
Financial statements of Glenbow-Alberta Institute

March 31, 2021

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Independent Auditor's Report

To the Board of Governors of
Glenbow-Alberta Institute

Opinion

We have audited the financial statements of Glenbow-Alberta Institute ("Glenbow"), which comprise the statement of financial position as at March 31, 2021, and the statements of operations and changes in Operating Fund balance, operations and changes in Restricted Funds balances, operations and changes in Revitalization Fund balance and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Glenbow as at March 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Glenbow in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Glenbow's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Glenbow or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Glenbow's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Glenbow's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Glenbow's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Glenbow to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
Calgary, Alberta
June 25, 2021

Glenbow-Alberta Institute
Statement of financial position

As at March 31, 2021

	Notes	Operating Fund \$	Restricted Funds \$	Revitalization Fund \$	2021 Total \$	2020 Total \$
Assets						
Current assets						
Cash		1,914,447	—	51,693	1,966,140	974,711
Investments	7	572,090	—	—	572,090	536,163
Accounts receivable	4	137,665	—	—	137,665	119,692
Government capital grant receivable	5	—	—	1,651,312	1,651,312	—
Merchandise for resale	3(d)	—	—	—	—	283,727
Due from University of Calgary	2(b)	—	—	—	—	1,625,000
Due from Revitalization Fund	8	431,022	—	—	431,022	—
Due from Operating Fund	8	—	66,648	—	66,648	54,812
Loan to Operating Fund	8	—	—	—	—	200,100
Prepaid expenses		48,610	—	—	48,610	43,958
		3,103,834	66,648	1,703,005	4,873,487	3,838,163
Investments	7	—	33,382,563	—	33,382,563	27,269,236
Collections	3(c)	1	—	—	1	1
Capital assets	9; 2(d)	238,488	—	2,628,490	2,866,978	923,689
		3,342,323	33,449,211	4,331,495	41,123,029	32,031,089
Campaign pledges receivable	6					
Liabilities						
Current liabilities						
Accounts payable and accrued liabilities		690,806	—	819,228	1,510,034	802,234
Due to Operating Fund	8	—	—	431,022	431,022	—
Due to Restricted Funds	8	66,648	—	—	66,648	54,812
Loan from Future Fund	8	—	—	—	—	200,100
Deferred revenue		184,171	—	—	184,171	67,825
		941,625	—	1,250,250	2,191,875	1,124,971
Deferred capital contributions	11	85,928	—	—	85,928	322,451
		1,027,553	—	1,250,250	2,277,803	1,447,422
Contingencies and commitments	16					
Fund balances						
Unrestricted		2,314,770	—	—	2,314,770	2,377,019
Externally restricted		—	23,033,784	—	23,033,784	19,079,801
Internally restricted		—	10,415,426	3,081,245	13,496,671	9,126,847
		2,314,770	33,449,211	3,081,245	38,845,226	30,583,667
		3,342,323	33,449,211	4,331,495	41,123,029	32,031,089

The accompanying notes are an integral part of the financial statements.

On behalf of the Board of Governors

 Governor
 Governor

Glenbow-Alberta Institute

Statement of operations and changes in Operating Fund balance

Year ended March 31, 2021

	Notes	2021 \$	2020 \$
Revenue			
Government of Alberta	2e	2,691,000	3,588,000
Allocations of investment income from endowment funds	3(b)(ii)	1,147,696	1,133,628
Donations, sponsorships and memberships		1,099,713	970,870
Grants and subsidies	12	1,118,636	402,901
Admissions and programs	2e	35,387	1,192,465
Retail sales and rentals	2e	158,186	674,420
Other income	2e	59,808	132,919
Amortization of deferred capital contributions	11	236,523	29,923
		6,546,949	8,125,126
Expenses			
Exhibitions and programs	2e	1,326,429	2,675,709
Collections, conservation and curatorial	2e	690,948	1,064,484
Building operations and technology	2e	1,108,467	1,781,750
Fund development and membership		665,396	593,935
Marketing and communications	2e	329,209	723,321
Retail sales and rentals	2e	395,189	675,176
General, administrative and governance		1,577,283	1,514,365
Write down on retirement of capital assets	2d	298,216	—
Amortization of tangible capital assets		156,226	145,950
		6,547,363	9,174,690
Deficiency of operating expenses over revenue		(414)	(1,049,564)
Proceeds from loan of provincial collections	2(b)	—	250,000
Closure of Library and Archives division	2(b)	—	(402,692)
		—	(152,692)
Deficiency of expenses over revenue		(414)	(1,202,256)
Transfer to Revitalization Fund	3(a)(i) ; 3(a)(iv)	(61,835)	—
Fund balance, beginning of year		2,377,019	3,579,275
Fund balance, end of year		2,314,770	2,377,019

The accompanying notes are an integral part of the financial statements.

