

**THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION**

**FINANCIAL STATEMENTS**

(Audited)

**MARCH 31, 2005**

**THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION**

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## 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.



Pauline Rafferty  
Chief Executive Officer



Faye Zinck  
Chief Financial Officer

May 5, 2005  
Victoria, BC

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# HAYES STEWART LITTLE & CO.

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CHARTERED ACCOUNTANTS

ALLIANCE FIRM



## 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, 2005 and the statements of operations and changes in net assets and cash flows for the year 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, 2005 and the results of its operations and changes in its cash flows for the year of operations then ended in accordance with Canadian generally accepted accounting principles.

May 3, 2005  
Victoria, BC

Chartered Accountants

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<input type="checkbox"/> <b>VICTORIA</b> 900 – 747 Fort Street Victoria, BC V8W 3E9 Phone: (250) 383-8994 Fax: (250) 383-8904 Email: <a href="mailto:hslcovic@hslco.com">hslcovic@hslco.com</a>	<input type="checkbox"/> <b>DUNCAN</b> 823 Canada Avenue Duncan, BC V9L 1V2 Phone: (250) 746-4406 Fax: (250) 746-1950 Email: <a href="mailto:hslco@hslco.com">hslco@hslco.com</a>	<input type="checkbox"/> <b>NANAIMO</b> #1 - 256 Wallace Street Nanaimo, BC V9R 5B3 Phone: (250) 754-8239 Fax: (250) 754-1903 Email: <a href="mailto:hmpnan@hmpltd.com">hmpnan@hmpltd.com</a>
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THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

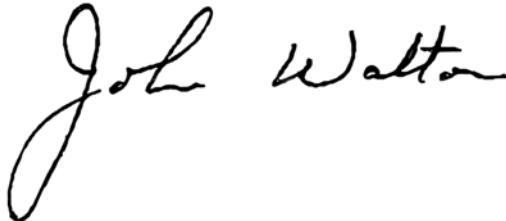
BALANCE SHEET

AS AT MARCH 31, 2005

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
<b>Current</b>		
Cash and investments	\$ 2,191,061	\$ 2,498,990
Accounts receivable	597,518	647,865
Prepaid	58,789	57,372
Deferred exhibition costs	<u>122,362</u>	<u>1,154,833</u>
	2,969,730	4,359,060
<b>Capital assets, net</b> (Notes 2(c) & 6)	<u>3,411,270</u>	<u>2,839,716</u>
	<u>\$ 6,381,000</u>	<u>\$ 7,198,776</u>
<b>LIABILITIES AND NET EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 1,952,167	\$ 3,599,753
Leave liability	558,844	527,231
Deferred revenue (Note 7)	84,152	36,198
Deferred operating contributions	<u>-</u>	<u>551,250</u>
	2,595,163	4,714,432
<b>Deferred capital contributions</b> (Note 8)	1,885,947	1,720,331
<b>Net equity</b> (Note 9)	<u>1,899,890</u>	<u>764,013</u>
	<u>\$ 6,381,000</u>	<u>\$ 7,198,776</u>

Commitments (Note 14)

ON BEHALF OF THE BOARD



Director



Director

**THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION**

**STATEMENT OF OPERATIONS**

**FOR THE YEAR ENDED MARCH 31, 2005**

	<u>2005</u>	<u>2004</u>
<b>REVENUES</b>		
Province of British Columbia	\$ 12,656,250	\$ 13,173,500
Museum admission fees	7,017,219	4,110,685
Other income	1,969,003	2,343,652
Amortization of deferred capital contributions (Note 8)	599,767	499,323
Gifts in Kind - Donated collections and artifacts (Note 2(d))	<u>155,922</u>	<u>183,287</u>
	<u>22,398,161</u>	<u>20,310,447</u>
<b>EXPENSES</b>		
Salaries and benefits	7,609,867	7,898,488
Building occupancy charges	5,235,579	5,897,198
Special Exhibits (Note 10)	3,181,014	758,902
Security	956,817	934,338
Amortization	892,814	613,671
Professional service contracts	691,346	1,138,202
Systems and telecommunications	674,696	576,653
Archival records storage	400,072	401,449
Marketing and communications	360,892	128,340
Utilities, materials and supplies	511,572	448,464
Office	241,652	340,422
Insurance	199,571	83,499
Collections and artifacts – donated (Note 2(d))	155,922	183,287
Bank charges	62,191	61,964
Travel	<u>88,279</u>	<u>81,557</u>
	<u>21,262,284</u>	<u>19,546,434</u>
<b>EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR</b>	<u>\$ 1,135,877</u>	<u>\$ 764,013</u>

**THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED MARCH 31, 2005**

	<u><b>2005</b></u>	<u><b>2004</b></u>
<b>OPERATING ACTIVITIES</b>		
Cash received from the Province of British Columbia	\$ 12,656,250	\$ 16,044,436
Cash received from admissions	6,983,309	4,110,685
Cash received from other income	1,996,514	1,524,908
Cash paid for salaries and benefits	(7,727,250)	(7,744,342)
Cash paid for building occupancy and security	(7,167,176)	(6,370,803)
Cash paid for materials and services	<u>(6,789,015)</u>	<u>(2,622,196)</u>
<b>Cash provided (used) for operating activities</b>	<u>(47,368)</u>	<u>4,942,688</u>
<b>INVESTING ACTIVITIES</b>		
Cash received for purchase of capital assets	870,084	33,481
Purchases for capital assets	(1,611,866)	(1,322,346)
Deferred exhibition costs	<u>481,221</u>	<u>(1,154,833)</u>
<b>Cash used for investing activities</b>	<u>(260,561)</u>	<u>(2,443,698)</u>
<b>NET INCREASE (DECREASE) in Cash</b>	(307,929)	2,498,990
<b>Cash, beginning of year</b>	<u>2,498,990</u>	<u>-</u>
<b>Cash, end of year</b>	<u>\$ 2,191,061</u>	<u>\$ 2,498,990</u>

# THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED MARCH 31, 2005

#### 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 Museum is a tax-exempt body under Section 149(1)(d) of the *Income Tax 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 is dedicated specifically to the preservation of, and education about, the human and natural history of British Columbia. The collection is preserved for future generations of British Columbians.

