

**ROYAL BRITISH COLUMBIA MUSEUM
CORPORATION FINANCIAL STATEMENTS
MARCH 31, 2023**

ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

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ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

MANAGEMENT'S REPORT

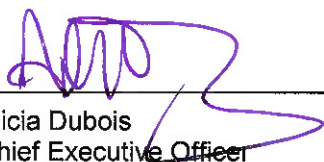
The financial statements of the Royal British Columbia Museum Corporation have been prepared by management in accordance with the financial reporting framework disclosed in Note 2, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for 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:



Alicia Dubois
Chief Executive Officer



Wayne Powell
Executive Financial Officer and
VP Corporate Finance

Victoria, British Columbia
June 22, 2023



Independent Auditor's Report

*To the Board of Governors of the Royal British Columbia Museum Corporation, and
To the Minister of Tourism, Arts and Culture, 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, 2023, and the statements of operations and accumulated surplus, changes in net debt, 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, 2023, and the results of its operations, change in its net debt, remeasurement gains and losses 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 revenue

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 PSAS, 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 PSAS.

Independent Auditor's Report

Royal British Columbia Museum Corporation

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, 2023 would have been lower by \$24.5 million, revenue, annual surplus and accumulated surplus would have been higher by \$24.5 million and net debt would have been lower by \$24.5 million.

Control of the Royal 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 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. 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 PSAS.

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 \$15.7 million, an understatement of liabilities of \$0.1 million, an understatement of accumulated surplus of \$15.6 million, an understatement of revenues of \$1.2 million and an understatement of expenses of \$1.2 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.

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.

Prior to the date of my auditor's report, I obtained the draft annual service plan report. If, based on the work I have performed on this other information, I conclude that there is a material misstatement therein, I am required to report that fact in this auditor's report.

As described in the Basis for Qualified Opinion section above, the entity has inappropriately deferred certain of its revenues from government transfers and has not consolidated the results of the Foundation. 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 PSAS, 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 the 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

Independent Auditor's Report

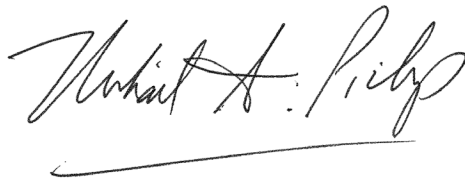
Royal British Columbia Museum Corporation

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.



Michael A. Pickup FCPA, FCA
Auditor General of British Columbia

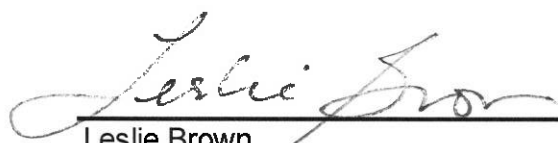
Victoria, British Columbia, Canada
June 26, 2023

Royal BC Museum Corporation
Statement of Financial Position
As at March 31, 2023


	Notes	2023	2022
Financial Assets			
Cash and cash equivalents	3	\$ 4,580,529	\$ 12,179,926
Accounts receivable	5	5,803,592	2,459,690
Inventory	2 (e)	43,296	75,925
		10,427,417	14,715,541
Financial Liabilities			
Accounts payable and accrued liabilities	6	14,500,665	10,760,614
Leave liability	2(d)	471,230	460,498
Asset retirement obligation	2(n), 24	8,944,435	8,256,402
Deferred revenue	2(f), 7	1,240,287	1,288,863
Deferred capital contributions	2(g), 8	24,743,351	14,954,863
		49,899,969	35,721,240
Net Financial Debt		(39,472,552)	(21,005,699)
Non-Financial Assets			
Tangible capital assets	2(h), 10	56,255,764	41,340,255
Prepaid expenses	2(i)	748,394	252,362
		57,004,158	41,592,617
Accumulated Surplus		17,531,606	20,586,918

Contractual Obligations (Note 14)
Subsequent Events (Note 25)

