

CITY OF VANCOUVER

ADMINISTRATIVE REPORT



Report Date: June 26, 2006
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VanRIMS No.: 05-5000-10
Meeting Date: July 13, 2006

TO: Standing Committee on City Services and Budgets

FROM: Assistant Director, Office of Cultural Affairs

SUBJECT: H.R. MacMillan Space Centre - Annual Review & 2006 Operating Grant Request

RECOMMENDATION

THAT Council approve an operating grant of \$494,100 to the H.R. MacMillan Space Centre 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 operating grants to the H.R. MacMillan Space Centre Society (and its predecessors) to support its ongoing operations since its formation as an independent non-profit society in 1987. Approval of grants requires eight affirmative votes of Council.

PURPOSE

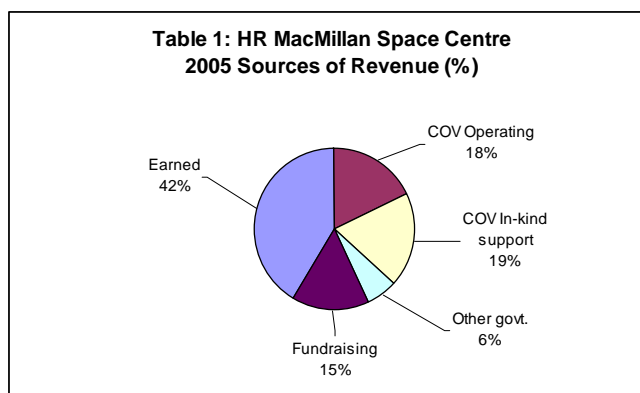
This report provides a review of the H.R. MacMillan Space Centre Society's 2005 activities and presents its 2006 operating grant request for Council's consideration.

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). 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 ("Space Centre").

The Space Centre occupies a City-owned building in Vanier Park that it shares with the Vancouver Museum. The Space Centre's relationship with the City is generally outlined in lease terms approved by Council in 2002. The lease discussions have been complex and dependant on the development of an operational agreement between the co-tenants. Good progress has been made and the final lease agreements are pending execution by both institutions.

In addition to an annual operating grant, the City 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 Space Centre's sources of revenue, including total City support (37%) are illustrated in Table 1.



The Space Centre is governed by a volunteer Board of Directors and has 20 full-time staff and 43 part-time staff. 73 volunteers contribute approximately 4,700 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.

2005 Year in Review

The Society is shifting its mandate as the story of space is changing from a competitive, technologically-driven "space race" to an era that is being described as "society in space". To address this shift, last year the Space Centre focused on examining how its exhibits and programming were developed, marketed and delivered, and how it was responding to

changing science education curriculum. Production and education staff worked together in project teams to launch several new exhibits and program packages including:

- *Going to Extremes*, a new Planetarium show that invited students and visitors to match extreme environments on Earth with those in space in a game-show format. This topic is a component of the new school science curriculum.
- *Vanishing Skies*, an exhibit on the impact of light pollution on the night sky; and
- *Powering the Future*, a new GroundStation Canada show that examined alternative forms of energy in space exploration.

Our Vanishing Sky was complemented by several presentations and was featured as part of the Winter Solstice Lantern Festival. *Quest for Origins* was honoured by the Canadian Association of Science Centres in 2005 with the "Best Exhibit or Show" award, the first time that a planetarium show had received the award.

The annual Ovenden Lecture celebrated the 150th anniversary of Einstein and his achievements, and *The Wrong End of the Telescope* featured science fiction writers in discussion with an astrophysicist. Other programs highlighted Canadians working in the space industry. In partnership with the Royal Astronomical Society - Vancouver Centre, winter telescope observing sessions were held Friday and Saturday evenings and daily Observatory programs were available in the summer months. Many outreach programs such as *Starlab*, the portable planetarium, and the *Community Astronomy Summer Tour*, provided space opportunities for communities around the province. The *Day in Space* video conferencing program was piloted in 2005 to two First Nations schools in Northern B.C. and enabled students to interact directly with the presenter at the Space Centre.

2006 Plans

Currently in development are a First Nations planetarium show as well as a collaborative exhibit with the Vancouver Museum which investigates the contributions made by Chinese astronomers to the space story. The Space Centre has received a Canada Council grant to have science fiction writer Spider Robinson host a series of talks this fall looking at science fiction versus real science as the organization's inaugural writer-in-residence. A new planetarium show *Is Anybody Out There?* opened in May as part of a Canada-wide partnership with other science centres and explores the possibilities of extraterrestrial life.