Glenbow-Alberta Institute

Statement of operations and changes in Restricted Funds balances

Year ended March 31, 2021

	Notes	Endowment Funds		Internally Restricted Funds		2021 Total \$	2020 Total \$
		Founding Fund \$	Legacy Fund \$	Collections Fund \$	Future Fund \$		
Revenue							
Investment income							
Interest, dividends, capital gains and losses		297,007	50,696	915,232	1,960	1,264,895	3,121,274
Unrealized gain (loss) on investments		3,809,601	650,282	1,244,573	36,265	5,740,721	(4,727,435)
Allocation of investment income to Operating Fund	3(b)(ii)	(689,580)	(110,404)	(333,632)	(14,080)	(1,147,696)	(1,133,628)
Donations		—	400	—	—	400	2,900
		3,417,028	590,974	1,826,173	24,145	5,858,320	(2,736,889)
Expenses							
Investment management		46,142	7,877	36,379	260	90,658	76,840
Excess (deficiency) of revenue over expenses		3,370,886	583,097	1,789,794	23,885	5,767,663	(2,813,729)
Transfer to Revitalization Fund	3(a)(iii) & 3 (a) (iv)	—	—	—	(525,100)	(525,100)	—
Fund balances, beginning of year		16,269,438	2,810,363	8,601,491	525,356	28,206,648	31,020,377
Fund balances, end of year		19,640,324	3,393,460	10,391,285	24,141	33,449,211	28,206,648

Glenbow-Alberta Institute

Statement of operations and changes in Revitalization Fund balance

Year ended March 31, 2021

	Notes	2021 Total \$
Revenue		
Government capital grants	5	1,651,312
Campaign contributions	6	840,000
Other contributions		36,600
		2,527,912
Expenses		
Campaign		33,602
Excess of revenue over expenses		2,494,310
Transfer from Operating Fund	3a(1) & 3(a)(iv)	61,835
Transfer from Future Fund	3a (iii) & 3(a)(iv)	525,100
Fund balances, beginning of year		—
Fund balances, end of year		3,081,245

The accompanying notes are an integral part of the financial statements.

Glenbow-Alberta Institute

Statement of cash flows

Year ended March 31, 2021

	Notes	Operating Fund \$	Restricted Funds \$	Revitalization Fund \$	2021 Total \$	2020 Total \$
Operating activities						
Excess (deficiency) of revenue over expenses		(414)	5,767,663	2,494,310	8,261,559	(4,015,985)
Items not affecting cash						
Unrealized loss (gain) on investments		(16,908)	(5,740,721)	—	(5,757,629)	4,742,179
Write down on retirement of capital assets	2(d)	298,216	—	—	298,216	
Amortization of tangible capital assets	2(d)	156,226	—	—	156,226	145,950
Amortization of deferred capital contributions	11	(236,523)	—	—	(236,523)	(29,923)
		200,597	26,942	2,494,310	2,721,849	842,221
Changes in non-cash operational working capital						
Due from Operating Fund		—	(11,836)	—	(11,836)	(6,555)
Merchandise for resale		283,727	—	—	283,727	(20,392)
Accounts receivable and government capital grants receivable		(17,973)	—	(1,651,312)	(1,669,285)	(11,568)
Due from the University of Calgary	2(b)	942,500	682,500	—	1,625,000	2,625,000
Prepaid expenses		(4,652)	—	—	(4,652)	57,807
Accounts payable and accrued liabilities		(111,428)	—	—	(111,428)	39,716
Due to Restricted Funds		11,836	—	—	11,836	6,555
Due to Operating Fund		—	—	431,022	431,022	—
Due from Revitalization Fund		(431,022)	—	—	(431,022)	—
Accounts payable		—	—	819,228	819,228	—
Deferred revenue		116,346	—	—	116,346	(302,477)
		989,931	697,606	2,093,248	3,780,785	3,230,307
Investing activities						
Proceeds from sale of investments, net of purchases (purchases of investments, net of sale proceeds)		(19,019)	(372,606)	—	(391,625)	(2,347,760)
Purchase of capital assets, net of proceeds from disposal	2(d)	230,759	—	(2,628,490)	(2,397,731)	(243,576)
		211,740	(372,606)	(2,628,490)	(2,789,356)	(2,591,336)
Financing activity						
Repayment of loan from Future Fund	3(a)(iii) & 8	(200,100)	200,100	—	—	—
Inter-fund transfers	3(a)(i) & 3(a)(iv)	(61,835)	(525,100)	586,935	—	—
Deferred capital contributions	11	—	—	—	—	17,049
		(261,935)	(325,000)	586,935	—	17,049
Net increase (decrease) in cash		939,736	—	51,693	991,429	656,020
Cash, beginning of year		974,711	—	—	974,711	318,691
Cash, end of year		1,914,447	—	51,693	1,966,140	974,711

