

ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2009

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 30, 2009
Victoria, BC

AUDITORS' REPORT

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

We have audited the statement of financial position of the Royal British Columbia Museum Corporation as at March 31, 2009 and the statements of operations, net equity and cash flows for the year then ended. These financial statements are the responsibility of the Corporations' 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 Corporation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Hayes Stewart Little & Co.

April 30, 2009
Victoria, BC

Chartered Accountants

ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2009

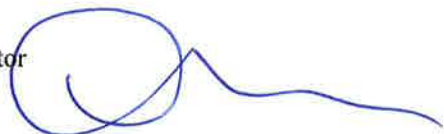
	<u>2009</u>	<u>2008</u>
ASSETS		
Current		
Cash and investments (Notes 2(a, b), 3)	\$ 2,136,611	\$ 5,279,747
Accounts receivable	921,120	717,716
Prepaid	51,636	104,385
Deferred exhibition costs (Note 2(d))	<u>968,966</u>	<u>1,250,973</u>
	4,078,333	7,352,821
Capital assets, net (Notes 2(e), 6)	<u>17,210,464</u>	<u>15,536,719</u>
	<u>\$ 21,288,797</u>	<u>\$ 22,889,540</u>
LIABILITIES AND NET EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 2,132,509	\$ 3,182,075
Leave liability	449,150	474,112
Deferred revenue (Note 7)	<u>524,169</u>	<u>2,607,641</u>
	3,105,828	6,263,828
Deferred capital contributions (Note 8)	5,087,724	3,554,227
	<u>8,193,552</u>	<u>9,818,055</u>
Net equity (Note 9)	<u>13,095,245</u>	<u>13,071,485</u>
	<u>\$ 21,288,797</u>	<u>\$ 22,889,540</u>
Commitments (Note 15)		

ON BEHALF OF THE BOARD

Director



Director



ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2009

	<u>2009</u>	<u>2008</u>
REVENUES		
Province of British Columbia operating contributions	\$ 12,648,000	\$ 12,473,000
Museum admission fees	3,103,776	9,738,416
Other income (Note 10)	4,148,620	2,546,790
Amortization of deferred capital contributions (Note 8)	392,791	416,109
Gifts in Kind - Donated collections and artifacts (Note 2(f))	<u>268,107</u>	<u>643,176</u>
	<u>20,561,294</u>	<u>25,817,491</u>
EXPENSES		
Salaries and benefits (Note 2(h))	9,059,792	9,014,524
Special Exhibitions (Note 11)	2,213,878	4,494,957
Building costs	2,145,270	2,614,908
Amortization	964,354	883,235
Professional service contracts	931,810	872,179
Security	925,525	935,496
Systems and telecommunications	799,882	690,045
Taxes, City of Victoria	695,800	965,113
Materials and supplies	617,989	579,929
Marketing and communications	454,688	406,924
Archival records storage	374,545	369,714
Donations (Note 12)	350,000	2,500,000
Office	320,103	393,979
Collections and artifacts (Note 2(f))	268,107	643,176
Insurance	186,382	279,410
Travel	173,346	112,023
Bank charges	<u>56,063</u>	<u>48,228</u>
	<u>20,537,534</u>	<u>25,803,840</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 23,760</u>	<u>\$ 13,651</u>

ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2009

	<u>2009</u>	<u>2008</u>
OPERATING ACTIVITIES		
Cash received from the Province of British Columbia	\$ 12,648,000	\$ 14,478,000
Cash received from admissions	3,113,275	9,738,416
Cash received from other income	2,087,813	2,267,393
Cash paid for donations	(350,000)	(2,500,000)
Cash paid for salaries and benefits	(9,467,833)	(8,824,861)
Cash paid for building costs, taxes and security	(3,825,384)	(4,514,744)
Cash paid for materials and services	(4,352,853)	(3,033,228)
Cash paid for exhibitions	<u>(1,931,871)</u>	<u>(5,183,973)</u>
Cash (used for) provided from operating activities	<u>(2,078,853)</u>	<u>2,427,003</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(2,990,571)	(1,239,957)
Cash received for purchase of capital assets	<u>1,926,288</u>	<u>2,508,828</u>
Cash (used for) provided from investing activities	<u>(1,064,283)</u>	<u>1,268,871</u>
NET (DECREASE) INCREASE IN CASH	(3,143,136)	3,695,874
Cash and investments, beginning of year	<u>5,279,747</u>	<u>1,583,873</u>
Cash and investments, end of year	<u>\$ 2,136,611</u>	<u>\$ 5,279,747</u>

ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2009

1. NATURE OF OPERATIONS

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 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.

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

Cash includes all investments, short and long term, 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 and investments, accounts receivable, and accounts payable and accrued liabilities. Cash and investments and accounts payable and accrued liabilities are designated as held for trading and recorded at fair value. Accounts receivables are designated as loans and receivables and recorded at amortized cost. The fair value of these assets approximates their carrying value due to the short term nature of these financial instruments. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest rate, currency or credit risks arising from these financial instruments. The fair value of 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.

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.

ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Revenue recognition (continued)

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

Admission revenue is recognized on the date the service is provided.

Other revenue consists of restricted grants which are recognized as revenue in the year in which the related expenses are incurred and royalties, investment 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 reported 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 hardware and software 3 years
- Vehicles 3 years
- Furniture 5 years

(f) Collections

The value of collections (artifacts, specimens, and documents) is not reported on the Statement of Financial Position. Donated collections are recorded as revenue estimated at the fair market value of the gift based on appraisals by independent appraisers. The acquisition of both donated and purchased collections is expensed.

(g) Volunteers

During the year, volunteers contributed approximately 42,000 (2008: 47,148) 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.

ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 Plan is a multi-employer defined benefit plan, which the Corporation applies defined contribution plan accounting. The plan is administered by the British Columbia Pension Corporation, including payment of pension benefits to employees to whom the Act applies, and the Corporation does not have sufficient information to apply defined benefit plan accounting. 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, 2008) has determined the Plan has a surplus of \$487 million. The employer contribution rate to the Plan for the fiscal years ended March 31, 2008 and March 31, 2009 was 8.63% of the pensionable salary up to the year's maximum pensionable earnings of \$43,700 and to 10.13% of pensionable salary in excess of the year's maximum pensionable earnings. As of April 1, 2009, the employer contribution rate will increase by 0.15% to 8.78% of the pensionable salary up to the year's maximum pensionable earnings of \$46,300 and 10.28% of the pensionable salary in excess of the year's maximum pensionable earnings.

The Corporation also annually contributes through the Provincial Government payroll 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% (2008 – 23.83%). Costs of future benefits are recognized as an expense in the year that contributions are paid.

(i) 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.

(j) Future accounting changes

The Canadian Accounting Standards Board ("AcSB") has replaced Section 3861 *Financial Instruments – Presentation and Disclosure* with new sections 3862 *Financial Instruments- Disclosures* and 3861 *Financial instruments – Presentation*. The new sections are based on International Financial Reporting Standards for *Financial Instruments*. The Corporation does not expect the application of this section to have a significant impact on the financial statements.

The AcSB has amended Section 4460 *Disclosure of Related Party Transactions by Not-for-Profit Organizations* to align language with Section 3840 *Related Party Transactions*. The AcSB has also amended Section 1540 *Cash Flow Statements* to include not-for-profit organizations. The Corporation does not expect the changes in these sections to have a significant impact on future financial statement disclosure.

The AcSB has introduced the new Section 4470 *Disclosure of Allocated Expenses by Not-for-Profit Organizations*. The Corporation does not expect significant additional disclosure in future years as the expenses allocated to Special Exhibitions are currently disclosed in accordance with Section 4470.

ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2009

3. CASH AND INVESTMENTS

As at March 31, 2009, the Corporation held \$1,208,357 (2008: \$4,639,747) in money market funds with an annual yield of 3.93% (2008: 4.83%).

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 realized gains and losses net of investment expenses incurred during the year. Investment transaction costs are expensed as incurred.

Short term investments consist of fixed income Canadian dollar denominated securities with a maturity of one year or less.

4. CAPITAL DISCLOSURE

The Corporation's capital management objectives are to ensure adequate funds are available for operations and capital projects through prudent investment and cash flow management techniques. To facilitate the management of capital, the Corporation prepares annual budgets which are updated monthly. The Corporation's capital structure includes cash and investments, capital assets and deferred capital contributions. The Corporation manages its capital structure and makes adjustments when economic conditions change.

The Corporation continually evaluates available sources of funds to finance its capital expenditures in order to meet capital objectives. The capital structure of the Corporation is not subject to external restrictions; however, the capital contributions received by the Corporation are allocated to specific projects as determined by the external funders based on their unique economic priorities.

5. COLLECTIONS

As at March 31, 2009, the collections consisted of approximately 7.2 million artifacts, specimens and archival records (2008: 7.2 million). During the year, the Corporation de-accessioned 35 objects (2008: 3) and accessioned 22,639 objects (2008: 9,016) to its collections through the acquisition, purchase and accessioning process. The collections are valued at approximately \$190 million for insurance purposes.

ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2009

6. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2009</u>	<u>2008</u>
Land	\$ 12,278,339	\$ -	\$ 12,278,339	\$ 12,278,339
Permanent exhibitions	1,696,852	(751,186)	945,666	1,116,288
Operating equipment	699,523	(460,253)	239,270	126,703
Computer hardware and software	2,967,403	(2,291,172)	676,231	734,466
Vehicles	24,664	(11,989)	12,675	16,785
Furniture	112,110	(82,144)	29,966	40,526
Buildings	3,276,662	(683,432)	2,593,230	635,752
Work in progress	<u>435,087</u>	<u>-</u>	<u>435,087</u>	<u>587,860</u>
	<u>\$ 21,490,640</u>	<u>\$ (4,280,176)</u>	<u>\$ 17,210,464</u>	<u>\$ 15,536,719</u>

7. DEFERRED REVENUE

Deferred revenue of \$524,169 (2008: \$2,607,641) represents funds related to donations for restricted projects, future gallery rentals, advance admission sales, annual passes, and unredeemed gift cards. Deferred revenue is recognized as revenue in the year in which the related expenses are incurred.

