



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date: May 29, 2006
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Meeting Date: June 15, 2006

TO: Standing Committee on City Services and Budgets

FROM: Assistant Director, Office of Cultural Affairs

SUBJECT: Vancouver Maritime Museum - Annual Review & 2006 Operating Grant Request

RECOMMENDATION

THAT an operating grant of \$387,000 be approved to the Vancouver Maritime Museum Society under the terms and conditions outlined in this report; source of funds to be the 2006 "Other" Grants budget.

GENERAL MANAGERS' COMMENTS

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

COUNCIL POLICY

Council has approved annual operating grants to the Vancouver Maritime Museum (VMM) to support its ongoing operations since its formation as an independent non-profit society in 1971. Approval of grants requires eight affirmative votes of Council.

PURPOSE

This report provides a review of the organization's 2005 activities and recommends a 2006 Operating Grant for Council's consideration.

BACKGROUND

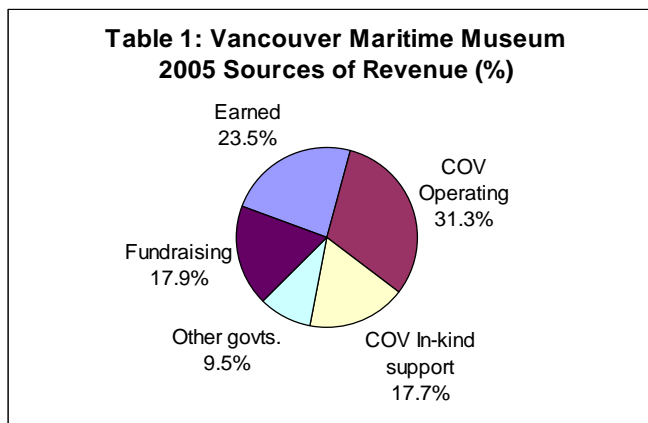
The Vancouver Maritime Museum Society (VMM) occupies a City-owned building north of Hadden Park in Kits Point and has operated in its current location on Kits Point since 1958. The VMM was operated as a department of the City until 1971, when it became part of the Vancouver Museums and Planetarium Association (VMPA). In 1987, the VMPA dissolved and became three separate organizations: the Vancouver Maritime Museum Society, the Vancouver Museum Association (now the Vancouver Museum Commission) and the BC Space Sciences Society (now the H.R. MacMillan Space Centre Society).

The VMM is an independent not-for-profit society governed by a volunteer Board of Directors and has 4 full time staff, 10 part-time and 17 seasonal staff. 114 volunteers contributed approximately 5,200 hours to VMM's programming and activities.

The VMM holds the City's collections of maritime art and artifacts in trust for the citizens of Vancouver. The *St. Roch*, which is the premier attraction at the VMM, is also owned by the City of Vancouver and housed in a City-owned structure attached to the VMM. The VMM also manages Heritage Harbour which is home to several historic vessels.

The Museum's relationship with the City is generally outlined in lease terms approved by Council in 2002. However, as the Society's attention has been focused on long-range planning which may include a relocation, lease discussions have been postponed pending a decision by the VMM Board. The City expects to resume discussions either for a short-term or long-term agreement with the Society, once the Society determines its future direction.

In addition to an annual operating grant, the City currently provides occupancy of the facility at nominal rent, property tax exemption, utilities, janitorial services, and grounds and building maintenance through the City's Facilities Design & Management department. Table 1 reflects a breakdown of the VMM's sources of revenue, including total support from the City (49% of revenue from all sources).



2005 Year in Review

The major focus in 2005 was planning for a proposed new National Maritime Centre and at the same time, working to stabilize and sustain the organization's day-to-day operations and programs. The major temporary exhibition, *On the Waterfront: Forgotten Images*,

Remembered Stories, explored how Vancouver is linked with the Fraser River. Two other exhibitions included *Tall Ship Voyage* and *A Sailing Life*, and an archival exhibit that highlighted the history of coastal shipping in BC with artifacts from the collection. Late in the year, the VMM received a donation of a large collection from Dr. Wallace Chung of over 9,000 marine-related art works, posters, books and ephemera.

