

**THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION**

**FINANCIAL STATEMENTS**

(Audited)

**MARCH 31, 2006**

**THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION**

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## MANAGEMENT'S REPORT

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

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

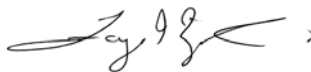
The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Finance and Audit Committee. The Finance and Audit Committee meets regularly with management and the external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

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

Sincerely,



Pauline Rafferty  
Chief Executive Officer



Faye Zinck  
Chief Financial Officer

April 21, 2006  
Victoria, BC

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# HAYES STEWART LITTLE & CO.

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CHARTERED ACCOUNTANTS

## AUDITORS' REPORT

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

We have audited the balance sheet of the Royal British Columbia Museum Corporation as at March 31, 2006 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Museum's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Museum as at March 31, 2006 and the results of its operations and changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Hayes Stewart Little & Co.*

April 21, 2006  
Victoria, BC

Chartered Accountants

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THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

BALANCE SHEET

AS AT MARCH 31, 2006

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
<b>Current</b>		
Cash and investments (Note 3)	\$ 2,336,077	\$ 2,191,061
Accounts receivable	442,331	597,518
Prepaid	49,266	58,789
Deferred exhibition costs	<u>109,225</u>	<u>122,362</u>
	2,936,899	2,969,730
<b>Capital assets, net</b> (Notes 2(c) & 6)	<u>14,938,056</u>	<u>3,411,270</u>
	<u>\$ 17,874,955</u>	<u>\$ 6,381,000</u>
<b>LIABILITIES AND NET EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 3,359,208	\$ 1,952,167
Leave liability	558,782	558,844
Deferred revenue (Note 7)	<u>213,290</u>	<u>84,152</u>
	4,131,280	2,595,163
<b>Deferred capital contributions</b> (Note 8)	1,238,610	1,885,947
<b>Net equity</b> (Note 9)	<u>12,505,065</u>	<u>1,899,890</u>
	<u>\$ 17,874,955</u>	<u>\$ 6,381,000</u>
Commitments (Note 13)		

ON BEHALF OF THE BOARD



Director



Director

**THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION**

**STATEMENT OF OPERATIONS**

**FOR THE YEAR ENDED MARCH 31, 2006**

	<u>2006</u>	<u>2005</u>
<b>REVENUES</b>		
Province of British Columbia contributions	\$ 12,105,000	\$ 12,656,250
Museum admission fees	3,035,592	7,017,219
Other income	2,315,868	1,969,003
Amortization of deferred capital contributions (Note 8)	650,259	599,767
Gifts in Kind - Donated collections and artifacts (Note 2(d))	<u>32,225</u>	<u>155,922</u>
	<u>18,138,944</u>	<u>22,398,161</u>
<b>EXPENSES</b>		
Salaries and benefits (Note 2(f))	7,826,227	7,609,867
Building occupancy charges	4,514,659	4,568,351
Taxes, City of Victoria	1,113,388	667,228
Special Exhibits (Note 10)	257,412	3,181,014
Security	896,620	956,817
Amortization	1,071,306	892,814
Professional service contracts	653,937	691,346
Systems and telecommunications	731,738	674,696
Archival records storage	385,396	400,072
Marketing and communications	294,787	360,892
Utilities, materials and supplies	510,820	511,572
Office	199,798	241,652
Insurance	211,523	199,571
Collections and artifacts – donated (Note 2(d))	32,225	155,922
Bank charges	59,234	62,191
Travel	<u>118,888</u>	<u>88,279</u>
<b>(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR</b>	<u>\$ (739,014)</u>	<u>\$ 1,135,877</u>

**THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED MARCH 31, 2006**

	<u>2006</u>	<u>2005</u>
<b>OPERATING ACTIVITIES</b>		
Cash received from the Province of British Columbia	\$ 12,105,000	\$ 12,656,250
Cash received from admissions	3,110,962	6,983,309
Cash received from other income	2,524,823	1,996,514
Cash paid for salaries and benefits	(6,046,223)	(7,727,250)
Cash paid for building occupancy and security	(6,385,974)	(7,167,176)
Cash paid for materials and services	<u>(3,925,729)</u>	<u>(6,789,015)</u>
<b>Cash provided (used) for operating activities</b>	<u>1,382,859</u>	<u>(47,368)</u>
<b>INVESTING ACTIVITIES</b>		
Cash received for purchase of capital assets	-	870,084
Purchase of capital assets	(1,253,903)	(1,611,866)
Payments for deferred exhibition costs	<u>16,060</u>	<u>481,221</u>
<b>Cash used for investing activities</b>	<u>(1,237,843)</u>	<u>(260,561)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	145,016	(307,929)
<b>Cash, beginning of year</b>	<u>2,191,061</u>	<u>2,498,990</u>
<b>Cash, end of year</b>	<u>\$ 2,336,077</u>	<u>\$ 2,191,061</u>

# THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED MARCH 31, 2006

#### 1. GENERAL

The Royal British Columbia Museum Corporation (the "Museum") is a Crown Corporation of the Province of British Columbia without share capital, incorporated on April 1, 2003 under the *Museum Act*. The Museum is a tax-exempt body under Section 149(1)(d) of the *Income Tax Act*.

