



## CITY OF VANCOUVER

### ADMINISTRATIVE REPORT

Report Date: May 24, 2005  
Author: Karen Hasselfelt  
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RTS No.: 04997  
CC File No.: 2201  
Meeting Date: June 16, 2005

TO: Standing Committee on City Services and Budgets

FROM: Managing Director of Cultural Services

SUBJECT: ASTC Science World – Annual Review & 2005 Operating Grant Request

#### RECOMMENDATION

THAT Council approve an Operating Grant of \$87,500 to the A.S.T.C. Science World Society; source of funds to be the 2005 “Other” Grants budget.

#### GENERAL MANAGERS' COMMENTS

The General Managers of Community and Corporate Services RECOMMEND approval of the foregoing.

#### COUNCIL POLICY

Council has approved annual grants to A.S.T.C. Science World to support their operations since 1982 through either the “Other Grants” or “Cultural Grants” budgets. In 1997, Council directed that this grant be considered in the context of the “Other Grants” budget category. Approval of grants requires eight affirmative votes of Council.

#### PURPOSE

This report provides a review of Science World’s 2004 activities and presents for Council's consideration their 2005 operating grant request.

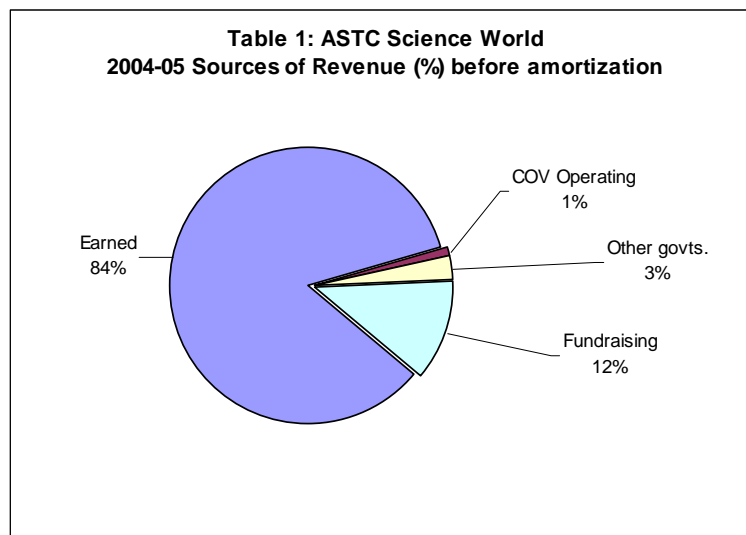
## BACKGROUND

The A.S.T.C. Science World Society (“Science World”) has received civic support since its inception in 1982. In 1989, the Society moved into the renovated EXPO Centre. The Science World site is owned by the City and leased to the Province. The Province subleases the land and the building to the Society for the purposes of operating a science centre.

Science World is a hands-on science and technology centre that provides in-house and travelling exhibitions, public and outreach programs, as well as events and films founded in arts, science and technology. As a non-profit organization with a volunteer Board of Directors, the society employs 65 full time staff and 78 part-time staff, with 170 volunteers providing over 27,420 hours of service to visitors and the organization.

Science World is in the midst of a five-year \$20 million *ReGeneration* program which began in 2001 to make improvements to its aging exhibits and building. This phased capital program has been funded primarily through private sector support and \$1.6 million in Canada/BC Infrastructure funding received in late 2003. Infrastructure improvements include lobby renovations, new permanent exhibition galleries such as *Kidspace*, *Our World*, and *Eureka!*, as well as the Science Theatre.

Science World generates a significant portion (84%) of its annual operating budget through earned revenues from admissions, memberships, retail sales, etc. The balance of funds is raised through grants, donations and fund raising. Table 1 reflects Science World’s sources of revenue, including its operating support from the City.