Programs for 2005 include co-hosting the second annual Vancouver Regional Historical Fair with the Vancouver Museum and a new joint initiative with the Vancouver Museum and the H.R. MacMillan Space Centre called *Explore Sundays* was launched. The VMM was one of several Vancouver institutions to participate in the *Think Vancouver: Think Waterfront* multi-media project.

The VMM implemented several changes in the organization and reduced staff hours in 2005 to maintain a balanced budget without reducing public hours, programs or exhibitions. The VMM concluded the year with a surplus of \$18,382 on a total operating budget of \$978,083, and this surplus was applied to deficit reduction. Notwithstanding this, the VMM still is carrying an accumulated deficit of \$238,242. The VMM's financial statements for the year ending December 31, 2005 are attached to this report as Appendix A.

Work in 2005 continued on the VMM's visioning for a new museum. A report commissioned by the VMM Board and funded by Western Economic Diversification (WED) and the Province concluded that maintaining the status quo was not sustainable and recommended a reinvention of the VMM to a new National Maritime Centre, which went beyond the concept of a museum. Initial site options were reviewed and the VMM received additional funding from the federal government and the Province to review two of the options in more depth, including a collaborative option in Vanier Park with the Vancouver Museum and/or the H.R. MacMillan Space Centre.

The additional options study was completed in November. At that time, the VMM Board's stated preference was to pursue a site in North Vancouver. On December 12, 2005 North Vancouver Council approved the following motions:

THAT the concept of a National Maritime Centre to be located at the site of "The Pier" (Historic Shipyards precinct), in the City of North Vancouver, as set forth in the Western Economic Partnership Report (Attachment No. 1 of the December 7, 2005 report), be endorsed;

AND THAT staff be authorized to enter into partnership with a newly created National Maritime Centre Society to obtain funding for the development of the design concept for this Centre.

2006 Plans

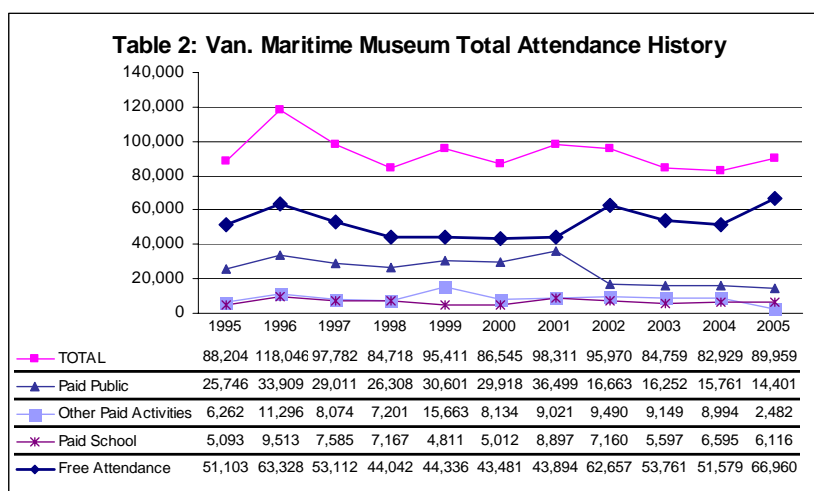
Notwithstanding the proposal in development in North Vancouver, the VMM continues to explore a partnership with the Vancouver Museum and/or the HR MacMillan Space Centre in Vanier Park. The institutions have applied the Department of Canadian Heritage's (DCH) Organizational Capacity Building program for funds to identify ways in which they can share resources, develop a business plan and a strategic framework for implementing operational collaborations that will strengthen the organizations. It will be in this context

that the VMM will be reviewing its organizational structure and conducting its search to replace the outgoing Executive Director.