Approved on behalf of the Board



Leslie Brown
Board Chair



Lenora Lee
Chair - Finance and Audit Committee

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

	Notes	2023 Budget (Note 17)	2023	2022
Revenues				
Provincial operating contributions		\$ 11,866,000	\$ 12,391,000	\$ 11,866,000
Provincial contributions for other purposes		6,488,000	6,738,387	5,169,341
Museum admission fees and memberships		448,089	1,704,698	4,048,050
IMAX admission fees and annual passes		2,416,800	2,014,411	849,547
Grants and sponsorships		418,000	97,935	73,679
Contributions from RBCM Foundation	13	409,700	546,636	326,893
Property leases		238,000	142,351	114,130
Programs, services and miscellaneous		5,527,000	1,800,832	1,347,031
Amortization of deferred capital contributions	8	862,743	603,805	860,308
Donated collections and artifacts		-	46,700	139,163
Total Revenues		28,674,332	26,086,754	24,794,142
Expenses				
Salaries and benefits		15,404,700	13,341,721	12,743,552
Building costs		2,612,500	2,747,585	2,169,096
Amortization		1,262,743	1,145,545	1,126,162
Accretion		-	688,033	818,202
Security		940,500	930,020	1,037,574
Taxes, City of Victoria		831,908	784,522	884,479
Special exhibitions	9	-	242,613	2,070,796
Systems and telecommunications		1,217,000	950,053	718,867
Professional services		3,843,000	4,685,989	1,841,812
Materials and supplies		375,960	1,211,253	705,876
Cost of goods sold		1,275,040	898,791	366,686
Offsite storage		800,000	1,352,978	802,809
Marketing and communications		600,000	631,578	378,360
Office and business		535,000	423,340	234,088
Insurance		562,500	426,521	354,933
Travel		211,000	323,652	47,174
Bank charges		100,000	101,157	106,376
Collections and artifacts		-	46,700	139,163
Other		252,481	208,302	299,867
		30,824,332	31,140,352	26,845,873
Annual Operating Surplus/(Deficit)		(2,150,000)	(5,053,598)	(2,051,730)
Accumulated Surplus, beginning of year			20,586,918	30,076,848
Adjustments				
Asset retirement obligation	24		-	(7,438,200)
Imax adjustment	21		1,998,286	-
Accumulated Surplus, end of year	12		\$ 17,531,606	\$ 20,586,918

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

	2023 Budget	2023	2022
Annual operating surplus/(deficit)	\$ (2,150,000)	\$ (5,053,598)	\$ (2,051,730)
Acquisition of tangible capital assets	-	(14,747,880)	(6,076,522)
Deferred capital contribution adjustment	-	685,113	-
Write-down of tangible capital assets	-	-	1,761,571
Amortization of tangible capital assets	1,262,743	1,145,545	1,126,162
	(887,257)	(17,970,820)	(5,240,519)
Acquisition of prepaid expense	-	(1,614,161)	(1,279,605)
Use of prepaid expense	-	1,118,129	1,193,095
	-	(496,032)	(86,510)
Write-down of other assets	-	-	-
	-	-	-
(Increase) decrease in net debt	(887,257)	(18,466,852)	(5,327,029)
Net debt, beginning of year	(21,005,700)	(21,005,700)	(15,678,671)
Net debt, end of year	(21,892,957)	(39,472,552)	(21,005,700)

ROYAL BRITISH COLUMBIA MUSEUM CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 2023

	2023	2022
OPERATING ACTIVITIES		
Annual Operating Surplus (Deficit)	\$ (5,053,598)	\$ (2,051,729)
Items not affecting cash:		
Write off of other assets	-	-
Amortization	1,145,545	1,126,162
Accretion	688,033	818,202
Amortization of deferred capital contributions	(603,805)	(860,308)
Write-down of tangible capital assets	-	1,761,571
Changes in operating working capital:		
Accounts receivable	(3,343,902)	2,510,746
Inventory	32,629	8,419
Prepaid expenses	(496,032)	(86,512)
Accounts payable and accrued liabilities	3,740,051	4,856,417
Leave liability	10,733	(115,073)
Deferred revenue	(48,576)	(160,831)
Cash provided by or (used in) operating activities	(3,928,922)	7,807,064
CAPITAL ACTIVITIES		
Cash used to purchase tangible capital assets	(14,747,880)	(6,076,522)
Cash received for the acquisition of tangible capital assets (excluding land)	11,077,406	3,283,098
Cash from (used for) investing activities	(3,670,474)	(2,793,424)
Increase (decrease) in cash and cash equivalents	(7,599,396)	5,013,640
Cash and cash equivalents, beginning of year	12,179,926	7,166,285
Cash and cash equivalents, end of year	4,580,529	12,179,926

ROYAL BRITISH COLUMBIA MUSEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

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: cash held in trust held escrow for land purchase, investments in term deposits that 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, 2023

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 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 events 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 as revenue 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, 2023

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 - 15 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 into 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 exhibition fees 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 transfers 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, 2023

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 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, asset retirement obligations and estimated useful life of tangible capital assets. In addition, the Corporation's implementation of PS 3280 *Asset Retirement Obligations* has resulted in the requirement for management to make estimates regarding the expected retirement costs, including the timing and duration of these retirement costs.

