

CITY OF VANCOUVER



ADMINISTRATIVE REPORT

Report Date: June 13, 2006
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Meeting Date: July 13, 2006

TO: Standing Committee on City Services and Budgets
FROM: Assistant Director, Office of Cultural Affairs
SUBJECT: ASTC Science World – Annual Review & 2006 Operating Grant Request

RECOMMENDATION

THAT Council approve an Operating Grant of \$89,300 to the A.S.T.C. Science World Society; source of funds to be the 2006 “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 its 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 2005 activities and presents for Council’s consideration their 2006 operating grant request.

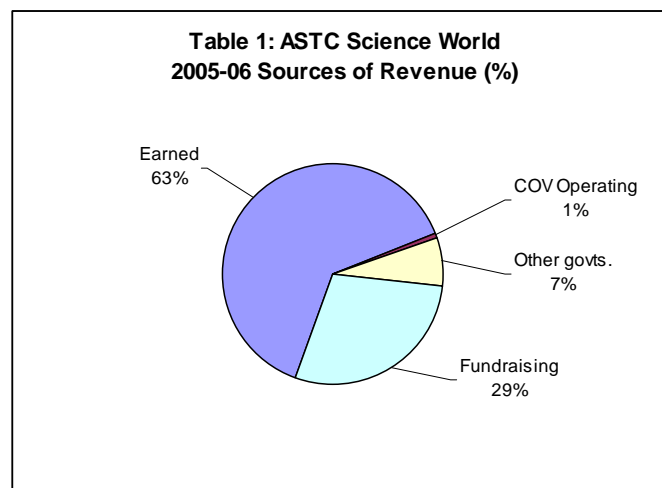
BACKGROUND

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 74 full-time staff and 98 part-time staff, with 190 volunteers providing almost 30,000 hours of service to visitors and the organization.

Science World is in the midst of a \$29 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 the private sector and \$1.6 million from the Canada/BC Infrastructure Program which was 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 (63%) 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.



2005 Year in Review

In 2005, Science World featured five exhibitions, nine OMNIMAX Theatre shows and 25 science theatre presentations. Temporary exhibitions included *The Climate Change Show*, which examined the challenges of climate change in a humorous way, and *Playing With Time*, an exhibit that celebrated the World Year of Physics by letting visitors speed up and slow down the world and indulge in time travel. Permanent exhibits continued in *Our World*, *Kidspace*, *Body Works* and *Eureka!* galleries.

Science World also offered numerous outreach programs outside its facility, and a highlight was the launch of the BC Program for the Awareness & Learning of Science (BC PALS). Science World secured \$1 million per year for five years from the Province to expand its education and outreach through this program. From September to December, over 35,000 K-7 students participated in a free field trip to the Vancouver facility, and over 134,000 students benefited from the BC PALS program around the province.

Science World also increased its efforts to raise its profile nationally and internationally. It was chosen as one of seven sites across Canada that connected electronically to the Canada Pavilion at the 2005 World's Fair in Aichi, Japan. Science World visitors were 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 were able to glimpse Canada as seen through the eyes of Canadian museums and science centres and their visitors. Science World also hosted the Canada-wide Science Fair in 2005 in partnership with Youth Science Foundation Canada.

The *ReGeneration* program continued with facility infrastructure improvements. Through the winter, Science World's dome was tarped to complete much needed electrical work and sealing of panels. In addition, structural upgrades were made to the pilings which support the building.

2006 Plans

The priorities outlined in the 2005-2009 Strategic Plan are financial stability, customer satisfaction and community engagement, with a focus on both the quality and quantity of programs delivered at Science World and throughout the Province. Major outreach initiatives such as *Science World on the Road* will continue to be developed and presented as part of the BC PALS program, in addition to those outreach programs already provided such as *Community Science Celebration*, *Opening the Door*, and *Engaging Science*, which is presented in partnership with the H.R MacMillan Space Centre and the Vancouver Aquarium.