The VMM is planning two major exhibitions which feature artifacts from the collection. *Tales from the Vault: Incredible Treasures and Stories* grew out of the digital access project that featured 100 of the most significant objects from the collection. *Highlights from the W.B. Chung Collection* will feature significant images and documents from this newly acquired collection. The VMM will also be developing a new collection storage plan to accommodate the growth of the collection through this acquisition. Both of these exhibitions will enable the VMM to carry out needed work on the collection, as cataloguing, research, and documentation will be completed on each artifact when it is accessioned into the collection and before it goes on exhibit.

DISCUSSION

The Maritime Museum is in transition and continues to face the challenge of running day-to-day operations, and at the same time, planning for a sustainable future. Over the past few years, the VMM has been averaging one new major temporary exhibit a year, due to its limited resources. Two new temporary exhibitions are planned for 2006 with a modest increase in the exhibitions budget, and while the VMM has recently added a series of community art exhibits to its schedule, the lack of several major changing exhibits annually has had an effect on paid attendance.



As illustrated in Table 2, developing audiences has been an ongoing challenge for the VMM. Attendance at the VMM has decreased since 1996, with a 58% drop in paid public attendance since 2001. While the VMM has reported a total attendance of approximately 90,000 for 2005, 67,000 of these were free admissions at the Heritage Harbour, community festivals and outdoor events.

Two other major challenges for VMM have been its building and its accumulated deficit. The building that currently houses the VMM needs major renovation to meet current museum standards and has been the impetus for the vision of relocating/building a new museum. The

VMM also has a significant accumulated deficit, much of which was incurred in the early 1990's but continues to be a significant detriment to operations and fund raising.

In an effort to address the deficit, the VMM utilized strategies developed with the assistance of the Vancouver Foundation. As a result, operational fund raising and donations over the past two years increased, but so did expenditures resulting in lower than expected surpluses. While the VMM did post a surplus this past year and is projecting a surplus in 2006, the VMM's current deficit reduction plan is to budget for annual operating surpluses which would pay down the debt at a rate of \$35,000 per annum. This strategy did not significantly reduce the deficit in the past and the VMM will need to identify other strategies to eliminate its debt. It is critical that the VMM address the long-outstanding deficit issue so that the organization can re-engage the public and potential funders with a renewed vision and role in the maritime community.

The initiative to explore collaborations with the Vancouver Museum and/or the Space Centre may also assist these organizations in implementing strategies that lead to greater efficiencies and public service. City staff encourage the institutions to follow up their discussions with actions that will increase attendance, revenues and organizational sustainability for all of the institutions.

In summary, the organization is in the midst of a significant transition, including a change in leadership, and faces the ongoing challenges of the accumulated deficit and the ability to deliver exhibits and programs that will attract new and repeat visitors. Staff are therefore recommending an operating grant subject to the conditions that by the end of the year, the Society:

- reports back to the City on its organizational structure and operational plans;
- provides a Business Plan which includes balanced annual operating budgets based on the existing City grant support; and
- provides an update on deficit reduction to date and a revised plan that demonstrates how the balance of the accumulated deficit will be eliminated within five years.

FINANCIAL IMPLICATIONS

Staff are recommending a 2006 operating grant of \$387,000 based on a general inflationary increase of 2.0% over the 2005 grant as approved by Council in the 2006 Operating Budget. The source of funds is the "Other" Grants allocation in the 2006 Operating Budget.

Staff note that the VMM is in a period of transition and change. The City grant is paid on a bi-weekly basis. Staff will monitor the VMM's operations and report back to Council should there be significant changes in the organization that would affect the grant awarded.

CONCLUSION

The Vancouver Maritime Museum continues to work to address its current operational challenges and seek a new and more sustainable future. The organization is in the midst of a significant transition and will need to clarify its role and vision within the community, and with the other institutions in Vanier Park, as well as reduce its accumulated deficit. Staff

emphasize the need for the VMM to stabilize its organizational and financial capacity so that it is best able to realise its opportunities and options. Staff are recommending an operating grant of \$387,000 to the Vancouver Maritime Museum Society under the terms and conditions outlined in this report.