The Space Centre has also begun to explore more opportunities for collaboration with Science World, particularly in the area of Outreach programming. *Engaging Science* is an example of one joint program that is currently delivered in conjunction with Science World and the Vancouver Aquarium and presents professional development workshops to BC teachers.

The Space Centre has streamlined its strategic planning to focus on one main goal - to establish a financially sustainable operation that supports the mission of the organization by the beginning of 2008. Five action items have been identified and progress will be reviewed by the Board on a bi-monthly basis:

1. Develop public programming that increases public admission revenues by 10% and attracts new audiences;
2. Increase school and outreach participation and revenues by 10%;

3. Expand & diversify revenue sources, including increasing rental income;
4. Developing the fund raising strength of the Board to support operations; and
5. To reduce overhead from 67% to 62% of operating budget by 2008.

DISCUSSION

In spite of recent shifts in mandate and focus, the Space Centre continues to struggle to retain audiences and financial stability. The Space Centre has been investigating several options for its future and 2006 will be an important year for the Space Centre as it tests the proposed changes to determine if this path will lead towards long-term sustainability. Most of the options under exploration involve collaboration or partnership models.

A significant achievement in 2005 was the Space Centre developing a strong working relationship with other institutions and partners in Vanier Park. The Space Centre has been in regular discussions with its Vanier Park institutional colleagues to identify joint program and operational functions that can be harmonized to strengthen programs and public services, while simultaneously reducing expenses. These developments were possible because of several operational shifts among the organizations.

Particularly in the latter part of 2005, the Space Centre and the Museum began working together to establish a greater level of collaboration, which has progressed in a number of key areas:

- Developing an operating agreement between the co-tenants;
- Streamlining administrative tasks to realize greater efficiencies for both organizations; and
- Joint marketing initiatives and cooperative rental bookings.

The Vancouver Museum, Vancouver Maritime Museum and the Space Centre have also submitted a joint application to Canadian Heritage to develop a strategic framework that will identify further strategies for greater efficiencies, improved public service and increased sustainability for all three organizations. It should be noted however that, unlike the two museum institutions, the Space Centre does not have the same level of legal, financial and operational responsibilities associated with holding a civic collection in trust for the City of Vancouver.

The Space Centre and Science World have also had some preliminary discussions about their respective mandates, programs and future infrastructure plans. Given that both have a science-education mandate and are considering a reinvestment in expensive projection equipment, staff encourage the two institutions to continue their discussions to determine the best means of providing public service and use of resources.

The Space Centre generates approximately 42% 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 \$75,873 on a total operating budget of \$2.1 million before amortization. The audited financial statements for 2005 are attached to this report as Appendix A.

Attendance continues to be considerably below 1998 levels when the Space Centre completed its capital renovations. In 1998, paid attendance reached 151,091, but attendance has been declining slowly but steadily in recent years. Paid attendance was down by 9.8% over last year to 101,778, in part due to the drop in school admissions by 3.7%. However, total admission revenues were only down by 1.6%, as the Space Centre was able to increase its per person admission revenues. Membership revenues were also down by 24%, but rentals were up by 12.5% over last year. A membership campaign is planned in 2006.

The Space Centre has been improving its financial position over the past 3 years, and this past year retired its payment obligations for the motion simulator ride which was purchased as part of the capital renovations in 1998. However, a large lump sum loan payment made in 2002 to the manufacturer also depleted the organization's working capital reserves.

Aging exhibits were identified in the Space Centre's audience research report last year as a key challenge. However, prior to investing in new exhibits, the Space Centre needs to focus on a future operating model and re-establish its operational and financial base before embarking on a capital campaign.

FINANCIAL IMPLICATIONS

Staff have reviewed the 2006 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 2006 operating grant of \$494,100 based on a general inflationary increase of 2.0% over the 2005 grant as approved by Council in the 2006 Operating Budget. Source of funds is the "Other" Grants allocation in the 2006 Budget.

