



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date: May 25, 2005
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CC File No.: 4003
Meeting Date: June 16, 2005

TO: Standing Committee on City Services and Budgets

FROM: Managing Director of Cultural Services

SUBJECT: H.R. MacMillan Space Centre – Annual Review & 2005 Operating Grant Request

RECOMMENDATION

THAT Council approve an operating grant of \$484,400 to the H.R. MacMillan Space Centre 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 operating grants to the Major Exhibiting Institutions to support their ongoing operations since their formation as independent non-profit societies in 1971. Approval of grants requires eight affirmative votes of Council.

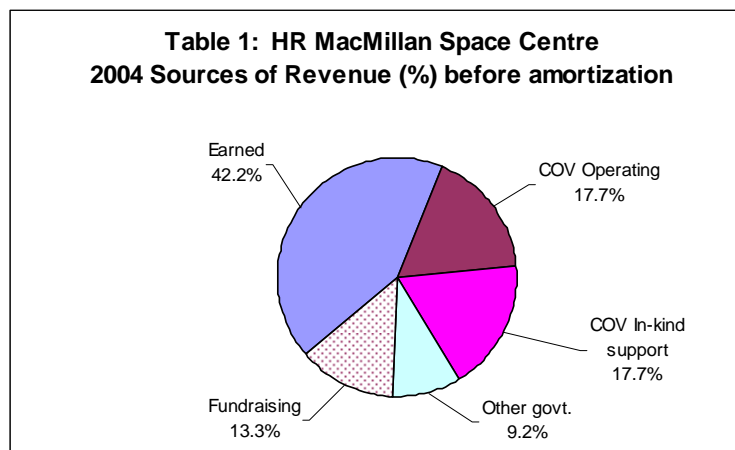
PURPOSE

This report provides a review of the H.R. MacMillan Space Centre Society's 2004 activities and presents its 2005 operating grant request for Council's consideration.

BACKGROUND

In 1967, as part of the Centennial celebrations, the H.R. MacMillan Planetarium and the Vancouver Museum (formerly at the Carnegie Centre) were located in a prominent new building in Vanier Park. The Museum and Planetarium, as well as the Vancouver Maritime Museum, were operated as a department of the City until 1971, when they became one independent non-profit society, the Vancouver Museums and Planetarium Association (VMPA). The VMPA received operating support from the City in two forms: an operating grant for programs, staffing and collection activities, and the direct provision of the facility at nominal rent, maintenance, janitorial services and building costs. In 1987, the VMPA dissolved and three new non-profit societies were created including the B.C. Space Centre Society. In 2000, the Society changed its name to the H.R. MacMillan Space Centre Society.

The Space Centre continues to occupy the City-owned building in Vanier Park that it shares with the Vancouver Museum. In addition to an annual operating grant, the City currently provides occupancy of the facility at a nominal rent, property tax exemption, utilities, janitorial services, and grounds and building maintenance through the City's Facilities Design & Management department. The organization's sources of revenue, including total City support (35.4%) are illustrated in Table 1.



The Space Centre is governed by a volunteer Board of Directors and has 22 full-time staff and 37 part-time staff. 77 volunteers contribute approximately 3,000 hours to the Space Centre's programming and activities. The Space Centre offers interactive exhibits, public programs, demonstrations and events in five different areas of the facility: the H.R. MacMillan Planetarium; Gordon MacMillan Southam Observatory; GroundStation Canada – a multimedia “mission control” theatre; the Cosmic Courtyard – featuring interactive exhibits on a range of space-related topics; and Virtual Voyages – a motion simulator ride.

2004 Year in Review

This past year saw a smooth transition and a review of existing operations and programs under the Space Centre's new director. In September, the Space Centre conducted several audience research initiatives to gather information on visitor perceptions of existing programs and suggestions for future changes. This research was compiled in the report *Investigating the Public Perception of the H.R. MacMillan Space Centre* which was completed in November

2004. In addition to this research, staff surveyed other planetaria and science centres to learn about best practices. Financial support was received from the federal government (Western Economic Diversification and Canadian Heritage) to conduct these studies. The results of this research have been incorporated into the Space Centre's new Strategic Plan which will guide the organization's future direction.