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) Asset Retirement Obligations (ARO)

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;

ROYAL BRITISH COLUMBIA MUSEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

2. Significant accounting policies (continued):

- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The liability for the removal of asbestos in several of the buildings owned by the Corporation has been recognized based on estimated future expenses on closure of the site and post-closure care.

Under the modified retroactive method, the assumptions and information provided from the Quantity Surveyors Assessment Report dated June 2021 was used for the initial recognition of the ARO liability at the date of adoption of the standard. The discount rate was not used since a settlement date is unknown, and the Quantity Surveyor report includes monthly escalation allowance and the value at June 2021 has been adjusted for inflation as described in the report. Assumptions used for the subsequent years will be reassessed yearly. The tangible capital assets affected by the asbestos liability are fully amortized with the building asset. Any new asset retirement obligation after implementation would follow the amortization accounting policies outlined in note 10 (capital assets note).

When the criteria are met and a settlement date is provided for the Corporation the liability would be reviewed to determine if it should be adjusted based on a professional assessment report and present value calculation. Should the recognition of a liability result in an accompanying increase to the respective tangible capital assets they will be amortized on the basis of the underlying asset.

ROYAL BRITISH COLUMBIA MUSEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

3. Cash and Cash Equivalents

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

	2023	2022
Cash	\$ 4,548,529	\$ 9,787,324
Cash equivalents	32,000	39,043
Cash held in trust - holdback for land purchase	-	2,353,559
Total Cash and Cash Equivalents	\$ 4,580,529	\$ 12,179,926

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:

	2023	2022
	Increase/ (Decrease)	Increase/ (Decrease)
Statement of Financial Position		
Deferred capital contributions	\$ 24,743,351	\$ 14,954,863
Deferred revenue	413,461	406,072
Accumulated surplus	\$ 25,156,812	\$ 15,360,935
Statement of Operations and Accumulated Surplus		
Amortization of deferred capital contributions	\$ (603,805)	\$ (860,308)
Annual operating (surplus) deficit	\$ (603,805)	\$ (860,308)

5. Accounts Receivable

	Balance at March 31, 2023	Balance at March 31, 2022
Provincial	\$ 4,895,808	\$ 2,203,208
Federal	214,063	67,876
Other	693,721	188,606
Total	\$ 5,803,592	\$ 2,459,690

ROYAL BRITISH COLUMBIA MUSEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

6. Accounts Payable and Accrued Liabilities

	2023	2022
Provincial Government	\$ 10,990,223	\$ 9,270,042
Federal Government	-	6,183
Other	3,510,442	1,484,389
Total	\$ 14,500,665	\$ 10,760,614

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, 2022	Additions/ Adjustments	Recognized to revenue	Balance at March 31, 2023
<i>Restricted funds</i>				
Provincial	\$ 406,072	\$ 1,413,461	\$ (1,406,072)	\$ 413,461
Federal	131,781	29,051	(17,799)	143,033
Other	395,991	(14,778)	(343,475)	37,738
<i>Unrestricted</i>				
Other	355,019	1,217,061	(926,024)	646,055
Total	\$ 1,288,863	\$ 2,644,795	\$ (2,693,371)	\$ 1,240,287

8. Deferred Capital Contributions

Deferred capital contributions include funds received for the 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, 2022	Additions transfers	Adjustments	Amortized	Balance at March 31, 2023
Provincial government	\$ 12,223,047	\$ 11,077,406	\$ 685,113	\$ 392,588	\$ 22,222,752
Federal government	2,090,684	-	-	148,177	1,942,507
Other	641,132	-	-	63,039	578,093
Total	\$ 14,954,863	\$ 11,077,406	\$ 685,113	\$ 603,805	\$ 24,743,351

**ROYAL BRITISH COLUMBIA MUSEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023**

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 and display the exhibition. Materials and supplies include exhibition loan fees where applicable. In fiscal year 2023 Wildlife Photographer was hosted from mid-December through the end of the fiscal year. No major exhibition was hosted during the summer/fall of 2022. Other costs include expenses associated with exhibits opening in Fiscal 2023/24.

