

THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

FINANCIAL STATEMENTS

(Audited)

MARCH 31, 2004

THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

| | PAGE |
|--|------|
| Management's Report..... | 3 |
| Auditors' Report | 4 |
| <u>Financial Statements</u> | |
| Balance Sheet..... | 5 |
| Statement of Operations..... | 6 |
| Statement of Cash Flows | 7 |
| Notes to the Financial Statements..... | 8 |

MANAGEMENT'S REPORT

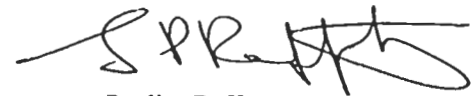
The financial statements of the Royal British Columbia Museum Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles, and the integrity and objectivity of the data in these financial statements are management's responsibility. Financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

Management is also responsible for the safeguarding of financial and operating systems, which include effective controls to provide reasonable assurance that the Museum's assets are safeguarded and that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Finance and Audit Committee. The Finance and Audit Committee meets regularly with management and the external auditors have full and free access to the Committee. The Board of Directors, whose members are not involved in the day-to-day activities of the Museum, are responsible for the review and approval of the financial statements.

Hayes Stewart Little & Co. has audited the financial statements in accordance with Canadian generally accepted auditing standards.

April 28, 2004
Victoria, BC



Pauline Rafferty
Chief Executive Officer



Faye Zinck
Chief Financial Officer

HAYES STEWART LITTLE & CO.

CHARTERED ACCOUNTANTS

ALLIANCE FIRM

 ERNST & YOUNG

AUDITORS' REPORT

To the Board of Directors of The Royal British Columbia Museum Corporation

We have audited the balance sheet of the Royal British Columbia Museum Corporation as at March 31, 2004 and the statements of operations and changes in net assets and cash flows for the first year of operations then ended. These financial statements are the responsibility of the Museum's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Museum as at March 31, 2004 and the results of its operations and changes in its cash flows for the first year of operations then ended in accordance with Canadian generally accepted accounting principles.

Hayes Stewart Little & Co.

April 28, 2004
Victoria, BC

Chartered Accountants

4

VICTORIA

900 - 747 Fort Street
Victoria, BC V8W 3E9
Phone: (250) 383-8994 Fax: (250) 383-8904
Email: hslcovic@hslco.com

DUNCAN

823 Canada Avenue
Duncan, BC V9L 1V2
Phone: (250) 746-4406 Fax: (250) 746-1950
Email: hslco@hslco.com

NANAIMO

#1 - 256 Wallace Street
Nanaimo, BC V9R 5B3
Phone: (250) 754-8239 Fax: (250) 754-1903
Email: hmpnan@hmpnld.com

THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

BALANCE SHEET


AS AT MARCH 31, 2004

| | <u>2004</u> |
|---|---------------------|
| ASSETS | |
| Current | |
| Cash | \$ 2,498,990 |
| Accounts receivable | 647,865 |
| Prepaid | 57,372 |
| Deferred exhibition costs | <u>1,154,833</u> |
| | 4,359,060 |
| Capital assets, net (Notes 3(c) & 6) | <u>2,839,716</u> |
| | <u>\$ 7,198,776</u> |
| LIABILITIES AND NET EQUITY | |
| Current | |
| Accounts payable and accrued liabilities | \$ 4,126,984 |
| Deferred revenue (Note 7) | 36,198 |
| Deferred operating contributions (Note 8) | <u>551,250</u> |
| | 4,714,432 |
| Deferred capital contributions (Note 8) | 1,720,331 |
| Net equity (Note 9) | <u>764,013</u> |
| | <u>\$ 7,198,776</u> |
| Commitments (Note 13) | |

ON BEHALF OF THE BOARD



Director



Director

THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2004

2004

REVENUES

| | | |
|---|----|-------------------|
| Province of British Columbia | \$ | 13,173,500 |
| Museum admission fees | | 4,110,685 |
| Other income | | 2,343,652 |
| Amortization of deferred capital contributions (Note 8) | | 499,323 |
| Gifts in Kind - Donated collections and artifacts (Note 3(d)) | | <u>183,287</u> |
| | | <u>20,310,447</u> |