In 2004, the year began with a live event for the landing of the rover *Opportunity* on Mars. In the fall, the Space Centre hosted the International Astronautical Congress which included lectures by Canadian astronauts and the unveiling of a Canadian Space Agency (CSA) multi-media exhibit by Marc Garneau.

In response to public requests for pre-school programming, two new planetarium shows were produced and presented: *Little Dippers* and *Music with Marnie*. The Space Centre also produced a third new show *Quest for Origins* in collaboration with planetaria in Montreal, Winnipeg and Calgary, which is a pilot for future co-productions. A new GroundStation Canada show *Powering the Future* highlighted innovative renewable energy sources used in space exploration.

The Space Centre also introduced daily Observatory programs for the summer months and continued with its outreach programs such as *Starlab*, the portable planetarium, and the *Community Astronomy Summer Tour*, which offered 38 programs to over 4,100 participants throughout BC. A major new distance education initiative provided interactive, video-conferencing programs in remote communities. The *Living in Space* program was delivered to two First Nations schools in Northern B.C. and enabled students to interact directly with the presenter at the Space Centre. Funding for this important initiative was provided by the Natural Sciences and Engineering Research Council (NSERC) and CSA. The Space Center also hosted Fireworks events and partnered in the joint *ExplorePass* program with neighbouring Vanier Park institutions – the Vancouver Museum and the Vancouver Maritime Museum.

2005 Plans

This year the Space Centre plans to implement many of the recommendations outlined in the *Investigating Public Perception* audience research report. Key findings include:

- Planetarium Theatre has universal appeal across all visitor demographics
- Need for changing exhibits and programs
- More programming and exhibits for young children and seniors
- Interest in the observatory and telescope programs
- More people-oriented programming
- Lack of public profile
- Interior and exterior renovations needed
- Desire for food services on-site
- Vanier Park location is a draw

The Space Centre has also undertaken a feasibility study to examine the capital requirements to support program needs identified by the research, particularly in the Cosmic Courtyard and Planetarium Theatre. In addition, the operational review has suggested the need to revisit the organization's mission statement to be more contemporary and relevant to its audiences and stakeholders. Human resources are also to be reviewed to ensure connection

with and support of strategic goals. A review of guest services is already underway to identify efficiencies, and succession planning for several retiring employees is also a priority. The Space Centre has also focused on how exhibits and programming are developed, marketed and delivered. Production and education staff now are working together in project teams to launch exhibits and programs for 2005 that will include:

- A seniors program *Stars and Moons in the Afternoon* designed to provide socially and intellectually engaging afternoon programs with astronomy experts
- A volunteer program that involves youth as weekend animators in the exhibits and for family programs
- Development of First Nations programming for planetarium and videoconferencing
- *Going to Extremes*, an exhibition that examines the extreme environment of space which is a component of the new school science curriculum; and
- *Vanishing Skies*, an exhibit exploring the impact of light pollution on the night sky.

DISCUSSION

In order to be more relevant and sustainable over the long term, the Space Centre has been investigating several options for its future. During this period of transition, the Space Centre has taken this opportunity to reflect on its current operations and programming. 2005 will be an important year for the Space Centre as it tests the proposed changes to determine if this path will lead towards greater sustainability.

The Space Centre generates approximately 43% of its annual operating budget through earned revenues and the City's grant is the only operating grant available to the organization. The remaining operating funds are raised through project grants, contracts, donations and fund raising. The Space Centre concluded the year with an excess of revenues over expenditures of \$15,210 on a total operating budget of \$2.2 million before amortization. The audited financial statements for 2004 are attached to this report as Appendix A.

In 2004, memberships increased by 14% and rentals were up by 33%, so that earned revenues increased marginally over 2003. However, individual donations and government funding (project grants) dropped by 20% over the previous year. Total paid attendance was down 3% over last year to 112,814, but attendance continues to be considerably below 1998 levels when paid attendance was 151,091. While public attendance increased by 10% in 2004, school attendance dropped by 12% and laser show attendance dropped by another 8%. The need to address changing science curriculum and targeting specific grades in education packages were two of the reasons cited by the organization for the drop in school participation.