	2023	2022
Salaries and benefits	\$ -	\$ -
Professional services contracts	24,265	18,002
Marketing and communications	87,639	248,766
Materials and supplies	118,929	107,088
Other	11,781	1,696,940
Total	\$ 242,613	\$ 2,070,796

ROYAL BRITISH COLUMBIA MUSEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

10. Tangible Capital Assets

Cost	Balance at March 31, 2022	Adjustments	Additions (Note 21, 24)	Balance at March 31, 2023
Land	\$ 25,256,253	\$ -	\$ 2,357,579	\$ 27,613,832
Permanent exhibitions	1,110,407	-	32,755	1,143,161
Operating equipment	2,503,136	(327,113)	363,678	2,539,702
Hardware and software	3,800,660	327,113	751,125	4,878,898
Furniture	31,340	-	-	31,340
Buildings and improvements	20,800,834	4,844,329	11,242,743	36,887,905
Asset retirement obligation	3,049,355	-	-	3,049,355
Total	\$ 56,551,985	\$ 4,844,329	\$ 14,747,880	\$ 76,144,194

Accumulated Amortization	Balance at March 31, 2022	Adjustments	Amortization (Note 21, 24)	Balance at March 31, 2023
Land	\$ -	\$ -	\$ -	\$ -
Permanent exhibitions	1,110,407	-	-	1,110,407
Operating equipment	960,282	-	184,155	1,144,437
Hardware and software	3,370,319	-	241,884	3,612,202
Furniture	31,340	-	-	31,340
Buildings and improvements	6,690,027	3,531,156	719,506	10,940,689
Asset retirement obligation	3,049,355	-	-	3,049,355
Total	\$ 15,211,730	\$ 3,531,156	\$ 1,145,545	\$ 19,888,431

Net Book Value	Balance at March 31, 2022	Balance at March 31, 2023
Land	\$ 25,256,253	\$ 27,613,832
Permanent exhibitions	-	32,755
Operating equipment	1,542,854	1,395,266
Hardware and software	430,341	1,266,695
Furniture	-	-
Buildings and improvements	14,110,807	25,947,216
Asset retirement obligation	-	-
Total	\$ 41,340,255	\$ 56,255,764

**ROYAL BRITISH COLUMBIA MUSEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023**

10. Tangible Capital Assets (Continued)

At March 31, 2023 the capital projects in progress include:

Land under development	15,103,692
Permanent exhibitions	32,755
Hardware and software	1,022,884
Buildings and improvements	15,870,125
Total capital projects not placed into use	<u>32,029,456</u>

Work in progress at March 31, 2023 includes \$15.4 million for the Collections and Research Building (CRB) capital project which is due to complete in early 2026. Amortization of these assets, excluding land will commence when the building is placed in to service.

On April 1, 2022, the Corporation adopted Canadian public sector accounting standard PS 3280 Asset Retirement Obligations. The impact on capital assets are as follows:

- At March 31, 2022:
 - Buildings and Improvements (ARO) \$3,049,355
 - Accumulated Amortization \$3,049,355

For more information on asset retirement obligations see note 24.

The value of the IMAX theatre building asset was adjusted in the current year (see note 21). The impact of this adjustment in fiscal 2022/23 was as follows:

- Increase IMAX Building \$4,884,329
- Increase Opening Accumulated Amortization \$3,531,156
- Increase Amortization Expense \$79,586

