

THE VANCOUVER MARITIME MUSEUM SOCIETY

FINANCIAL STATEMENTS

December 31, 2002

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BME

+

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AUDITORS' REPORT

To The Members - The Vancouver Maritime Museum Society:

We have audited the statement of financial position of the The Vancouver Maritime Museum Society 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 Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, 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 common with many charitable organizations, the Society derives revenues from voluntary membership dues and donations from the general public, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of revenues from these sources was limited to testing the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenditures and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenues as referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2002 and the results of its operations for the year then ended, in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Society Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

BME + Partners

CHARTERED ACCOUNTANTS

Vancouver, B.C.

February 20, 2003

THE VANCOUVER MARITIME MUSEUM SOCIETY

STATEMENT OF FINANCIAL POSITION


December 31, 2002

	2002	2001
ASSETS		
CURRENT		
Cash	\$ 60,745	\$ 27,237
Accounts receivable	25,769	66,585
Inventory	19,698	8,652
Prepaid expenses and deposits	17,694	16,694
	<u>123,906</u>	<u>119,168</u>
INVESTMENTS, at cost (Notes 3, 4 and 6)		
Treasury Bill	258,372	258,372
Vancouver Foundation	125,000	125,000
	<u>383,372</u>	<u>383,372</u>
CAPITAL ASSETS, net (Note 5)		
	<u>18,520</u>	<u>19,856</u>
	<u>\$ 525,798</u>	<u>\$ 522,396</u>
LIABILITIES		
CURRENT		
Operating line of credit (Note 4)	\$ 245,000	\$ 257,686
Accounts payable and accrued liabilities	38,413	64,239
Deferred revenue	13,847	37,894
	<u>297,260</u>	<u>359,819</u>
NET ASSETS		
Net assets invested in capital assets (Note 5)	18,520	19,856
Net assets restricted for endowment (Note 6)	383,372	383,372
Net assets (deficit) invested in projects (Page 11)	38,944	(19,979)
Unrestricted net deficit	<u>(212,298)</u>	<u>(220,672)</u>
	<u>228,538</u>	<u>162,577</u>
	<u>\$ 525,798</u>	<u>\$ 522,396</u>

COMMITMENT (Note 7)

CONTINGENCY (Note 8)

Approved on behalf of the Board:

 President

 Treasurer

THE VANCOUVER MARITIME MUSEUM SOCIETY

STATEMENT OF OPERATIONS

Year Ended December 31, 2002

	2002	2001
REVENUES		
Operating Grants		
City of Vancouver	\$ 274,108	\$ 269,394
Province of B.C.	85,250	85,250
City of Vancouver - St. Roch	84,269	82,820
Other grants	38,053	44,480
	<u>481,680</u>	<u>481,944</u>
OTHER REVENUES		
Donations	148,511	137,529
Admissions	117,502	137,234
Miscellaneous	31,524	31,058
Casino	30,000	30,000
Harbour moorage	25,725	22,947
Rental	22,226	17,133
Maritime store operations, net (Page 12)	19,671	21,647
Individual and affiliate memberships	19,096	16,229
Parking lot	18,315	17,502
General fundraising	18,209	24,197
Interest	14,448	19,323
Programs	13,072	13,466
Boat show	10,830	8,141
Photographs	1,589	4,048
	<u>490,718</u>	<u>500,454</u>
	<u>972,398</u>	<u>982,398</u>
EXPENDITURES		
Visitor services (Page 13)	197,342	189,675
Directors' office (Page 13)	157,382	153,134
Administration and finance (Page 13)	126,823	103,495
Curatorial (Page 13)	123,442	104,499
Programs, community, and member relations (Page 14)	109,374	111,608
Marketing department (Page 14)	97,149	112,091
Exhibitions and harbour (Page 14)	87,822	99,269
Fundraising (Page 14)	30,173	21,790
Member services (Page 14)	21,096	41,338
	<u>950,603</u>	<u>936,899</u>
Interest	11,150	16,117
Amortization	3,607	4,203
	<u>965,360</u>	<u>957,219</u>
EXCESS OF REVENUES OVER EXPENDITURES FOR YEAR	\$ 7,038	\$ 25,179

THE VANCOUVER MARITIME MUSEUM SOCIETY

STATEMENT OF CHANGES IN NET ASSETS

Year Ended December 31, 2002

NET ASSETS	Invested in Capital Assets	Restricted for Endowment	Invested in Projects	Unrestricted	2002 Total	2001 Total
	(Note 5)	(Note 6)	(Page 11)			
Balance at beginning of year	\$ 19,856	\$ 383,372	\$ (19,979)	\$ (220,672)	\$ 162,577	\$ 46,177
Excess of revenues over expenditures for year (see note below)	(3,607)	-	-	10,645	7,038	25,179
Net recoveries in projects	-	-	58,923	-	58,923	91,221
Investment in capital assets	2,271	-	-	(2,271)	-	-
	\$ 18,520	\$ 383,372	\$ 38,944	\$ (212,298)	\$ 228,538	\$ 162,577

Note: As in prior years, the excess revenues over expenditures for 2002 were dedicated by the Society to deficit reduction.

