

ROYAL BRITISH COLUMBIA MUSEUM CORPORATION
FINANCIAL STATEMENTS
MARCH 31, 2021

ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

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ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

MANAGEMENT'S REPORT

The financial statements of the Royal British Columbia Museum Corporation have been prepared by management in accordance with the financial reporting framework disclosed in Note 2, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with information contained in the financial statements. A summary of the significant accounting policies are described in Note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the corporation's financial statements.

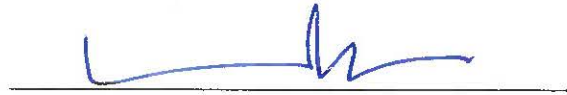
The Royal British Columbia Museum Corporation's Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Board and its Finance and Audit Committee. The Board reviews internal financial statements at each meeting and external audited financial statements yearly. The Board and its Audit and Finance Committee also discuss any significant financial reporting or internal control matters prior to their approval of the corporation's financial statements.

The external auditors, the Office of the Auditor General of British Columbia, conducts an independent examination, in accordance with Canadian auditing standards, and expresses their opinion on the Royal British Columbia Museum Corporation's financial statements. The auditors have full and free access to financial management of the Royal British Columbia Museum Corporation and meet when required. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements of the Royal British Columbia Museum Corporation.

On behalf of the Royal British Columbia Museum Corporation:



Dr. Daniel Muzyka
Acting Chief Executive Officer and Board
Chair



Marcus Barthropp CPA, CA
Acting Executive Financial Officer and VP
Corporate Finance

Victoria, British Columbia
June 21, 2021



INDEPENDENT AUDITOR'S REPORT

*To the Board of Directors of the Royal British Columbia Museum Corporation, and
To the Minister of Tourism, Arts, Culture and Sport, Province of British Columbia*

Qualified Opinion

I have audited the accompanying financial statements of the Royal British Columbia Museum Corporation (“the entity” or “the Museum”), which comprise the statement of financial position as at March 31, 2021, and the statements of operations and accumulated surplus, changes in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the entity as at March 31, 2021, and the results of its operations and accumulated surplus, change in its net debt, and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards (PSAS).

Basis for Qualified Opinion

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the entity in accordance with the ethical requirements that are relevant to my audit of the entity's financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

Deferral of Revenues

As described in Note 2 (f) and (g) to the financial statements, the entity's accounting treatment for contributions received from governments and for externally restricted contributions received from non-government sources is to initially record them as deferred revenue (a liability) and then recognize revenue in the statement of operations either on the same basis as the related expenditures occur or, in the case of funds for the purchase or construction of capital assets, to recognize revenue on the same basis as the related assets are amortized. The entity was required to adopt this accounting policy as prescribed by Province of British Columbia Treasury Board Regulation 198/2011.

Under Canadian Public Sector Accounting Standards, the entity's method of accounting for contributions is only appropriate in circumstances where the funding meets the definition of a liability. Otherwise, the appropriate accounting treatment is to record contributions as revenue when they are received or receivable. In my opinion, certain contributions of the entity do not meet the definition of a liability, and as such the entity's method of accounting for those contributions represents a departure from Canadian Public Sector Accounting Standards.

This departure has existed since the inception of the standard, which applies to periods beginning on or after April 1, 2012. Had the entity made an adjustment for this departure in the current year, the liability for deferred revenue as at March 31, 2021 would have been lower by \$12.9 million, revenue, annual surplus and accumulated surplus would have been higher by \$12.9 million and net debt would have been lower by \$12.9 million.

Control of the Royal British Columbia Museum Foundation

As described in Note 13 to the financial statements, the Royal British Columbia Museum Foundation (“the Foundation”) is a registered charity whose sole purpose is to serve the interests of the Museum. In my opinion, the Foundation is an internally restricted entity controlled by the Museum, and as such, the Foundation should be consolidated on a line-by-line basis and any inter-organizational balances and transactions should be eliminated in the entity’s financial statements. As an internally restricted entity, the Foundation has the ability to restrict the use of their assets. The entity does not consolidate the net assets of the Foundation and the results of its operations and cash flows in the entity’s financial statements. This represents a departure from Canadian Public Sector Accounting Standards.

The entity’s records, along with the unaudited records of the Foundation indicate that the effects of this departure on the financial statements are an understatement of assets of \$14.9 million, an understatement of liabilities of \$0.1 million, an understatement of accumulated surplus of \$13.9 million, an understatement of revenues of \$1.6 million and an understatement of expenses of \$0.7 million.

Public Private Partnership Assets and Liabilities Not Recognized Appropriately

As described in Note 20 to the financial statements, the museum entered into a Lease Agreement and Theatre Operating Agreement in 1998 for the construction and operation of a large screen motion picture theatre on the entity’s premises. This represented the formation of a public private partnership between the museum and a private sector entity. Upon construction, the theatre and the liabilities associated with its construction in the form of performance obligations were not recognized on the museum’s statement of financial position. This represents a departure from PSAS, as the theatre and the performance obligations did meet the requirements for recognition in the financial statements.