#### 2. 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.

(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.



**THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2005**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(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. 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

(d) Collections

The value of collections (artifacts, specimens, and documents) has been excluded from the balance sheet because of valuation issues. 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 42,000 (2004 – 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.

**THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2005**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(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.

**3. CASH AND INVESTMENTS**

As at March 31, 2005, The Museum had \$1,143,663 (market value - \$1,142,243) in a money market fund, with a yield as a whole of 2.38%.

**4. FINANCIAL INSTRUMENTS**

The Museum's financial instruments consist of cash, investments, 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.

**5. COLLECTIONS**

As at March 31, 2005, the collections consisted of approximately seven million artifacts, specimens and archival records (includes approximately 5 million photographs). During the year, the Museum accessioned approximately 10,858 (2004 - 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>2005</u>	<u>2004</u>
Permanent exhibits	\$ 1,388,353	\$ (109,550)	\$ 1,278,803	\$ 511,095
Operating Equipment	400,698	(149,642)	251,055	306,898
Computer equipment and software	1,310,642	(684,499)	626,143	728,521
Vehicles	19,605	(13,584)	6,021	12,556
Furniture and equipment	61,529	(24,168)	37,361	51,667
Leasehold improvements	<u>1,736,350</u>	<u>(524,464)</u>	<u>1,211,887</u>	<u>1,228,979</u>
	<u>\$ 4,917,177</u>	<u>\$ 1,505,907</u>	<u>\$ 3,411,270</u>	<u>\$ 2,839,716</u>

**7. DEFERRED REVENUE**

Deferred revenue of \$84,152 (2004 - \$36,198) represents funds related to future gallery rentals, advance admission sales, and unredeemed gift certificates.

**THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2005**

**8. 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>2005</u>	<u>2004</u>
Balance, beginning of year	\$ 1,720,331	\$ -
Grants for the purchase of capital assets	765,383	237,681
Capital contributions from the Province of BC	-	1,981,973
Amortized to revenue	<u>(599,767)</u>	<u>(499,323)</u>
Balance, end of year	<u>\$ 1,885,947</u>	<u>\$ 1,720,331</u>

**9. NET EQUITY**

	<b>Invested In Capital Assets</b>	<b>Unrestricted</b>	<b>2005</b>	<b>2004</b>
Balance, beginning of year	\$ 1,119,385	\$ (355,372)	\$ 764,013	\$ -
Excess of revenues over expenses	-	1,135,877	1,135,877	764,013
Deferred capital contributions (Note 8)	(765,383)	765,383	-	-
Amortization of deferred capital contributions (Note 8)	599,767	(599,767)	-	-
Amortization	(892,814)	892,814	-	-
Investments in capital assets	<u>1,464,368</u>	<u>(1,464,368)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 1,525,323</u>	<u>\$ 374,567</u>	<u>\$ 1,899,890</u>	<u>\$ 764,013</u>

**10. SPECIAL EXHIBITS**

In order to encourage repeat attendance the Museum hosts traveling exhibitions in our temporary gallery. In 2004/05 these included: Eternal Egypt: Masterworks of Ancient Art from the British Museum; Tibet: Mountains, Valleys, Castles & Tents; and Giant Robotic Insects. In 2003/04 these included: Dragon Bones and Giant Robotic Insects.

	<u>2005</u>	<u>2004</u>
Salaries and benefits	\$ 189,642	\$ -
Professional Service contracts – includes exhibit fees	1,804,861	436,819
Marketing and Communications	760,024	264,008
Security	183,087	-
Utilities, materials and supplies	162,554	28,720
Office	80,846	29,355
Total Expenses related to special exhibits	<u>\$ 3,181,014</u>	<u>\$ 758,902</u>

**THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2005**

**11. 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, 2004, the fund balances of the Foundation are as follows:

	<u>2004</u>	<u>2003</u>
Unrestricted funds	\$ 15,344	\$ 15,988
Restricted funds	<u>499,012</u>	<u>502,052</u>
	<u>\$ 514,356</u>	<u>\$ 518,040</u>

**12. 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, 2005, the fund balances of the Friends are as follows:

	<u>2005</u>	<u>2004</u>
Invested in capital assets	\$ 169,824	\$ 193,781
Externally restricted funds	237,118	233,684
Internally restricted funds	133,596	17,650
Unrestricted funds	<u>1,545,152</u>	<u>1,317,823</u>
	<u>\$ 2,085,690</u>	<u>\$ 1,762,938</u>

During the year the Friends contributed \$657,500 (2004 - \$513,000) to the Museum, of which \$382,500 (2004 - \$375,000) has been recorded in revenue, the balance is included in deferred capital contributions.

**13. 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 transactions with the Friends. Transactions with these entities, considered to be in the normal course of operations, are recorded at the exchange amounts.

**THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2005**

**14. COMMITMENTS AND CONTINGENT LIABILITIES**

(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 on a month-to-month basis. Negotiations are currently in progress to establish terms of the Museums occupation of its current premises. During the year ended March 31, 2005, the Museum paid \$5,235,579 (2004 - \$5,534,619) under the agreement.

(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.

**15. COMPARATIVE FIGURES**

Certain 2004 comparative figures have been reclassified to conform to the presentation adopted in the current year.