The accompanying notes are an integral part of the financial statements.

1. General

The Glenbow-Alberta Institute (the "Institute") operates under the authority of the Glenbow-Alberta Institute Act, Chapter G-6, Revised Statutes of Alberta 2000, as amended ("the GAI Act"). The Institute is registered as a charity under the Income Tax Act and is exempt from income taxes.

The Institute curates and administers seven collections comprising Art, Cultural History, Ethnology, Military History, Mineralogy, Library and Archives (note 3 (c)). The majority of the collections are owned by the Government of Alberta. Under the GAI Act and through a fee for service arrangement, the Institute is responsible for caring for these collections and providing reasonable public access. As such, the Institute is economically dependent on the Government of Alberta meeting its financial obligation under the GAI Act.

2. Nature of and extent of operations

For over 50 years, the Institute has provided public service by operating an art gallery, a human history museum and a library and archives. Recent events that have impacted current operations are described below:

(a) Strategic plan

In 2018 the Institute approved a new strategic plan whereby the Institute's limited resources would be primarily focused on developing Glenbow into Western Canada's most innovative public art museum. The plan sets out 4 strategies: Foster an Effective and Prosperous Organization; Refresh Programs and Exhibitions; Focus the Collections; and Revitalize the Glenbow Centre Building. Beyond transforming Glenbow into Western Canada's most innovative public art museum, over the next few years these four strategies are designed to bring financial sustainability to the Institute's operations.

(b) Library and archives

In accordance with the strategy to focus its collections, during the fall of 2018 the Institute entered into a long-term agreement with the University of Calgary ("the University") under which substantially all of the Institute's Library and Archives collections were relocated to the University in exchange for 3 installment payments totaling \$5.25 million. As a result, the Institute discontinued its Library and Archives division in the summer of 2019. In the fall of 2019 the University opened the Glenbow Western Research Centre on campus and is now responsible for ensuring that care and public access to these important collections is maintained in the long term.

(c) Revitalization project

In February 2020, the Province of Alberta announced that it will provide \$40 million toward the \$120 million cost to completely renovate the Glenbow Centre Building ("Revitalization project"). This funding commitment is contingent upon securing the remaining \$80 million from other sources by the end of the 2021 calendar year. In this respect, the Province has further advised that it plans to endorse a \$40 million application to the Federal government for matching funds under the federal Investing in Canada Infrastructure Program ("ICIP").

During the current year, the Institute secured a \$14 million capital grant from the City of Calgary's Municipal Sustainability Program (the "MSP Grant") for the Revitalization project. The MSP Grant must be fully expended prior to the end of the 2021 calendar year. This grant, along with private donations and the Institute's own resources, have allowed the Institute to commence the first phase of the Revitalization project. This \$15 million phase involves the decanting, demolition and complete reconstruction of 3 floors of the Glenbow Centre Building.

2. Nature of and extent of operations (continued)

(c) Revitalization project (continued)

As of March 31, 2021 the Institute was in active campaign discussions to secure the balance of the \$120 million project budget, with a goal to commence the remaining phases of the Revitalization project before the end of the 2022 fiscal year.