The entity’s records indicate that the historical cost of the asset at that time would have been approximately \$6.2 million and the amortization policy applied would have been straight line over 40 years. The liabilities associated with the construction of the asset would have been equivalent to the theatre asset at \$6.2 million and should have been recognized to revenue on a straight-line basis over the 30-year term of the operating agreement. Therefore the impact of this departure from PSAS on the comparative figures at March 31, 2020 would be an understatement of tangible capital assets net of amortization of approximately \$2.95 million, an understatement of the performance obligation liability of approximately \$1.855 million, an understatement of amortization expense of approximately \$155,000, an understatement of revenue associated with fulfilment of performance obligations of \$210,000, an understatement of annual surplus of approximately \$55,000, an understatement of opening accumulated surplus of approximately \$1.03 million and an understatement of closing accumulated surplus of approximately \$1.04 million.

As described in Note 20 to the financial statements, on June 20, 2019, pursuant to the exercise of an option to terminate the terms of the operating agreement, the museum recognized the theatre as a tangible capital asset at its estimated fair value on that date, along with an expense associated with the termination of the operating agreement. As described above, this asset along with a liability for a corresponding performance obligation under the terms of the agreement should have been recognized when the theatre was constructed, therefore this represents a departure from GAAP in the current year.

The effect of this departure in the current year is an understatement of tangible capital assets net of amortization of approximately \$1.47 million, an overstatement of deferrals of \$1.32 million, an understatement of revenue of \$1.32 million, an overstatement of expenses of \$370,000, an understatement of net surplus of \$1.69 million and an understatement of closing accumulated surplus of \$1.1 million.

Other Accompanying Information

Management is responsible for the other information accompanying the financial statements. The other information comprises the information included in the annual service plan report but does not include the financial statements and my auditor's report thereon. The Annual Service Plan Report is expected to be made available to us after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information that I have obtained prior to the date of my auditor's report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained during the audit or otherwise appears to be materially misstated.

When I read the Annual Service Plan Report, if I conclude that there is a material misstatement therein, I am required to report that matter to those charged with governance.

As described in the Basis for Qualified Opinion section above, the entity has inappropriately deferred certain of its revenues from government transfers, has not consolidated the results of the Foundation and has not recorded the public private partnership assets and liabilities appropriately. I have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the annual report affected by this departure from PSAS.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Those charged with governance are responsible for the oversight of the financial reporting process. Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting when the entity will continue its operations for the foreseeable future.

Auditor's Responsibilities for the Audit of Financial Statements

My objectives are to obtain reasonable assurance about whether the entity's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



Stuart Newton, CPA, CA
Assistant Auditor General

Victoria, British Columbia, Canada
June 21, 2021

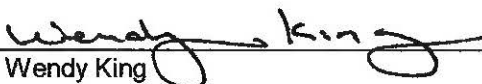
ROYAL BRITISH COLUMBIA MUSEUM
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31

	<i>Notes</i>	2021	2020
Financial Assets			
Cash and cash equivalents	3	\$ 7,166,285	\$ 4,799,357
Accounts receivable	5	4,970,436	1,496,491
Inventory	2(e)	84,344	-
		12,221,065	6,295,848
Financial Liabilities			
Accounts payable and accrued liabilities	6	5,904,197	4,794,365
Leave liability	2(d)	575,571	379,339
Deferred revenue	2(f), 7	1,449,694	1,188,153
Deferred capital contributions	2(g), 8	12,532,073	8,746,641
		20,461,535	15,108,498
Net Financial Debt		(8,240,470)	(8,812,650)
Non-Financial Assets			
Tangible capital assets	2(h), 10	38,151,467	24,205,403
Prepaid expenses	2(i)	165,851	76,637
Other Assets	2(n), 21	-	1,200,000
		38,317,318	25,482,040
Accumulated Surplus		\$ 30,076,848	\$ 16,669,390

Contractual Obligations (Note 14)

Approved on behalf of the Board:


Dr. Daniel Muzyka
Acting CEO & Chair - Board of Directors


Wendy King
Chair - Finance and Audit Committee

The accompanying notes are an integral part of these financial statements.

ROYAL BRITISH COLUMBIA MUSEUM
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31