The purpose of the Museum is to fulfill the Government's fiduciary responsibilities for public trusteeship of the Provincial collections and exhibits, including specimens, artifacts, archival and other materials that illustrate the natural and human history of British Columbia. The Museum is dedicated specifically to the preservation of, and education about, the human and natural history of British Columbia. The collection is preserved for future generations of British Columbians.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Revenue recognition

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

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

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

Admission revenue is recognized when earned. Other revenue consists of contributions, grants, royalties and rental revenues which are recognized when earned.

(b) Deferred exhibition costs

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



**THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2006**

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

(c) Capital assets

Purchased capital assets are stated at acquisition cost. Capital assets transferred from the Province of BC, a related party, are recorded at the carrying amount. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

- Buildings and improvements up to 40 years
- Permanent exhibits 10 years
- Operating equipment 5 years
- Computer equipment and software 3 years
- Vehicles 3 years
- Furniture and equipment 5 years

(d) Collections

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

(e) Museum volunteers

During the year, Museum volunteers contributed approximately 42,000 (2005 – 42,000) hours in support of the Museum. Their activities include guided gallery tours and a variety of programs that enrich the visitor's experience at the Museum and its profile in the community. Due to the complexities involved in valuing these services, they have not been reflected in the financial statements.

(f) Employee benefit plans

The Museum and its employees contribute to the Public Service Pension Plan in accordance with the Public Sector Pension Plans Act. The British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the Act applies. The Public Service Pension Plan is a multi-employer, defined benefit plan. Under joint trusteeship, the risk and reward associated with the Plan's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in their future contributions. The most recent actuarial valuation (March 31, 2005) has determined the Plan has an unfunded liability. As a result, the actuary has determined that an increase in contribution rates of 1.88% each, for plan members and employers, is necessary in order for the Plan to maintain its long term financial soundness and thus its ability to meet the pension promise made to plan members. The trustees have decided that this increase in rates will be introduced effective April 1, 2006.

The Museum also annually contributes through the Provincial Government payroll system benefit plan for benefits as provided for under collective agreements and conditions of employment. The benefit charge back rate that the Museum pays through the Provincial Government is 24.62% (2005 24.0%). Costs of future benefits are recognized as an expense in the year that contributions are paid.

**THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2006**

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

As a result of an agreement reached by the Province and the union that represents the Museum staff, bonuses totaling approximately \$525,000 were paid by the Province directly to Museum staff. Salaries and benefits in these financial statements do not reflect this transaction.

(g) Asset Retirement Obligations

Canadian generally accepted accounting principles require the Museum to determine the fair value of the future expenditures required to settle legal obligations to retire tangible long lived assets. If a reasonable estimate can be determined, a liability is recognized equal to the present value of the estimated future removal costs, and an equivalent amount is capitalized as an inherent cost of the associated long lived asset.

When the buildings occupied by the Museum were originally constructed, a variety of asbestos materials were used. Asbestos abatement has been carried out in a number of locations, but removal is not complete and residual asbestos debris remains in the building structure. A provision for asset retirement obligations that address the future accounting and reporting obligations related to asbestos removal has not been made at this time since it is not reasonably estimable.

(h) Use of estimates

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

**3. CASH AND INVESTMENTS**

As at March 31, 2006, the Museum had \$1,262,028 (market value - \$1,261,629) in a money market fund, with a yield as a whole of 2.87%.

**4. FINANCIAL INSTRUMENTS**

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

**5. COLLECTIONS**

As at March 31, 2006, the collections consisted of approximately 7.2 million artifacts, specimens and archival records (includes approximately 5 million photographs). During the year, the Museum accessioned approximately 12,560 (2004 - 10,858) objects to its collections through the acquisition and purchase of artifacts. The collections are valued at \$190 million for insurance purposes.

**THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2006**

**6. CAPITAL ASSETS**

Capital assets consist of the following:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2006</u>	<u>2005</u>
Land	\$ 12,288,670	\$ -	\$ 12,288,670	\$ -
Permanent exhibits	1,401,083	(251,523)	1,149,560	1,278,803
Operating Equipment	400,697	(229,782)	170,915	251,055
Computer equipment and software	1,523,543	(1,156,864)	366,679	626,143
Vehicles	19,605	(19,605)	-	6,021
Furniture and equipment	61,529	(36,473)	25,056	37,361
Buildings	937,176	-	937,176	-
Leasehold improvements	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,211,887</u>
	<u>\$ 16,632,303</u>	<u>\$ (1,694,247)</u>	<u>\$ 14,938,056</u>	<u>\$ 3,411,270</u>

In March 2006, title to the land and buildings related to the Museum were transferred from the Province of British Columbia at the carrying value of \$11,344,190 to the Royal BC Museum Corporation. The consideration paid for this transfer was \$1.00. The value of existing leasehold improvements was reallocated to buildings. This related party transaction was recorded at the carrying amount of the land and buildings, allocated as follows:

Buildings	\$ 1
Land	<u>11,344,189</u>
	<u>\$ 11,344,190</u>

**7. DEFERRED REVENUE**

Deferred revenue of \$213,290 (2005 - \$84,152) represents funds related to future gallery rentals, advance admission sales, annual passes, and unredeemed gift certificates.