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THE VANCOUVER MARITIME MUSEUM SOCIETY

FINANCIAL STATEMENTS

December 31, 2005

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CHARTERED ACCOUNTANTS

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, 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.

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, 2005 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.

Beris Mangan

CHARTERED ACCOUNTANTS

Vancouver, B.C.

March 10, 2006

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THE VANCOUVER MARITIME MUSEUM SOCIETY

STATEMENT OF FINANCIAL POSITION

December 31, 2005

	2005	2004
		(Note 11)
ASSETS		
CURRENT		
Cash	\$ 70,953	\$ 14,579
Accounts receivable (Note 4)	41,600	23,064
Inventory	24,775	29,279
Prepaid expenses and deposits	8,692	12,311
	<u>146,020</u>	<u>79,233</u>
INVESTMENTS, at cost (Notes 5, 7 and 9)		
Treasury Bill	258,372	258,372
Vancouver Foundation	125,000	125,000
	<u>383,372</u>	<u>383,372</u>
PROPERTY, PLANT AND EQUIPMENT, (Note 6)		
	34,811	32,713
	<u>\$ 564,203</u>	<u>\$ 495,318</u>
LIABILITIES		
CURRENT		
Operating line of credit (Note 7)	\$ 205,000	\$ 255,000
Accounts payable and accrued liabilities	99,628	73,665
Deferred revenue	6,254	4,601
Deferred contributions	13,820	16,445
	<u>324,702</u>	<u>349,711</u>
NET ASSETS		
Net assets invested in property, plant and equipment (Note 6)	34,811	32,713
Net assets restricted for endowment (Note 9)	383,372	383,372
Net assets (deficit) invested in projects (Page 12)	59,560	(15,952)
Unrestricted net deficit	(238,242)	(254,526)
	<u>239,501</u>	<u>145,607</u>
	<u>\$ 564,203</u>	<u>\$ 495,318</u>

COMMITMENTS (Note 10)

Approved on behalf of the Board:

 President

 Treasurer

THE VANCOUVER MARITIME MUSEUM SOCIETY

STATEMENT OF OPERATIONS

Year Ended December 31, 2005

	2005	2004
	(Notes 11 and 12)	
REVENUES		
Operating Grants		
City of Vancouver	\$ 290,209	\$ 284,656
City of Vancouver - St. Roch	89,211	87,504
Province of B.C.	85,250	85,250
Other grants	400	5,260
	<u>465,070</u>	<u>462,670</u>
OTHER REVENUES		
Donations	195,010	214,191
Admissions	142,910	135,798
General fundraising	21,566	31,488
Harbour moorage	33,555	30,279
Casino	30,000	30,000
Rental	33,297	25,243
Individual and affiliate memberships	18,597	19,574
Parking lot	16,668	19,129
Miscellaneous	4,421	17,259
Maritime store operations, net (Page 13)	15,145	13,423
Programs	6,819	13,082
Interest	10,239	11,085
Photographs	3,168	3,738
Boat show	-	2,000
	<u>531,395</u>	<u>566,289</u>
	<u>996,465</u>	<u>1,028,959</u>
EXPENDITURES		
Visitor services (Page 14)	201,074	207,315
Directors' office (Page 14)	126,225	161,137
Curatorial (Page 14)	109,041	158,872
Administration and finance (Page 14)	186,380	159,741
Programs, community, and member relations (Page 14)	112,827	109,478
Marketing department (Page 15)	69,715	95,584
Exhibitions and harbour (Page 15)	88,374	62,662
Fundraising (Page 15)	34,976	45,468
Member services (Page 15)	27,765	30,864
	<u>956,377</u>	<u>1,031,121</u>
Interest	12,502	11,326
Amortization	9,204	9,224
	<u>978,083</u>	<u>1,051,671</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FOR YEAR	\$ 18,382	\$ (22,712)