	Notes	2021 Budget (Note 17)	2021	2020
Revenues				
Provincial operating contributions		\$ 11,866,000	\$ 11,866,000	\$ 11,866,000
Provincial other contributions		-	8,500,852	2,712,980
Provincial contributions for land purchase	10	-	14,865,808	-
Museum admission fees and memberships		5,732,000	1,099,569	5,830,670
Grants and sponsorships		1,188,000	542,024	875,512
Property leases		915,000	186,198	910,590
Programs, services and miscellaneous		912,000	517,336	1,025,715
Amortization of deferred capital contributions	8	584,000	607,650	557,694
Donated collections and artifacts		-	164,407	122,773
		21,197,000	38,349,844	23,901,934
Expenses				
Salaries and benefits		10,819,000	11,800,590	10,708,187
Building costs		2,362,000	1,838,865	2,392,370
Amortization		1,066,000	1,085,345	967,969
Security		1,000,000	835,319	963,612
Grant in lieu of property taxes		756,000	788,911	763,651
Special exhibitions	9	1,500,000	416,680	1,413,493
Systems and telecommunications		850,000	868,950	889,666
Professional services		390,000	1,929,093	2,165,382
Materials and supplies		250,000	453,822	1,210,559
Offsite Storage		710,000	774,948	751,714
Marketing and communications		380,000	345,540	387,093
Office and business		463,000	160,953	393,208
Insurance		200,000	304,041	204,607
Travel		250,000	21,073	260,419
Bank charges		50,000	52,622	135,038
Collections and artifacts		-	164,407	122,773
Premium of purchase of assets	20	-	1,802,570	-
Other	21	150,500	1,298,657	155,643
		21,196,500	24,942,386	23,885,384
Annual Operating Surplus		500	13,407,458	16,550
Accumulated Surplus, beginning of year			16,669,390	16,652,840
Accumulated Surplus, end of year	12		\$ 30,076,848	\$ 16,669,390

The accompanying notes are an integral part of these financial statements.

ROYAL BRITISH COLUMBIA MUSEUM CORPORATION
STATEMENT OF CHANGE IN NET DEBT
FOR THE YEAR ENDED MARCH 31

	2021 Budget	2021	2020
Annual Operating Surplus	\$ 500	\$ 13,407,458	\$ 16,550
Acquisition of tangible capital assets	(27,500,000)	(15,031,407)	(1,893,577)
Write-down of tangible capital assets	-	-	176,466
Amortization of tangible capital assets	1,066,000	1,085,345	967,969
	(26,433,500)	(538,604)	(732,592)
Acquisition of prepaid expense	-	(945,578)	(857,834)
Use of prepaid expense	-	856,364	1,205,045
	-	(89,214)	347,211
Write-down of other assets	-	1,200,000	-
	-	1,200,000	-
(Increase) decrease in net debt	(26,433,500)	572,182	(385,381)
Net debt, beginning of year	(8,812,652)	(8,812,652)	(8,427,270)
Net debt, end of year	\$ (35,246,152)	\$ (8,240,470)	\$ (8,812,652)

The accompanying notes are an integral part of these financial statements.

ROYAL BRITISH COLUMBIA MUSEUM CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31

	2021	2020
OPERATING ACTIVITIES		
Annual Operating Surplus	\$ 13,407,458	\$ 16,550
Items not affecting cash:		
Write off of other assets	1,200,000	
Amortization	1,085,345	967,969
Amortization of Deferred capital contributions	(607,650)	(557,694)
Changes in operating working capital:		
Accounts receivable	(3,473,945)	573,787
Inventory	(84,344)	-
Prepaid expenses	(89,214)	347,211
Accounts payable and accrued liabilities	1,109,832	1,408,643
Leave liability	196,232	(2,928)
Deferred revenue	261,541	(234,250)
Cash provided by or (used in) operating activities	13,005,255	2,519,288
CAPITAL ACTIVITIES		
Cash used to purchase tangible capital assets	(15,031,407)	(1,893,577)
Write-down of tangible capital assets	-	176,466
Cash received for the acquisition of tangible capital assets (excluding land)	4,393,080	174,488
Cash provided by or (used in) capital activities	(10,638,327)	(1,542,623)
Increase (decrease) in cash and cash equivalents	2,366,928	976,665
Cash and cash equivalents, beginning of year	4,799,357	3,822,692
Cash and cash equivalents, end of year	\$ 7,166,285	\$ 4,799,357

The accompanying notes are an integral part of these financial statements.

**ROYAL BRITISH COLUMBIA MUSEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

1. Nature of Operations

The Royal British Columbia Museum Corporation (the "Corporation") was formed on April 1, 2003 under the *Museum Act*. The Corporation is wholly owned by the Province of British Columbia, and reports to the Legislative Assembly through the Minister of Tourism, Arts and Culture. As a provincial crown agency, the Corporation is subject to legislative regulations in government reporting Acts which include the *Budget Transparency and Accountability Act* and the *Financial Administration Act*.

The Corporation's mandate is to fulfill the Government's fiduciary responsibilities for public trusteeship of the Provincial collections and exhibitions, including specimens, artifacts, archival and other materials that illustrate the natural and human history of British Columbia. The Corporation 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.

The Corporation is exempt from taxes under the *Income Tax Act*.

2. Summary of Significant Accounting Policies

Significant accounting policies used in the preparation of these financial statements are:

(a) Basis of accounting

These financial statements have been prepared by management in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia which requires that financial statements be prepared in accordance with Canadian public sector accounting standards except in regard to accounting for government transfers as set out in Note 2(g).

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term deposits that are readily convertible to cash and subject to an insignificant risk of change in value. Cash equivalents are investments in term deposits and are valued at their carrying value plus accrued interest. The carrying amounts approximate fair value as they have maturities at the date of purchase of less than ninety days. Cash includes cash on hand and balances held in Canadian bank accounts.

