

Financial Statements

Vancouver Museum Commission

December 31, 2001



AUDITORS' REPORT

To the Commissioners of
Vancouver Museum Commission

We have audited the statement of financial position of **Vancouver Museum Commission** as at December 31, 2001 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Commission'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 Commission as at December 31, 2001 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Society Act of British Columbia, we report that in our opinion these principles have been applied on a basis consistent with that of the preceding year.

Vancouver, Canada,
February 27, 2002.

Ernst & Young LLP

Chartered Accountants

Vancouver Museum Commission
Incorporated under the Society Act of British Columbia

STATEMENT OF FINANCIAL POSITION

As at December 31

	2001 \$	2000 \$
ASSETS		
Current		
Cash and cash equivalents	185,990	58,089
Short-term investments <i>[note 3]</i>	77,035	60,594
Accounts receivable	36,885	66,630
Inventory <i>[note 9]</i>	85,350	111,053
Prepaid expenses	6,694	9,830
Total current assets	391,954	306,196
Capital assets <i>[note 4]</i>	1,221,098	1,243,937
Endowment fund investments <i>[note 3]</i>	333,333	333,333
Walley Gallery investments <i>[note 3]</i>	1,649,104	1,609,363
	3,595,489	3,492,829
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	184,801	200,398
Deferred contributions <i>[note 5]</i>	111,221	24,050
Total current liabilities	296,022	224,448
Deferred contributions related to capital assets <i>[note 6]</i>	1,132,560	1,192,301
Total liabilities	1,428,582	1,416,749
Commitment and contingency <i>[note 8]</i>		
Net assets		
Net assets invested in capital assets	88,538	51,636
Net assets restricted for endowment purposes <i>[note 7]</i>	333,333	333,333
Net assets externally restricted <i>[note 7]</i>	1,649,104	1,609,363
Net assets internally restricted <i>[note 7]</i>	22,964	21,814
Unrestricted net assets	72,968	59,934
	2,166,907	2,076,080
	3,595,489	3,492,829

See accompanying notes

On behalf of the Commission:

Commissioner

Commissioner



Vancouver Museum Commission

STATEMENT OF OPERATIONS

Year ended December 31

	2001 \$	2000 \$
REVENUE		
Grant and project funding		
Civic		
- City of Vancouver - core operating grant	640,294	633,954
- City of Vancouver - supplementary grant	160,000	60,621
- Project grant	—	54,641
Provincial		
- British Columbia Arts Council	186,592	160,000
Federal		
- Employment grants	10,420	9,851
- Museum Project Funding	10,371	54,188
- Western Cultural grant	12,200	1,500
	1,019,877	974,755
Earned income		
Admissions		
Fundraising events	258,793	165,824
Giftshop	6,136	2,458
Interest income	341,577	295,172
Miscellaneous income	23,420	33,850
Recovered costs	12,046	11,264
Rental income	24,852	44,326
Sponsorship and donations	43,312	39,599
	39,414	37,851
Total revenue	749,550	630,344
	1,769,427	1,605,099
EXPENDITURES		
Advertising and promotion		
Bank charges	77,558	58,014
Contracted fees	20,512	16,639
Cost of goods sold	215,588	243,857
Fundraising event expenses	191,934	155,241
Insurance	817	1,064
Legal and professional	18,286	39,682
Meetings, Board, Staff	16,357	29,600
Membership and subscriptions	2,735	4,928
Photocopier	2,815	2,320
Postage and freight	13,192	15,642
Professional development	9,158	9,906
Repairs and maintenance	806	1,533
Salaries, benefits and fees	8,867	9,854
Staff travel	1,069,128	940,648
Supplies and materials	4,740	1,847
Telephone, fax and internet	86,666	131,057
Total expenditures	16,834	32,108
	1,755,993	1,693,940
Surplus (deficiency) of revenue over expenditures for the year before amortization	13,434	(88,841)
Amortization of deferred contributions related to capital assets [note 6]		
Amortization	79,924	74,879
Surplus (deficiency) of revenue over expenditures for the year	(86,735)	(88,484)
	6,623	(102,426)

See accompanying notes



Vancouver Museum Commission

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31

	Invested in Capital Assets \$	Restricted for Endowment \$	Restricted for Walley Gallery \$	Restricted for Collections \$	Unrestricted \$	2001 Total \$	2000 Total \$
Balance, beginning of year	51,636	333,333	1,609,363	21,814	59,934	2,076,080	2,085,448
(Deficiency) surplus of revenue over expenditures for the year	(6,811)	—	—	—	13,434	6,623	(102,446)
Investment in capital assets	63,896	—	(43,313)	—	(20,583)	—	—
(Decrease) increase in deferred contribution	(20,183)	—	—	—	20,183	—	—
Externally imposed restriction [note 7]	—	—	83,054	—	—	83,054	92,091
Internally imposed restriction [note 7]	—	—	—	1,150	—	1,150	987
Balance, end of year	88,538	333,333	1,649,104	22,964	72,968	2,166,907	2,076,080

See accompanying notes



Vancouver Museum Commission

STATEMENT OF CASH FLOWS

Year ended December 31

	2001 \$	2000 \$
OPERATING ACTIVITIES		
Surplus (deficiency) of revenue over expenditures for the year	6,623	(102,446)
Amortization of capital assets	86,735	88,484
Amortization of deferred contributions related to capital assets	(79,924)	(74,879)
Changes in non-cash working capital:		
Accounts receivable	29,745	10,440
Inventory	25,703	8,517
Prepaid expenses	3,136	(911)
Accounts payable and accrued liabilities	(15,597)	(28,552)
Increase (decrease) in deferred contributions	87,171	(107,959)
Net cash provided by (used in) operating activities	143,592	(207,306)
FINANCING AND INVESTING ACTIVITIES		
Purchase of capital assets	(20,583)	(20,957)
Restricted contributions	1,150	987
Deferred contributions related to capital asset	20,183	16,915
(Increase) decrease in short-term investments	(16,441)	89,406
Net cash (used in) provided by financing and investing activities	(15,691)	86,351
Net increase (decrease) in cash	127,901	(120,955)
Cash and cash equivalents, beginning of year	58,089	179,044
Cash and cash equivalents, end of year	185,990	58,089