(d) Retirement of assets

During the year, in preparation for the Revitalization project, the retail inventory was liquidated, long lived furniture and equipment that would not be suitable for the renovated building was retired or disposed of, permanent exhibitions were closed and their net book value was written down and prior years' leasehold improvements were written off.

(e) COVID-19 and funding cuts

As a result of the provincial COVID-19 restrictions, the Institute was closed to the public for 8 months of the 2021 fiscal year and was only able to carry out limited weekend operations for the other 4 months. This severely impacted the Institute's ability to generate earned revenue from admissions, programs, retail sales and group rentals.

Also during the year, the Institute received an unanticipated 25% cut in its existing contract with the Province.

The financial impact of COVID, combined with the cut to base funding, forced the Institute to permanently lay off 26 staff members. Grants from The Canada Emergency Wage Subsidy program ("CEWS") allowed the Institute to avoid additional lay-offs as well as recall some staff that had been temporarily laid off.

3. Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and include the following significant accounting policies:

(a) Fund accounting

The accounts of the Institute are maintained in accordance with the principles of fund accounting, whereby the resources of the Institute are classified into funds associated with specific activities or objectives.

(i) Operating Fund

Revenue and expenses relating to the Institute's operations, including activities related to the provision of care and access to the collections are reported in the Operating Fund. During the year the Operating Fund transferred its Master Plan capital asset along with the related loan from the Future Fund to the newly created Revitalization Fund. The net amount of the transfer was \$61,835 (note 3(a)(iv)).

3. Significant accounting policies (continued)

(a) *Fund accounting*

(ii) *Endowment Funds*

The *Founding Fund* Endowment contains the founding gifts of the Devonian Foundation and the Government of Alberta in the original amounts of \$5 million each, along with undistributed investment income earned from the investment of these gifts. Under the GAI Act, investment income derived from the gifts is to be used: a) toward the operating expenses of the Institute, b) for reinvestment or c) to further the general objects of the Institute. The GAI Act also requires a portion of the gifts' annual investment income to be reinvested in order to maintain the inflation-adjusted value of the gifts unless the Board, having complied with the requirements of Section 17 of the GAI Act, passes a motion that allows the investment income to be used for an alternate purpose. On February 3, 2010, the Board passed a motion that allows the investment income to be used for purposes of meeting the capital and operating expenses of the Institute. In the case of the Government of Alberta gift, such use is still subject to compliance with Subsection 16(4) of the GAI Act. The amount that the carrying value of the provincial gift is less than its inflation-adjusted value has not been reflected on the statement of financial position. This deficiency will fluctuate from time to time based on the investment portfolio performance.

Externally endowed gifts that support designated areas of operations are reported in the *Legacy Fund*.

(iii) *Internally Restricted Funds*

The Collections Fund is an internally endowed fund established over time from the proceeds of various deaccessioning programs. Although there are no legal restrictions on this Fund, industry practice for Class A museums requires that expenditures be restricted for the future care and purchase of collection items. During the year, the Board approved the temporary use of up to \$2 million of the Fund, if needed, to bridge finance monthly reimbursements under the MSP Grant (note 2c). Any amounts temporarily loaned for this purpose would bear an annual interest rate of 4%. No amounts had been loaned under this facility as of March 31, 2021. The Board also passed a motion whereby up to \$8.65 million of the Fund could be pledged as security, if needed, to bridge finance any shortfall in raising the remainder of the matching funds required to release the \$40 million Provincial capital grant for the Revitalization project (note 2c).

The Future Fund contains an undesignated gift that was endowed by the Board to support the continuing care of the Maverick's exhibit. During the year, the Mavericks exhibit was closed and \$525,100 of the Fund was transferred to the Revitalization Fund to i) retire the 2018 loan of \$200,100 that had been used to fund the development of building Master Plan and ii) provide seed capital for the first phase of the Revitalization project (note 2c).

(iv) *Revitalization Fund*

This Fund was established during the year to receive and expend restricted campaign contributions and capital grants for the Revitalization project as well as other strategic revitalization initiatives. During the year, the Fund received a transfer of Master Plan net assets totaling \$61,835 from the Operating Fund and a transfer of \$525,100 from the Future Fund of which \$200,100 was used to retire an outstanding loan.