THE VANCOUVER MARITIME MUSEUM SOCIETY

STATEMENT OF CASH FLOWS

Year Ended December 31, 2002

	2002	2001
OPERATING ACTIVITIES		
Excess of revenues over expenditures for year	\$ 7,038	\$ 25,179
Amortization	3,607	4,203
Changes in non-cash working capital:		
Accounts receivable	40,816	8,155
Contributions receivable	-	10,527
Inventory	(11,046)	2,847
Prepaid expenses and deposits	(1,000)	(120)
Accounts payable and accrued liabilities	(25,826)	(176,785)
Deferred revenue	(24,047)	17,764
	<u>(10,458)</u>	<u>(108,230)</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(2,271)	-
Expenditures and investments in projects	58,923	91,221
	<u>56,652</u>	<u>91,221</u>
DECREASE (INCREASE) IN BANK INDEBTEDNESS	46,194	(17,009)
BANK INDEBTEDNESS AT BEGINNING OF YEAR	(230,449)	(213,440)
BANK INDEBTEDNESS AT END OF YEAR	\$ (184,255)	\$ (230,449)
Represented by:		
Cash	\$ 60,745	\$ 27,237
Operating line of credit	(245,000)	(257,686)
	<u>\$ (184,255)</u>	<u>\$ (230,449)</u>

THE VANCOUVER MARITIME MUSEUM SOCIETY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2002

1. NATURE OF OPERATIONS

The Vancouver Maritime Museum Society is incorporated under the British Columbia Society Act. The Society is a registered charity as defined by the Income Tax Act (Canada) and is exempt from income taxes. The Society is primarily responsible for the operations, programs and activities of the Vancouver Maritime Museum located in Vancouver, British Columbia.

The Society operates programs and performs research aimed to enhance the cultural life of Greater Vancouver through collection, presentation and promotion of Canada's Pacific maritime heritages relating to the past, present and future in maritime sciences, industry, arts and recreation.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Capital assets:

The land, buildings and leaseholds of the museum complex are owned by the City of Vancouver (Note 7). In 1998, the Society adopted new recommendations of the Canadian Institute of Chartered Accountants which require that a capital asset be recorded on the statement of financial position at cost and be amortized over its useful life. The recommendations have been applied prospectively. The Society previously included capital asset purchases as expenditures of the Fund that the costs were directly related to. Capital asset purchases for years prior to 1998 have not been recorded in the accounts because the financial information of prior years is not reasonably determinable. Consequently, only the capital expenditures incurred on or after 1998 have been capitalized.

Capital assets are recorded at cost. Amortization of capital assets has been calculated on the following basis and annual rates:

Building	-	10% straight-line
Computer equipment	-	30% declining balance
Office equipment	-	20% declining balance

Amortization is claimed at one-half of the stated rates in the year of acquisition and no amortization is claimed in the year of disposition.

During the year, \$2,271 (2001 - \$nil) in capital expenditures were made by the Society.

Included in the expenditures of the St. Roch Preservation Fund and the Acquisition Project (Page 11) are amounts related to preservation, improvement and acquisitions of collections of the Museum. The Society does not include acquisitions or expenditures related to collections as part of the capital assets listed above.

THE VANCOUVER MARITIME MUSEUM SOCIETY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2002

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Basis of revenue recognition:

Fees and donations are recognized as revenue when received except where donations are specified for a future year. Government grants are recognized as the conditions of the grant are met and ultimate collection is reasonably assured. Project and reserve funds are not included in the Society's operating revenue; when a project has ended, the net balance of each fund is closed to the operations of the Society.

c) Donated services and materials:

The Society benefits from donated services in the form of volunteer time for various functions and committees. The Society does not record these donated services in the financial records of the Society and does not issue donation receipts for these services.