(c) Financial instruments

Financial instruments are accounted for in accordance with the Public Sector Accounting standards 3450. The Corporation's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and liabilities all of which are reported at amortized cost.

All financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. A financial liability or part is derecognized when it is extinguished.

ROYAL BRITISH COLUMBIA MUSEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

2. Significant accounting policies (continued):

(d) Employee future benefits

The Corporation and its employees contribute to the Public Service Pension Plan in accordance with the Public Sector Pension Plans Act.

i. Pension benefits

All eligible employees participate in a multi-employer, defined benefit pension plan. Defined contribution plan accounting has been applied to this plan as the Corporation has insufficient information to apply defined benefit plan accounting. Accordingly, the Corporation's contributions are expensed in the year in which the services are rendered, and represent its total pension obligation (see note 15).

ii. Other future benefits

Eligible employees are entitled to post-employment health care and other benefits as provided under the terms of employment or collective agreements. The cost of these benefits is accrued as employees render the services necessary to earn them.

iii. Leave Liability

Eligible employees are entitled to accumulated earned, unused vacation and other eligible leave entitlements as provided under terms of employment or collective agreements. A liability is recognized as in an event that obligates the Corporation to pay benefits for unused leaves occurs.

(e) Inventories held for sale

Inventories held for sale, comprised of gift shop merchandise and concession product, are recorded at the lower of weighted average cost or net realizable value. Costs includes the purchase price plus shipping and other applicable costs. Net realizable value is the estimated selling price less any costs to sell.

(f) Deferred revenue

Deferred revenue includes restricted funds related to grants for operating projects, future gallery rental deposits, advance admission sales, annual passes, memberships and unredeemed gift cards. Amounts received in advance of rental event are recorded as deferred until event completion. Amounts received in advance for admission and gift cards are recorded when admission occurs. Amounts received in advance for annual passes and memberships are recorded on a straight-line basis over the pass and membership term.

(g) Deferred capital contributions

Funding received for the acquisition of depreciable tangible capital assets is recorded as a deferred capital contribution and is recognized as revenue in the Statement of Operations and Accumulated Surplus in an amount equal to the amortization expense on the related depreciable assets. This policy is in accordance with Treasury Board Regulation BC 198/2011 under the authority of the *Budget Transparency and Accountability Act*, S.B.C. 2000, c.23, s.23. This accounting treatment is not consistent with the requirements of Canadian public sector accounting standards which require that government transfers be recognized as revenue when approved by the transferor and certain eligibility criteria have been met, unless the transfer

**ROYAL BRITISH COLUMBIA MUSEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

2. Significant accounting policies (continued):

contains a stipulation that creates a liability, in which case the transfer would be recognized as revenue over the period in which the liability is extinguished. The impact of the difference in this accounting policy on the financial statements is presented in Note 4.

(h) Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Asset costs are amortized on a straight-line basis over their estimated useful lives as follows:

- | | |
|----------------------------------|----------------|
| • Buildings and improvements | up to 40 years |
| • Permanent exhibitions | up to 10 years |
| • Computer hardware and software | up to 10 years |
| • Operating equipment | 5 years |
| • Vehicles | 3 years |
| • Furniture | 5 years |

Capital assets acquired during the year and under construction are not amortized until they are readily available and placed for use.

When conditions indicate that a tangible capital asset no longer contributes to the Corporation's ability to provide goods and services, or the value of future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is reduced to reflect the decline in the asset's value. The write-down is recognized as an expense in the statement of operations and is not reversed in a subsequent period.

In accordance with PS1000 *Financial Statement Concepts*, the collections, including art and historic treasures, are not recorded as assets in the financial statements. Donated collections are recorded as revenue estimated at the fair market value on the date of donation of the gift based on appraisals by independent appraisers. The acquisition of both donated and purchased collections are expensed.

(i) Prepaid expenses

Prepaid expenses include insurance and are charged to expense over the periods expected to benefit from it.

(j) Funds and Reserves

Certain amounts, as approved by the Board of Directors, are set aside in accumulated surplus for future operating and capital purposes. Transfers to/from funds and reserves are an adjustment to the respective fund when approved as described in Note 12.

(k) Revenue Recognition

Government transfers are recognized in the financial statements as revenue when the transfer is authorized, and all eligibility criteria have been met and reasonable estimates of the amount can be made with two exceptions. The first exception is when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met. The second exception occurs for transfer received related to depreciable tangible capital assets, received for capital contributions as described in Note 2(g).

ROYAL BRITISH COLUMBIA MUSEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

2. Significant accounting policies (continued):

Admission, service, venue revenue and program fees are recognized as revenue as the service is provided. Annual passes and membership fees are recognized as revenue on a straight-line basis over the term of the pass or membership.

Investment income and miscellaneous revenue is recognized as earned. Royalties and rental revenues are recognized when earned in accordance with specified agreements when the amounts can be reasonably estimated and receipt is likely.

Grants that are required to be used for specific operational projects by external parties or government are recognized as revenue in the period in which the resources are used for the purpose or purposes specified, in accordance with the terms of the funding agreement. An externally restricted inflow received before this criterion has been met is recorded as a liability until the resources are used for the purpose or purposes specified, with an exception for grants received for to acquire depreciable capital assets.

