

**ROYAL BRITISH COLUMBIA MUSEUM CORPORATION**

**FINANCIAL STATEMENTS**

**MARCH 31, 2011**

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

The Board of Directors is responsible for ensuring management fulfills 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 auditing standards.

Sincerely,



Pauline Rafferty  
Chief Executive Officer



Faye Zinck  
Chief Financial Officer

Victoria, BC  
May 19, 2011

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Royal British Columbia Museum Corporation which comprise the statement of financial position as at March 31, 2011, and the statements of operations, net assets, cash flows and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

#### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Royal British Columbia Museum Corporation as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Victoria, BC  
May 19, 2011

Chartered Accountants

**ROYAL BRITISH COLUMBIA MUSEUM CORPORATION**


**STATEMENT OF FINANCIAL POSITION**

**AS AT MARCH 31, 2011**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents (Note 2(a))	\$ 772,199	\$ 1,064,818
Portfolio investments (Note 3)	989,888	225,845
Accounts receivable	481,939	335,332
Government grants receivable	1,235,737	3,131,201
Prepaid	82,022	66,644
Deferred exhibition costs (Note 2(d))	<u>269,259</u>	<u>91,777</u>
	3,831,044	4,915,617
<b>Capital assets, net</b> (Notes 2(e), 6)	<u>25,683,044</u>	<u>21,387,766</u>
	<u>\$ 29,514,088</u>	<u>\$ 26,303,383</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 2,488,415	\$ 3,579,239
Leave liability (Note 2(h))	340,988	419,447
Deferred revenue (Note 7)	<u>811,118</u>	<u>703,683</u>
	3,640,521	4,702,369
<b>Deferred capital contributions</b> (Note 8)	<u>13,082,086</u>	<u>8,862,565</u>
	16,722,607	13,564,934
<b>Net assets</b>	<u>12,791,481</u>	<u>12,738,449</u>
	<u>\$ 29,514,088</u>	<u>\$ 26,303,383</u>

Commitments (Note 14)

ON BEHALF OF THE BOARD:

Director 

Director 

**ROYAL BRITISH COLUMBIA MUSEUM CORPORATION**

**STATEMENT OF OPERATIONS AND NET ASSETS**

**FOR THE YEAR ENDED MARCH 31, 2011**

	<u>2011</u>	<u>2010</u>
<b>REVENUES</b>		
Province of British Columbia operating contributions	\$ 12,166,000	\$ 12,166,000
Museum admission fees	2,784,678	5,158,621
Other income (Note 9)	2,223,241	1,775,704
Amortization of deferred capital contributions (Note 8)	572,847	449,367
Donated collections and artifacts (Note 2(f))	<u>897,028</u>	<u>99,538</u>
	<u>18,643,794</u>	<u>19,649,230</u>
<b>EXPENSES</b>		
Salaries and benefits (Note 2(h))	8,607,800	9,198,429
Special Exhibitions (Note 10)	447,591	2,888,040
Building costs	2,074,013	2,019,936
Amortization	1,280,199	1,103,947
Security	834,068	918,543
Taxes, City of Victoria	651,977	741,086
Systems and telecommunications	812,708	719,361
Professional service contracts	1,258,636	546,521
Materials and supplies	387,132	406,683
Archival records storage	407,681	389,273
Marketing and communications	260,098	292,340
Office	301,397	268,833
Insurance	177,398	178,705
Collections and artifacts (Note 2(f))	897,028	99,538
Travel	125,337	94,684
Bank charges	61,163	80,971
Donations (Note 12)	<u>6,536</u>	<u>59,136</u>
	<u>18,590,762</u>	<u>20,006,026</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<b>53,032</b>	<b>(356,796)</b>
NET ASSETS, beginning of year	<u>12,738,449</u>	<u>13,095,245</u>
<b>NET ASSETS, end of year</b>	<u><b>\$ 12,791,481</b></u>	<u><b>\$ 12,738,449</b></u>

**ROYAL BRITISH COLUMBIA MUSEUM CORPORATION**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED MARCH 31, 2011**

	<u>2011</u>	<u>2010</u>
<b>OPERATING ACTIVITIES</b>		
Cash received from the Province of British Columbia	\$ 12,166,000	\$ 12,166,000
Cash received from admissions	2,650,680	5,259,507
Cash received from other income	3,046,805	1,864,407
Cash paid for donations	(6,536)	(59,136)
Cash paid for salaries and benefits	(8,678,401)	(8,543,587)
Cash paid for building costs, taxes and security	(3,831,220)	(3,545,818)
Cash paid for materials and services	(4,367,935)	(3,146,347)
Cash paid for exhibitions	<u>(624,317)</u>	<u>(2,010,851)</u>
<b>Cash provided from operating activities</b>	<u>355,076</u>	<u>1,984,175</u>
<b>INVESTING ACTIVITIES</b>		
Purchase (disposition) of portfolio investments	(764,040)	982,692
Purchase of capital assets	(6,538,810)	(4,498,842)
Cash received for purchase of capital assets	<u>6,655,155</u>	<u>1,668,719</u>
<b>Cash used for investing activities</b>	<u>(647,695)</u>	<u>(1,847,431)</u>
<b>NET (DECREASE) INCREASE IN CASH</b>	(292,619)	136,744
<b>Cash and cash equivalents, beginning of year</b>	<u>1,064,818</u>	<u>928,074</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 772,199</u>	<u>\$ 1,064,818</u>

# ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED MARCH 31, 2011

#### 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 cash equivalents

Cash and cash equivalents includes all cash and short term cash-like investments that are all part of the same portfolio of identified financial instruments that are managed together. Any unrealized gains and losses are included in net income in the period they arise. The Corporation uses quoted market prices to value cash equivalents at the balance sheet date.

(b) Financial instruments

The Corporation's financial instruments consist of cash and cash equivalents, portfolio investments, accounts receivable, accounts payable and accrued liabilities. Cash and cash equivalents, portfolio investments, accounts payable and accrued liabilities are designated as held for trading and recorded at fair value. Accounts receivable are designated as loans and receivables and recorded at amortized cost. The Corporation does not believe there is significant credit risk as over 90% of accounts receivable have either been received or are due from major funding providers. 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 portfolio 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, 2011**

**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, to 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. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. 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 year ended March 31, 2011 remained the same at 8.78% (2010: 8.78%) of the pensionable salary up to the year's maximum pensionable earnings of \$47,200 (2010: \$46,300) and 10.28% (2010: 10.28%) of pensionable salary in excess of the year's maximum pensionable earnings. The next valuation will be as at March 31, 2011 with results available in 2012.

The Corporation 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 24.50% (2010 – 24.15%). Costs of future benefits are recognized as an expense in the year that contributions are paid.

The Corporation administers an accumulated vacation and sick leave bank consisting of unused vacation and sick time credits earned. Accumulated time may be drawn out at 100%. Upon retirement or termination of an employee, the accumulated liability for that employee is paid out at 60%.

(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) Adoption of new accounting policies

There were no new accounting policies adopted during the year.

# ROYAL BRITISH COLUMBIA MUSEUM CORPORATION

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED MARCH 31, 2011

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

(k) Future accounting changes

The CICA has issued guidance for new accounting and financial reporting standards for all publically accountable enterprises, private enterprises and not-for-profit organizations that would be effective for years commencing on or after January 1, 2012. The Province of BC has mandated that the Corporation will adopt the Public Sector Accounting Board Standards (“PSAB”) available to it and that early implementation will commence beginning April 1, 2011. At this time management expects that changes to future financial reporting will primarily affect presentation and disclosure and will not result in significant changes to the valuation of assets and liabilities currently recognized in the Corporation’s financial statements.

#### 3. PORTFOLIO INVESTMENTS

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.

As at March 31, 2011, the only investments that the Corporation held were units in a money market fund with a market value of \$989,888 (2010: \$225,845) and an annual yield of 0.81% (2010: 0.19%).

#### 4. CAPITAL DISCLOSURES

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, 2011, the collections consisted of approximately 7.2 million artifacts, specimens and archival records (2010: 7.2 million). During the year, the Corporation de-accessioned 2 objects (2010: 23) and accessioned 147 objects (2010: 236) to its collections through the acquisition, purchase and accessioning process. The collections are valued at \$190 million for insurance purposes.

**ROYAL BRITISH COLUMBIA MUSEUM CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2011**

**6. CAPITAL ASSETS**

	Cost	<u>Accumulated Amortization</u>	<u>2011</u>	<u>2010</u>
Land	\$ 12,510,140	\$ 0	\$ 12,510,140	\$ 12,278,339
Permanent exhibitions	1,651,047	(1,038,222)	612,825	777,769
Operating equipment	339,188	(193,403)	145,785	213,622
Computer hardware and software	1,395,862	(635,571)	760,291	637,978
Vehicles	24,664	(20,210)	4,454	8,564
Furniture	65,358	(45,280)	20,078	33,150
Buildings and improvements	12,131,164	(712,364)	11,418,800	3,672,044
Work in progress	<u>210,671</u>	<u>0</u>	<u>210,671</u>	<u>3,766,300</u>
	<u>\$ 28,328,094</u>	<u>\$ (2,645,050)</u>	<u>\$ 25,683,044</u>	<u>\$ 21,387,766</u>

During the year fully amortized capital assets with an original cost of approximately \$1,460,000 (2010: \$2,500,000) were removed from service.

**7. DEFERRED REVENUE**

Included in deferred revenue are funds related to donations for restricted operating projects, future gallery rentals, advance admission sales, annual passes, memberships and unredeemed gift cards.