## 2004 Year in Review

Science World celebrated its 15<sup>th</sup> anniversary in its current facility in 2004. *ReGeneration* activity continued on lobby improvements, structural repairs to the roof and pier pylons, and the development of new permanent exhibits. The first phase of the *BodyWorks* Gallery opened in the summer. Interactive exhibits investigate the science behind human

performance and test individual strength, endurance, reaction time, dexterity, memory and more. Temporary exhibitions included:

- *Sila: Clue in to Climate Change* – a touring exhibition from the Canadian Museum of Nature that examines the effect of global warming on the Arctic environment and other regions of the world;
- *Bond. James Bond* – presents the technology behind the making of the Bond films, featuring the real cars, props and costumes; and
- *The Healer Within* – a travelling exhibit that explores preventative concepts of health and wellness, which complements the Body Works gallery themes.

Films, events, live presentations, education and public programs complement the exhibitions. Featured performances included the Guinness World Record Painting Challenge, which invited visitors to be one of 26,000 artists needed to break the world record for the Most Painters of One Picture.

Science World also offered numerous outreach programs outside its facility including science fairs, science camps, mentorship and after-school programs. Both *Science and Innovators in the Schools* and *Opening the Door* programs provide students around the province with personal classroom visits and networking opportunities with a professional scientist or engineer. The *Wonderbus* program offers students from inner-city schools free field trips, including transportation, entry and curriculum-linked workshops.

## 2005 Plans

The priorities outlined in the 2004 - 2009 Strategic Plan continue to be financial stability and community engagement, with a focus on both the quality and quantity of programs delivered at Science World and throughout the province. Science World has also increased its efforts to raise its profile nationally and internationally. It has been chosen as one of seven sites across Canada that will be connected electronically to the Canada Pavilion at the 2005 World's Fair in Aichi, Japan. Science World visitors will be able to take a virtual tour of the Canada Pavilion and dialogue online about Canada's theme for Expo *Wisdom of Diversity*. Visitors in Japan will be able glimpse Canada as seen through the eyes of Canadian museums and science centres and their visitors. Science World will also host the Canada-wide Science Fair in 2005 in partnership with Youth Science Foundation Canada.

*LEGO Ocean Adventure* opened the exhibition program for 2005 and featured a 1,200 square foot exhibition of the underwater world constructed with 183,360 pieces. Four interactive areas included life-size LEGO sharks, dolphins, sea turtles and fish, and give children the opportunity to create their own creatures of the deep.

Other temporary exhibitions scheduled for 2005 are *The Climate Change Show*, which outlines the challenges of climate change in a humorous way, and *Playing With Time*, an exhibit that celebrates the World Year of Physics by letting visitors speed up and slow down the world and indulge in time travel. Permanent exhibits continue in *Our World*, *Kidspace*, *BodyWorks* and *Eureka!* galleries, as well films and presentations in several theatres.

The *ReGeneration* capital program continues with infrastructure improvements to the dome, electrical and seismic upgrades, and the development of the second phase of the *BodyWorks*

gallery, which is scheduled to open in the spring of 2006. Science World is also exploring exterior exhibit opportunities as part of an outdoor science park in consultation with Park Board and the City's Engineering department, as well as with the various communities that they serve. Science World plans to complete the *ReGeneration* program by the 2010 Olympic and Paralympic Games.

## DISCUSSION

In its Strategic Plan, Science World has identified the need to build its base operating budget to \$10.2 million in order to address current program and infrastructure needs, and enable them to refresh programming and exhibits on an ongoing basis to attract repeat visitation. In 2004, Science World exceeded revenue and attendance projections to conclude the year with an annual operating surplus of \$410,000. This year's surplus will contribute to building the organization's working capital reserves and its base operating budget. The audited financial statements for the year ending February 28, 2005 are attached to this report as Appendix A.

Science World has employed several strategies to realize goals outline in its Strategic Plan. One of objectives focuses upon increasing the number of school visits and public attendance, with the aim of achieving a stable annual attendance of 575,000 visits by 2007. Science World set a goal of 474,000 total visits in 2004 and a 12% increase in admissions and membership revenues. The organization surpassed both of these targets. Admissions and membership revenues increased by 21% and total Vancouver attendance reached 537,888 visits in 2004, with paid attendance increasing by 8.4% over the previous year.