THE VANCOUVER MARITIME MUSEUM SOCIETY

STATEMENT OF CHANGES IN NET ASSETS

Year Ended December 31, 2005

NET ASSETS (Note 11)	Invested in Property, Plant and Equipment (Note 6)	Restricted for Endowment (Note)	Invested in Projects (Page 12)	Unrestricted	2005 Total
Balance at beginning of year, As previously reported	\$ 32,713	\$ 383,372	\$ (15,952)	\$ (242,596)	\$ 157,537
Prior periods correction	-	-	-	(11,930)	(11,930)
Balance at beginning of year, As restated	\$ 32,713	\$ 383,372	(15,952)	(254,526)	145,607
Excess (deficiency) of revenues over expenditures for year	(9,204)	-	-	27,586	18,382
Net recoveries on projects	-	-	75,512	-	75,512
Investment in property, plant and equipment	11,302	-	-	(11,302)	-
	\$ 34,811	\$ 383,372	\$ 59,560	\$ (238,242)	\$ 239,501

NET ASSETS (Note 11)	Invested in Property, Plant and Equipment	Restricted for Endowment	Invested in Projects	Unrestricted	2004 Total
Balance at beginning of year, As previously reported	\$ 35,136	\$ 383,372	\$ (19,109)	\$ (224,065)	\$ 175,334
Prior periods correction	-	-	-	(10,172)	(10,172)
Balance at beginning of year, As restated	\$ 35,136	\$ 383,372	(19,109)	(234,237)	165,162
Deficiency of revenues over expenditures for year, As restated	(9,224)	-	-	(13,488)	(22,712)
Net recoveries on projects	-	-	3,157	-	3,157
Investment in property, plant and equipment	6,801	-	-	(6,801)	-
	\$ 32,713	\$ 383,372	\$ (15,952)	\$ (254,526)	\$ 145,607

THE VANCOUVER MARITIME MUSEUM SOCIETY

STATEMENT OF CASH FLOWS

Year Ended December 31, 2005

	2005	2004
		(Note 11)
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures for year	\$ 18,382	\$ (22,712)
Amortization	9,204	9,224
Changes in non-cash working capital:		
Accounts receivable	(18,536)	16,454
Inventory	4,504	5,847
Prepaid expenses and deposits	3,619	5,545
Accounts payable and accrued liabilities	25,963	(5,596)
Deferred revenue	1,653	294
Deferred contributions	(2,625)	(8,788)
	<u>42,164</u>	<u>268</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(11,302)	(6,801)
Net recoveries on projects	75,512	3,157
	<u>64,210</u>	<u>(3,644)</u>
INCREASE IN BANK INDEBTEDNESS	106,374	(3,376)
BANK INDEBTEDNESS AT BEGINNING OF YEAR	(240,421)	(237,045)
BANK INDEBTEDNESS AT END OF YEAR	\$ (134,047)	\$ (240,421)
Represented by:		
Cash	\$ 70,953	\$ 14,579
Operating line of credit	(205,000)	(255,000)
	<u>\$ (134,047)</u>	<u>\$ (240,421)</u>

THE VANCOUVER MARITIME MUSEUM SOCIETY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2005

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 heritage relating to the past, present and future in maritime sciences, industry, arts and recreation.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Deferral method accounting:

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.

b) 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.

c) Property, plant and equipment:

The land, buildings and leaseholds of the museum complex are owned by the City of Vancouver (Note 10a). In 1998, the Society adopted new recommendations of the Canadian Institute of Chartered Accountants which require that property, plant and equipment 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 property, plant and equipment purchases as expenditures of the Fund that the costs were directly related to. Property, plant and equipment 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.

Property, plant and equipment are recorded at cost. Amortization of property, plant and equipment has been calculated on a declining balance at the following annual rates:

Computer equipment	-	30% declining balance
Building	-	10% 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.