The Society benefits from donated materials for development of new projects and its continued general operations. Donated materials are not recorded in the financial records of the Society. The Society has received and issued donation receipts for materials in the amount of \$369,392 in 2002 (2001 - \$228,708).

d) Inventory:

Inventory relates to the Maritime Store and is valued at the lower of cost and net realizable value. Cost is determined on a first-in first-out basis.

e) Trust funds:

Trust Fund receipts are held in a separate bank account until expenditures are made for the purpose intended. Interest earned remains with these funds. At December 31, 2002, there were no trust funds held by the Society.

f) Project funds:

Net project revenues and expenditures (Page 11) flow through the project bank account of the Society. Revenues and expenditures related to specific projects are recorded in the accounts as part of that project and are not included in the Society's unrestricted net assets (deficit) until the project has ended and then is closed to the unrestricted net assets of the Society.

g) Deferred project costs:

Deferred project costs relate to specific projects that are in a deficit position at the year-end. Individual project costs are matched to project revenues. Project costs in excess of revenues are deferred until the project has ended and then is closed to the operations of the Society.

THE VANCOUVER MARITIME MUSEUM SOCIETY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2002

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) St. Roch project:

The Society has three separate projects related to the St. Roch: The St. Roch Preservation Fund, The St. Roch Voyage, and the Isumataq.

The St. Roch projects revenues and expenditures flow through their own bank account and are maintained in a separate set of books and records. The statement of financial position includes the combined records for the museum's operations and the St. Roch projects. Revenues and expenditures related to specific projects are recorded in the accounts as part of that project and are not included in the Society's unrestricted net assets until the project has ended.

The bank account and books and records for the St. Roch voyage project were closed in the year. The net project fund balance was transferred to the St. Roch Preservation Fund.

i) Endowment funds:

The capital for each fund and any capital additions thereto are held permanently in these funds.

j) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

k) Financial instruments:

The Society's financial instruments consist of cash, accounts receivable, investments, operating line of credit, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Society is not exposed to significant interest, currency or credit risks arising from these financial instruments.

3. INVESTMENTS

The investments are recorded at cost and have a market value of \$406,488 (2001 - \$431,448).

Investments and interest income include annual interest earned on treasury bills that were purchased from the proceeds of the Province of British Columbia Endowment Fund (Note 6) in the amount of \$3,850 (2001 - \$7,974).

Investments and interest income include interest earned on funds held by the Vancouver Foundation on behalf of The Vancouver Maritime Museum Society in the amount of \$10,084 (2001 - \$10,537).

The annual interest income is used to support the various activities and programs of the Society.

THE VANCOUVER MARITIME MUSEUM SOCIETY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2002

4. OPERATING LINE OF CREDIT

The Society has an operating line of credit of \$260,000. Interest is charged at the bank's prime lending rate plus 0.5%. The loan is secured by a hypothecation of the treasury bills purchased from the Province of British Columbia Endowment Fund.

5. CAPITAL ASSETS

			2002	2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Building	\$ 15,039	\$ 4,624	\$ 10,415	\$ 11,573
Computer equipment	16,632	11,747	4,885	4,742
Office equipment	7,969	4,749	3,220	3,541
	\$ 39,640	\$ 21,120	\$ 18,520	\$ 19,856

6. ENDOWMENT FUNDS

In prior years, the Society received an Endowment Fund of \$333,372 from the Province of British Columbia. Of these funds, \$75,000 was invested with the Vancouver Foundation to obtain an additional grant of \$50,000 from the Vancouver Foundation.

7. COMMITMENT

The Society leases the Maritime Museum buildings and moorage facilities from the City of Vancouver for an annual lease payment of \$1.00. The agreement provides that the Society will manage the museum facilities in exchange for an annual operating grant from the City of Vancouver. The lease agreement expired in the year 2000. No renewal lease agreement was in place at the year-end.

8. CONTINGENCY

Under the terms of the Employees Collective Agreement, the Society is liable to provide paid sick leave to certain employees for periods which, if unused, accumulate from year to year. Sick leave may accumulate to a maximum of 261 working days. An estimate of the eventual cost of this employee benefit is not determinable. If and when these costs are incurred, the Society will account for them as costs in the fiscal year in which they are paid. The current collective agreement is in place from January 1, 2001 to December 31, 2003.