Science World relies significantly on earned revenues, which historically has made the organization vulnerable to external factors such as the weather, labour disputes and world events that can adversely affect attendance and retail sales. Based on its Strategic Plan, Science World has focused efforts on diversifying revenue sources, particularly in the areas of corporate sponsorship, individual giving, and government funding. Fund raising efforts have led to a significant multi-year corporate sponsorship of \$600,000/year for fifteen years towards operations, specifically for enhancing programs and exhibits. A new individual giving program is projected to raise \$250,000/year for the next three years and has already reached 50% of its goal.

Access is a priority in program planning, and Science World is aiming to have 80% of BC school students benefit from Science World's programs by 2009. Towards this goal, the organization has secured a multi-year grant (\$1 million/year for five years) from the Province to expand its education and outreach through the BC PALS program beginning in September 2005. Science World is projecting that these sources of revenue will contribute to reducing its reliance on earned revenues, build working capital reserves and provide a more stable operating base in the coming years, as well as enable them to finance the completion of the *ReGeneration* program.

The *ReGeneration* program has been progressing well and Science World has raised a total of \$8.9 million to date in cash and pledges. However, there are also challenges, as critical upgrades to the building's infrastructure, originally projected to cost \$2.8 million has been revised to \$5 million based on recent technical reviews. This presents additional fund raising challenges for the society as many of the upgrades are not visible to the public or potential funders.

OCA and Finance staff have reviewed the 2005 operating budget and assumptions and support the financial projections as reasonable in relation to Science World's Strategic planning goals and previous performance.

#### FINANCIAL IMPLICATIONS

While Science World receives project support from other levels of government, the City's grant is the only operating funding available to Science World. And while this funding is less than 1% of the society's operating budget, it is important for leveraging revenues from other sources. Staff are therefore recommending a 2005 operating grant of \$87,500 based on a general inflationary increase of 2.0% over the 2004 grant as approved by Council in the 2005 Operating Budget. The source of funds is the "Other" Grants allocation in the 2005 Operating Budget.

#### CONCLUSION

Science World is effectively managing its operations and capital program, and has successfully employed strategies to diversify revenues. The society is continuing its efforts to establish long-term funding relationships with senior governments and build up their operating reserves to provide a more balanced and stable financial base. Therefore, staff recommend continued operating support for A.S.T.C. Science World Society in the amount of \$87,500.

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# **A.S.T.C. Science World Society**

Financial Statements  
**February 28, 2005**  
(in thousands of dollars)

**PricewaterhouseCoopers LLP**  
**Chartered Accountants**  
PricewaterhouseCoopers Place  
250 Howe Street, Suite 700  
Vancouver, British Columbia  
Canada V6C 3S7  
Telephone +1 604 806 7000  
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April 20, 2005

## **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 28, 2005 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 28, 2005 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*

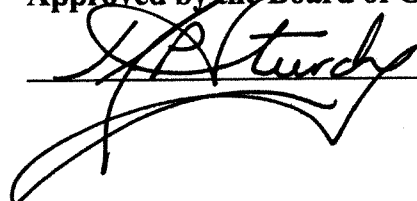
**Chartered Accountants**

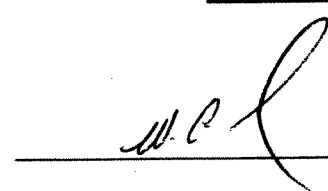
**A.S.T.C. Science World Society**  
Statement of Financial Position  
As at February 28, 2005

(in thousands of dollars)