	<u>2011</u>	<u>2010</u>
Restricted	\$ 723,129	\$ 632,405
Unrestricted	<u>87,989</u>	<u>71,278</u>
	<u>\$ 811,118</u>	<u>\$ 703,683</u>

**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>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 8,862,565	\$ 5,087,724
Grants for the purchase of capital assets		
Provincial government	2,698,090	2,837,728
Federal government	1,786,661	1,359,365
Other	307,617	27,115
Amortized to revenue	<u>(572,847)</u>	<u>(449,367)</u>
Balance, end of year	<u>\$ 13,082,086</u>	<u>\$ 8,862,565</u>

**ROYAL BRITISH COLUMBIA MUSEUM CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2011**

**9. OTHER INCOME**

	<u>2011</u>	<u>2010</u>
Grants, contributions, royalties and commissions	\$ 1,259,832	\$ 880,679
Donations	3,773	0
Miscellaneous	<u>959,636</u>	<u>895,025</u>
	<u>\$ 2,223,241</u>	<u>\$ 1,775,704</u>

**10. SPECIAL EXHIBITIONS**

The Corporation hosts temporary exhibitions to provide a window on the world and encourage repeat visitation. In fiscal year 2011 these included: *Behind the Scenes Exhibition*, *Invasive Species* and *The Other Emily*. In fiscal year 2010 these included: *Treasures: The World's Cultures from the British Museum*, *S'abadeb- The Gifts: Pacific Coast Salish Art and Artists* and *Silver of the Stars*. Costs of exhibitions are those additional costs which are directly incurred to host the exhibition.

	<u>2011</u>	<u>2010</u>
Salaries and benefits	\$ 64,866	\$ 195,020
Professional service contracts ( <i>includes exhibition fees</i> )	57,450	1,532,826
Marketing and communications	79,775	794,783
Materials and supplies	242,557	82,036
Office	<u>2,943</u>	<u>283,375</u>
	<u>\$ 447,591</u>	<u>\$ 2,888,040</u>

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

**12. DONATIONS**

In 2011 a contribution of \$6,536 (2010: \$59,136) was made to the Royal British Columbia Museum Foundation to 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 to assist and support provincial museum initiatives and projects through attracting federal and other foundation monies.

**ROYAL BRITISH COLUMBIA MUSEUM CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2011**

**13. THE ROYAL BRITISH COLUMBIA MUSEUM FOUNDATION**

The Corporation has an economic interest in the Royal British Columbia Museum Foundation (the "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 Foundation was incorporated to support activities on behalf of the Corporation. The principal activities of the Foundation are the operation of the Royal Museum Shop, the management of donations, bequests, endowments and the support of projects undertaken by the Corporation.

The Foundation has internally restricted funds of approximately \$3,700,000 (2010 - \$3,200,000), 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>2011</u>	<u>2010</u>
Funding for non-capital projects	\$ 415,743	\$ 28,120
Funding for capital projects	298,264	0
Gift shop royalties	6,324	91,830
Purchases of goods and services	<u>70,953</u>	<u>149,657</u>
	<u>\$ 791,284</u>	<u>\$ 269,607</u>

As of March 31, 2011, \$169,078 is due from the Foundation to the Corporation and is included in the accounts receivable balance (2010: \$22,234).

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

	<u>2011</u>	<u>2010</u>
Unrestricted donation to the Foundation (Note 12)	\$ 6,536	\$ 59,136
Transfer of restricted donations	0	41,538
Purchases of goods and services	<u>5,397</u>	<u>17,521</u>
	<u>\$ 11,933</u>	<u>\$ 118,195</u>

As of March 31, 2011, \$0 is due from the Corporation to the Foundation, which would normally be included in the accounts payable balance (2010: \$4,345)

**14. 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, 2011**

**14. 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.

Property Management Contract

The Corporation has entered into a five year service agreement for the provision of building management and maintenance services expiring March 31, 2015. Under the terms of the agreement, the Corporation will pay annual management fees as follows:

2012	\$	92,000
2013		94,554
2014		96,445
2015		98,374
Total	\$	<u>381,373</u>

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

Exhibition Loan Fees

The Corporation has a commitment to disburse \$525,000 to the American Museum of Natural History related to the loan of artifacts and objects. Future anticipated payments are as follows:

2012	\$	375,000
2013		150,000
	\$	<u>525,000</u>

**ROYAL BRITISH COLUMBIA MUSEUM CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2011**

**14. COMMITMENTS (continued)**

Lease Commitments

The Corporation has a five year operating lease to rent warehouse space to store oversized artifacts which expires on April 30, 2015. The Corporation also leases operating equipment. Future minimum payments are as follows:

	<u>Warehouse</u>	<u>Equipment</u>
2012	\$ 166,560	\$ 7,880
2013	166,560	1,512
2014	166,560	0
2015	<u>166,560</u>	<u>0</u>
Total	<u>\$ 666,240</u>	<u>\$ 9,392</u>

**15. COMPARATIVE FIGURES**

Certain comparative figures for the prior year have been changed to conform to the presentation adopted for the current year.