3. Significant accounting policies (continued)

(b) Revenue recognition

(i) Recognition of contributions

The Institute follows the restricted fund method whereby externally restricted contributions (donations, grants and sponsorships) are recognized in the fund corresponding to the purpose for which they were contributed. Unrestricted contributions are recognized as revenues in the Operating Fund. Externally restricted contributions for the acquisition of tangible capital assets in the Operating Fund are deferred and recognized over the life of the related asset that is purchased.

Government grants are not recognized until there is reasonable assurance that the Institute will comply with the conditions attaching to them and that the grants will be received

Pledges receivable are not recorded until the pledge payment has been received (note 6).

(ii) Allocations to Operating Fund

Allocations of investment income from the Institute's Restricted Funds in support of the Institute's operations are recognized as revenue of the Operating Fund in the year in which the allocation is authorized by the Board. In addition to the annual allocations, special allocations may be authorized by the Board to provide supplemental or specified operational support. Investment income not allocated to the Operating Fund is retained in the respective funds.

(iii) Investment income

Interest, dividends and capital gains are recognized in the period in which the income is earned. Unrealized increases or decreases in the market value of investments held for resale are recognized on the last day of each accounting period based on the closing market prices of the underlying securities.

(iv) Contributed goods and services

In-kind contributions, including works of art, artifacts, books and other tangible gifts to the Institute's own collections, are recognized at a nominal amount in the financial statements.

Unpaid volunteers make significant contributions of their time in support of the Institute's programs. The value of this contributed time is not included in these financial statements as an objective measurement of valuation is indeterminable.

(v) Recognition of other revenues

Revenues from admissions, memberships, merchandise and publication sales, fee for service and facility rentals are recognized in the year when the service is provided and persuasive evidence of an arrangement exists and those from fundraising activities when such activities are held.

(vi) Deaccessioning

Net proceeds from deaccessioning items in collections owned by the Institute are recognized as revenue in the appropriate fund at the time when persuasive evidence of an acquisition arrangement exists, the price to the acquirer is fixed or determinable and collection of the proceeds is reasonably assured.

3. Significant accounting policies (continued)

(b) Revenue recognition (continued)

(vi) Deaccessioning (continued)

Net proceeds from deaccessioning collection items owned by the Government of Alberta are forwarded to the Government of Alberta for deposit into the Province's Historic Resources Fund and held for future acquisitions to its Glenbow collection.

(c) Collections

The Institute oversees collections belonging to both the Institute and to the Province of Alberta. Combined the two collections include approximately 230,000 objects. These include nationally significant collections relating to Art, Cultural History, Indigenous Studies, Military History, Mineralogy and a small Archive and Library collection.

The art collection includes the work of nationally important artists from this region, along with works by prominent Canadians and selected international artists. It includes paintings, drawings, prints, sculpture, ceramics, installation and multi-media art, and photography. Amongst other areas of strength is an exceptional collection of modern Canadian prints, a strong collection of contemporary art by Albertans and nationally recognized Canadian artists, and very strong collections of Canadian Pacific Railway art, wildlife art, and works by early artists/teachers in modern Alberta. Gifts to the Art collection are often certified by the Canadian Cultural Property Export Review Board.

The Cultural History collection reflects the history of Calgary and southern Alberta. Examples of particular strengths include fashion and textiles, immigration, Alberta industries, and Canadian glass. The Institute is well known for its work with First Nations communities in this region. The core of the Indigenous Studies collection is from the northwest quadrant of North America, including the Plains, the Northwest Coast, the Arctic, and the subarctic. It also has large collections relating to South America, West Africa and Asia. The Military History collection includes material relating to Canadian military history with an emphasis on this region, Northwest Mounted Police and RCMP material, a large collection of historic firearms, and European and Japanese armor. The Mineralogy collection includes rocks, minerals, and gems from Canadian and international sites.

In addition to the above, Glenbow's extensive Library and Archives collection includes books and fonds relating to specific areas of the art and artefact collections. Under a long-term agreement with the University of Calgary, substantially all of this collection is held at the University which provides the requisite care and public access under the operating name "Glenbow Western Research Centre".

