

THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2008

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 Corporation's assets are safeguarded and that reliable financial information is produced.

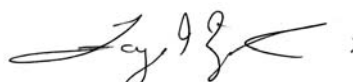
The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Finance and Audit Committee. The Finance and Audit Committee meets regularly with management and the external 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 Corporation, 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 29, 2008
Victoria, BC

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, 2008 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, 2008 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 29, 2008
Victoria, BC

Chartered Accountants.

THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

BALANCE SHEET

AS AT MARCH 31, 2008

	<u>2008</u>	<u>2007</u>
ASSETS		
Current		
Cash and investments (Notes 2(a, b), 3)	\$ 5,279,747	\$ 1,598,273
Accounts receivable	717,716	449,488
Prepaid	104,385	26,031
Deferred exhibition costs (Note 2(d))	<u>1,250,973</u>	<u>561,957</u>
	7,352,821	2,635,749
Capital assets, net (Notes 2(e) & 5)	<u>15,536,719</u>	<u>15,179,998</u>
	<u>\$ 22,889,540</u>	<u>\$ 17,815,747</u>
LIABILITIES AND NET EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 3,182,075	\$ 2,284,748
Leave liability	474,112	383,445
Deferred revenue (Note 6)	<u>4,418,262</u>	<u>592,724</u>
	8,074,449	3,260,917
Deferred capital contributions (Note 7)	1,743,606	1,496,996
Net equity (Note 8)	<u>13,071,485</u>	<u>13,057,834</u>
	<u>\$ 22,889,540</u>	<u>\$ 17,815,747</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, 2008

	<u>2008</u>	<u>2007</u>
REVENUES		
Province of British Columbia contributions	\$ 12,473,000	\$ 15,273,000
Museum admission fees	9,738,416	3,596,934
Other income	2,546,790	1,514,505
Amortization of deferred capital contributions (Note 7)	416,109	356,446
Gifts in Kind - Donated collections and artifacts (Note 2(f))	<u>643,176</u>	<u>77,506</u>
	<u>25,817,491</u>	<u>20,818,391</u>
EXPENSES		
Salaries and benefits (Note 2(h))	9,014,524	8,157,693
Donations (Note 9)	2,500,000	3,000,000
Building costs	2,614,908	2,067,902
Taxes, City of Victoria	965,113	906,223
Special Exhibitions (Note 10)	4,494,957	1,093,937
Security	935,496	888,373
Amortization	883,235	757,104
Professional service contracts	872,179	631,090
Systems and telecommunications	690,045	769,308
Archival records storage	369,714	376,716
Marketing and communications	406,924	336,199
Materials and supplies	579,929	443,509
Office	393,979	347,014
Insurance	279,410	225,838
Collections and artifacts (Note 2(f))	643,176	93,406
Bank charges	48,228	61,132
Travel	<u>112,023</u>	<u>110,178</u>
	<u>25,803,840</u>	<u>20,265,622</u>
EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR	<u>\$ 13,651</u>	<u>\$ 552,769</u>

THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2008

	<u>2008</u>	<u>2007</u>
OPERATING ACTIVITIES		
Cash received from the Province of British Columbia	\$ 14,478,000	\$ 15,273,000
Cash received from admissions	9,738,416	3,596,934
Cash received from other income	2,267,393	1,856,729
Cash paid for donations	(2,500,000)	(3,000,000)
Cash paid for salaries and benefits	(8,824,861)	(9,369,798)
Cash paid for building costs and security	(4,514,744)	(3,718,307)
Cash paid for materials and services	<u>(7,528,185)</u>	<u>(4,568,629)</u>
Cash provided for operating activities	<u>3,116,019</u>	<u>69,929</u>
INVESTING ACTIVITIES		
Cash received for purchase of capital assets	2,508,828	614,831
Purchase of capital assets	(1,239,957)	(999,885)
Payments for deferred exhibition costs	<u>(689,016)</u>	<u>(452,732)</u>
Cash provided (used) for investing activities	<u>579,855</u>	<u>(837,786)</u>
NET INCREASE (DECREASE) IN CASH	3,695,874	(767,857)
Cash, beginning of year	<u>1,583,873</u>	<u>2,351,730</u>
Cash, end of year	<u>\$ 5,279,747</u>	<u>\$ 1,583,873</u>

THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2008

1. GENERAL

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

The purpose of the Corporation 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 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.

