the useful life or service potential of buildings are recorded at cost. Building improvements are amortized over the lesser of the remaining useful life of the building or the estimated useful life of the improvements.

Amortization is calculated on a straight-line basis over their estimated useful lives, using a half year-rule in the year of acquisition, as follows:

Buildings	10 to 40 years
Building improvements	10 to 25 years
Office furniture	5 to 10 years
Equipment	5 to 12 years

Amounts included in capital projects in progress are transferred to the appropriate property and equipment classification upon completion, and are amortized accordingly.

## NOTES TO UNAUDITED QUARTERLY FINANCIAL STATEMENTS

June 30, 2011

### (f) Intangible assets

Acquired computer software is recorded at cost and amortized on a straight-line basis over an expected life of five years, using a half year-rule in the year of acquisition. Amortization begins when the computer software is ready for its intended use and placed in service.

Intangible assets are also comprised of an easement right that the Corporation acquired from the Canadian Pacific Railway Limited in order to keep access to the rail. The easement right is recorded at cost and is not amortized since it is determined to have an indefinite useful life. The intangible asset is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

### (g) 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 labour contracts and conditions of employment. The cost of these benefits is accrued as the employees render the services necessary to earn them. Management determined the accrued benefit obligation using a method based upon assumptions and its best estimates. These benefits represent an obligation of the Corporation that entails settlement by future payment.

### (h) Revenue recognition

#### i) Parliamentary appropriations

The Government of Canada provides funding to the Corporation. Parliamentary appropriations received for specific projects are recorded as deferred revenues and parliamentary appropriations, and are recognized in the year in which the related expenditures are incurred. The portion of the parliamentary appropriation intended to be used to purchase depreciable property and equipment is recorded as deferred capital funding, and is amortized on the same basis, and over the same periods, as the related property and equipment. The remaining portion of the appropriation is recorded in the statement of operations and comprehensive income in the year for which it is approved.

#### ii) Corporate development

Contributions by non-owners received for specific purposes are recorded as "Other Comprehensive Income" and recognized as revenue in the year in which the related expenses are incurred and requirements are met. Contributions by non-owners without restrictions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated, and collection is reasonably assured.

## NOTES TO UNAUDITED QUARTERLY FINANCIAL STATEMENTS

June 30, 2011

Sponsorship revenues are deferred and recognized as revenue in the year in which the related expenses are incurred. Contributions and sponsorships in kind are recorded at their estimated fair market value when they are received. Volunteers contribute a significant number of hours per year. Because of the difficulty in determining their fair value, contributed services are not recognized in these financial statements.

Membership revenues for which services have not been rendered are deferred and accounted for as services are provided. Deferred sponsorship and membership revenues are recorded as deferred revenues.

### iii) Admission, commercial operations and other revenues

Revenues from admission, commercial operations and other revenues are recognized in the year in which the goods or services are provided by the Corporation. Funds received for future services are deferred.

### iv) Interest revenues

Interest revenues are recognized in the period in which they are earned using the effective interest rate method.

### (i) Financial instruments

The Corporation's financial assets and financial liabilities are classified and measured as follows:

<b>Asset/Liability</b>	<b>Category</b>	<b>Measurement</b>
<b>Assets:</b>		
Cash	Held-for-trading	Fair value
Cash equivalents	Held-for-trading	Fair value
Accounts receivable	Loans/Receivables	Amortized cost
<b>Liabilities:</b>		
Accounts payable & accrued liabilities	Other financial liabilities	Amortized cost

### (j) Measurement uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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 revenues and expenses for the year. Accrued liabilities, allowance for doubtful accounts, employee future benefits and estimated useful lives of property and equipment are the most significant items for which estimates are used. Actual results could differ significantly from those estimates.

## NOTES TO UNAUDITED QUARTERLY FINANCIAL STATEMENTS

June 30, 2011

### (k) Change In accounting standards

Effective April 1, 2011, the Corporation who was previously classified as a Government Business-Type Organization (GBTO) is being reclassified as a Government Not-For-Profit Organization (GNPO) and is required to implement Public Sector Accounting Standards including the 4200 series of accounting standards applicable for government not-for-profit organizations.

The Corporation has chosen to use the same basis of presentation for its quarterly financial statements as compared with the most recent audited annual financial statements. The Corporation also elected not to adopt the changed policies during a quarter but rather to reflect the change only in the audited year end financial statements. Therefore, the quarterly financial statements do not include the potential impact of the Public Sector accounting standards on the financial statements presentation, post-employment benefits, termination benefits and retirement benefits. The Corporation has developed, and is implementing, a plan to change the financial statement basis of presentation, and to review its accounting policies related to the determination of the accrued benefit obligation for severance cost and for sick leave benefits which accrue but do not vest. The new basis of presentation and new accounting policies will be implemented on a retrospective basis for the year ending March 31, 2012.

