

A.S.T.C. Science World Society

Financial Statements

February 29, 2004

(in thousands of dollars)

PricewaterhouseCoopers LLP
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April 20, 2004

Auditors' Report

**To the Members of
A.S.T.C. Science World Society**

We have audited the statement of financial position of **A.S.T.C. Science World Society** as at February 29, 2004 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.

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 Society as at February 29, 2004 and the results of its operations and its cash flows 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.

PricewaterhouseCoopers LLP

Chartered Accountants

A.S.T.C. Science World Society
Statement of Financial Position
As at February 29, 2004

(in thousands of dollars)

	2004 \$	2003 \$
Assets		
Current assets		
Cash and cash equivalents	1,086	888
Accounts receivable	67	229
Gift shop and other inventory	95	114
Prepaid expenses	48	71
Restricted cash and short-term investments (note 4)	1,046	699
	<u>2,342</u>	<u>2,001</u>
Investments held under equity program (note 3)	37	-
Contribution from Science World Foundation (note 4)	1,211	1,211
Exhibits and films (note 5)	3,115	2,767
Property and equipment (note 6)	7,648	7,882
	<u>14,353</u>	<u>13,861</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	689	603
Deferred revenue (note 8)	1,678	1,433
	<u>2,367</u>	<u>2,036</u>
Deferred contributions (note 4)	1,211	1,211
Deferred contributions related to exhibits and films and property and equipment (note 9)	10,539	10,481
	<u>14,117</u>	<u>13,728</u>
Net assets		
Invested in exhibits and films and property and equipment	224	168
Unrestricted	12	(35)
	<u>236</u>	<u>133</u>
	<u>14,353</u>	<u>13,861</u>

Approved by the Board of Governors



Governor



Governor

A.S.T.C. Science World Society**Statement of Changes in Net Assets****For the year ended February 29, 2004**

(in thousands of dollars)

	2004		2003	
	Invested in exhibits and films and property and equipment \$	Unrestricted \$	Total \$	Total \$
Balance - Beginning of year	168	(35)	133	(118)
(Deficiency) excess of revenue over expenses	(210)	313	103	251
Investment in exhibits and films and property and equipment	266	(266)	-	-
Balance - End of year	224	12	236	133

A.S.T.C. Science World Society

Statement of Operations

For the year ended February 29, 2004

(in thousands of dollars)

	2004 \$	2003 \$
Revenue		
Customer admission and membership	3,633	3,721
Customer retail and contracted services	1,715	1,610
Amortization of deferred contributions related to exhibits and films and property and equipment	1,014	804
Donations and sponsorships	769	761
Grants (note 10)	559	367
Interest (note 11)	155	164
Miscellaneous	131	90
Equity program donations (note 3)	37	-
	<u>8,013</u>	<u>7,517</u>
Expenses		
Exhibits and programs	1,836	1,859
Customer information and communication and sales	1,240	1,052
Support services	1,053	1,025
Customer facilities and upkeep	898	873
Customer service	824	847
Omnimax and science theatres	699	606
Outreach programming	660	460
Development	437	277
Amortization of property and equipment	263	267
	<u>7,910</u>	<u>7,266</u>
Excess of revenue over expenses	<u>103</u>	<u>251</u>

A.S.T.C. Science World Society

Statement of Cash Flows

For the year ended February 29, 2004

(in thousands of dollars)