Contributions provided for capital projects by external parties or governments are deferred and recognized as revenue on the same basis the related assets are amortized, either in accordance with the terms of the funding agreement, or in accordance with Note 2(g) with the exception of grants for purchase of land that are recognized as revenue in the period that the land is purchased.

(l) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the fiscal year is expensed.

(m) Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Estimates included in these financial statements are accrued assets and liabilities, collectability of accounts receivable, leave liability, and estimated useful life of tangible capital assets

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

(n) Other Expenses

Other expenses include: GST expense net of recoveries, grants paid, and write down of other asset. The other asset consisted of prior year payments from the Corporation to the Royal British Columbia Museum Foundation as explained in note 21.

**ROYAL BRITISH COLUMBIA MUSEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

3. Cash and Cash Equivalents

The cash and cash equivalents, reported on the Statement of Financial Position, are made up of the following:

	2021	2020
Cash	\$ 2,140,536	\$ 3,774,001
Cash Equivalents	25,749	1,025,356
Cash Held in Trust- Holdback for Land Purchase	5,000,000	-
Total Cash and Cash Equivalents	\$ 7,166,285	\$ 4,799,357

4. Impact of Accounting for Government Transfers and Restricted Contributions in accordance with section 23.1 of the *Budget Transparency and Accountability Act*

If the Corporation adopted Canadian public sector accounting standards excluding the modifications as described in the Treasury Board Regulation BC 198/2011 under the authority of the *Budget Transparency and Accountability Act*, S.B.C. 2000, c.23, s.23, the impact on the financial statements is presented as follows:

	2021 Increase/ (Decrease)	2020 Increase/ (Decrease)
Statement of Financial Position		
Deferred capital contributions	\$ 12,532,073	\$ 8,746,641
Deferred revenue	318,626	-
Accumulated surplus	\$ 12,850,099	\$ 8,746,641
Statement of Operations and Accumulated Surplus		
Amortization of deferred capital contributions	\$ (607,650)	\$ (557,694)
Annual operating (surplus) deficit	\$ (607,650)	\$ (557,694)

5. Accounts Receivable

	2021	2020
Federal Government	\$ 94,630	\$ 20,434
Canada Revenue Agency	97,248	62,977
Provincial Government	4,594,663	1,022,273
Destination Cinema Canada Inc.	-	22,288
Royal British Columbia Museum Foundation	132,749	51,391
Other	51,146	317,128
Total	\$ 4,970,436	\$ 1,496,491

ROYAL BRITISH COLUMBIA MUSEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

6. Accounts Payable and Accrued Liabilities

	2021	2020
Federal Government	\$ 2,001	\$ -
Provincial Government	3,749,769	3,030,782
Transportation Investment Corporation	346,095	-
Royal BC Museum Foundation	1,534	-
City of Victoria	249,309	194,980
Other	1,555,489	1,568,603
Total	\$ 5,904,197	\$ 4,794,365

7. Deferred revenue

Deferred revenue includes restricted funds related to grants for operating projects and unrestricted funds for future gallery rental deposits, advance admission sales, memberships and unredeemed gift cards.

	Balance at March 31, 2020	Additions/ Adjustments	Recognized to revenue	Balance at March 31, 2021
<i>Restricted funds</i>				
Provincial	\$ -	\$ 318,626	\$ -	\$ 318,626
Federal	43,910	128,284	(26,341)	145,853
Other	537,229	90,657	(110,787)	517,099
<i>Unrestricted funds</i>				
Other	607,014	846,786	(985,683)	468,117
Total	\$ 1,188,153	\$ 1,384,353	\$ (1,122,811)	\$ 1,449,694

8. Deferred capital contributions

Deferred capital contributions include funds received for the purchase of IMAX theatre, land and development costs for a collection and research building as well as facilities upgrades including: HVAC systems, lighting and electrical.

	Balance at March 31, 2020	Additions/ transfers	Amortized to revenue	Balance at March 31, 2021
Provincial government	\$ 5,592,392	\$ 4,393,083	\$ 396,434	\$ 9,589,041
Federal government	2,387,038	-	148,177	2,238,861
Other	767,210	-	63,039	704,171
Total	\$ 8,746,640	\$ 4,393,083	\$ 607,650	\$ 12,532,073

**ROYAL BRITISH COLUMBIA MUSEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

9. Special exhibitions

The Corporation hosts temporary exhibitions to provide a window on the world and to encourage repeat visitation. Costs allocated to special exhibitions are those additional costs which are directly incurred to host the exhibition. Materials and Supplies include exhibition loan fees where applicable. In fiscal year 2021, exhibition costs were incurred for: *Orcas: Our Shared Future*; *Wildlife Photographer of the Year*; and *Emily Carr: Fresh Seeing*.

