

THE VANCOUVER MARITIME MUSEUM SOCIETY

FINANCIAL STATEMENTS

December 31, 2003

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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, 2003 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, 2003 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, 2004

THE VANCOUVER MARITIME MUSEUM SOCIETY

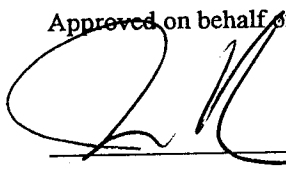
STATEMENT OF FINANCIAL POSITION

December 31, 2003

	2003	2002
ASSETS		
CURRENT		
Cash	\$ -	\$ 60,745
Accounts receivable	39,518	25,769
Inventory	35,126	19,698
Prepaid expenses and deposits	17,856	17,694
	<u>92,500</u>	<u>123,906</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>35,136</u>	<u>18,520</u>
	<u>\$ 511,008</u>	<u>\$ 525,798</u>
LIABILITIES		
CURRENT		
Bank indebtedness	\$ 2,045	\$ -
Operating line of credit (Note 4)	235,000	245,000
Accounts payable and accrued liabilities	69,089	38,413
Deferred revenue	29,540	13,847
	<u>335,674</u>	<u>297,260</u>
NET ASSETS		
Net assets invested in capital assets (Note 5)	35,136	18,520
Net assets restricted for endowment (Note 6)	383,372	383,372
Net assets (deficit) invested in projects (Page 11)	(19,109)	38,944
Unrestricted net deficit	<u>(224,065)</u>	<u>(212,298)</u>
	<u>175,334</u>	<u>228,538</u>
	<u>\$ 511,008</u>	<u>\$ 525,798</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, 2003

	2003	2002
REVENUES		
Operating Grants		
City of Vancouver	\$ 278,911	\$ 274,108
City of Vancouver - St. Roch	85,738	84,269
Province of B.C.	85,250	85,250
Other grants	24,813	38,053
	<u>474,712</u>	<u>481,680</u>
OTHER REVENUES		
Donations	200,163	148,511
Admissions	124,068	117,502
General fundraising	31,000	18,209
Harbour moorage	30,739	25,725
Casino	30,000	30,000
Rental	24,267	22,226
Parking lot	20,225	18,315
Individual and affiliate memberships	20,165	19,096
Miscellaneous	14,589	31,524
Interest	14,260	14,448
Maritime store operations, net (Page 12)	13,365	19,671
Programs	12,400	13,072
Boat show	9,630	10,830
Photographs	1,859	1,589
	<u>546,730</u>	<u>490,718</u>
	<u>1,021,442</u>	<u>972,398</u>
EXPENDITURES		
Visitor services (Page 13)	201,652	197,342
Directors' office (Page 13)	165,276	157,382
Administration and finance (Page 13)	141,220	126,823
Programs, community, and member relations (Page 13)	119,371	109,374
Curatorial (Page 13)	119,178	123,442
Marketing department (Page 14)	103,965	97,149
Exhibitions and harbour (Page 14)	76,876	87,822
Fundraising (Page 14)	42,075	30,173
Member services (Page 14)	28,317	21,096
	<u>997,930</u>	<u>950,603</u>
Interest	12,076	11,150
Amortization	6,587	3,607
	<u>1,016,593</u>	<u>965,360</u>
EXCESS OF REVENUES OVER EXPENDITURES FOR YEAR	<u>\$ 4,849</u>	<u>\$ 7,038</u>

THE VANCOUVER MARITIME MUSEUM SOCIETY

STATEMENT OF CHANGES IN NET ASSETS

Year Ended December 31, 2003

NET ASSETS	Invested in Capital Assets	Restricted for Endowment	Invested in Projects	Unrestricted	2003 Total	2002 Total
	(Note 5)	(Note 6)	(Page 11)			
Balance at beginning of year	\$ 18,520	\$ 383,372	\$ 38,944	\$ (212,298)	\$ 228,538	\$ 162,577
Excess of revenues over expenditures for year (see note below)	(6,587)	-	-	11,436	4,849	7,038
Net recoveries (expenditures) on projects	-	-	(58,053)	-	(58,053)	58,923
Investment in capital assets	23,203	-	-	(23,203)	-	-
	\$ 35,136	\$ 383,372	\$ (19,109)	\$ (224,065)	\$ 175,334	\$ 228,538

Note: As in prior years, the excess revenues over expenditures for 2003 were dedicated by the Society to deficit reduction.