CONCLUSION

The Space Centre is reviewing its operations and programming which is critical to defining its future direction and sustainability. Capitalizing on potential partnerships with other institutions will also be key to the Space Centre in meeting its operating requirements over the next year. Staff support the organization's efforts and recommend operating support for the H.R. MacMillan Space Centre Society in the amount of \$494,100.

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Auditors' Report and Financial Statements of

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

December 31, 2005

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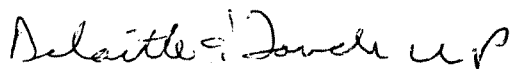
Auditors' Report

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, 2005 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, 2005 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 10, 2006

H. R. MACMILLAN SPACE CENTRE SOCIETY

Balance Sheet

December 31, 2005

ASSETS	2005	2004
CURRENT		
Cash	\$ 132,036	\$ 81,640
Accounts receivable	104,734	100,010
Prepaid expenses	1,353	1,573
	238,123	183,223
RESTRICTED INVESTMENTS (Note 3)	103,333	103,333
PROPERTY AND EQUIPMENT (Note 4)	1,385,789	2,037,936
	\$ 1,727,245	\$ 2,324,492
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 199,556	\$ 197,416
Wages and benefits payable	118,968	108,494
Current portion of loan payable	-	7,200
Deferred revenue	72,022	50,069
	390,546	363,179
DEFERRED CONTRIBUTIONS RELATED TO PROPERTY AND EQUIPMENT (Note 5)	1,263,226	1,908,592
	1,653,772	2,271,771
NET ASSETS	73,473	52,721
	\$ 1,727,245	\$ 2,324,492

ENDOWMENT WITH THE VANCOUVER FOUNDATION (Note 7)

APPROVED BY THE DIRECTORS:

Director

Director

H. R. MACMILLAN SPACE CENTRE SOCIETY
Statement of Changes in Net Assets
Year ended December 31, 2005

<u>Net assets</u>	<u>Restricted for endowment purposes</u>	<u>Invested in property and equipment</u>	<u>Unrestricted</u>	<u>2005</u>	<u>2004</u>
Balance, beginning of year	\$ 103,333	\$ 122,144	\$ (172,756)	\$ 52,721	\$ 92,032
Excess (deficiency) of revenue over expenditures	-	(55,121)	75,873	20,752	(39,311)
Repayment of loan payable	-	7,200	(7,200)	-	-
Acquisition of property and equipment	-	48,340	(48,340)	-	-
<u>Balance, end of year</u>	<u>\$ 103,333</u>	<u>\$ 122,563</u>	<u>\$ (152,423)</u>	<u>\$ 73,473</u>	<u>\$ 52,721</u>

H. R. MACMILLAN SPACE CENTRE SOCIETY
Statement of Operations
Year ended December 31, 2005

	2005	2004
REVENUE (Schedule)	\$ 2,181,881	\$ 2,215,128
EXPENDITURES		
Guest services	402,564	441,649
Public programmes	164,059	206,032
Production administration	248,698	264,051
Marketing	218,811	217,231
Education programmes	202,499	214,083
Facility maintenance	191,697	181,408
Finance and administration	181,631	166,115
Director's office	171,325	168,634
Development and fundraising	144,381	149,912
Outreach programmes and special projects	139,519	134,520
Membership	40,824	56,283
	2,106,008	2,199,918
EXCESS OF REVENUE OVER EXPENDITURES BEFORE AMORTIZATION	75,873	15,210
AMORTIZATION OF DEFERRED CONTRIBUTIONS (Note 5)	645,366	1,073,691
AMORTIZATION OF PROPERTY AND EQUIPMENT	(700,487)	(1,128,212)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ 20,752	\$ (39,311)

H. R. MACMILLAN SPACE CENTRE SOCIETY
Statement of Cash Flows
Year ended December 31, 2005

	<u>2005</u>	<u>2004</u>
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures	\$ 20,752	\$ (39,311)
Items not affecting cash:		
Amortization of property and equipment	700,487	1,128,212
Amortization of deferred contributions	(645,366)	(1,073,691)
	<u>75,873</u>	<u>15,210</u>
Change in non-cash working capital		
Accounts receivable	(4,724)	169,380
Prepaid expenses	220	1,775
Accounts payable and accrued liabilities	2,140	(169,389)
Wages and benefits payable	10,474	(2,747)
Deferred revenue	21,953	5,594
Net cash provided from operations	<u>105,936</u>	<u>19,823</u>
FINANCING ACTIVITIES		
Deferred contributions related to property and equipment	-	35,565
Repayment of loan	(7,200)	(28,800)
Net cash (used in) provided from financing activities	<u>(7,200)</u>	<u>6,765</u>
INVESTING ACTIVITY		
Purchase of property and equipment	(48,340)	(15,711)
Net cash used in investing activity	<u>(48,340)</u>	<u>(15,711)</u>
INCREASE IN CASH	50,396	10,877
CASH, BEGINNING OF YEAR	81,640	70,763
CASH, END OF YEAR	\$ 132,036	\$ 81,640