During the year the Institute received donations of artwork and artifacts valued at approximately \$683,000 (\$283,906 in 2020) that have been recorded at a nominal carrying value of \$1. The Institute also purchased art for its collection totaling nil (\$12,500 in 2020) that, by policy, has been expensed. As of March 31, 2021, the objects owned by Institute were insured for \$113,759,000 (\$111,267,770 in 2020). The policy premium for this insurance coverage was \$64,337 (\$63,864 in 2020). All collections are being stored on-site during the renovation.

(d) Merchandise for resale

Merchandise for resale is recorded at the lower of cost or net realizable value and is relieved from inventory on a first-in, first-out basis. Net realizable value is determined using current estimated selling prices less selling costs. The estimated selling price takes into account management's best estimate of the most probable set of economic conditions.

During the year, in preparation for the Revitalization project, the Institute temporarily closed its retail shop and liquidated its entire inventory (Note 2d).

Cost of sales, including heavily discounted merchandise for liquidation, totaled \$291,922 (\$261,201 in 2020).

3. Significant accounting policies (continued)

(e) Capital assets

Capital assets are recorded at acquisition cost less accumulated amortization.

(f) Amortization

Amortization of capital assets is provided using the straight line method over the estimated useful life of the asset at the following rates:

Furniture and Equipment	10 – 33.33%
Leasehold improvements	6.67%
Permanent exhibits	10%

(g) Impairment of long-lived assets

When conditions indicate that a tangible capital asset is impaired, the net carrying amount of the tangible capital asset is written down to the asset's fair value or replacement cost. The write-down of tangible capital assets is recognized as an expense in the statement of revenues and expenses. A write-down shall not be reversed.

(h) Financial instruments

The Institute initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost except for Investments which have elected to be recognized at fair value.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. For all other financial instruments, the transaction costs are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the excess of revenue over expenses as investment income.

(i) Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, as well as disclosures of contingent assets and liabilities. The most significant of these estimates are related to the allowances for accounts receivable, the accrual of liabilities, the amortization period and potential impairment of tangible capital assets, and potential contingencies. Actual results could differ from these estimates.

Management continues to assess the impact of the novel coronavirus ("COVID-19") and governments' response to it on the Institute. Portions of the financial results may incorporate estimates from management that are subject to increased uncertainty due to the market disruptions caused by the COVID-19 pandemic. The amounts recorded in these financial statements are based on the latest reliable information available to management at the time the financial statements were prepared where that information reflects conditions as at the date of the financial statements. However, there is inherent uncertainty about these assumptions and estimates which could result in outcomes that require adjustments to the carrying amount of the affected assets or liabilities in the future.

4. Government remittances recoverable

Included in accounts receivable are government remittances recoverable aggregating \$16,660 (\$11,965 in 2020).

5. Government capital grant receivable

Pursuant to a Municipal Sustainability Program ("MSP") agreement with the City of Calgary, the Institute has been awarded a capital grant of up to \$14 million to be used for the first phase of the Revitalization project (Note 2c). This phase is estimated to cost \$15 million of which the Institute and private donors will contribute the remaining \$1 million. Eligible expenditures incurred under the MSP grant are first paid by the Institute and then submitted to the City for reimbursement.

As of March 31 2021 eligible MSP expenditures totaling \$1,651,312 (nil in 2020) had been incurred by the Institute but not reimbursed.

The Board has authorized that, if needed, up to \$2 million of the Collections Fund can be made temporarily available to provide bridge financing for MSP expenditures awaiting reimbursement (Note 3 a iii). As of March 31, 2021, there were no outstanding draws on this internal credit facility.

6. Campaign Pledges Receivable

During the year, the Institute commenced the quiet phase of a campaign to raise capital funds for the Revitalization project (Note 2c). As of March 31, 2021 the Institute had signed gift agreements for pledges totaling \$2,440,000 (nil in 2020) of which \$840,000 had been received and \$1,600,000 is expected to be receivable (note 3(b)(i)). Pledge commitments are due in annual installments with terms extending from 3 years to 10 years.

Subsequent to March 31, 2021 an additional \$1,000,000 of campaign pledge agreements were signed with donors.