The Space Centre has changed strategies to address its declining audiences, including revamping school and public programs, and implementing several of the recommendations from the audience research report. The society has refined its market focus to schools and seniors, and projects increasing attendance by 4% and earned revenues by 3% in 2005. Marketing and promotions budgets have been augmented significantly to achieve projections. Simultaneously, the Space Centre has projected reducing its total expenditures by 4%, as the organization has retired its payment obligations for the motion simulator ride and several senior staff are retiring. The projected year-end surplus is \$122,985 on a budget of \$2.1 million. This will contribute to building operational reserves, as these were depleted in 2002

by a large lump sum loan payment made to the manufacturer of the motion simulator ride (purchased in 1998 as part of the capital renovations).

As with Science World, aging infrastructure and refreshing exhibits are key challenges, which were also identified in the Space Centre's audience research report. However, the Space Centre needs to establish a solid operational and financial base before it is ready to embark upon another capital campaign. While Space Centre and Science World have discussed their respective programs and infrastructure plans, there is yet to be resolution on potential overlaps in programs and capital upgrades, given that both have a science-education mandate and are considering a reinvestment in expensive theatre projection equipment. The Space Centre is also in discussions with its Vanier Park institutional colleagues to determine if there are joint program and operational functions that can be harmonized to strengthen program and public services, while simultaneously reducing expenses.

FINANCIAL IMPLICATIONS

OCA and Finance staff have reviewed the 2005 operating budget and assumptions, and support the financial projections as reasonable in relation to the Space Centre's planning goals and previous performance. Staff are recommending a 2005 operating grant of \$484,400 based on a general inflationary increase of 2.0% over the 2004 grant as approved by Council in the 2005 Operating Budget. Source of funds is the "Other" Grants allocation in the 2005 Budget.

CONCLUSION

City staff support the research and planning work that the Space Centre has undertaken this year with its audiences, which is critical to the long-term growth and development of the organization. The organizational and program reviews give the Space Centre opportunities to enhance public service and sustain the institution over the long term. Staff are recommending operating support for the H.R. MacMillan Space Centre Society in the amount of \$484,400.

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Auditors' Report and Financial Statements of

**H. R. MACMILLAN SPACE CENTRE
SOCIETY**

December 31, 2004

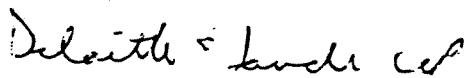
Auditors' Report

To the Members of
H. R. MacMillan Space Centre Society

We have audited the balance sheet of H. R. MacMillan Space Centre Society as at December 31, 2004 and the statements of changes in net assets, operations 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 December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Vancouver, British Columbia
March 4, 2005

H. R. MACMILLAN SPACE CENTRE SOCIETY

Balance Sheet

December 31, 2004

	2004	2003
ASSETS		
CURRENT		
Cash	\$ 81,640	\$ 70,763
Accounts receivable	100,010	269,390
Other assets (Note 4)	1,573	3,348
	183,223	343,501
RESTRICTED INVESTMENTS (Note 3)	103,333	103,333
PROPERTY AND EQUIPMENT (Note 5)	2,037,936	3,150,437
	\$ 2,324,492	\$ 3,597,271
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 197,416	\$ 366,805
Wages and benefits payable	108,494	111,241
Current portion of loan payable (Note 6)	7,200	28,800
Deferred revenue	50,069	44,475
	363,179	551,321
LOAN PAYABLE (Note 6)	-	7,200
DEFERRED CONTRIBUTIONS RELATED TO PROPERTY AND EQUIPMENT (Note 7)	1,908,592	2,946,718
	2,271,771	3,505,239
NET ASSETS	52,721	92,032
	\$ 2,324,492	\$ 3,597,271

ENDOWMENT WITH THE VANCOUVER FOUNDATION (Note 9)

APPROVED BY THE DIRECTORS:

Director

Director

H. R. MACMILLAN SPACE CENTRE SOCIETY
Statement of Changes in Net Assets
Year ended December 31, 2004

Net assets	Restricted for endowment purposes	Invested in property and equipment	Unrestricted	2004	2003
Balance, beginning of year	\$ 103,333	\$ 167,719	\$ (179,020)	\$ 92,032	\$135,824
(Deficiency) excess of revenue over expenditures	-	(54,521)	15,210	(39,311)	(43,792)
Debt reduction	-	28,800	(28,800)	-	-
Acquisition of property and equipment	-	15,711	(15,711)	-	-
Deferred contributions	-	(35,565)	35,565	-	-
Balance, end of year	\$ 103,333	\$ 122,144	\$ (172,756)	\$ 52,721	\$ 92,032

H. R. MACMILLAN SPACE CENTRE SOCIETY
Statement of Operations
Year ended December 31, 2004

	<u>2004</u>	<u>2003</u>
REVENUE (Schedule)	\$ 2,215,128	\$ 2,355,770
EXPENDITURES		
Guest services	441,649	447,212
Public programmes	206,032	214,563
Production administration	264,051	235,724
Marketing	217,231	257,216
Education programmes	214,083	198,135
Facility maintenance	181,408	169,237
Finance and administration	166,115	215,648
Director's office	168,634	174,626
Development and fundraising	149,912	107,805
Outreach programmes and special projects	134,520	268,568
Membership	56,283	62,963
	<u>2,199,918</u>	<u>2,351,697</u>
EXCESS OF REVENUE OVER EXPENDITURES		
BEFORE AMORTIZATION	15,210	4,073
AMORTIZATION OF DEFERRED CONTRIBUTIONS	1,073,691	1,039,405
AMORTIZATION OF PROPERTY AND EQUIPMENT	(1,128,212)	(1,114,889)
	(39,311)	(71,411)
FORGIVENESS OF DEBT (Note 6)	-	27,619
DEFICIENCY OF REVENUE OVER EXPENDITURES	\$ (39,311)	\$ (43,792)

H. R. MACMILLAN SPACE CENTRE SOCIETY
Statement of Cash Flows
Year ended December 31, 2004

	2004	2003
OPERATING ACTIVITIES		
Deficiency of revenue over expenditures	\$ (39,311)	\$ (43,792)
Items not affecting cash:		
Amortization of property and equipment	1,128,212	1,114,889
Amortization of deferred contributions related to property and equipment	(1,073,691)	(1,039,405)
Forgiveness of debt	-	(27,619)
Change in non-cash working capital	4,613	23,108
Net cash provided from operations	19,823	27,181
FINANCING ACTIVITIES		
Deferred contributions related to property and equipment	35,565	411,436
Repayment of loan	(28,800)	(278,881)
Net cash provided from financing activities	6,765	132,555
INVESTING ACTIVITY		
Purchase of property and equipment	(15,711)	(427,911)
Net cash used in investing activity	(15,711)	(427,911)
INCREASE (DECREASE) IN CASH	10,877	(268,175)
CASH, BEGINNING OF YEAR	70,763	338,938
CASH, END OF YEAR	\$ 81,640	\$ 70,763

H. R. MACMILLAN SPACE CENTRE SOCIETY

Notes to the Financial Statements

Year ended December 31, 2004

1. DESCRIPTION OF THE ORGANIZATION

The H. R. MacMillan Space Centre Society ("the Society") is incorporated under the Society Act of British Columbia and is a registered charity under the Income Tax Act. The Society is not subject to income tax.

The Society operates the H. R. MacMillan Space Centre and the Gordon MacMillan Southam Observatory on behalf of the City of Vancouver ("the City"). The Society leases the space centre buildings from the City for \$1 per year and receives an annual operating grant from the City.

The Society produces a number of facility based and outreach programs on space science and astronomy. These programs are delivered to both the general public and school and educational groups in Vancouver and throughout the Province of British Columbia.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) *Revenue recognition*

The Society 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 can be reasonably estimated and collection is reasonably assured. Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned. Endowment contributions are recognized as direct increases in net assets.