THE VANCOUVER MARITIME MUSEUM SOCIETY

STATEMENT OF CASH FLOWS

Year Ended December 31, 2003

	2003	2002
OPERATING ACTIVITIES		
Excess of revenues over expenditures for year	\$ 4,849	\$ 7,038
Amortization	6,587	3,607
Changes in non-cash working capital:		
Accounts receivable	(13,749)	40,816
Inventory	(15,428)	(11,046)
Prepaid expenses and deposits	(162)	(1,000)
Accounts payable and accrued liabilities	30,676	(25,826)
Deferred revenue	15,693	(24,047)
	<u>28,466</u>	<u>(10,458)</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(23,203)	(2,271)
Net recoveries (expenditures) on projects	(58,053)	58,923
	<u>(81,256)</u>	<u>56,652</u>
DECREASE (INCREASE) IN BANK INDEBTEDNESS	(52,790)	46,194
BANK INDEBTEDNESS AT BEGINNING OF YEAR	(184,255)	(230,449)
BANK INDEBTEDNESS AT END OF YEAR	<u>\$ (237,045)</u>	<u>\$ (184,255)</u>
Represented by:		
Cash (bank indebtedness)	\$ (2,045)	\$ 60,745
Operating line of credit	(235,000)	(245,000)
	<u>\$ (237,045)</u>	<u>\$ (184,255)</u>

THE VANCOUVER MARITIME MUSEUM SOCIETY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2003

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% declining balance
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, \$23,203 (2002 - \$2,271) in capital expenditures were made by the Society.

The Society does not include acquisitions or expenditures related to project funds and deferred projects (Page 11) as part of the capital assets listed above.

THE VANCOUVER MARITIME MUSEUM SOCIETY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2003

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 \$399,418 in 2003 (2002 - \$369,392).

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, 2003, 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 (deficit) 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, 2003

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Endowment funds:

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

i) 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.

j) Financial instruments:

The Society's financial instruments consist of cash, accounts receivable, investments, bank indebtedness, 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 \$410,424 (2002 - \$406,488).

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 \$5,837 (2002 - \$3,850).

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 \$7,281 (2002 - \$10,084).

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

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.

THE VANCOUVER MARITIME MUSEUM SOCIETY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2003

5. CAPITAL ASSETS			2003	2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Building	\$ 15,039	\$ 5,665	\$ 9,374	\$ 10,415
Computer equipment	38,940	16,559	22,381	4,885
Office equipment	8,863	5,482	3,381	3,220
	\$ 62,842	\$ 27,706	\$ 35,136	\$ 18,520

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. A renewal lease agreement has not yet been signed.

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 last collective agreement expired on December 31, 2003. A new collective agreement has not yet been signed.

THE VANCOUVER MARITIME MUSEUM SOCIETY

SCHEDULE OF PROJECTS AND DEFERRED COSTS

Year Ended December 31, 2003

	Opening Balance	Revenues	Expenditures	Closed to Operations	Closing Balance
DEFERRED PROJECT COSTS					
Acquisitions	\$ (32,674)	\$ 2,000	\$ 5,078	\$ -	\$ (35,752)
Library	3,268	3,000	3,513	-	2,755
Utjulik	135	-	-	-	135
Centennial book project	2,349	65,191	67,540	-	-
Caribbean trade	936	-	-	936	-
Charles Moore project	2,923	4,665	2,236	-	5,352
Squamish Kayachtn	20,331	-	3,468	-	16,863
Preventative conservation	(400)	10,000	6,471	-	3,129
Zephyr column	2,600	-	-	-	2,600
Canada's digital collection	1,924	1,449	3,373	-	-
False Creek explorers	5,000	-	-	-	5,000
B.C. digital collection	-	18,200	17,450	-	750
Development project (Note i)	-	12,250	50,295	-	(38,045)
Martyn Green Scholarship	-	200	-	-	200
	6,392	116,955	159,424	936	(37,013)
ST. ROCH PROJECT FUNDS					
St. Roch preservation	119,991	15,721	30,369	(87,489)	17,854
Isumataq (Note ii)	(87,439)	-	-	87,489	50
	32,552	15,721	30,369	-	17,904
NET PROJECT FUNDS AND DEFERRED COSTS					
	\$ 38,944	\$ 132,676	\$ 189,793	\$ 936	\$ (19,109)

Note i: In early 2004, Western Economic Diversification approved a grant of \$150,000 for this project, covering expenditures made in 2003 and for 2004. The funding is to be received in two installments of \$75,000 in April and December of 2004.