	2004 \$	2003 \$
Cash flows from operating activities		
Excess of revenue over expenses	103	251
Items not affecting cash		
Amortization of exhibits and films and property and equipment	1,199	1,238
Amortization of deferred contributions related to exhibits and films and property and equipment	(1,014)	(804)
Equity program donations	(37)	-
Write-off of exhibits and films	25	-
Gain on disposal of exhibits and films and property and equipment	(16)	-
	<u>260</u>	<u>685</u>
Changes in non-cash operating accounts		
Decrease (increase) in accounts receivable	162	(127)
Decrease (increase) in gift shop and other inventory	19	(49)
Decrease in prepaid expenses	23	26
Increase (decrease) in accounts payable and accrued liabilities	86	(86)
Increase (decrease) in deferred revenue	245	(183)
	<u>535</u>	<u>(419)</u>
	<u>795</u>	<u>266</u>
Cash flows from investing activities		
Purchase of exhibits and films	(1,309)	(1,747)
Purchase of property and equipment	(29)	-
Proceeds from sale of exhibits and films and property and equipment	16	-
	<u>(1,322)</u>	<u>(1,747)</u>
Cash flows from financing activities		
Deferred contributions related to exhibits and films and property and equipment	<u>1,072</u>	<u>1,531</u>
Increase in cash during the year	545	50
Cash - Beginning of year	<u>1,587</u>	<u>1,537</u>
Cash - End of year	<u>2,132</u>	<u>1,587</u>
Cash comprises		
Cash and cash equivalents	1,086	888
Restricted cash and short-term investments	1,046	699
	<u>2,132</u>	<u>1,587</u>

A.S.T.C. Science World Society

Notes to Financial Statements

February 29, 2004

(all numbers in tables expressed in thousands of dollars)

1 Purpose of the Society

A.S.T.C. Science World Society (“the Society”) is a provincially incorporated not-for-profit, registered charitable society. The mission of the Society is to provide customers with a sensational science centre adventure that delivers competitive “fun value” for all ages while stimulating critical thinking and positively influencing attitudes about science and technology. The Society depends on visitor revenues and individual, corporate and government funding to support its activities.

The Society is a registered charity under the Income Tax Act and has no liability for income taxes.

2 Significant accounting policies

Revenue recognition

The Society follows the deferral method of accounting for contributions, which are recorded when awarded or pledged and collection is reasonably certain.

Grants and donations for specific operating costs and non-capital special projects are deferred and recognized as revenue in the year in which the related expenses are incurred. Unrestricted grants and donations are recognized as revenue when received.

Capital campaign contributions received are included in deferred revenue until spent on exhibits and films and property and equipment (“capital assets”) or project development. When capital assets are purchased, an amount equal to the cost is transferred to the deferred contributions related to exhibits and films and property and equipment account, which is amortized on the same basis as the related capital assets. When contributions are spent on project development, the funds are recognized as revenue in the statement of operations.

Cash and cash equivalents

Cash and cash equivalents consist of cash balances with banks and short-term deposits with maturities of 90 days or less.

Donated services

Volunteers, working directly with visitors in the science centre, contributed approximately 27,000 (2003 - 26,000) hours during the year to assist the Society. Due to the difficulty of determining their fair value, donated services are not recognized in the financial statements.

Gift shop and other inventory

Retail merchandise inventory is stated at the lower of cost, determined on an average cost basis, and net realizable value.

A.S.T.C. Science World Society

Notes to Financial Statements

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(all numbers in tables expressed in thousands of dollars)

Exhibits and films

Exhibits and films developed and acquired by the Society are recorded at cost. Contributed exhibits and films are recorded at fair value at the date of contribution. Amortization is provided over the estimated lives of each exhibit or film, determined on an individual basis.

Property and equipment

Property and equipment purchased by the Society are recorded at cost. Contributed property and equipment are recorded at fair value at the date of contribution. Amortization is provided over the estimated useful lives of the assets on a straight-line basis as follows:

Building and improvements	50 years
Parking lot	10 years
Furniture	10 years
Equipment	2 - 7 years

Investments held under equity program

The investments held under the equity program are carried at cost. If management determines there is a permanent decline in value, these investments will be written down to net realizable value.

Use of estimates

In achieving its mission, the Society initiates many new ideas and projects. From inception to final completion, each project receives continual review and evaluation. During this process, some projects may be deferred or abandoned.

Determination of the net realizable value of a project under development is dependent on future events and necessarily involves the use of estimates made by management using careful judgement. At such time as a project is deferred or abandoned, the project is written down based on management's best estimates of the likelihood and timing of project completion and revenue generation from the project.