	2005 \$	2004 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	1,657	1,086
Restricted cash	466	1,046
Accounts receivable	259	67
Gift shop and other inventory	108	95
Prepaid expenses	44	48
	<hr/>	<hr/>
	2,534	2,342
<b>Internally restricted cash and short-term deposits (note 3)</b>	1,211	1,211
<b>Investments held under equity program (note 4)</b>	33	37
<b>Exhibits and films (note 5)</b>	2,810	3,115
<b>Property and equipment (note 6)</b>	7,669	7,648
	<hr/>	<hr/>
	14,257	14,353
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	727	689
Deferred revenue (note 7)	1,356	1,678
	<hr/>	<hr/>
	2,083	2,367
<b>Deferred contributions (note 3)</b>	-	1,211
<b>Deferred contributions related to exhibits and films and property and equipment (note 8)</b>	10,317	10,539
	<hr/>	<hr/>
	12,400	14,117
<b>Net assets</b>		
Invested in exhibits and films and property and equipment	161	224
Unrestricted	485	12
Internally restricted - capital contingency fund (note 3)	1,211	-
	<hr/>	<hr/>
	1,857	236
	<hr/>	<hr/>
	14,257	14,353

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 28, 2005**

(in thousands of dollars)

				2005	2004
	Invested in exhibits and films and property and equipment \$	Unrestricted \$	Capital contingency fund \$ (note 3)	Total \$	Total \$
<b>Balance - Beginning of year</b>	224	12	-	236	133
Excess of revenue over expenses	(206)	616	-	410	103
Investment in exhibits and films and property and equipment	143	(143)	-	-	-
Transfer from deferred contributions	-	-	1,211	1211	-
<b>Balance - End of year</b>	161	485	1,211	1,857	236

# A.S.T.C. Science World Society

## Statement of Operations

For the year ended February 28, 2005

(in thousands of dollars)

	2005	2004
	\$	\$
<b>Revenue</b>		
Customer admission and membership	4,384	3,633
Customer retail revenue and contracted services	1,796	1,715
Amortization of deferred contributions related to exhibits and films and property and equipment	1,239	1,014
Donations and sponsorships	750	769
Grants (note 9)	320	559
Interest (note 10)	141	155
Miscellaneous	59	131
Equity program donations	-	37
	<u>8,689</u>	<u>8,013</u>
<b>Expenses</b>		
Exhibits and programs	2,328	1,836
Customer information, communication and sales	1,340	1,240
Support services	1,096	1,053
Customer facilities and upkeep	913	898
Customer service	803	824
Omnimax and science theatres	653	699
Outreach programming	550	660
Development	315	437
Amortization of property and equipment	281	263
	<u>8,279</u>	<u>7,910</u>
<b>Excess of revenue over expenses</b>	<u>410</u>	<u>103</u>

**A.S.T.C. Science World Society****Statement of Cash Flows****For the year ended February 28, 2005**

(in thousands of dollars)

	<b>2005</b>	<b>2004</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Excess of revenue over expenses	410	103
Items not affecting cash		
Amortization of exhibits and films and property and equipment assets	1,446	1,199
Amortization of deferred contributions related to exhibits and films and property and equipment	(1,239)	(1,014)
Equity program donations	-	(37)
Write-off of exhibits and films	-	25
Gain on disposal of exhibits and films and property and equipment	-	(16)
Unrealized loss on investments held in equity program	3	-
	<u>620</u>	<u>260</u>
Changes in non-cash operating accounts		
(Increase) decrease in accounts receivable	(193)	162
(Increase) decrease in gift shop and other inventory	(13)	19
Decrease in prepaid expenses	4	23
Increase in accounts payable and accrued liabilities	37	86
(Decrease) increase in deferred revenue	(322)	245
	<u>(487)</u>	<u>535</u>
	<u>133</u>	<u>795</u>
<b>Cash flows from investing activities</b>		
Purchase of exhibits and films	(858)	(1,309)
Purchase of property and equipment	(301)	(29)
Proceeds from sale of exhibits and films and property and equipment	-	16
	<u>(1,159)</u>	<u>(1,322)</u>
<b>Cash flows from financing activities</b>		
Deferred contributions related to exhibits and films and property and equipment	1,017	1,072
<b>(Decrease) increase in cash during the year</b>	<u>(9)</u>	<u>545</u>
<b>Cash - Beginning of year</b>	<u>2,132</u>	<u>1,587</u>
<b>Cash - End of year</b>	<u>2,123</u>	<u>2,132</u>
<b>Cash comprises</b>		
Cash	1,657	1,086
Restricted cash	466	1,046
	<u>2,123</u>	<u>2,132</u>

# A.S.T.C. Science World Society

Notes to Financial Statements

February 28, 2005

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(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 contributions received are included in deferred revenue until spent on property and equipment or project development. When property and equipment 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 assets. When contributions are spent on project development, the funds are recognized as revenue in the statement of operations.