Science in Toyland and then *LEGO: Secrets of the Pharaohs* opened the exhibition program for 2006 and plans continue with the development of the second phase of the *Body Works* permanent exhibit gallery. The opening of this gallery is now scheduled for February 2007 to accommodate a large travelling exhibition in the Fall of 2006. Gunther von Hagen's *Body Worlds 3* will feature more than 200 plastinate human specimens, which make visible the many layers and systems that lie beneath the skin. This exhibition will complement the first phase of *Body Works* that opened in 2004, which features interactive exhibits on the science behind human performance and tests individual strength, endurance, reaction time, dexterity and memory.

DISCUSSION

As part of its strategic planning, Science World has focused its efforts on diversifying revenue sources, particularly in developing corporate sponsorships, individual giving, and senior government funding. In 2005, Science World's admission and retail revenues decreased but were offset and replaced by higher grant and fund raising income. Thus earned revenues comprised only 63% of the operating budget this past year compared to 84% the previous year, and other government funding (e.g. BC PALS program) rose from 3% to 7% and fund raising revenues from 12% to 29% this past year.

Building attendance and increasing access continue to be a priority in Science World's program planning, with the aim of having 80% of BC school students benefit from Science World's programs by 2009. The BC PALS program has been significant for the organization on a number of levels. This program garnered significant new multi-year financial support from the Province, as well as addressed the organization's strategic and programming goals to increase the number of school visits. Between September and December student attendance increased by 214%, and Science World is projecting that overall attendance will increase significantly in 2006 as a result of this program.

Increasing attendance through outdoor activities will also help to even out attendance year round. As part of its *ReGeneration* program, Science World has been exploring an outdoor science park. While Science World enjoys an iconic site and building, there are infrastructure, circulation, access, accessibility and adjacency limitations which make expansion challenging. Science World's recent presentation to the Park Board Planning Committee identified some key issues. A coordinated staff team struck last year and comprised of Park Board, Engineering and Cultural Services staff will continue to provide assistance to Science World in developing a viable proposal.

In its Strategic Plan, Science World also identified the need to build its base operating budget in order to address current program and infrastructure needs, and enable the organization to refresh programming and exhibits on an ongoing basis to attract repeat visitation. Science World made progress this past year by increasing its operating budget to \$8.7 million (a 4.7% increase over the previous year and a 9.7% increase over 2003/04). Science World concluded the year with an annual operating surplus of \$669,000 and this latest surplus will contribute to building the organization's base operating budget, as well as continue to build its working capital reserves. The audited financial statements for the year ending February 28, 2006 are attached to this report as Appendix A.

The *ReGeneration* program has been progressing well and Science World has raised \$10.55 million to date in cash and pledges. However, there are also challenges, as their capital project, originally projected to cost \$2.8 million has been revised to \$15 million.

OCA and Finance staff have reviewed the 2006 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 should be noted that Science World does not have the same level of legal, financial and operational responsibilities as the City's museum institutions which hold civic collections in trust for the City of Vancouver. Staff recommend a 2006 operating grant of \$89,300 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.

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 its 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 \$89,300.

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A.S.T.C. Science World Society

Financial Statements
February 28, 2006
(in thousands of dollars)



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Chartered Accountants
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April 19, 2006

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, 2006 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 February 28, 2006 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

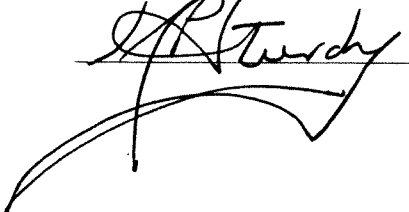
Statement of Financial Position

As at February 28, 2006

(in thousands of dollars)

	2006 \$	2005 \$
Assets		
Current assets		
Cash	1,131	1,657
Externally restricted short-term deposits (note 3)	2,123	466
Accounts receivable	596	259
Gift shop and other inventory	95	108
Prepaid expenses	36	44
	<u>3,981</u>	<u>2,534</u>
Externally restricted term deposits (note 3)	3,747	-
Internally restricted cash and short-term deposits (note 4)	1,211	1,211
Investments held under equity program (note 5)	-	33
Exhibits and films (note 6)	2,452	2,810
Property and equipment (note 7)	<u>10,057</u>	<u>7,669</u>
	<u>21,448</u>	<u>14,257</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	1,196	727
Deferred revenue (note 8)	2,353	1,356
	<u>3,549</u>	<u>2,083</u>
Deferred revenue (note 8)	4,297	-
Deferred contributions related to exhibits and films and property and equipment (note 9)	<u>11,076</u>	<u>10,317</u>
	<u>18,922</u>	<u>12,400</u>
Net assets		
Invested in exhibits and films and property and equipment	1,433	161
Unrestricted	(118)	485
Internally restricted - capital contingency fund (note 4)	<u>1,211</u>	<u>1,211</u>
	<u>2,526</u>	<u>1,857</u>
	<u>21,448</u>	<u>14,257</u>