	2021	2020
Salaries and benefits	\$ -	22,518
Professional Services contracts	20,436	22,328
Marketing and communications	164,391	437,288
Materials and supplies	161,797	897,920
Other	70,056	33,438
Total	\$ 416,680	\$ 1,413,492

ROYAL BRITISH COLUMBIA MUSEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

10. Tangible capital assets

Cost	Balance at March 31, 2020	Additions	Disposals	Balance at March 31, 2021
Land	\$ 12,510,140	\$ 10,064,262	\$ -	\$ 22,574,402
Permanent exhibitions	2,872,278	476,977	-	3,349,255
Operating equipment	937,548	1,235,366	-	2,172,914
Hardware and software	3,467,698	180,109	-	3,647,807
Furniture	31,340	-	-	31,340
Buildings and improvements	14,814,545	3,074,693	-	17,889,238
Total	\$ 34,633,549	\$ 15,031,407	\$ -	\$ 49,664,956

Accumulated Amortization	Balance at March 31, 2020	Amortization	Accumulated Amortization on Disposals	Balance at March 31, 2021
Land	\$ -	\$ -	\$ -	\$ -
Permanent exhibitions	1,485,414	68,179	-	1,553,593
Operating equipment	682,574	114,446	-	797,020
Hardware and software	2,776,522	304,907	-	3,081,429
Furniture	31,339	1	-	31,340
Buildings and improvements	5,452,297	597,810	-	6,050,107
Total	\$ 10,428,146	\$ 1,085,343	\$ -	\$ 11,513,489

Net Book Value	Balance at March 31, 2020	Balance at March 31, 2021
Land	\$ 12,510,140	\$ 22,574,402
Permanent exhibitions	1,386,864	1,795,662
Operating equipment	254,974	1,375,894
Hardware and software	691,176	566,378
Furniture	1	-
Buildings and improvements	9,362,248	11,839,131
Total	\$ 24,205,403	\$ 38,151,467

At March 31, 2021 the capital projects in progress include:

• Land under development	\$ 10,064,262
• Permanent exhibitions	1,557,023
• Operating Equipment	18,835
• Hardware and software	7,400
• Buildings and improvements	<u>1,715,786</u>
Total capital projects not placed into use	<u>\$13,363,306</u>

ROYAL BRITISH COLUMBIA MUSEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

10. Tangible capital assets (continued)

Land under development includes land purchased and development of collection and research building, anticipated to complete in Fall/Winter of 2024. A \$5,000,000 holdback is held in trust with lawyers for land purchase that will be recognized once sellers' obligations are met. Amortization of these assets, excluding land, will commence when building is placed into service.

Disposals/write-downs for 2021: \$0, (2020: \$176,466) reflects a management decision in the prior year to delay indefinitely three projects to upgrade the core galleries due to changed circumstances.

Cost	Balance at March 31, 2019	Additions	Disposals/ Write-downs	Balance at March 31, 2020
Land	\$ 12,510,140	\$ -	\$ -	\$ 12,510,140
Permanent exhibitions	1,961,415	1,087,329	(176,466)	2,872,278
Operating equipment	745,525	192,023	-	937,548
Hardware and software	3,246,408	221,290	-	3,467,698
Furniture	31,340	-	-	31,340
Buildings and improvements	14,421,611	392,934	-	14,814,545
Total	\$ 32,916,439	\$ 1,893,576	\$ (176,466)	\$ 34,633,549

Accumulated Amortization	Balance at March 31, 2019	Amortization	Accumulated Amortization on Disposals/ write-downs	Balance at March 31, 2020
Land	\$ -	\$ -	\$ -	\$ -
Permanent exhibitions	1,417,231	68,183	-	1,485,414
Operating equipment	624,241	58,333	-	682,574
Hardware and software	2,495,182	281,340	-	2,776,522
Furniture	31,339	-	-	31,339
Buildings and improvements	4,892,184	560,113	-	5,452,297
Total	\$ 9,460,177	\$ 967,969	\$ -	\$ 10,428,146

Net Book Value	Balance at March 31, 2019	Balance at March 31, 2020
Land	\$ 12,510,140	\$ 12,510,140
Permanent exhibitions	544,184	1,386,864
Operating equipment	121,284	254,974
Hardware and software	751,226	691,176
Furniture	1	1
Buildings and improvements	9,529,427	9,362,248
Total	\$ 23,456,262	\$ 24,205,403

At March 31, 2020 the capital projects in progress include:

• Buildings and improvements	\$ 174,488
• Permanent exhibitions	1,080,046
• Operating Equipment	60,112
Total capital projects not placed into use	\$1,314,646

**ROYAL BRITISH COLUMBIA MUSEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

11. Collections and artifacts

The Corporation conducts a Collections Risk Assessment every five years to assess the overall risk of deterioration, loss and to best plan for long-term conservation of artifacts and records. The last assessment was done in fiscal 2016. The Corporation determined as at March 31, 2016, the collections consisted of approximately 7.7 million artifacts, specimens and archival records. During the 2021 fiscal year, the Corporation de-accessioned 6 batches (2020: 10) and accessioned 193 batches (2020: 201) to its collections through the acquisition, purchase and accessioning process. The collections are valued at \$190 million for insurance purposes.