The Society does not include acquisitions or expenditures related to project funds and deferred projects (Page 12) as part of the property, plant and equipment listed above.

THE VANCOUVER MARITIME MUSEUM SOCIETY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Impairment of long-lived assets:

The Society monitors the recoverability of long-lived assets, including computer equipment, building, and office equipment, based upon estimates using factors such as asset utilization, business climate and future discounted cash flows expected to result from the use of the related assets or to be realized on sale. The Society's policy is to write down assets to their net recoverable amount using discounted cash flows, in the period when it is likely that the carrying amount of the asset will not be recovered.

e) Project funds and deferred project costs:

Net project revenues and expenditures (Page 12) flow through the project bank account of the Society. Deferred project costs relate to specific projects that are still open at the year-end. 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.

f) Revenue recognition:

Fees and donations are recognized as revenue when received. Donations that are specified for a future year are deferred and recorded as revenue in the specified 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.

g) 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. During the year, the Society has received and issued donation receipts for materials in the amount of \$24,440 (2004 - \$47,156).

h) Collection:

The Society acquires, maintains and exhibits a vast collection of marine artifacts, manuscripts, books, photographs, ephemera, and artwork of British Columbia communities, coastal life, ships, maritime activities, and port scenes. The collection is held in trust for the City of Vancouver. Portions of the collection are Canadian Cultural Properties and are held by the Society with federal restrictions for their protection.

New items are often received into the collection by way of donation. The donated items are not capitalized or recognized as donation revenue in the accounts. During the year, the Society has received and issued donation receipts for collection items in the amount of \$91,415 (2004 - \$1,677,317). As well, in 2005, the Society received one Canadian Cultural Property certified donation, the \$1,669,500 Drs. Wallace B. and Madeline H. Chung collection of manuscripts, ephemera, books and the builders' model of Empress of Japan II.

THE VANCOUVER MARITIME MUSEUM SOCIETY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 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. TRUST ASSETS AND LIABILITIES

As at December 31, 2005, the Society held funds in trust totaling \$55,457 (2004 - \$Nil) for the development and construction of the Henry Larsen statue. Trust fund receipts and payments are recorded in a separate bank account for which the Society does not have signing authority. Interest earned on the trust funds remains in the trust account.

The trust account and liability are not shown on the financial statements as they are not assets and liabilities of the Society.

4. ALLOWANCE FOR DOUBTFUL ACCOUNTS RECEIVABLE

During the year, an allowance for doubtful accounts in the amount of \$10,000 was recorded for the sponsorship receivable from Sea Vancouver Festival Society due to its bankruptcy filing on July 12, 2005.

5. INVESTMENTS

The investments are recorded at cost and have a market value of \$421,628 (2004 - \$414,570).

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 in the amount of \$3,291 (2004 - \$4,188).

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 \$ 6,873 (2004 - \$6,835).

THE VANCOUVER MARITIME MUSEUM SOCIETY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2005

6. PROPERTY, PLANT AND EQUIPMENT		2005	2004
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 52,075	\$ 31,042	\$ 21,033
Building	15,039	7,446	7,593
Office equipment	13,830	7,645	6,185
	<u>\$ 80,944</u>	<u>\$ 46,133</u>	<u>\$ 34,811</u>
			<u>\$ 32,713</u>

7. 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.

8. DEFERRED CONTRIBUTIONS

2005

2004

Deferred contributions are received from various fundraising events throughout the year. The contributions are recognized in the operations after the events are completed.

Opening balance	\$ 16,445	\$ 25,232
Contributions received	51,055	13,249
Net revenue recognized	(53,680)	(22,036)
Ending balance	<u>\$ 13,820</u>	<u>\$ 16,445</u>

9. ENDOWMENT FUND

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.