THE VANCOUVER MARITIME MUSEUM SOCIETY
SCHEDULE OF PROJECTS AND DEFERRED COSTS
Year Ended December 31, 2002

	Opening Balance	Revenues	Expenditures	Closed to Operations	Closing Balance
DEFERRED PROJECT COSTS					
Acquisitions	\$ (37,587)	\$ 4,913	\$ -	\$ -	\$ (32,674)
Library	-	5,000	1,732	-	3,268
Benjamin Franklin	(233)	-	-	(233)	-
Utjulik	202	970	1,037	-	135
Centennial book project	2,599	13,500	13,750	-	2,349
Carribbean trade	-	36,079	35,143	-	936
Charles Moore project	-	9,831	6,908	-	2,923
Squamish Kayachtn	-	74,150	53,819	-	20,331
Preventative conservation	-	-	400	-	(400)
Zephyr column	-	2,600	-	-	2,600
Canada's digital collection	-	12,951	11,027	-	1,924
False Creek explorers	-	10,000	5,000	-	5,000
	(35,019)	169,994	128,816	(233)	6,392
ST. ROCH PROJECT FUNDS					
St. Roch preservation	69,652	34,452	17,726	33,613	119,991
St. Roch voyage (Page 15)	33,064	549	-	(33,613)	-
Isumataq	(87,489)	50	-	-	(87,439)
	15,227	35,051	17,726	-	32,552
PROJECT FUNDS					
Discretionary	(187)	-	-	(187)	-
NET PROJECT FUNDS AND DEFERRED COSTS					
	\$ (19,979)	\$ 205,045	\$ 146,542	\$ (420)	\$ 38,944

Note: The St. Roch voyage was closed to the preservation fund.

THE VANCOUVER MARITIME MUSEUM SOCIETY
SCHEDULE OF MARITIME STORE REVENUE AND EXPENDITURES
Year Ended December 31, 2002

	2002		2001
SALES	\$ 34,745	\$	51,592
COST OF GOODS SOLD	<u>14,430</u>		<u>29,354</u>
GROSS PROFIT	<u>20,315</u>		<u>22,238</u>
	(58.47%)		(43.10%)
EXPENDITURE			
Operations	644		591
OPERATING INCOME FOR YEAR	<u>\$ 19,671</u>	\$	<u>21,647</u>

THE VANCOUVER MARITIME MUSEUM SOCIETY

SCHEDULE OF OPERATING EXPENDITURES

Year Ended December 31, 2002

	2002	2001
VISITOR SERVICES		
Salaries, wages and benefits	\$ 194,235	\$ 187,003
Supplies, maintenance and miscellaneous	3,107	2,672
	\$ 197,342	\$ 189,675
DIRECTORS' OFFICE		
Salaries, wages and benefits	\$ 133,516	\$ 122,599
Office	17,092	12,392
Board of trustees	3,896	7,353
Travel and entertainment	2,878	2,353
Research allowance	-	8,437
	\$ 157,382	\$ 153,134
ADMINISTRATION AND FINANCE		
Salaries, wages and benefits	\$ 72,987	\$ 58,572
Insurance	11,562	9,384
Office supplies	11,520	11,516
Telephone and internet	10,690	11,063
Repairs and maintenance	5,835	-
Audit and legal	4,500	4,200
Photocopies	4,079	4,230
Postage	3,191	2,030
Computer	1,354	819
Miscellaneous	1,105	1,681
	\$ 126,823	\$ 103,495
CURATORIAL		
Salaries, wages and benefits	\$ 115,063	\$ 93,755
Miscellaneous	4,187	4,431
General maintenance	2,112	1,434
Registry	1,719	3,451
Photography	361	1,209
Memberships and subscriptions	-	219
	\$ 123,442	\$ 104,499

THE VANCOUVER MARITIME MUSEUM SOCIETY

SCHEDULE OF OPERATING EXPENDITURES

Year Ended December 31, 2002

	2002	2001
PROGRAMS, COMMUNITY, AND MEMBER RELATIONS		
Salaries, wages and benefits	\$ 87,585	\$ 84,339
School programs and events	20,382	24,957
Office supplies	1,407	2,082
Travel and conference	-	230
	\$ 109,374	\$ 111,608
MARKETING DEPARTMENT		
Consulting fees	\$ 48,000	\$ 48,000
Advertising and promotion	13,501	17,659
Publications	13,053	26,350
Marketing	11,584	9,694
Distribution	7,422	6,284
Salaries, wages and benefits	1,961	1,234
Dues and memberships	917	1,123
Office supplies	615	1,376
Travel	86	71
Telephone	10	300
	\$ 97,149	\$ 112,091
EXHIBITIONS AND HARBOUR		
Salaries, wages and benefits	\$ 28,410	\$ 28,080
Maintenance	22,934	34,514
In-house exhibits	20,322	15,994
Harbour maintenance	12,577	16,248
Harbour vessel insurance	3,579	4,433
	\$ 87,822	\$ 99,269
FUNDRAISING		
Salaries and contracts	\$ 17,696	\$ 20,100
Fundraising events	10,298	328
Membership drive	1,098	1,098
Office and miscellaneous	1,081	264
	\$ 30,173	\$ 21,790
MEMBER SERVICES		
Salaries, wages and benefits	\$ 12,835	\$ 31,724
Office	8,261	8,835
Travel	-	241
Membership and volunteer	-	538
	\$ 21,096	\$ 41,338