

Financial Statements

Vancouver Museum Commission
December 31, 2002



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, 2002 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, 2002 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,
March 10, 2003.

Ernst & Young LLP

Chartered Accountants

Vancouver Museum Commission
Incorporated under the Society Act of British Columbia

STATEMENT OF FINANCIAL POSITION

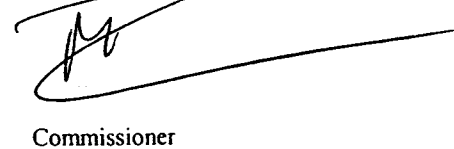
As at December 31

	2002 \$	2001 \$
ASSETS		
Current		
Cash and cash equivalents	68,493	185,990
Short-term investments [note 3]	84,051	77,035
Accounts receivable	94,805	36,885
Grants receivable [note 4]	601,495	—
Inventory	76,722	85,350
Prepaid expenses	4,518	6,694
Total current assets	930,084	391,954
Capital assets [note 5]	3,945,611	1,221,098
Endowment fund investments [note 3]	333,333	333,333
Walley Gallery investments [note 3]	168,731	1,649,104
	5,377,759	3,595,489
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities [note 6]	511,543	184,801
Deferred contributions [note 7]	64,399	111,221
Total current liabilities	575,942	296,022
Deferred contributions related to capital assets [note 8]	2,659,331	1,132,560
Total liabilities	3,235,273	1,428,582
Commitment [note 10]		
Net assets [note 9]		
Net assets invested in capital assets	1,565,239	88,538
Net assets restricted for endowment purposes	333,333	333,333
Net assets externally restricted	168,731	1,649,104
Net assets internally restricted	23,449	22,964
Unrestricted net assets	51,734	72,968
	2,142,486	2,166,907
	5,377,759	3,595,489

See accompanying notes

On behalf of the Commission:


Commissioner


Commissioner



Vancouver Museum Commission

STATEMENT OF OPERATIONS

Year ended December 31

	2002 \$	2001 \$
REVENUE		
Grant and project funding		
Civic		
- City of Vancouver - core operating grant	651,509	640,294
- City of Vancouver - supplementary grant	85,000	160,000
Provincial		
- British Columbia Arts Council	156,800	186,592
Federal		
- Employment grants	4,792	10,420
- Museum Assistance Program	116,941	10,371
- Western Cultural grant	—	12,200
	1,015,042	1,019,877
Earned income		
Admissions	195,066	258,793
Fundraising events	—	6,136
Giftshop	296,138	341,577
Interest income	11,507	23,420
Miscellaneous income	11,181	12,046
Recovered costs	69,363	24,852
Rental income	29,150	43,312
Sponsorship and donations	33,349	39,414
	645,754	749,550
Total revenue	1,660,796	1,769,427
EXPENDITURES		
Advertising and promotion	99,066	77,558
Bank charges	18,989	20,512
Contracted fees	135,678	215,588
Cost of goods sold	161,221	191,934
Fundraising event expenses	—	817
Insurance	40,901	18,286
Legal and professional	21,453	16,357
Meetings, Board, Staff	1,576	2,735
Membership and subscriptions	3,953	2,815
Photocopier	8,880	13,192
Postage and freight	9,740	9,158
Professional development	1,507	806
Repairs and maintenance	6,222	8,867
Salaries, benefits and fees	1,028,183	1,069,128
Staff travel	2,313	4,740
Supplies and materials	126,331	86,666
Telephone, fax and internet	16,017	16,834
Total expenditures	1,682,030	1,755,993
(Deficiency) surplus of revenue over expenditures for the year before amortization	(21,234)	13,434
Amortization of deferred contributions related to capital assets [note 8]	79,924	79,924
Amortization of capital assets	(83,596)	(86,735)
(Deficiency) surplus of revenue over expenditures for the year	(24,906)	6,623

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 \$	2002 Total \$	2001 Total \$
Balance, beginning of year	88,538	333,333	1,649,104	22,964	72,968	2,166,907	2,076,080
(Deficiency) surplus of revenue over expenditures for the year	(3,672)	—	—	—	(21,234)	(24,906)	6,623
Investment in capital assets	2,808,109	—	(2,808,109)	—	—	—	—
(Decrease) increase in deferred contribution	(1,294,757)	—	1,294,757	—	—	—	—
Externally imposed restriction <i>[note 9]</i>	(32,979)	—	32,979	—	—	—	83,054
Internally imposed restriction <i>[note 9]</i>	—	—	—	485	—	485	1,150
Balance, end of year	1,565,239	333,333	168,731	23,449	51,734	2,142,486	2,166,907