7. Investments

The investments have been recorded at fair market value as follows:

	2021	2020
	\$	\$
Investments – Operating Fund		
Pooled bond fund (short term maturities)	572,090	536,163
Investments – Endowment Funds		
Founding Fund	19,624,545	16,255,967
Legacy Fund	3,349,824	2,774,832
Collections Fund	10,384,385	7,913,500
Future Fund	23,809	324,937
Pooled balanced funds	33,382,563	27,269,236
	33,954,653	27,805,399

7. Investments (continued)

The pooled fund investments were externally managed by professional Fund Managers. The weightings for the Endowment Fund's pooled balanced portfolios are set out below.

	2021	2020
	%	%
Cash	3.2	3.8
Fixed income		
Canadian	14.6	28.1
International	2.6	6.1
Equities		
Canadian	24.1	26.1
United States	28.5	20.8
International	20.2	15.1
Real assets	6.8	—
	100.0	100.0

8. Inter-fund balances

Advances due to or from other funds are non-interest bearing and have no fixed terms of repayment.

During the 2018 fiscal year, the Board authorized a loan of \$200,100 from the internally restricted Future Fund to finance a comprehensive building master plan that would guide the future redevelopment of the Glenbow Centre. The loan was non-interest bearing and had no fixed terms of repayment. The loan was retired in the current year (Note 3a iii and iv).

9. Capital assets

	Cost	Transfer	amortization	value
	\$	\$	\$	\$
Operating Fund				
Furniture and equipment (Note 2d)	368,127	—	129,639	238,488
Leasehold improvements (Note 2d)	—	—	—	—
Building master plan (Note 3a iv)	254,185	(254,185)	—	—
Permanent exhibitions (Note 2d)	—	—	—	—
	622,312	(254,185)	129,639	238,488
Revitalization Fund				
Leasehold improvements in progress (Notes 2c and 3a iv)	2,374,305	254,185	—	2,628,490
	2,996,617	—	129,639	2,866,978

9. Capital assets (Continued)

	Cost	Accumulated amortization	2020 Net book value
	\$	\$	\$
Operating Fund			
Furniture and equipment	8,131,289	7,809,809	321,480
Leasehold improvements	3,966,103	3,686,258	279,845
Building master plan (Note 3 a iv)	254,185	—	254,185
Permanent exhibitions	5,412,923	5,344,744	68,179
	<u>17,764,500</u>	<u>16,840,811</u>	<u>923,689</u>

10. Credit facility

The Institute has access to a revolving, demand credit facility to a maximum of \$500,000 with a Canadian chartered bank. The facility is provided on an unsecured basis and bears interest at the bank's prime interest rate plus 0.5% per annum (prime plus 0.5% in 2020). The Institute did not draw on this facility in the current fiscal year.

11. Deferred capital contributions

Deferred capital contributions comprise the unamortized balance of contributions earned by the Institute for the acquisition of capital assets in the Operating Fund. The amount earned is initially deferred and then recognized as revenue over the life of the related asset.

During the year, the Institute recognized the remaining unamortized balances related to long lived assets that were retired or disposed of (Note 2d).

	2021 \$	2020 \$
Balance, beginning of year	322,451	335,325
Contributions	—	17,049
	322,451	352,374
Recognized in the current year	236,523	29,923
Balance, end of year	85,928	322,451

12. Grants and subsidies

Current year grants and subsidies revenue includes \$700,828 (nil in 2020) of funding from the federal Canadian Emergency Wage Subsidy ("CEWS") program (Note 2(e)), including \$21,000 which has been accrued for and not yet received.

13. Pension obligations

The Institute has a defined contribution plan which is available to all full-time and permanent part-time employees. Under the terms of the plan, the Institute matches contributions of up to 5% of employee earnings. During the year, the Institute contributed \$90,750 (\$146,901 in 2020) in connection with the plan.

14. Building lease

The Glenbow Centre is leased to The City of Calgary by the Government of Alberta for a nominal amount under a 50 year lease that, if not extended under the terms of the lease, will expire in 2024. Under the terms of the lease, The City of Calgary must sublease the building to the Institute for \$1 per year. Fair market value of the sublease has not been determined. Under the sublease, The City of Calgary provides janitorial, maintenance and utility services for the Glenbow Centre at no cost to the Province of Alberta or the Institute. The value of these services as determined by The City of Calgary for the year was \$2,039,363 (\$2,011,362 in 2020) and has not been included in these financial statements.