EXPENSES

| | | |
|---|--|-------------------|
| Salaries and benefits | | 7,898,488 |
| Building occupancy charges | | 5,897,198 |
| Professional service contracts | | 1,575,021 |
| Security | | 934,338 |
| Amortization | | 613,671 |
| Systems and telecommunications | | 576,653 |
| Utilities, materials and supplies | | 477,185 |
| Archival records storage | | 401,449 |
| Marketing and communications | | 392,348 |
| Office | | 369,611 |
| Collections and artifacts – donated (Note 3(d)) | | 183,287 |
| Insurance | | 83,499 |
| Travel | | 81,722 |
| Bank charges | | <u>61,964</u> |
| | | <u>19,546,434</u> |

EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR

\$ 764,013

THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2004

2004

OPERATING ACTIVITIES

| | |
|---|--------------------|
| Cash received from the Province of British Columbia | \$ 16,044,436 |
| Cash received from admissions | 4,110,685 |
| Cash received from other income | 1,524,908 |
| Cash paid for salaries and benefits | (7,744,342) |
| Cash paid for building occupancy and security | (6,370,803) |
| Cash paid for materials and services | <u>(2,622,196)</u> |
| Cash provided by operating activities | <u>4,942,688</u> |

INVESTING ACTIVITIES

| | |
|--|---------------------|
| Cash received for purchase of capital assets | 33,481 |
| Payments for capital assets | (1,322,346) |
| Deferred exhibition costs | <u>(1,154,833)</u> |
| Cash used for investing activities | <u>(2,443,698)</u> |
| NET INCREASE IN CASH, end of year | <u>\$ 2,498,990</u> |

THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

1. GENERAL

The Royal British Columbia Museum Corporation (the "Museum") is a Crown Corporation of the Province of British Columbia without share capital, incorporated on April 1, 2003 under the *Museum Act*.

The purpose of the Museum is to fulfill the Government's fiduciary responsibilities for public trusteeship of the Provincial collections and exhibits, including specimens, artifacts, archival and other materials that illustrate the natural and human history of British Columbia. The Museum fulfills this purpose by: maintaining and disseminating the knowledge resident in the collection, acting as a significant tourist attraction and acting as a centre of discovery, scientific study and education.

2. INITIAL CONTRIBUTION

Effective April 1, 2003, the Museum acquired assets and liabilities in a transfer from the Province of British Columbia. These acquisitions were accounted for as contributions at the exchange amount. The Museum recorded the identifiable assets and liabilities as follows:

| | |
|---------------------------|---------------------|
| Initial cash contribution | \$ 2,793,436 |
| Other current assets | 80,323 |
| Deferred operating costs | 551,250 |
| Current liabilities | (3,425,009) |
| Capital assets | <u>1,981,973</u> |
| | <u>\$ 1,981,973</u> |

The Province of British Columbia also transferred the existing collections and exhibits, including specimens, artifacts, archival and other materials to the Museum at the same time (Note 3(d)).

THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied within the framework of the significant accounting policies summarized below:

(a) Revenue recognition

The Museum follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred. Capital assets contributed and externally restricted contributions for the purchase of capital assets are deferred and amortized over the life of the related capital asset. Unamortized deferred capital contributions relating to capital asset dispositions are recognized as revenue in the period of disposal, provided that all restrictions have been complied with.

Government grants are accounted for as unrestricted contributions or externally restricted contributions in accordance with the terms of funding.

Admission fees are recognized as visitors attend the museum.

(b) Deferred exhibition costs

Costs of exhibitions are deferred until the exhibitions are opened to the public and then are expensed over the period of the exhibitions to which they relate.