See accompanying notes



Vancouver Museum Commission

STATEMENT OF CASH FLOWS

Year ended December 31

	2002 \$	2001 \$
OPERATING ACTIVITIES		
(Deficiency) surplus of revenue over expenditures for the year	(24,906)	6,623
Amortization of capital assets	83,596	86,735
Amortization of deferred contributions related to capital assets	(79,924)	(79,924)
Changes in non-cash working capital relating to operating activities:		
Accounts receivable	(57,920)	29,745
Inventory	8,628	25,703
Prepaid expenses	2,176	3,136
Accounts payable and accrued liabilities	5,386	(15,597)
Deferred contributions	(46,822)	87,171
Net cash (used in) provided by operating activities	(109,786)	143,592
INVESTING ACTIVITIES		
Purchase of capital assets	(2,808,109)	(20,583)
Changes in non-cash working capital relating to investing activities:		
Grants receivable	(601,495)	—
Accounts payable and accrued liabilities	321,356	—
Increase in short-term investments	(7,016)	(16,441)
Net cash used in operating activities	(3,095,264)	(37,024)
FINANCING ACTIVITIES		
Restricted contributions	485	1,150
Deferred contributions related to capital asset, net	3,087,068	20,183
Net cash provided by financing activities	3,087,553	21,333
Net (decrease) increase in cash and cash equivalents	(117,497)	127,901
Cash and cash equivalents, beginning of year	185,990	58,089
Cash and cash equivalents, end of year	68,493	185,990

See accompanying notes



Vancouver Museum Commission

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

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.

Inventory

Inventory is stated at the lower of cost, determined on an average basis, or replacement value.

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, 2002

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 consist of money invested in a money market fund and are recorded at cost, which approximates market value.

Contributed services

Volunteers contributed approximately 6,300 [2001 - 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, 2002, contributions of items valued at \$60,489 [2001 - \$24,784] 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 1.01% per annum.

Long term investments

The Endowment fund is a restricted asset [note 9] 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 1.01% per annum.

The Walley Gallery investment is a restricted asset [note 9] held in a banking institution earning interest at an average rate of 3% per annum.

Vancouver Museum Commission

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

4. GRANTS RECEIVABLE

Grants receivable consists of funds committed by the City of Vancouver and Department of Canadian Heritage relating to the construction of the Walley Wing and other approved capital projects.

5. CAPITAL ASSETS

	Cost \$	Accumulated Amortization \$	Net Book Value \$
2002			
Leasehold improvements	1,386,739	399,854	986,885
Equipment	97,172	85,695	11,477
Construction in progress	2,947,249	—	2,947,249
	4,431,160	485,549	3,945,611
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

As at December 31, 2002, the VMC had reached substantial completion on the construction of the new wing, however, the occupancy permit was not received until January 2003 and as a result, the expenditures are included in construction in progress at year-end.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities is \$321,356 [2001 - \$nil] relating to the construction of the Walley Wing.

7. DEFERRED CONTRIBUTIONS

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



Vancouver Museum Commission

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

8. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets include the unamortized portions of restricted contributions from the various government agencies and other sources 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.

9. RESTRICTIONS ON NET ASSETS

Net assets invested in capital assets represent leasehold improvements made and equipment purchased from the restricted and unrestricted net assets of the organization.

The net assets restricted for endowment purposes represent funds received from the Province of British Columbia. Investment income amounted to approximately \$2,115 for the year ended December 31, 2002 [2001 - \$3,805] and is available on a regular basis to support the operations of the Museum.

At December 31, 2002, externally restricted assets represent funds received from government agencies and various other donors that will be used towards payments of remaining expenditures in respect of the Walley Gallery.

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

10. COMMITMENT

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 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.

Vancouver Museum Commission

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

11. OPERATING LINE OF CREDIT

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

12. FINANCIAL INSTRUMENTS

Unless otherwise stated, the carrying values of financial instruments approximate their fair market values.