See accompanying notes



Vancouver Museum Commission**NOTES TO FINANCIAL STATEMENTS**

December 31, 2001

1. BASIS OF PRESENTATION

The Vancouver Museum Commission ("VMC") was registered as a charitable society on August 23, 1996 and commenced activity on October 1, 1996, the date it received certain assets, liabilities and funds from Vancouver Museum Association as agreed. The mandate of the VMC is to operate the Vancouver Museum to generally promote the study of and to communicate information about the human, natural, and cultural history and heritage of the City of Vancouver.

2. SIGNIFICANT ACCOUNTING POLICIES**Management's estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent; however actual results could differ from these estimates.

Revenue recognition

VMC 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 is reasonably assured.

Capital assets

The City of Vancouver owns the land, buildings, and collections of the Vancouver Museum.

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the assets' useful lives, which for leasehold improvements is 20 years and for equipment is 4 years.

Investments

Investments are recorded at the lower of cost and market value.

Vancouver Museum Commission**NOTES TO FINANCIAL STATEMENTS**

December 31, 2001

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)**Cash and cash equivalents**

VMC considers all highly liquid financial instruments purchased with an approximate original maturity of three months or less to be cash equivalents. Cash equivalents are comprised of money invested in a money market fund and are recorded at cost, which approximates market value.

Contributed services

Volunteers contributed approximately 2,300 hours during the year to assist the Museum in evaluation of the collection, fundraising and advisory boards and committees. Contributed services are not recognized in the financial statements as they are impractical to record and to value.

Collections

The collections protected, cared for and preserved by the VMC include historical treasures, natural history specimens and works of art. During the year ended December 31, 2001, contributions of items valued at \$24,784 [2000 - \$21,672] were received by the museum. No collection items were purchased or sold during the period. The collections are not recorded in the statement of financial position.

3. INVESTMENTS**Short term investments**

These investments, with maturities greater than 90 days and less than one year, consist of bonds earning interest at an average interest rate of 2.35% per annum and a money market fund which earns an average interest rate of 1.04% per annum.

Long term investments

The Endowment fund is a restricted asset [note 7] that is invested in bonds earning interest at an average rate of 2.35% per annum, and a money market fund, earning interest at an average rate of 1.04% per annum.

The Walley Gallery investment is a restricted asset [note 7] held in a banking institution earning interest at a rate of 5.04% per annum.

Vancouver Museum Commission

NOTES TO FINANCIAL STATEMENTS

December 31, 2001

4. CAPITAL ASSETS

	Cost \$	Accumulated Amortization \$	Net Book Value \$
2001			
Leasehold improvements	1,386,739	330,517	1,056,222
Equipment	97,172	71,435	25,737
Construction in progress	139,139	—	139,139
	1,623,050	401,952	1,221,098
2000			
Leasehold improvements	1,386,739	261,180	1,125,559
Equipment	76,589	54,037	22,552
Construction in progress	95,826	—	95,826
	1,559,154	315,217	1,243,937



Vancouver Museum Commission**NOTES TO FINANCIAL STATEMENTS**

December 31, 2001

5. DEFERRED CONTRIBUTIONS

Deferred contributions represent operating funding received in a prior or the current period that is related to a subsequent period.

6. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets include the unamortized portions of contributed capital assets and restricted contributions from the City of Vancouver used for leasehold improvements and equipment. Deferred contributions are amortized to the Statement of Operations at the same rate as the related capital asset is amortized.

7. RESTRICTIONS ON NET ASSETS

The net assets restricted for endowment purposes represents funds received from the Province of British Columbia. Investment income amounted to approximately \$3,805 for the year ended December 31, 2001 [2000 - \$9,707] and is available on a regular basis to support the operations of the Museum.

Externally restricted assets represent the Walley Gallery fund transferred from the Vancouver Museum Association. This fund was donated in 1995 and is to be used to design and construct a new wing of the Museum in recognition of the late Joyce Walley. In the event that the Association is unable to use the funds for the above purpose, the trust proceeds shall be paid to the Vancouver Foundation for use in other similar charitable capital projects. As at December 31, 2001, VMC had engaged an architect and design team to begin work on the new wing. In January 2001, various approvals and permits were obtained. Construction is expected to begin in April 2002.

Internally restricted assets for collections includes funds donated for the purpose of making acquisitions.

Net assets invested in capital assets represents equipment purchased from the unrestricted net assets of the organization.

Vancouver Museum Commission

NOTES TO FINANCIAL STATEMENTS

December 31, 2001

8. COMMITMENT AND CONTINGENCY

The lease for the Museum buildings from the City of Vancouver was transferred from the Vancouver Museum Association to the VMC on October 1, 1996. For a nominal annual lease payment of \$1, the agreement provides that the VMC is be able to occupy and manage the Museum facilities, including receiving janitorial and security services, and is entitled to receive an annual subsidy grant from the City of Vancouver. The current lease has expired and a new lease agreement is currently being negotiated.

9. OPERATING LINE OF CREDIT

The Museum has an unutilized operating line of credit with the bank, available for one-half of the inventory balance to a maximum of \$200,000, bearing interest at prime plus 1½%. The operating line of credit is collateralized by a general security agreement covering inventory.