### 3. Collection

Part of the mandate of the Corporation is “to foster scientific and technological literacy throughout Canada by establishing, maintaining and developing a collection of scientific and technological objects...” This collection is the main asset of the Corporation and is divided in the following areas:

- Communications
- Non-Renewable Resources and Industrial Design
- Natural Resources
- Physical sciences and Medicine
- Renewable resources, including Agriculture and Forestry
- instruments, tools and systems with direct application to mathematics, chemistry, physics, as well as astronomy, astrophysics, meteorology, surveying and mapping, and information technology
- Transportation: Land, Marine, and Aviation



## NOTES TO UNAUDITED QUARTERLY FINANCIAL STATEMENTS

June 30, 2011

### 4. Long-term advance

The Corporation received funding from the Treasury Board Secretariat to construct educational facilities, retail space and an auditorium at the Canada Aviation and Space Museum. The Corporation also received funding to establish a foundation for the Canada Science and Technology Museums Corporation.

<i>(in thousands of dollars)</i>	2011	2010
Funding for construction of revenue generating facilities	\$ 4,208	\$4,208
Funding to establish a Foundation	325	325
	\$ 4,533	\$ 4,533

The Corporation received the funding on the basis that it will have up to twenty-five years to repay the funding for construction of revenue generating facilities and six years to repay the funding received to establish the Foundation. A repayment mechanism will be determined and the Corporation does not have to pay interest on this funding.

### 5. Parliamentary appropriations

<i>(in thousands of dollars)</i>	2011	2010
Main Estimates amount provided for operating and capital expenditures	\$7,260	\$ 7,668
Total appropriations received	7,260	7,668
Deferred appropriation used in current year to purchase depreciable property and equipment	315	-
Appropriations received in the current year to acquire property and equipment in future years	-	(420)
Amounts used to purchase depreciable property and equipment	(802)	(1,102)
Amortization of deferred capital funding	732	656
Parliamentary appropriations	7,505	6,802

### 6. Canada Science and Technology Museums Corporation Foundation

The Canada Science and Technology Museums Corporation Foundation (the "Foundation") was incorporated under the *Canada Corporations Act* on November 14, 2007 and is a registered charitable non-profit organization under the *Income Tax Act* since April 1, 2008. This is a separate legal entity from the Canada Science and Technology Museums Corporation and all funds that will be raised by the Foundation will be for projects determined by the Foundation.

The Foundation will raise funds from patrons, corporations, associations and from the community. The amounts granted to the Corporation by the Foundation will be recorded as Corporate Development revenue in the Corporation's statement of operations and comprehensive income.

## NOTES TO UNAUDITED QUARTERLY FINANCIAL STATEMENTS

June 30, 2011

### 7. Related party transactions

The Corporation incurred expenses such as property taxes, building rentals and employee benefits with related parties. These transactions were conducted in the normal course of operations, under the same terms and conditions that applied to outside parties and are recorded at the exchange amount.

Also, during the first quarter, the Corporation received services which were obtained without charge from other Government organizations as follows:

- Salary and associated expenditures for the assignment of employees from Government organizations to the Corporation;
- Audit services provided by the Office of the Auditor General of Canada;
- Lease of buildings and associated utilities for the Canada Agriculture Museum buildings located on the Central Experimental Farm site provided by the Agriculture and Agri-Food Canada.

These services provided without charge are not presented in the Corporation's Statement of Operations and Comprehensive Income.

### 8. 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 is accrued and an expense recorded in the Corporation's financial statements. As at June 30, 2011, there has been no provision recorded. The effect, if any, of ultimate resolution of these matters will be accounted for when determinable.

## SCHEDULE OF EXPENSES (Unaudited)

for the quarter ended June 30

<i>(in thousands of dollars)</i>	2011	2010
Personnel costs	\$5,378	\$5,128
Amortization of property and equipment	759	656
Design and display	550	145
Professional and special services	501	429
Leases of buildings	482	500
Property taxes	471	455
Material and supplies	327	281
Property management services	294	326
Utilities	261	223
Repair and upkeep of buildings	202	247
Protection services	174	179
Gift shops and product marketing	136	96
Publications	121	70
Communications	70	63
Travel	65	94
Advertising	52	68
Repairs and upkeep of equipment	43	27
Office supplies and equipment	36	34
Rentals of equipment	28	16
Purchase of objects for the collection	16	8
Books	11	13
Miscellaneous	8	87
Freight, express and cartage	6	46
Total expenses	\$9,991	\$9,191