**ROYAL BRITISH COLUMBIA MUSEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023**

10. Tangible Capital Assets (Continued)

**ROYAL BRITISH COLUMBIA MUSEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022**

10. Tangible Capital Assets				
Cost	Balance at March 31, 2021	Additions	Disposals/ Write-downs	Balance at March 31, 2022
Land	\$ 22,574,402	\$ 2,681,850	\$ -	\$ 25,256,253
Permanent exhibitions	3,349,255	-	\$ (2,238,848)	1,110,407
Operating equipment	2,172,914	330,222	-	2,503,136
Hardware and software	3,647,807	152,853	-	3,800,660
Furniture	31,340	-	-	31,340
Buildings and improvements	17,889,238	2,911,595	-	20,800,834
Total	\$ 49,664,957	\$ 6,076,521	\$ (2,238,848)	\$ 53,502,630
<hr/>				
Accumulated Amortization	Balance at March 31, 2021	Amortization	Accumulated Amortization on Disposals/ Write-downs	Balance at March 31, 2022
Land	\$ -	-	-	-
Permanent exhibitions	1,553,593	34,091	(477,277)	1,110,407
Operating equipment	797,020	163,261	-	960,282
Hardware and software	3,081,429	288,890	-	3,370,319
Furniture	31,340	-	-	31,340
Buildings and improvements	6,050,107	639,920	-	6,690,027
Total	\$ 11,513,489	\$ 1,126,162	\$ (477,277)	\$ 12,162,375
<hr/>				
Net Book Value	Balance at March 31, 2021			Balance at March 31, 2022
Land	\$ 22,574,402			\$ 25,256,253
Permanent exhibitions	1,795,662			-
Operating equipment	1,375,894			1,542,854
Hardware and software	566,378			430,341
Furniture	-			-
Buildings and improvements	11,839,132			14,110,807
Total	\$ 38,151,467			\$ 41,340,255

ROYAL BRITISH COLUMBIA MUSEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

At March 31, 2022 the capital projects in progress include:

Land under development	12,746,113
Operating equipment	327,112
Hardware and software	29,883
Buildings and improvements	4,627,382
Total capital projects not placed into use	17,730,490

11. Collections and Artifacts

The Corporation conducts a Collections Risk Assessment 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 2023 fiscal year, the Corporation de-accessioned 26 batches (2022: 33) and accessioned 158 batches (2022: 224) 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			Balance at
	March 31, 2022	Additions	Uses	March 31, 2023
Unappropriated operating surplus	\$ 25,677,546	-	(5,053,598)	\$ 20,623,948
Other unappropriated surplus:				
Asset retirement obligation	(7,438,200)	-	-	(7,438,200)
IMAX adjustment	-	1,998,286	-	1,998,286
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	\$ 20,586,918	1,998,286	(5,053,598)	\$ 17,531,606

Certain amounts are set aside in accumulated operating surplus for future financial obligations and the purchase of capital assets. The operating deficit of \$5,053,598 has not been allocated to any reserves.

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, 2023**

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 \$7,978,514 (2022 - \$7,725,000), 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:

	2023	2022
Funding for non-capital projects	\$ 546,636	\$ 326,893
Purchases of goods and services	48,524	55,930
Total	\$ 595,160	\$ 382,823

As at March 31, 2023 \$289,248 is due from the Foundation to the Corporation and is included in the accounts receivable (2022: \$96,504)

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

	2023	2022
Purchases of goods and services	5,418	18,499
Total	\$ 5,418	\$ 18,499

As at March 31, 2023 \$179 is due from the Corporation to the Foundation and is included in the accounts payable (2022: \$74)

**ROYAL BRITISH COLUMBIA MUSEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023**

14. Contractual Obligations

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 expired October 31, 2022. The Corporation extended the contract by one year to October 31, 2023.

Under the terms of the agreement, the Corporation will pay fixed and variable fees. Fixed fees are as follows:

2024		331,427
Total	\$	331,427

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:

2024		1,091,966
Total	\$	1,091,966

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.

Lease Commitments

The Corporation has operating leases to rent warehouse and cold storage space to store and preserve artifacts expiring on April 30, 2025. Additional leased warehouse storage space was acquired for the period June 1, 2022 to May 30, 2030. Future minimum payments are as follows:

2024		\$ 735,453
2025		740,839
2026		559,813
2027		531,661
2028		486,564
2029		491,243
2030		491,243
2031		81,874
Total	\$	4,118,689

The Corporation is also obligated to cover a proportion of property taxes for the lease expiring in 2031. These costs amounted to \$64,778 in fiscal year 2023.