Revenues from admissions, outreach programs and facility rentals are recognized at the time of visitor attendance. Revenues from memberships are recognized on a straight-line basis over the period of the membership.

(b) *Property and equipment*

Property and equipment are stated at the lower of cost less accumulated amortization and net realizable value. Costs relating to exhibits and displays with an expected presentation life of less than one year are expensed as incurred. Amortization is provided on a straight-line basis as follows:

Exhibits and equipment	7 years
Leasehold improvements	10 years
Motion simulator and Star Theatre equipment	10 years
Computer hardware and start-up costs	5 years

In the year of acquisition, amortization is taken at one-half of the normal rate.

H. R. MACMILLAN SPACE CENTRE SOCIETY

Notes to the Financial Statements

Year ended December 31, 2004

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) *Impairment of property and equipment*

Prior to January 1, 2004, the Society evaluated the carrying value of property and equipment for impairment if there were indicators of impairment. The Society considered undiscounted future estimated cash flows to be generated from those assets as well as other indicators. Any impairment in the carrying value of property and equipment was charged to operations in the period an impairment was determined.

Subsequent to December 31, 2003, the Society tests property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset or group of assets may not be recoverable. If the carrying value of an asset or group of assets exceeds the undiscounted estimated future cash flows related to the asset or group of assets, an impairment loss is recognized in the period it is determined to the extent that the carrying value exceeds the fair value of the asset or group of assets. The implementation of this policy had no impact as at January 1, 2004.

(d) *Deferred revenue*

Deferred revenue represents paid bookings and operating grants that have been received but not all of the related services have been provided.

(e) *Investments*

Investments are carried at the lower of cost and market value.

(f) *Contributed services*

Volunteers contribute approximately 3,000 hours per year to assist the Society in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(g) *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, particularly the recoverability of accounts receivable and property and equipment, and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

H. R. MACMILLAN SPACE CENTRE SOCIETY
Notes to the Financial Statements
Year ended December 31, 2004

3. RESTRICTED INVESTMENTS

Restricted investments comprise short-term interest bearing securities that were endowed to the Society by the Province of British Columbia. The annual interest earned on these investments is used to support the various activities and programs of the Society.

4. OTHER ASSETS

	<u>2004</u>	<u>2003</u>
Inventory	\$ -	\$ 780
Prepaid expenses	1,573	2,568
	<u>\$ 1,573</u>	<u>\$ 3,348</u>

5. PROPERTY AND EQUIPMENT

	<u>2004</u>		<u>2003</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Exhibits and equipment	\$ 3,196,383	\$ 3,188,095	\$ 8,288	\$ 432,734
Leasehold improvements	2,994,951	2,137,317	857,634	1,157,128
Motion simulator and Star Theatre equipment	3,107,742	2,228,134	879,608	1,182,587
Computer hardware, software and start-up costs	745,351	452,945	292,406	377,988
	<u>\$ 10,044,427</u>	<u>\$ 8,006,491</u>	<u>\$ 2,037,936</u>	<u>\$ 3,150,437</u>

6. LOAN PAYABLE

	<u>2004</u>	<u>2003</u>
Loan	\$ 7,200	\$ 36,000
Current portion	(7,200)	(28,800)
Long-term portion	<u>\$ -</u>	<u>\$ 7,200</u>

The Society is required under the terms of the loan to pay \$0.45 per ride as a repayment of loan principal until March 2005. Accordingly, the remaining loan balance of \$7,200 at December 31, 2004 reflects management's best estimate of the remaining obligation. This amount will be reduced over the period as actual payments are made. Any change to the estimate resulting from new information or experience will be charged to operations on a prospective basis. In 2003, management revised its estimate resulting in a gain of \$27,619.

H. R. MACMILLAN SPACE CENTRE SOCIETY

Notes to the Financial Statements

Year ended December 31, 2004

7. DEFERRED CONTRIBUTIONS RELATED TO PROPERTY AND EQUIPMENT

Deferred contributions related to property and equipment represent contributed property and equipment and restricted contributions with which the Space Centre was developed. Deferred contributions related to property and equipment are amortized to operations on the same basis as the related property and equipment are amortized.