Approved by the Board of Governors


Governor


Governor

A.S.T.C. Science World Society
Statement of Changes in Net Assets
For the year ended February 28, 2006

(in thousands of dollars)

				2006	2005
	Invested in exhibits and films and property and equipment \$	Unrestricted \$	Capital contingency fund \$ (note 4)	Total \$	Total \$
Balance - Beginning of year	161	485	1,211	1,857	236
(Deficiency) excess of revenue over expenses	(216)	885	-	669	410
Investment in exhibits and films and property and equipment	1,488	(1,488)	-	-	-
Transfer from deferred contributions	-	-	-	-	1,211
Balance - End of year	1,433	(118)	1,211	2,526	1,857

A.S.T.C. Science World Society

Statement of Operations

For the year ended February 28, 2006

(in thousands of dollars)

	2006	2005
	\$	\$
Revenues		
Customer admission and membership	4,084	4,384
Customer retail revenue and contracted services	1,602	1,843
Donations and sponsorships	1,303	703
Amortization of deferred contributions related to exhibits and films and property and equipment	1,299	1,239
Grants (note 10)	722	320
Interest (note 11)	279	141
Miscellaneous	54	59
	<u>9,343</u>	<u>8,689</u>
Expenses		
Exhibits and programs	2,343	2,328
Customer information, communication and sales	1,366	1,340
Support services	1,122	1,096
Customer service	928	803
Customer facilities and upkeep	916	913
Outreach programming	673	550
Omnimax and science theatres	650	653
Development	304	315
Amortization of property and equipment	372	281
	<u>8,674</u>	<u>8,279</u>
Excess of revenue over expenses	<u>669</u>	<u>410</u>

A.S.T.C. Science World Society

Statement of Cash Flows

For the year ended February 28, 2006

(in thousands of dollars)

	2006 \$	2005 \$
Cash flows from operating activities		
Excess of revenue over expenses	669	410
Items not affecting cash		
Amortization of exhibits and films and property and equipment	1,515	1,446
Amortization of deferred contributions related to exhibits and films and property and equipment	(1,299)	(1,239)
Realized loss on investments held in equity program	4	3
	<u>889</u>	<u>620</u>
Changes in non-cash operating accounts		
Increase in accounts receivable	(337)	(193)
Decrease (increase) in gift shop and other inventory	13	(13)
Decrease in prepaid expenses	8	4
Increase in accounts payable and accrued liabilities	469	37
Increase (decrease) in deferred revenue	5,294	(322)
	<u>5,447</u>	<u>(487)</u>
	<u>6,336</u>	<u>133</u>
Cash flows from investing activities		
Purchase of exhibits and films	(785)	(858)
Purchase of property and equipment	(2,760)	(301)
Purchase of term deposits	(3,747)	
Proceeds from sale of investments held in equity program	29	-
	<u>(7,263)</u>	<u>(1,159)</u>
Cash flows from financing activities		
Deferred contributions related to exhibits and films and property and equipment	2,058	1,017
Increase (decrease) in cash during the year	1,131	(9)
Cash - Beginning of year	2,123	2,132
Cash - End of year	<u>3,254</u>	<u>2,123</u>
Cash comprises		
Cash	1,131	1,657
Externally restricted short-term deposits	2,123	466
	<u>3,254</u>	<u>2,123</u>
Externally restricted term deposits	3,747	-
Internally restricted cash and short-term deposits	1,211	1,211
	<u>8,212</u>	<u>3,334</u>

A.S.T.C. Science World Society

Notes to Financial Statements

February 28, 2006

(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.

During the year, the Society concluded a fifteen year Facility Naming Rights and Sponsorship agreement with a telecommunications service provider and also received a five year grant from the Province of British Columbia to provide programs and resources to support science education and awareness throughout the Province.