During the year, the Institute received consent from both the Government of Alberta and the City of Calgary to commence the renovation of the building (Note 2c). In this respect, the Institute has been advised that negotiations between the Government of Alberta and the City of Calgary to renew the lease have commenced.

15. Related party transaction

During the year the Institute entered into three service contracts (for public relations, management recruitment and investment analysis) aggregating \$72,955 (nil in 2020) with three private corporations each of which a Board member was an investor and/or an employee. In prior years the Institute had engaged two large public corporations for financial services where two Board members were employed or had an indirect investment interest. These contracts continued through the current fiscal year. Also in a prior year the Board approved a loan of artwork to a corporation that employs the Board Chair for a rental fee of \$5,950.

16. Contingencies and commitments

There are currently no known claims outstanding against the Institute as at March 31, 2021.

At March 31, 2021 the Institute had entered into planning, design, demolition and other contracts related to the first phase of the Revitalization project (Note 2c). The total value of the contracts was \$3,489,930 of which \$1,379,073 was work that was committed but had not commenced. This remaining commitment will be expended in the 2022 fiscal year and \$1,310,119 will be eligible for recovery under the MSP Grant.

Subsequent to year end, the Institute entered into a construction contract for the first phase as well as a design development contract for all three phases of the Revitalization project. Together these two contracts subsequently committed the Institute to an additional \$8,657,437 all of which will be eligible for recovery under the MSP Grant.

The Institute has entered into lease agreements for its warehouse as well as for office equipment and other services, which expire at various times over the next several years.

16. Contingencies and commitments (continued)

The Institute is committed to payments under these agreements for the next five years as follows:

	\$
2022	117,159
2023	116,759
2024	116,759
2025	40,904
2026	—
	<u>391,581</u>

17. Financial instruments

The Institute's financial risks are as follows:

Equity risk

The Institute's investment portfolio includes a large portion of equities. The portfolio is invested in a balanced pooled fund which is professionally managed by an independent fund manager appointed by the Board. The fund manager is governed by an investment policy of the Board, which places certain parameters on the investment portfolio. The performance of the fund manager is routinely assessed by the Audit and Investment Committee of the Board. The value of equity investments changes in concert with the business, financial condition, management and other relevant factors affecting the underlying organization that issued the securities. In addition, general economic conditions of the markets in which such organizations operate change, thereby exposing the Institute to fluctuations in the value of investments. The Audit and Investment Committee has authority to change fund managers or make certain changes to the asset mix as needed in order to mitigate equity risk.

The Institute does not directly enter into any derivative financial instruments; however, the professionally managed pooled funds may contain certain derivative instruments from time to time that are used exclusively for hedging purposes. No use of leverage is permitted.

Liquidity risk

In the current economic environment, the Institute may be subject to liquidity risk if required to realize its long-term investments in the near term. This risk is mitigated by the fact that the investment portfolio consists of marketable securities traded on major national and international exchanges.

Interest rate risk

The Institute is exposed to interest rate risk given that its fixed income investments have varying maturity dates. Accordingly, if interest rates decline, the Institute may not be able to reinvest the maturing investment at a rate similar to that of the balance maturing thereby causing fluctuations in investment income. This is mitigated by the fact that the Institute's pooled fund investments are managed by an experienced fund manager.

The Institute is also subject to interest rate risk given that its bank indebtedness and demand bank loan are at a floating rate of interest. Accordingly, the Institute is susceptible to fluctuations in the bank's prime interest rate.

17. Financial instruments (continued)

Foreign exchange risk

Because a portion of the Institute's investment portfolio and cash accounts are denominated in foreign currencies, the Institute is exposed to fluctuations in those currencies. At March 31, 2021, the foreign content of the managed portfolios was 58.1% (42.1% in 2020) (Note 7).

Credit risk

The Institute's major source of contract revenue is from the Government of Alberta which is received in monthly instalments as a direct deposit to the Institute's bank account. Sponsorships, grants and pledges receivable are not concentrated in one particular sector or group, but are from a broad variety of government agencies and private sector organizations. Therefore management is of the opinion that the Institute is not substantially exposed to credit risk.

18. Comparative figures

Certain 2020 figures have been reclassified to correspond with the current year's presentation.