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) Cash and investments

All investments, short and long term, are classified as held for trading because they are part of a portfolio of identified financial instruments which are managed together. Unrealized gains and losses are included in net income in the period they arise. The Corporation has used the quoted market price to value the investments at the balance sheet date.

(b) Financial instruments

The Corporation's financial instruments consist of cash, investments, accounts receivable, accounts payable and accrued liabilities. All financial instruments are reported at their fair value on the balance sheet. The fair value of these assets approximates their carrying value due to the short term nature of the instruments. The fair value of short and long term investments is disclosed in note 3.

(c) Revenue recognition

The Corporation 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.

THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Revenue recognition (continued)

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

(d) 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.

(e) 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 |

(f) 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 4)

(g) Volunteers

During the year, volunteers contributed approximately 47,148 (2007 – 40,222) hours in support of the Corporation. Their activities include guided gallery tours and a variety of programs that enrich the visitor's experience at the Corporation and its profile in the community. Due to the complexities involved in valuing these services, they have not been reflected in the financial statements.

(h) Employee benefit plans

The Corporation 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 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, 2006) has determined the Plan

THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

has an unfunded liability of \$767 million. As a result, effective April 1, 2006, the employer contribution rate to the Plan was increased to 8.63% (from 6.75%) of the pensionable salary up to the year's maximum pensionable earnings and to 10.13% (from 8.25%) of pensionable salary in excess of the year's maximum pensionable earnings. The maximum pensionable earnings for 2007 were \$43,700.

The Corporation recognized \$90,667 increase (2007 - \$175,337 decrease) in the leave liability account.

The Corporation also annually contributes through the Provincial Government payroll system benefit plan for specific termination benefits and employee benefits as provided for under collective agreements and conditions of employment. The benefit charge back rate that the Corporation pays through the Provincial Government is 23.83% (2007 - 24.62%). Costs of future benefits are recognized as an expense in the year that contributions are paid.

(i) Asset Retirement Obligations

Canadian generally accepted accounting principles require the Corporation 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 Corporation 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.

(j) Use of estimates

In preparing the Corporation'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. This includes and is not limited to, the useful lives of capital assets.

3. CASH AND INVESTMENTS

As at March 31, 2008, the Corporation had \$4,839,747 in a money market fund, with a yield as a whole of 4.83% (2007 - 4.19%).

THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2008

3. CASH AND INVESTMENTS (continued)

In accordance with section 3855 “Financial Instruments – Recognition and Measurement” of the CICA Handbook, the Corporation has classified its investments as held for trading and is reporting them at fair value. All investments are publicly traded and accounted for at the fair market values based on quoted prices at year end.

Investment income includes interest and dividends earned and gains and losses net of investment expenses incurred during the year. Investment transaction costs are expensed as incurred.

4. COLLECTIONS

As at March 31, 2008, the collections consisted of approximately 7.2 million artifacts, specimens and archival records. During the year, the Corporation deaccessioned 3 (2007 - 11) collections of objects and accessioned 9,016 (2007 - 11,461) objects to its collections through the acquisition, purchase and deaccessioning process. The collections are valued at \$190 million for insurance purposes.

5. CAPITAL ASSETS

Capital assets consist of the following:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2008</u>	<u>2007</u>
Land	\$ 12,278,339	\$ -	\$ 12,278,339	\$ 12,278,339
Permanent exhibits	1,696,852	(580,564)	1,116,288	1,287,970
Operating Equipment	535,196	(408,493)	126,703	113,193
Computer equipment and software	2,575,420	(1,840,954)	734,466	598,192
Vehicles	24,664	(7,879)	16,785	20,896
Furniture and equipment	112,110	(71,584)	40,526	37,232
Buildings	1,042,100	(406,348)	635,752	844,176
Work in progress	<u>587,860</u>	<u>-</u>	<u>587,860</u>	<u>-</u>
	<u>\$ 18,852,541</u>	<u>\$ (3,315,822)</u>	<u>\$ 15,536,719</u>	<u>\$ 15,179,998</u>

THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2008

6. DEFERRED REVENUE

Deferred revenue of \$4,418,262 (2007 - \$592,724) represents funds related to donations for restricted projects, future gallery rentals, advance admission sales, annual passes, and unredeemed gift cards.