The capital for the fund and any capital additions thereto are held permanently in these funds. 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, 2005

10. COMMITMENTS

a) 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.

b) The Society is committed to the following future minimum lease payments for a computer over the next three years:

2006	\$	2,140
2007		2,140
2008		357

11. CORRECTION OF PRIOR PERIOD ERROR

During the year, management determined that two employees of the Society had not received the correct payments "in lieu of benefits" according to the Employee Collective Agreement. Employees hired before April 28, 1997 are eligible to receive 16% of gross pay "in lieu of benefits" instead of the regular rate of 12%. Due to the error, the employees were paid 12% of their gross pay in lieu of benefits, instead of 16%, for the past 8 years, and the related expenses and liabilities were not recorded in the Society's records.

The comparative figures were understated with respect to the wages payable and unrestricted net deficit reported for the year in the amount of \$11,930. As a result of the correction of the error, the effect on the prior year figures is an increase to wages payable, an increase of \$359 and \$1,399 in visitor services and curatorial, respectively and an increase in unrestricted net deficit in the amount of \$11,930.

The impact of the above error on the financial statements for the current year is an increase of the wages payable balance of \$11,930 and an increase of the unrestricted net deficit at the beginning of the year of \$11,930. The current year figures have been adjusted to reflect the correction of the above prior period error.

12. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform with the current year's financial presentation.

13. CASH FLOWS - SUPPLEMENTARY INFORMATION

2005 2004

Cash consists of cash on hand, balances with banks and the operating line of credit that may be outstanding from time to time. Of these balances, \$20,000 was held in trust with a lawyer as at December 31, 2005, which is restricted for use in the Vision Project.

Interest paid	\$	12,502	\$	11,326
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THE VANCOUVER MARITIME MUSEUM SOCIETY

SCHEDULE OF PROJECTS AND DEFERRED COSTS

Year Ended December 31, 2005

	Opening Balance	Revenues	Expenditures	Closed to Operations	Closing Balance
DEFERRED PROJECT COSTS					
B.C. digital collection	\$ 750	\$ -	\$ -	\$ -	\$ 750
Book project	-	550	521	-	29
CAMM Panama project	-	43,198	-	-	43,198
Charles Moore project	2,771	2,782	5,123	-	430
Graphical exhibition project	960	725	-	-	1,685
Library	2,246	21,000	-	(2,246)	21,000
Martyn Green Scholarship	200	-	-	-	200
Preventative conservation	3,129	-	-	-	3,129
Squamish Kayachtn	15,713	-	-	-	15,713
Utjulik	421	3,200	3,310	-	311
Vision project (Page 16)	(68,156)	175,368	161,583	-	(54,371)
Zephyr column (Note i)	2,600	-	-	-	2,600
	(39,366)	246,823	170,537	(2,246)	34,674
ST. ROCH PROJECT FUNDS					
St. Roch preservation	23,364	1,784	312	-	24,836
Isumataq	50	-	-	-	50
	23,414	1,784	312	-	24,886
NET PROJECT FUNDS AND DEFERRED COSTS					
	\$ (15,952)	\$ 248,607	\$ 170,849	\$ (2,246)	\$ 59,560

Note i: In 2004, the balance in the Zephyr Project was transferred to the 'Vision Project' due to the similarity of the projects. In year 2005, the balance was transferred back. Opening balances for Vision Project and Zephyr Project have been adjusted for this transfer.

THE VANCOUVER MARITIME MUSEUM SOCIETY

SCHEDULE OF MARITIME STORE REVENUE AND EXPENDITURES

Year Ended December 31, 2005

	2005	2004
SALES	\$ 30,439	\$ 27,844
COST OF GOODS SOLD	15,123	13,855
	<u>15,316</u>	<u>13,989</u>
	(50.32%)	(50.24%)
EXPENDITURE		
Operations	171	566
OPERATING INCOME FOR YEAR	<u>\$ 15,145</u>	<u>\$ 13,423</u>