12. Accumulated operating surplus

Accumulated operating surplus consists of individual fund surplus and reserves as follows:

	Balance at March 31, 2020	Additions	Uses	Balance at March 31, 2021
Unappropriated operating surplus	\$ 14,321,818	\$ 13,407,458	\$ -	\$ 27,729,276
Amounts reserved for future use on:				
Capital expenditures	1,173,786	-	-	1,173,786
Operating	1,173,786	-	-	1,173,786
Total reserves	2,347,572	-	-	2,347,572
Total accumulated operating surplus	\$ 16,669,390	\$ 13,407,458	\$ -	\$ 30,076,848

Certain amounts are set aside in accumulated operating surplus for future financial obligations and the purchase of capital assets. The operating surplus of \$13,407,458 has not been added to any reserve.

Capital reserve: the purpose of this reserve is to help stabilize large fluctuations in capital spending from one year to the next. This reserve assists in the financing of these expenditures to limit the impact to revenue requirements in those years.

Operating reserve: the purpose of this reserve is to finance an unintended deficit. Unintended deficits would be caused largely by unexpected costs for items that are outside management's control or by admission revenues lower than anticipated.

**ROYAL BRITISH COLUMBIA MUSEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

13. The Royal British Columbia Museum Foundation

The Foundation is an independent organization with its own Board of Directors therefore the accounts of the Foundation are presented separately and are not consolidated in these financial statements. The purposes of the Foundation are to undertake charitable activities that promote and support the aims, interests and activities of the Royal British Columbia Museum Corporation.

The Foundation has internally restricted funds of approximately \$6,175,090 (2020 - \$6,161,320), which are reserved for specific projects for transfer to the Corporation in future years.

During the year, the following amounts were paid by the Foundation to the Corporation:

	2021	2020
Funding for non-capital projects	\$ 436,168	\$ 339,330
Purchases of goods and services	44,965	47,127
Total	\$ 481,133	\$ 386,457

As at March 31, 2021 \$132,749 is due from the Foundation to the Corporation and is included in the accounts receivable (2020: \$51,392).

During the year, the following amounts were paid by the Corporation to the Foundation:

	2021	2020
Purchases of goods and services	21,120	2,892
Total	\$ 21,120	\$ 2,892

As at March 31, 2021, \$1,534 is due from the Corporation to the Foundation and is included in the accounts payable (2020: \$0).

The CEO of the Corporation was independently contracted by the Foundation which provided professional consulting services with respect to fundraising. The independent contract with CEO was cancelled as of February 15, 2021.

**ROYAL BRITISH COLUMBIA MUSEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

14. Contractual Obligations

Property Management Contract

The Corporation entered into a 2 year service agreement for the provision of building management and maintenance services expiring March 31, 2022. Under the terms of the agreement, the Corporation will pay annual management fees based on 14% of the preventive and maintenance budget (2022 budget: \$335,000). Although the preventive and maintenance budget will likely change over time, the direction and amount of change cannot be estimated with certainty. Forecasting property management costs based on current budget levels result in the following obligations:

2022	\$	46,900
Total	\$	46,900

Additionally, the Corporation will pay for direct maintenance costs as incurred by the contractor.

Information Technology Support Contract

On November 1, 2017, the Corporation entered into a 5 year service agreement for the provision of helpdesk and technical infrastructure support services expiring October 31, 2022. Under the terms of the agreement, the Corporation will pay fixed and variable fees. Fixed fees are as follows:

2022	\$	359,100
2023		209,475
Total	\$	568,575

Security Contract

In April 2019 the Corporation exercised a 5 year extension to the previous service agreement for the provision of security services expiring March 31, 2024. Under the terms of the agreement, the Corporation will pay annual fees as follows:

2022	\$	1,049,855
2023		1,068,064
2024		1,091,966
Total	\$	3,209,885

Additionally, the Corporation will pay for direct security costs as incurred by the contractor for special events, late openings and other functions that require additional security services.

**ROYAL BRITISH COLUMBIA MUSEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

14. Contractual Obligations (continued)

Lease Commitments

The Corporation has operating leases to rent warehouse and cold storage space to store and preserve artifacts which expire on April 30, 2025 and January 31, 2022 respectively. Future minimum payments are as follows:

2022	\$	247,855
2023		197,790
2024		201,260
2025		204,730
Total	\$	851,635

The Corporation is also obligated to cover a proportion of property taxes for the lease expiring in 2025. These costs amounted to \$50,269 in fiscal year 2021.

The Corporation may incur additional costs associated with accessing, adding or removing pallets from Cold Storage.

Janitorial Services Contract

On December 1, 2020 the Corporation entered into a 2-year service agreement for the provision of janitorial services expiring November 30, 2022, with option for additional three one-year options to renew. Under the terms of the agreement, the Corporation will pay a fixed fee. The maximum future payments are as follows:

2022	\$	475,629
2023		317,522
Total	\$	793,151

In addition, the Corporation will be invoiced at cost for janitorial consumables (approximately \$15,500 for 12 months).