3 Investments held under equity program

As part of a recent structured equity program, the Society has been receiving gifts of shares and options where the intention of the donor is that these gifts be held for future appreciation. The objective of the program is to create a legacy for the Society's financial sustainability. During the year, the Society received a certain number of shares of a publicly listed company. This gift has been recorded in the books at its tax receipted value. The market value of these shares at year-end was \$64,000.

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4 Restricted cash and short-term investments and deferred contributions

Restricted cash and short-term investments and deferred contributions comprise:

	2004 \$	2003 \$
Contribution from Science World Foundation	1,211	1,211
Restricted cash and short-term investments	1,046	699
	<u>2,257</u>	<u>1,910</u>

5 Exhibits and films

	2004		2003	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Exhibits	4,778	2,085	2,693	2,340
Films	294	294	-	-
Exhibits and films in development	422	-	422	427
	<u>5,494</u>	<u>2,379</u>	<u>3,115</u>	<u>2,767</u>

No contributed exhibits and films were received during the current or previous fiscal year.

Included in exhibits and programs expense is \$936,000 (2003 - \$971,000) of amortization expense.

6 Property and equipment

	2004		2003	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Building and improvements	10,716	3,133	7,583	7,830
Parking lot	692	692	-	-
Furniture and equipment	2,243	2,178	65	52
	<u>13,651</u>	<u>6,003</u>	<u>7,648</u>	<u>7,882</u>

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7 Bank indebtedness

The Society has available a \$750,000 (2003 - \$750,000) revolving line of credit that bears interest at prime rate. The line of credit is secured by an equivalent amount of term deposit lodged with the bank.

8 Deferred revenue

Deferred revenue represents memberships sold and restricted operating funding received that are related to costs and programs expected to occur in the subsequent period. The balance also includes contributions that are receivable or have been received but have yet to be used to fund operations expenditures or to acquire capital assets. Changes in the deferred revenue balance are as follows:

				2004	2003
	Memberships \$	Grants, donations and sponsorships \$	Other \$	Total \$	Total \$
Balance - Beginning of year	437	882	114	1,433	1,616
Add: Monies and pledges received	769	2,598	484	3,851	3,566
Less: Revenue recognized or applied	(748)	(2,324)	(534)	(3,606)	(3,749)
Balance - End of year	458	1,156	64	1,678	1,433

9 Deferred contributions related to exhibits and films and property and equipment

	2004 \$	2003 \$
Balance - Beginning of year	10,481	9,754
Add: Restricted contributions used to acquire exhibits and films and property and equipment	1,072	1,531
Less: Amortization	(1,014)	(804)
Balance - End of year	10,539	10,481

During the year, \$1,072,000 (2003 - \$1,531,000) was transferred from deferred revenue to deferred contributions.

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10 Grants

Included in grants is \$45,000 (2003 - \$45,000) of gaming revenue received from the Gaming Policy and Enforcement Branch of the Ministry of Public Safety and Security. The related expenses are included in exhibits and programs and customer service costs.

11 Non-controlled endowments

The Society receives the annual earnings from the following endowments held by the Vancouver Foundation. The capital of the funds is not available to the Society and is not included in the accounts of the Society. The Vancouver Foundation is a not-for-profit organization that receives and invests funds and from these provides investment income to other not-for-profit organizations under the terms of agreements with them.

	Fund balance		Earnings received	
	2004 \$	2003 \$	2004 \$	2003 \$
A.S.T.C. Science World Endowment Fund	690	690	40	61
49.74% of the Michael Smith Fund	644	644	44	47

The interest income from these investments is included in the statement of operations.

12 Premises lease

In 1989, the Society entered into a 50-year lease agreement with the Province of British Columbia and the City of Vancouver for the Expo legacy premises at a nominal rent.

13 Financial instruments

Fair value of financial instruments

The Society's financial instruments include cash and cash equivalents, short-term investments, accounts receivable, and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values.

The fair values of investments held under equity program approximate their market values as disclosed in note 3.

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Credit risk exposure

The Society's exposure to credit risk is as indicated by the carrying value of its accounts receivable. The Society mitigates this risk by reviewing and monitoring these balances.

14 Comparative amounts

Certain comparative amounts have been reclassified to conform with the current year's presentation.