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

ROYAL BRITISH COLUMBIA MUSEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

14. Contractual Obligations (Continued)

Janitorial Services Contract

On December 1, 2020 the Corporation entered into a 2-year service agreement for the provision of janitorial services expired 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. On January 11, 2023 the Corporation exercised a one-year extension to November 30, 2023. The maximum future payments are as follows:

2024	\$	386,571
Total	\$	386,571

In addition, the Corporation will be invoiced at cost for janitorial consumables (approximately \$65,000 for 2023).

Exhibition loan fees

The Corporation has entered into a commitment for the loan of artifacts and object for exhibition. The future anticipated payment is as follows:

2024	\$	936,000
Total	\$	936,000

Collection and Research Building Design Build Contract

In February 2023 Maple Reinders was awarded the Design Build contract for \$204.8 million. The total capital cost of the CRB is estimated to be over \$270 million, all of which is funded by the Province of BC. The estimated future maximum payments are as follows:

2024	\$	58,575,196
2025		108,171,908
2026		18,826,856
Total	\$	185,573,959

15. Employee Pension Plan

The Corporation and its employees contribute to the Public Service Pension Plan, a jointly trustee 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 144,000 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.

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, 2023

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 comparatives purposes and are from the Corporation's Fiscal 2022/2023 Budget approved by the Royal BC Museum Corporation Board of Directors on February 3, 2022 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, less than 1% 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.

20. 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, 2023

21. IMAX Theatre Purchase – Adjustment

The value of the IMAX theatre building asset was adjusted in the current year by increasing the asset value and accumulated amortization, and increasing annual amortization. This adjustment recognizes that the IMAX building should have been on the Corporation's financial records when constructed, offset by a corresponding liability that would have been reduced over 40 years. The liability was eliminated when the Corporation purchased the IMAX Theatre on August 29, 2020.

The adjustment in 2022/23 is as follows:

	Opening Balance 2023	Adjustments	2023 Depreciation	Ending Balance 2023
IMAX building asset	1,358,902	4,844,329	-	6,203,231
Accumulated amortization	(113,242)	(3,531,156)	(155,081)	(3,799,479)
Accumulated surplus	-	(1,998,286)	-	(1,998,286)
Amortization expense	-	-	155,081	155,081
Deferred capital contributions	(1,245,660)	685,113	33,973	(526,574)

The IMAX building will be fully amortized on September 30, 2039. The annual amortization expense will be increased by \$79,586.

22. Economic Dependence

The Corporation is dependent on continued funding from the Province of British Columbia to carry out its normal activities.

23. Change in Accounting Policy – PS 3280 Asset Retirement Obligations:

On April 1, 2022, the Corporation adopted Canadian public sector accounting standard PS 3280 Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The standard was adopted on the modified retroactive basis at the date of adoption.

On April 1, 2022, the Corporation recognized an asset retirement obligation relating to several buildings owned by the Corporation that contain asbestos. The buildings were fully amortized when originally acquired in 2003. The buildings had an expected useful life of 40 years, and the estimate has not been changed since acquired. As of the date of adoption of the standard, the ARO liability was estimated based on the Quantity Surveyors Assessment Report, adjusted for escalation costs, and the full value of that ARO asset has been amortized at March 31, 2023.

Details on the accounting entries are provided in Note 24.

**ROYAL BRITISH COLUMBIA MUSEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023**

24. Asset Retirement Obligations

The Corporation owns and operates several buildings that are known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it. Following the adoption of PS 3280 Asset Retirement Obligations, the Corporation recognized a \$8,256,402 obligation relating to the removal and post-removal care of the asbestos in these building as estimated at April 1, 2022. The buildings have been fully amortized. Post-closure care is estimated to extend for up to a year post the closure of the building while demolition and construction continues. Estimated costs have been based on Quantity Surveyors Assessment Report dated June 2021.

The transition and recognition of asset retirement obligations involved an increase to liability obligation and a decrease to accumulated surplus. As the buildings were fully amortized when acquired in 2003 there is no reflection or restatement of prior year balances in capital assets. (cross reference to change in policy note).

In the current year a further projected cost escalation to March 31,2023 was recognized of \$688,033.

The following table provides details of the ARO liability in fiscal 2022/23:

	2022	2023
Opening balance - ARO liability	\$ 7,438,200	\$ 8,256,402
Accretion expense	818,202	688,033
Closing balance - ARO liability	\$ 8,256,402	\$ 8,944,435