	<u>2004</u>	<u>2003</u>
Balance, beginning of year	\$ 2,946,718	\$ 3,574,687
Contributions	35,565	411,436
Amortization	(1,073,691)	(1,039,405)
Balance, end of year	<u>\$ 1,908,592</u>	<u>\$ 2,946,718</u>

8. FINANCIAL INSTRUMENTS

(a) *Interest rate risk exposures*

All of the Society's financial instruments are non-interest bearing except for cash, the restricted investments, and certain of the funds endowed with The Vancouver Foundation that earn interest at variable market rates.

(b) *Credit risk exposures*

The Society's exposures to credit risk are as indicated by the carrying amount of its cash and short-term investments, restricted investments and accounts receivable. The Society is potentially exposed to a concentration of credit risk through its cash and short-term investments and restricted investments. The Society limits its exposure to credit risk by placing its cash with high quality financial institutions. Accounts receivable are generally not significant individually and are not collateralized; as a result, management continually monitors the financial condition of its customers to reduce the risk of loss.

(c) *Fair values*

The fair values of cash, accounts receivable, restricted investments, accounts payable and accrued liabilities, and wages and benefits payable approximate their carrying values given the short term to maturity of these instruments.

Management has not determined the fair value of the loan payable because, in its view, such fair value is not practicably determinable.

H. R. MACMILLAN SPACE CENTRE SOCIETY
Notes to the Financial Statements
Year ended December 31, 2004

9. ENDOWMENT WITH THE VANCOUVER FOUNDATION

In 1988, the Society established the P.S.C.S. MacMillan Planetarium Endowment Fund ("the Fund") with the Vancouver Foundation to provide for technical replacement and improvement of the facilities of the Society. The Fund will remain with the Vancouver Foundation in perpetuity, with the Society to receive the earnings annually at the discretion of the Directors of the Vancouver Foundation.

	<u>2004</u>	<u>2003</u>
Contributed by the Society	\$ 315,000	\$ 315,000
Contributed by the Vancouver Foundation	150,000	150,000
	<u>\$ 465,000</u>	<u>\$ 465,000</u>

The market value of the Endowment Fund at December 31, 2004 was \$496,745 (2003 - \$483,559).

10. PENSION PLAN

The Society and its employees contribute to the Municipal Pension Plan, a multiemployer pension plan, administered by the British Columbia Pension Corporation. The Society's contributions to the Plan for the year ended December 31, 2004 were \$59,475 (2003 - \$55,277).

The Municipal Pension Plan is a defined benefit pension plan for which actuarial valuations are prepared at three year intervals. The amount of its unfunded liability, if any, is disclosed in its annual financial statements, which are included in the Public Accounts for the Province of British Columbia. The actuary does not determine the portion of the unfunded liability attributable to the Society, and therefore no amounts are recorded for any unfunded liability in these financial statements.

H. R. MACMILLAN SPACE CENTRE SOCIETY
Schedule of Revenue
Year ended December 31, 2004

	<u>2004</u>	<u>2003</u>
OPERATING REVENUE		
Public admissions	\$ 425,241	\$ 387,002
School admissions	252,416	285,490
Outreach programmes	178,651	386,946
Rentals and corporate sales	124,958	104,748
Laser admissions	117,120	127,704
Memberships	66,909	58,758
Other	7,875	5,130
	<u>1,173,170</u>	<u>1,355,778</u>
OPERATING GRANT		
City of Vancouver	474,900	465,443
FUNDRAISING AND DONATIONS	494,546	438,435
OUTREACH/EDUCATION EXTENSION PROGRAMMES	49,619	67,274
	<u>544,165</u>	<u>505,709</u>
INTEREST		
Vancouver Foundation (Note 9)	21,249	23,157
Other	1,644	5,683
	<u>22,893</u>	<u>28,840</u>
	<u>\$ 2,215,128</u>	<u>\$ 2,355,770</u>