2 Significant accounting policies

Revenue recognition

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

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

Capital Campaign contributions received are included in deferred revenue until spent on capital assets or project development. When capital assets are purchased, an amount equal to the cost is transferred to the Deferred Contributions Related to Capital Assets account, which is amortized on the same basis as the related capital assets. When contributions are spent on project development, the funds are recognized as revenue in the statement of operations.

Donated services

Volunteers, working directly with visitors in the science centre, contributed approximately 29,000 (2005 - 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.

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, 2006

(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	40 years
Parking lot	10 years
Furniture	10 years
Equipment	2 - 7 years

During the year, following a review of the estimated useful life of the building, the Society revised the amortization period for the building from 50 to 40 years. The impact of this change is to increase the amortization expense by \$85,000, offset by a corresponding increase in the amortization of deferred contributions related to the building.

Use of estimates

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

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

3 Externally restricted investments

These investments include term deposits designated for the future funding of the Province's sponsored science education and awareness programs and for the support of the development of an outdoor science park.

4 Internally restricted cash and short-term deposits

This internally restricted net asset account was created out of the contributions from the now dissolved Science World Foundation. Use of funds from this account is restricted to the acquisition of capital assets, development of exhibits and upkeep of physical plant of the Society.

A.S.T.C. Science World Society

Notes to Financial Statements

February 28, 2006

(all numbers in tables expressed in thousands of dollars)

5 Investments held under equity program

The Society has an active equity program under which it periodically 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. During the year, all publicly traded shares held under this program were disposed of, resulting in a net loss of \$4,000.

The current portfolio of investments held under this program comprises private company shares and options which have nominal values. Subject to special circumstances, it is the Society's policy to sell these shares immediately whenever liquidity in the market place can be realized.

6 Exhibits and films

			2006	2005
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Exhibits	5,733	4,009	1,724	2,626
Films	294	294	-	-
Exhibits and films in development	728	-	728	184
	<u>6,755</u>	<u>4,303</u>	<u>2,452</u>	<u>2,810</u>

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

Included in exhibits and programs expense is \$1,143,000 (2005 - \$1,165,000) of amortization expense.

7 Property and equipment

			2006	2005
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Building and improvements	13,621	3,693	9,928	7,545
Parking lot	693	693	-	-
Furniture and equipment	2,355	2,226	129	124
	<u>16,669</u>	<u>6,612</u>	<u>10,057</u>	<u>7,669</u>

A.S.T.C. Science World Society

Notes to Financial Statements

February 28, 2006

(all numbers in tables expressed in thousands of dollars)

8 Deferred revenue

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

				2006	2005
	Memberships	Grants, donations and sponsorships	Other	Total	Total
	\$	\$	\$	\$	\$
Balance - Beginning of year	495	775	86	1,356	1,678
Add: Monies and pledges received	880	7,379	298	8,557	2,532
Less: Revenue recognized or applied	(910)	(2,075)	(278)	(3,263)	(2,854)
Balance - End of year	465	6,079	106	6,650	1,356

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

	2006	2005
	\$	\$
Balance - Beginning of year	10,317	10,539
Add: Restricted contributions used to acquire exhibits and films and property and equipment	2,058	1,017
Less: Amortization	(1,299)	(1,239)
Balance - End of year	11,076	10,317

During the year, \$2,058,000 (2005 - \$1,017,000) was transferred from deferred revenue to deferred contributions.

10 Grants

Included in grants is \$45,000 (2005 - \$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, 2006

(all numbers in tables expressed in thousands of dollars)

11 Non-controlled endowments

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

	Fund balance		Earnings received	
	2006	2005	2006	2005
	\$	\$	\$	\$
A.S.T.C. Science World Endowment Fund	690	690	41	40
49.74% of the Michael Smith Fund	644	644	28	42

12 Commitments

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.

Building infrastructure program

The Society has committed \$3,460,000 on its building infrastructure program, of which \$2,960,000 were incurred at year-end. An unsecured line of credit of \$1,000,000, in the form of a non-revolving demand loan bearing interest rate at prime was obtained for this capital program but has not been utilized.

13 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.