### Donated services

Volunteers, working directly with visitors in the science centre, contributed approximately 27,000 (2004 - 27,000) 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.

### Restricted cash

Restricted cash held as a current asset comprises funds received for a specific purpose with the advance requirement that they be kept in a segregated account until spent on the intended purpose.

### 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

February 28, 2005

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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

**Use of estimates**

In achieving its mission, the Society initiates many new ideas and projects. From inception to 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 Internally restricted cash and short-term deposits**

During the year, the Society transferred \$1,211,000 from deferred contributions to an internally restricted net assets account (capital contingency fund). The purpose of this transfer is to provide clarity on the intended use of the funds which were contributed by the Science World Foundation. This fund will be restricted to the acquisition of property and equipment, development of exhibits and upkeep of physical plant of the Society.

**4 Investments held under equity program**

The Society receives gifts of shares and options where the intention of the donors 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. The shares are recorded initially at their tax receipted value and subsequently are recorded at market value.

# A.S.T.C. Science World Society

Notes to Financial Statements

February 28, 2005

(all numbers in tables expressed in thousands of dollars)

## 5 Exhibits and films

			2005	2004
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Exhibits	5,676	3,050	2,626	2,693
Films	294	294	-	-
Exhibits and films in development	184	-	184	422
	<u>6,154</u>	<u>3,344</u>	<u>2,810</u>	<u>3,115</u>

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

Included in exhibits and programs expense is \$1,165,000 (2004 - \$936,000) of amortization expense.

## 6 Property and equipment

			2005	2004
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Building and improvements	10,915	3,370	7,545	7,583
Parking lot	693	693	-	-
Furniture and equipment	2,344	2,220	124	65
	<u>13,952</u>	<u>6,283</u>	<u>7,669</u>	<u>7,648</u>

**A.S.T.C. Science World Society****Notes to Financial Statements****February 28, 2005**

(all numbers in tables expressed in thousands of dollars)

**7 Deferred revenue**

Deferred revenue represents memberships sold and grants, donations and sponsorships received that are intended to fund expenses and programs expected to occur in the subsequent period. The balance also includes capital contributions that have been received but have yet to be used to acquire property and equipment. Changes in the deferred revenue balance are as follows:

	<b>2005</b>			<b>2004</b>	
	<b>Memberships</b>	<b>Grants, donations and sponsorships</b>	<b>Other</b>	<b>Total</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance - Beginning of year	458	1,156	64	1,678	1,433
Add: Monies and pledges received	871	1,391	270	2,532	3,851
Less: Revenue recognized or applied	(834)	(1,772)	(248)	(2,854)	(3,606)
Balance - End of year	495	775	86	1,356	1,678

**8 Deferred contributions related to exhibits and films and property and equipment**

	<b>2005</b>	<b>2004</b>
	<b>\$</b>	<b>\$</b>
Balance - Beginning of year	10,539	10,481
Add: Restricted contributions used to acquire exhibits and films and property and equipment	1,017	1,072
Less: Amortization	(1,239)	(1,014)
Balance - End of year	10,317	10,539

During the year, \$1,017,000 (2004 - \$1,072,000) was transferred from deferred revenue to deferred contributions.

**9 Grants**

Included in grants is \$45,000 (2004 - \$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.

# A.S.T.C. Science World Society

Notes to Financial Statements

February 28, 2005

(all numbers in tables expressed in thousands of dollars)

## 10 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	
	2005 \$	2004 \$	2005 \$	2004 \$
A.S.T.C. Science World Endowment Fund	690	690	40	40
49.74% of the Michael Smith Fund	644	644	42	44

## 11 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.

## 12 Financial instruments

### Fair value of financial instruments

The Society has various financial instruments, including cash, short-term deposits, accounts receivable, and accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values.

### 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.