7. 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>2008</u>	<u>2007</u>
Balance, beginning of year	\$ 1,496,996	\$ 1,238,610
Grants for the purchase of capital assets	662,719	614,832
Amortized to revenue	<u>(416,109)</u>	<u>(356,446)</u>
Balance, end of year	<u>\$ 1,743,606</u>	<u>\$ 1,496,996</u>

8. NET EQUITY

	Invested In Capital Assets	Unrestricted	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$13,683,841	\$ (626,007)	\$13,057,834	\$12,505,065
Excess of revenues over expenses	-	13,651	13,651	552,769
Deferred capital contributions (Note 7)	(662,719)	662,719	-	-
Amortization of deferred capital contributions (Note 7)	416,109	(416,109)	-	-
Amortization	(883,235)	883,235	-	-
Investments in capital assets	<u>1,239,957</u>	<u>(1,239,957)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$13,793,953</u>	<u>\$ (722,468)</u>	<u>\$13,071,485</u>	<u>\$ 13,057,834</u>

9. DONATIONS

The \$2,500,000 (2007 – \$3,000,000) contribution made to the Friends of the Royal British Columbia Museum Foundation will assist the Foundation in funding future museum and archives projects at the Corporation. The contribution is part of a long standing economic partnership with the Foundation (previously the Friends of the Royal British Columbia Museum Society) to assist and support provincial museum initiatives and projects through attracting federal and other foundation monies.

THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2008

10. SPECIAL EXHIBITS

In order to encourage repeat attendance the Corporation hosts traveling exhibits in the temporary gallery. In 2007/08 these included: Titanic, the Artifact Exhibitions; Treasures of the Tsimshian from the Dundas Collection; River of Memory; and Free Spirit: Stories of You, Me and BC. In 2006/07 these included: Fore! The Planet; Speed; Fatal Attraction; and the Museum of Northern British Columbia portion of the traveling exhibit: Treasures of the Tsimshian from the Dundas Collection.

	<u>2008</u>	<u>2007</u>
Salaries and benefits	\$ 184,789	\$ 123,240
Professional Service contracts – includes exhibit fees	3,239,750	317,588
Marketing and Communications	639,374	542,476
Materials and supplies	242,121	105,847
Office	188,923	1,111
Insurance	<u>0</u>	<u>3,675</u>
Total Expenses related to special exhibits	<u>\$ 4,494,957</u>	<u>\$ 1,093,937</u>

11. FRIENDS OF THE ROYAL BRITISH COLUMBIA MUSEUM FOUNDATION

The Friends of the Royal British Columbia Museum Foundation (the “Foundation”) was incorporated to build membership and to coordinate other support activities on behalf of the Corporation. The principal activities of the Foundation are operation of the Royal Museum Shop, the collection of donations, bequests, endowments and supporting projects undertaken by the Corporation. The accounts of the Foundation are presented separately and are not consolidated in these financial statements. As at March 31, 2008, the unaudited fund balances of the Foundation are as follows:

	<u>2008</u>	<u>2007</u>
Invested in capital assets	\$ 46,573	\$ 67,752
Externally restricted funds	114,696	113,676
Internally restricted funds	3,600,788	3,044,394
Unrestricted funds	<u>1,945,290</u>	<u>1,614,657</u>
	<u>\$ 5,707,347</u>	<u>\$ 4,840,479</u>

During the year, the Foundation contributed \$2,273,896 (2007 - \$645,530) to the Corporation, of which \$273,896 (2007 - \$10,540) 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.

THE ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2008

12. RELATED PARTY TRANSACTIONS

The Corporation is related through common ownership to all Province of British Columbia Ministries, Agencies and Crown corporations. The Corporation also has transactions with the Friends of the Royal British Columbia Museum Foundation (Note 11). Transactions with these entities, considered to be in the normal course of operations, are recorded at the exchange amounts.

13. COMMITMENTS AND CONTINGENT LIABILITIES

Operating Agreement

The Corporation has committed to a Theatre Operating Agreement for the operation of a large screen motion picture theatre at the Corporation. Under the terms of the Agreement, the Corporation will be paid a royalty from the theatre including certain negotiated adjustments, plus specific amounts for additional costs. The Corporation 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 Corporation 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 comparative figures have been reclassified to conform to the presentation adopted in the current year.