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>2009</u>	<u>2008</u>
Balance, beginning of year	\$ 1,743,606	\$ 1,496,996
Grants for the purchase of capital assets	3,736,909	2,473,340
Amortized to revenue	<u>(392,791)</u>	<u>(416,109)</u>
Balance, end of year	<u>\$ 5,087,724</u>	<u>\$ 3,554,227</u>

9. NET EQUITY

	<u>2009</u>	<u>2008</u>
Net assets, beginning of period	\$ 13,071,485	\$ 13,057,834
Excess of revenues over expenses	<u>23,760</u>	<u>13,651</u>
Net assets, end of period	<u>\$ 13,095,245</u>	<u>\$ 13,071,485</u>

ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2009

10. OTHER INCOME

	<u>2009</u>	<u>2008</u>
Province of British Columbia, special exhibition project contribution	\$ 2,100,000	\$ 100,000
Grants, contributions, royalties and commissions	1,086,993	1,123,619
Miscellaneous	<u>961,627</u>	<u>1,323,171</u>
Total other income	<u>\$ 4,148,620</u>	<u>\$ 2,546,790</u>

11. SPECIAL EXHIBITIONS

The Corporation hosts feature exhibitions to provide a window on the world and encourage repeat visitation. In 2008/09 these included: *Free Spirit: Stories of You, Me and BC and War Brides*. In 2007/08 these included: *Titanic: the Artifact Exhibition, Treasures of the Tsimshian from the Dundas Collection, River of Memory* and *Free Spirit: Stories of You, Me and BC*.

	<u>2009</u>	<u>2008</u>
Salaries and benefits	\$ 633,106	\$ 184,789
Professional service contracts (includes exhibit fees)	362,783	3,239,750
Marketing and communications	572,967	639,374
Materials and supplies	564,940	242,121
Office	<u>80,082</u>	<u>188,923</u>
Total expenses related to special exhibitions	<u>\$ 2,213,878</u>	<u>\$ 4,494,957</u>

12. DONATIONS

A contribution of \$350,000 (2008: \$2,500,000) was made to the Friends of the Royal British Columbia Museum Foundation (the "Foundation") to assist in funding future museum and archives projects at the Corporation. The contribution is part of a long-standing economic partnership with the Foundation to assist and support provincial museum initiatives and projects through attracting federal and other foundation monies.

13. 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 14). Transactions with these entities are considered to be in the normal course of operations and are recorded at the exchange amounts.

ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2009

14. FRIENDS OF THE ROYAL BRITISH COLUMBIA MUSEUM FOUNDATION

The Corporation has an economic interest in the Friends of the Royal British Columbia Museum Foundation (the "Foundation"). The accounts of the Foundation are presented separately and are not consolidated in these financial statements. 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 Foundation has internally restricted funds of approximately \$2,700,000 (2008 - \$3,600,000), 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:

	<u>2009</u>	<u>2008</u>
Funding for non-capital projects	\$ 11,770	\$ 322,896
Funding for capital projects	1,000,000	2,000,000
Purchases of goods and services	<u>114,202</u>	<u>140,455</u>
	<u>\$ 1,125,972</u>	<u>\$ 2,463,351</u>

As of March 31, 2009, \$21,777 is due from the Foundation to the Corporation and is included in the accounts receivable balance (2008: \$24,336).

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

	<u>2009</u>	<u>2008</u>
Unrestricted donation to the Foundation (Note 12)	\$ 350,000	\$ 2,500,000
Transfer of restricted donations	18,032	-
Purchases of goods and services	<u>10,534</u>	<u>10,817</u>
	<u>\$ 378,566</u>	<u>\$ 2,510,817</u>

15. COMMITMENTS

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 operating costs. The term of the Agreement is 30 years and expires June 24, 2028.

ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2009

15. COMMITMENTS (continued)

Heating and Cooling Contract

The Corporation has entered into a three-year service agreement for the provision of steam, chilled water and natural gas services expiring March 31, 2012. Under the terms of the agreement, the Corporation will pay for services as consumed.

Exhibition Loan Fees

The Corporation has a commitment to disburse \$595,000 on May 1, 2009 to the British Museum and \$150,000 US in November 2009 to the Seattle Art Museum related to the loan of artifacts and objects.

Capital assets

The Corporation has entered into agreements with various contractors to complete capital asset improvement projects costing approximately \$300,000. The projects are expected to be completed within the next fiscal year.

Lease Commitments

The Corporation has a five-year operating lease to rent warehouse space to store oversized artifacts which expires on April 30, 2010. The Corporation also leases operating equipment. Future minimum payments are as follows:

	<u>Warehouse</u>	<u>Equipment</u>
2010	\$ 117,980	\$ 13,194
2011	9,831	12,388
2012	-	7,799
2013	-	1,506
2014	-	-
Total	<u>\$ 127,811</u>	<u>\$ 34,887</u>

16. COMPARATIVE FIGURES

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