H. R. MACMILLAN SPACE CENTRE SOCIETY

Notes to the Financial Statements

Year ended December 31, 2005

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 taxes.

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

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), and reflect the following significant accounting policies:

(a) *Use of estimates*

The preparation of financial statements in conformity with Canadian GAAP 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.

(b) *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 and education 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. The operating grant is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

H. R. MACMILLAN SPACE CENTRE SOCIETY
Notes to the Financial Statements
Year ended December 31, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) *Cash*

For purposes of determining cash flows, cash consists of cash on deposit and, if applicable, highly liquid short-term interest bearing securities with maturities at the date of purchase of three months or less.

(d) *Property and equipment*

Property and equipment are stated at the lower of cost less accumulated amortization and their residual 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, software and start-up costs	5 years

(e) *Deferred revenue*

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

(f) *Restricted investments*

Restricted investments are carried at cost which approximates market value.

(g) *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.

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.

H. R. MACMILLAN SPACE CENTRE SOCIETY
Notes to the Financial Statements
Year ended December 31, 2005

4. PROPERTY AND EQUIPMENT

	2005			2004
	Cost	Accumulated amortization	Net book value	Net book value
Exhibits and equipment	\$ 3,244,725	\$ 3,192,733	\$ 51,992	\$ 8,288
Leasehold improvements	2,994,951	2,436,812	558,139	857,634
Motion simulator and Star Theatre equipment	3,107,742	2,538,908	568,834	879,608
Computer hardware, software and start-up costs	745,351	538,527	206,824	292,406
	\$ 10,092,769	\$ 8,706,980	\$ 1,385,789	\$ 2,037,936

5. 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. These deferred contributions are amortized to operations on the same basis as the related property and equipment are amortized.

	2005	2004
Balance, beginning of year	\$ 1,908,592	\$ 2,946,718
Contributions	-	35,565
Amortization	(645,366)	(1,073,691)
Balance, end of year	\$ 1,263,226	\$ 1,908,592

H. R. MACMILLAN SPACE CENTRE SOCIETY
Notes to the Financial Statements
Year ended December 31, 2005

6. FINANCIAL INSTRUMENTS

(a) *Interest rate risk exposures*

The Society's restricted investments and certain of the funds endowed with The Vancouver Foundation 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, accounts receivable and restricted investments. The Society is potentially exposed to a concentration of credit risk through its cash and restricted investments. The Society limits its exposure to credit risk by placing its cash and restricted investments 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.

7. 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>2005</u>	<u>2004</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, 2005 was \$519,189 (2004 - \$496,745).

H. R. MACMILLAN SPACE CENTRE SOCIETY
Notes to the Financial Statements
Year ended December 31, 2005

8. 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, 2005 were \$70,554 (2004 - \$59,475).

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, 2005

	<u>2005</u>	<u>2004</u>
OPERATING REVENUE		
Public admissions	\$ 425,855	\$ 425,241
School admissions	243,031	252,416
Outreach programmes	144,337	178,651
Rentals and corporate sales	140,528	124,958
Laser admissions	113,066	117,120
Memberships	50,630	66,909
Other	10,838	7,875
	<u>1,128,285</u>	<u>1,173,170</u>
OPERATING GRANT		
City of Vancouver	484,400	474,900
FUNDRAISING AND DONATIONS		
	488,328	494,546
OUTREACH/EDUCATION EXTENSION PROGRAMMES		
	56,321	49,619
	<u>544,649</u>	<u>544,165</u>
INTEREST		
Vancouver Foundation (Note 7)	22,129	21,249
Other	2,418	1,644
	<u>24,547</u>	<u>22,893</u>
	<u>\$ 2,181,881</u>	<u>\$ 2,215,128</u>