Note ii: The balance of the Isumataq project fund prior to 2002 was transferred to the St. Roch preservation fund.

THE VANCOUVER MARITIME MUSEUM SOCIETY
SCHEDULE OF MARITIME STORE REVENUE AND EXPENDITURES
Year Ended December 31, 2003

	2003	2002
SALES	\$ 32,765	\$ 34,745
COST OF GOODS SOLD	18,348	14,430
GROSS PROFIT	14,417	20,315
	(44.00%)	(58.47%)
EXPENDITURE		
Operations	1,052	644
OPERATING INCOME FOR YEAR	\$ 13,365	\$ 19,671

THE VANCOUVER MARITIME MUSEUM SOCIETY

SCHEDULE OF OPERATING EXPENDITURES

Year Ended December 31, 2003

	2003	2002
VISITOR SERVICES		
Salaries, wages and benefits	\$ 198,927	\$ 194,235
Supplies, maintenance and miscellaneous	2,725	3,107
	\$ 201,652	\$ 197,342
DIRECTORS' OFFICE		
Salaries, wages and benefits	\$ 138,406	\$ 133,516
Office	16,457	17,092
Board of trustees	8,442	3,896
Travel and entertainment	1,971	2,878
	\$ 165,276	\$ 157,382
ADMINISTRATION AND FINANCE		
Salaries, wages and benefits	\$ 83,062	\$ 72,987
Insurance	15,482	11,562
Office supplies	14,135	11,520
Telephone and internet	10,789	10,690
Repairs and maintenance	5,714	5,835
Audit and legal	4,800	4,500
Photocopies	3,599	4,079
Computer	1,348	1,354
Postage	1,306	3,191
Miscellaneous	985	1,105
	\$ 141,220	\$ 126,823
PROGRAMS, COMMUNITY, AND MEMBER RELATIONS		
Salaries, wages and benefits	\$ 91,857	\$ 87,585
School programs and events	26,273	20,382
Office supplies	1,164	1,407
Travel and conference	77	-
	\$ 119,371	\$ 109,374
CURATORIAL		
Salaries, wages and benefits	\$ 111,654	\$ 115,063
Miscellaneous	4,015	4,187
General maintenance	2,119	2,112
Registry	1,112	1,719
Photography	151	361
Memberships and subscriptions	127	-
	\$ 119,178	\$ 123,442

THE VANCOUVER MARITIME MUSEUM SOCIETY

SCHEDULE OF OPERATING EXPENDITURES

Year Ended December 31, 2003

	2003	2002
MARKETING DEPARTMENT		
Consulting fees	\$ 48,000	\$ 48,000
Marketing	17,390	11,584
Publications	13,712	13,053
Advertising and promotion	12,280	13,501
Distribution	6,913	7,422
Office supplies	2,341	615
Salaries, wages and benefits	1,902	1,961
Dues and memberships	1,329	917
Travel	86	86
Telephone	12	10
	\$ 103,965	\$ 97,149
EXHIBITIONS AND HARBOUR		
Salaries, wages and benefits	\$ 30,192	\$ 28,410
Maintenance	19,119	22,934
In-house exhibits	16,393	20,322
Harbour maintenance	10,188	12,577
Harbour vessel insurance	984	3,579
	\$ 76,876	\$ 87,822
FUNDRAISING		
Fundraising events	\$ 21,089	\$ 10,298
Salaries and contracts	12,753	17,696
Membership drive	6,532	1,098
Office and miscellaneous	1,701	1,081
	\$ 42,075	\$ 30,173
MEMBER SERVICES		
Salaries, wages and benefits	\$ 18,663	\$ 12,835
Office	9,654	8,261
	\$ 28,317	\$ 21,096