(c) Capital assets

Purchased capital assets are stated at acquisition cost. Capital assets transferred from the Province of BC are recorded at the exchange amount as outlined in Note 2. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|-----------------------------------|-------------------------------|
| • Permanent exhibits | 10 years |
| • Operating equipment | 5 years |
| • Computer equipment and software | 3 years |
| • Vehicles | 3 years |
| • Furniture and equipment | 5 years |
| • Leasehold improvements | Minimum 5 years or lease term |

THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Collections

The value of collections (artifacts, specimens, and documents) has been excluded from the balance sheet because of valuation issues. A valuation process is being reviewed. Gifted collections are recorded as revenue at values based on appraisals by independent appraisers. The acquisition of both gifted and purchased collections is expensed. (Note 5)

(e) Museum volunteers

During the year, Museum volunteers contributed approximately 54,000 hours in support of the Museum. Their activities include guided gallery tours and a variety of programs that enrich the visitor's experience at the Museum and its profile in the community. Due to the complexities involved in valuing these services, they have not been reflected in the financial statements.

(f) Employee benefit plans

The Museum and its employees contribute to the Public Service Pension Plan in accordance with the *Public Sector Pensions Act*. The British Columbia Pension Corporation administers the Plan, including the payment of pension benefits on behalf of employers and employees to whom the Act applies. The Plan is a multi employer defined benefit plan. The most recent actuarial valuation (March 31, 2002) has determined the Plan is in a surplus position. Effective January 1, 2001, the Public Service Pension Plan's management changed to a joint trusteeship whereby the management, risks and benefits are shared between the employees and employers. Previously these matters were the sole responsibility of the Province of British Columbia.

The Museum also annually contributes through the Provincial Government payroll system for specific termination benefits as provided for under collective agreements and conditions of employment. The costs of these employee future benefits are recognized as an expense in the year that contributions are paid.

(g) Use of estimates

In preparing the Museum's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

4. FINANCIAL INSTRUMENTS

The Museum's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities. The fair value of these assets approximates their carrying value. Unless otherwise noted, it is management's opinion that the Museum is not exposed to significant interest, currency or credit risks arising from these financial instruments.

THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

5. COLLECTIONS

As at March 31, 2004, the collections consisted of approximately seven million artifacts, specimens and archival records. During the year, the Museum accessioned approximately 11,520 objects to its collections through the acquisition and purchase of artifacts. The collections are valued at \$190 million for insurance purposes.

6. CAPITAL ASSETS

Capital assets consist of the following:

| | <u>Cost</u> | <u>Accumulated Amortization</u> | <u>2004</u> |
|---------------------------------|---------------------|-------------------------------------|---------------------|
| Permanent exhibits | \$ 531,161 | \$ 20,066 | \$ 511,095 |
| Operating Equipment | 378,610 | 71,712 | 306,898 |
| Computer equipment and software | 1,023,926 | 295,405 | 728,521 |
| Vehicles | 19,605 | 7,049 | 12,556 |
| Furniture and equipment | 61,529 | 9,862 | 51,667 |
| Leasehold improvements | <u>1,438,556</u> | <u>209,577</u> | <u>1,228,979</u> |
| | <u>\$ 3,453,387</u> | <u>\$ 613,671</u> | <u>\$ 2,839,716</u> |

Included in leasehold improvements and permanent exhibitions is work in progress of \$96,915 and \$129,839 respectively which was unamortized at March 31, 2004.

7. DEFERRED REVENUE

Deferred revenue of \$36,198 represents funds related to future gallery rentals, advance admission sales, and unredeemed gift certificates.

8. DEFERRED CONTRIBUTIONS

Deferred operating contributions

Deferred operating contributions of \$551,250 represent funds related to contributions received for future exhibits.

Deferred capital contributions

Deferred capital contributions represent the unamortized external funding, used to purchase capital assets, which will be recognized as revenue in future periods.

| | |
|---|---------------------|
| | <u>2004</u> |
| Balance, beginning of year | \$ 0 |
| Grants for the purchase of capital assets | 237,681 |
| Capital contributions from the Province of British Columbia (Note 2) | 1,981,973 |
| Amortized to revenue | <u>(499,323)</u> |
| Balance, end of year | <u>\$ 1,720,331</u> |

THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

9. NET EQUITY

| | <u>Invested In Capital Assets</u> | <u>Unrestricted</u> | <u>2004</u> |
|--|---------------------------------------|---------------------|-------------------|
| BALANCE, beginning of year | \$ 0 | \$ 0 | \$ 0 |
| Excess of revenues over expenses | 0 | 764,013 | 764,013 |
| Deferred capital contributions (Note 8) | (237,681) | 237,681 | 0 |
| Amortization of deferred capital contributions (Note 8) | 499,323 | (499,323) | 0 |
| Amortization | (613,671) | 613,671 | 0 |
| Investments in capital assets | 3,453,387 | (3,453,387) | 0 |
| Capital contributions from the Prov. of British Columbia (Note 8) | <u>(1,981,973)</u> | <u>1,981,973</u> | <u>0</u> |
| BALANCE, end of year | <u>\$ 1,119,385</u> | <u>\$ (355,372)</u> | <u>\$ 764,013</u> |

10. THE ROYAL BRITISH COLUMBIA MUSEUM FOUNDATION

The Royal British Columbia Museum Foundation (the "Foundation") was incorporated to hold long-term investments and endowments for the Museum. The objectives of the Foundation are (a) to promote and further the aims, interest and work of the Royal British Columbia Museum; (b) to encourage, obtain and hold gifts, donations, bequests, endowments or other acquisitions of property on behalf of, and for the benefit of, the Royal British Columbia Museum; (c) to disburse, donate and make available the income or capital or both of the property of the Foundation, subject to the conditions of the gifts. The accounts of the Foundation are presented separately and are not consolidated in these financial statements. As at December 31, 2003, the fund balances of the Foundation are as follows:

| | |
|-----------------------------|-------------------|
| | <u>2003</u> |
| Unrestricted funds | \$ 15,988 |
| Externally restricted funds | 23,854 |
| Endowment funds | <u>478,198</u> |
| | <u>\$ 518,040</u> |

THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

11. FRIENDS OF THE ROYAL BRITISH COLUMBIA MUSEUM

The Friends of the Royal British Columbia Museum (the "Friends") was incorporated to build membership and to coordinate other support activities on behalf of the Museum. The principal activities of the Friends are operation of the Royal Museum Shop, the collection of donations and supporting projects undertaken by the Royal British Columbia Museum. The accounts of the Friends are presented separately and are not consolidated in these financial statements. As at March 31, 2004, the fund balances of the Friends are as follows:

| | <u>2004</u> |
|-----------------------------|---------------------|
| Invested in capital assets | \$ 354,503 |
| Externally restricted funds | 233,684 |
| Internally restricted funds | 17,650 |
| Unrestricted funds | <u>1,317,823</u> |
| | <u>\$ 1,923,660</u> |

During the year the Friends contributed \$513,000 to the Museum, of which \$375,000 has been recorded in revenue, the balance is included in deferred capital contributions. At March 31, 2004, \$104,700 is included in accounts receivable.

12. RELATED PARTY TRANSACTIONS

The Museum is related through common ownership to all Province of British Columbia Ministries, Agencies and Crown corporations, most notably British Columbia Buildings Corporation. The Museum also has significant transactions with the Friends. Transactions with these entities, considered to be in the normal course of operations, are recorded at the exchange amounts.

13. COMMITMENTS

(a) Premises

The Museum occupies land and buildings, which are rented from the British Columbia Buildings Corporation ("BCBC") under a master agency agreement (the "agreement"), entered into October 1, 1999. This agreement expired March 31, 2004, however BCBC and the Museum have agreed to abide by the terms of this agreement until June 30, 2004. Negotiations are currently in progress to establish a new agreement. The Museum's commitment under the agreement for the three months ending June 30, 2004, is approximately \$1.5 million.

During the year ended March 31, 2004, the Museum paid \$5,534,619 under the agreement.

THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

13. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(b) Operating Agreement

The Museum has committed to a Theatre Operating Agreement for the operation of a large screen motion picture theatre at the Museum. Under the terms of the Agreement, the Museum will be paid a royalty from the theatre plus or minus certain negotiated adjustments, plus specific amounts for additional costs. The Museum is also party to the lease of the premises for the Theatre and is paid all rents related to the lease agreement. The term of both the Theatre Operating Agreement and the lease is 30 years and expires June 24, 2028.

14. COMPARATIVE FIGURES

As outlined in Note 1 the Museum was established as a corporation and began operations April 1, 2003, therefore, comparative figures have not been presented.