15. Employee Pension Plan

The Corporation and its employees contribute to the Public Service Pension Plan, a jointly trusted pension plan. The Public Service Pension Plan Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the plan, including investment of the assets and administration of benefits. The Public Service Pension Plan has approximately 137,000 active, inactive and retired members.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the funding. The latest actuarial valuation as at March 31, 2020, indicated a funding surplus of \$2.667 billion for basic pension benefits. The next valuation will be as at March 31, 2023.

Employers participating in the plan record their pension expenses as the amount of employer contributions made during the fiscal year. This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, and therefore there is no consistent and reliable basis for allocating the obligation, assets and costs to individual employers participating in the plan.

**ROYAL BRITISH COLUMBIA MUSEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

16. Related Party Transactions

The Corporation is related through common ownership to all Province of BC Ministries, agencies, Crown corporations, and all public sector organizations such as school districts, colleges, universities, and health authorities that are included in the provincial government reporting entity. In addition, senior management, directors, immediate family members of senior management and directors, and companies with which any of the above have a financial interest are also considered related parties. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

17. Budget Figures

Budget figures have been provided for comparative purposes and are from the Corporation's Fiscal 2020/2021 Budget approved by the Royal BC Museum Corporation Board of Directors on February 3, 2020 and published in the Corporation's Service Plan. The budget is reflected in the statement of operations and accumulated surplus and the statement of changes in net debt.

18. Financial risk management

It is management's opinion that the Corporation is not exposed to significant liquidity or credit risks arising from these financial instruments.

Liquidity Risk: Cash and cash equivalents are held with financially sound Canadian institutions and as such liquidity risk is not significant.

Credit Risk: Receivable balances consist primarily of trade receivables. At the financial statement date, 3 % of the accounts receivable balance is past due and none is considered to be impaired. As such the Corporation is not exposed to significant credit risk.

Interest Rate Risk: The Corporation is exposed to interest rate risk through its cash equivalents. It is management's opinion that the Corporation is not exposed to significant interest rate risk as it invests solely in term deposits that have a maturity date of no more than 91 days.

19. Statement of Remeasurement Gains and Losses

A Statement of Remeasurement Gains and Losses has not been included in these financial statements because the Corporation does not have any accumulated remeasurement gains and losses or current period remeasurement gains and losses to report.

**ROYAL BRITISH COLUMBIA MUSEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

20. IMAX Theatre Purchase

In 1998 the museum entered into a Lease Agreement and Theatre Operating Agreement for the operation of a large screen motion picture theatre on the Corporation's premises. Under the terms of the agreement, the Corporation is paid a royalty from theatre sales including certain negotiated adjustments, plus specific amounts for additional operating costs. The term of the agreement was 30 years and expired June 24, 2028.

The lease included an Option that the Corporation could exercise to terminate the lease and purchase from the lease tenant improvements and the furniture fixtures and equipment, and all interests under the Lease (Optioned Assets).

On June 20, 2019, the museum exercised the Option, which constituted a binding purchase and sale agreement for the Optioned Assets. Under the agreement, the purchase price was based on the fair market value of the Optioned Assets as of March 31, 2019 adjusted for cash flow from the continued operations of the Theatre to the closing date as determined by an independent appraiser in accordance with terms in the Lease. The closing date was August 29, 2020 and the statement of operations reflects the results from the Theatre operations from that date forwards.

The purchase transaction of assets acquired were:

	Funded	Unfunded	Total
Building	\$ 1,358,902		\$ 1,358,902
Equipment	1,053,727		1,053,727
Furniture	70,369		70,369
Fair market value of the assets acquired	\$ 2,482,998	\$ -	\$ 2,482,998
Premium expense	1,233,580	568,990	\$ 1,802,570
Purchase Price	\$ 3,716,578	\$ 568,990	\$ 4,285,568

The amount of consideration paid was \$3,716,578 including taxes, of which \$1,233,580 was charged to purchase premium expense.

Further expenses related to the acquisition of \$568,990 and were also expensed to purchase price premium.

21. Other Expense

The financial statements expense other includes a write down of Other Assets of \$1.2 million. The decision to write down the asset this year was determined by management that the funds are likely to not be returned to the Corporation without restrictions.

22. Comparative Figures

Certain comparative figures, have been restated to conform to current year's presentation.

ROYAL BRITISH COLUMBIA MUSEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

23. Uncertainty Due to COVID-19

On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. The museum responded by closing all on-site operations to the public in the week of March 16, 2020 re-opening June 19, 2020 on a restricted basis. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the museum expects no change to current restrictions on visitors until fall of 2021 and continues to deliver its services in line with Public Health Office's guidelines.

In addition to the museum's internal COVID-19 response, in 2021 the museum received additional funding of \$3.4 million from the Province. The operations of the Corporation are dependent on continued funding from the Province of British Columbia. These financial statements have been prepared on a going concern basis.

As the impacts of COVID-19 continue, there could be further impacts on the museum, its stakeholders, employees, suppliers and other partners. The museum is not able to fully estimate the effects of the pandemic on its results of operations, financial condition or liquidity at this time.