**8. DEFERRED CAPITAL CONTRIBUTIONS**

Deferred capital contributions represent unamortized externally restricted contributions which have been used to purchase capital assets. These contributions will be recognized as revenue in future periods as the related capital assets are amortized.

	<u>2006</u>	<u>2005</u>
Balance, beginning of year	\$ 1,885,947	\$ 1,720,331
Grants for the purchase of capital assets	2,922	765,383
Amortized to revenue	<u>(650,259)</u>	<u>(599,767)</u>
Balance, end of year	<u>\$ 1,238,610</u>	<u>\$ 1,885,947</u>

**THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2006**

**9. NET EQUITY**

	<b>Invested In Capital Assets</b>	<b>Unrestricted</b>	<b>2006</b>	<b>2005</b>
Balance, beginning of year	\$ 1,525,323	\$ 374,567	\$ 1,899,890	\$ 764,013
Excess(deficiency) of revenues over expenses	-	(739,014)	(739,014)	1,135,877
Deferred capital contributions (Note 8)	(2,922)	2,922	-	-
Amortization of deferred capital contributions (Note 8)	650,259	(650,259)	-	-
Amortization	(1,071,306)	1,071,306	-	-
Disposals	(9,862)	9,862	-	-
Investments transferred from the Province of British Columbia (Note 6)	11,344,189	-	11,344,189	-
Investments in capital assets	<u>1,263,765</u>	<u>(1,263,765)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 13,699,446</u>	<u>\$(1,194,381)</u>	<u>\$ 12,505,065</u>	<u>\$ 1,899,890</u>

**10. SPECIAL EXHIBITS**

In order to encourage repeat attendance the Museum hosts traveling exhibits in the temporary gallery. In 2005/06 these included: Tibet: Mountains, Valleys, Castles & Tents and Linda McCartney Sixties, Portrait of an era. In 2004/05 these included: Eternal Egypt: Masterworks of Ancient Art from the British Museum; Tibet: Mountains, Valleys, Castles & Tents; and Giant Robotic Insects.

	<b>2006</b>	<b>2005</b>
Salaries and benefits	\$ 7,449	\$ 189,642
Professional Service contracts – includes exhibit fees	93,352	1,804,861
Marketing and Communications	136,617	760,024
Security	-	183,087
Utilities, materials and supplies	19,084	162,554
Office	<u>910</u>	<u>80,846</u>
Total Expenses related to special exhibits	<u>\$ 257,412</u>	<u>\$ 3,181,014</u>

**THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2006**

**11. FRIENDS OF THE ROYAL BRITISH COLUMBIA MUSEUM FOUNDATION**

The Friends of the Royal British Columbia Museum (the "Friends") was incorporated to build membership and to coordinate other support activities on behalf of the Museum. In 2005 the structure of the Friends changed from that of a charitable organization to a closely governed foundation, under a new constitution and bylaws. During the year, the Royal British Columbia Museum Foundation (the "Foundation") merged with the Friends and the Friends was renamed to the Friends of the Royal British Columbia Museum Foundation (the "Friends Foundation"). The principal activities of the Friends Foundation are operation of the Royal Museum Shop, the collection of donations, bequests, endowments and supporting projects undertaken by the Royal British Columbia Museum. The accounts of the Friends Foundation are presented separately and are not consolidated in these financial statements. As at March 31, 2006, the fund balances of the Friends Foundation are as follows:

	<u>2006</u>	<u>2005</u>
Invested in capital assets	\$ 125,917	\$ 169,824
Externally restricted funds	250,674	237,118
Internally restricted funds	4,711	133,596
Unrestricted funds	<u>1,561,324</u>	<u>1,466,370</u>
	<u>\$ 1,942,626</u>	<u>\$ 2,006,908</u>

During the year the Friends Foundation contributed \$879,987 (2005 - \$657,500) to the Museum, of which \$553,000 (2005 - \$382,500) has been recorded in revenue as a direct contribution, the balance of the contributions consisted of funding for deferred capital contributions and grants from other third parties.

**12. RELATED PARTY TRANSACTIONS**

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

In March 2006, the Province of British Columbia transferred the land and buildings to the Museum as outlined in Note 6.

**THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2006**

**13. COMMITMENTS AND CONTINGENT LIABILITIES**

Operating Agreement

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

Lease Commitments

The Museum has a five year operating lease to rent warehouse space to store oversize artifacts. The lease expires on April 30, 2011. Future minimum payments are \$124,096 in each year.

**14. COMPARATIVE FIGURES**

Certain 2005 comparative figures have been reclassified to conform to the presentation adopted in the current year.