THE VANCOUVER MARITIME MUSEUM SOCIETY

SCHEDULE OF OPERATING EXPENDITURES

Year Ended December 31, 2005

	2005	2004
	(Notes 11 and 12)	
VISITOR SERVICES		
Salaries, wages and benefits	\$ 199,405	\$ 203,886
Supplies, maintenance and miscellaneous	1,669	3,429
	\$ 201,074	\$ 207,315
DIRECTORS' OFFICE		
Salaries, wages and benefits	\$ 113,445	\$ 141,343
Office	9,821	16,027
Board of trustees	2,959	3,037
Travel and entertainment	-	730
	\$ 126,225	\$ 161,137
CURATORIAL		
Salaries, wages and benefits	\$ 100,267	\$ 109,083
Miscellaneous	3,656	6,810
General maintenance	2,507	2,111
Registry	1,960	1,191
Acquisitions	315	38,600
Photography	295	957
Memberships and subscriptions	41	120
	\$ 109,041	\$ 158,872
ADMINISTRATION AND FINANCE		
Salaries, wages and benefits	\$ 116,463	\$ 84,751
Insurance	16,353	16,296
Office supplies	11,423	13,903
Telephone and internet	11,162	11,009
Bad debts (Note 4)	10,000	-
Audit and legal	6,100	5,300
Repairs and maintenance	5,267	5,151
Postage	3,731	4,100
Miscellaneous	3,310	15,886
Photocopies	2,189	2,295
Computer	382	1,050
	\$ 186,380	\$ 159,741
PROGRAMS, COMMUNITY, AND MEMBER RELATIONS		
Salaries, wages and benefits	\$ 94,179	\$ 89,522
School programs and events	17,411	18,829
Office supplies	1,237	1,127
	\$ 112,827	\$ 109,478

THE VANCOUVER MARITIME MUSEUM SOCIETY

SCHEDULE OF OPERATING EXPENDITURES

Year Ended December 31, 2005

	2005	2004
MARKETING DEPARTMENT		
Consulting fees	\$ 44,500	\$ 48,000
Advertising and promotion	9,648	16,163
Publications	8,350	12,627
Marketing	1,939	9,706
Distribution	1,823	5,943
Salaries, wages and benefits	1,737	1,586
Dues and memberships	1,216	1,327
Office supplies	502	232
	\$ 69,715	\$ 95,584
EXHIBITIONS AND HARBOUR		
Salaries, wages and benefits	\$ 28,765	\$ 29,006
Maintenance	21,802	7,556
Harbour maintenance	20,247	13,717
In-house exhibits	15,597	12,383
Harbour vessel insurance	1,963	-
	\$ 88,374	\$ 62,662
FUNDRAISING		
Salaries and contracts	\$ 28,631	\$ 37,064
Fundraising events	3,259	3,857
Membership drive	2,448	3,377
Office and miscellaneous	638	1,170
	\$ 34,976	\$ 45,468
MEMBER SERVICES		
Salaries, wages and benefits	\$ 19,470	\$ 21,462
Office	8,099	8,293
Membership and volunteer	196	1,109
	\$ 27,765	\$ 30,864

THE VANCOUVER MARITIME MUSEUM SOCIETY

SCHEDULE OF VISION PROJECT REVENUES AND EXPENDITURES

Year Ended December 31, 2005

	Cumulative	2005	2004
REVENUES			
Western Economic Partnership Agreement	\$ 90,000	\$ 90,000	\$ -
Western Economic Diversification Grant	150,000	78,456	71,544
Donations	26,142	6,912	19,230
Canadian Heritage Grant	20,000	-	20,000
	<u>286,142</u>	<u>175,368</u>	<u>110,774</u>
EXPENDITURES			
Feasibility study	97,258	70,784	26,474
Creative concept study	71,568	45,784	25,784
Marketing study	51,568	25,784	25,784
Project management fees	38,860	18,880	19,980
Miscellaneous	719	351	368
Consulting fees	37,555	-	37,555
Fundraising	42,985	-	42,985
	<u>340,513</u>	<u>161,583</u>	<u>178,930</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FOR YEAR	\$ (54,371)	\$ 13,785	\$ (68,156)