
Financial statements of
Glenbow-Alberta Institute

March 31, 2020

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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, 2020, and the statements of operations and changes in Operating Fund balance, operations and changes in Endowment Fund balances 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, 2020, 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
June 26, 2020

Glenbow-Alberta Institute
Statement of financial position
As at March 31, 2020

	Notes	Operating Fund \$	Restricted Funds \$	2020 Total \$	2019 Total \$
Assets					
Current assets					
Cash		974,711	—	974,711	318,691
Accounts receivable	4	119,692	—	119,692	108,125
Merchandise for resale		283,727	—	283,727	263,335
Investments	5	536,163	—	536,163	1,112,311
Due from Operating Fund		—	54,812	54,812	48,257
Loan to Operating Fund	6	—	200,100	200,100	200,100
Due from University of Calgary	2(b)(i)	942,500	682,500	1,625,000	2,625,000
Prepaid expenses		43,958	—	43,958	101,765
		2,900,751	937,412	3,838,163	4,777,584
Due from University of Calgary	2(b)(i)	—	—	—	1,625,000
Investments	5	—	27,269,236	27,269,236	29,087,506
Collections	3(c)	1	—	1	1
Capital assets	7	923,689	—	923,689	826,063
		3,824,441	28,206,648	32,031,089	36,316,154
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities		802,234	—	802,234	762,518
Due to Restricted Funds		54,812	—	54,812	48,257
Loan from Future Fund	6	200,100	—	200,100	200,100
Deferred revenue		67,825	—	67,825	370,302
		1,124,971	—	1,124,971	1,381,177
Deferred capital contributions	9	322,451	—	322,451	335,325
		1,447,422	—	1,447,422	1,716,502
Contingencies and commitments	14				
Fund balances					
Unrestricted		2,377,019	—	2,377,019	3,579,275
Externally restricted		—	19,079,801	19,079,801	21,008,615
Internally restricted		—	9,126,847	9,126,847	10,011,762
		2,377,019	28,206,648	30,583,667	34,599,652
		3,824,441	28,206,648	32,031,089	36,316,154

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, 2020

	Notes	2020 \$	2019 \$
Revenue			
Government of Alberta		3,588,000	3,588,000
Allocations of investment income from restricted funds	3(b)(ii)	1,133,628	1,132,980
Donations, sponsorships and grants		1,231,410	1,466,627
Admissions		1,192,465	1,173,971
Museum shop		510,661	525,655
Sales, rentals, fees and other earned revenue		251,170	498,250
Memberships		149,542	172,059
Investment income		38,327	40,515
Creative Calgary Campaign	10	—	52,200
Amortization of deferred capital contributions	9	29,923	24,911
		8,125,126	8,675,168
Expenses			
Program and exhibit development		2,906,876	2,970,778
Central services		2,127,003	2,140,683
Collections		939,213	948,126
Fund development		775,387	750,279
Marketing and communications		723,321	689,091
Museum shop	3(e)	542,523	511,971
Library and archives	2(b)(i)	163,229	504,530
President's office		471,819	483,940
Creative Calgary Campaign	10	12,402	36,615
Transitional costs	2(b)(iii)	366,967	—
Amortization		145,950	151,843
		9,174,690	9,187,856
Deficiency of operating expenses over revenue		(1,049,564)	(512,688)
Proceeds from loan of provincial collections	2(b)(i)	250,000	2,900,000
Closure of Library and Archives division	2(b)(i)	(402,692)	—
		(152,692)	2,900,000
(Deficiency) excess of revenue over expenses		(1,202,256)	2,387,312
Fund balance, beginning of year		3,579,275	1,191,963
Fund balance, end of year		2,377,019	3,579,275

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

Glenbow-Alberta Institute

Statement of operations and changes in Other Funds balances

Year ended March 31, 2020

		Endowment Funds		Internally Restricted Funds		2020	2019
	Notes	Founding Fund	Legacy Fund	Collections Fund	Future Fund	Total	Total
		\$	\$	\$	\$	\$	\$
Revenue							
Investment income							
Interest, dividends, capital gains and losses		2,252,252	379,617	445,281	44,124	3,121,274	3,981,850
Unrealized loss on investments	16	(3,176,337)	(535,026)	(952,270)	(63,802)	(4,727,435)	(2,924,957)
Allocation of investment income to Operating Fund	3(b)(ii)	(683,028)	(116,472)	(320,424)	(13,704)	(1,133,628)	(1,132,980)
Proceeds from loan of Glenbow owned collections	2(b)(i)					—	2,100,000
Donations		—	2,900	—	—	2,900	1,450
		(1,607,113)	(268,981)	(827,413)	(33,382)	(2,736,889)	2,025,363
Expenses							
Investment management		45,037	7,683	23,217	903	76,840	71,064
(Deficiency) excess of revenue over expenses		(1,652,150)	(276,664)	(850,630)	(34,285)	(2,813,729)	1,954,299
Fund balances, beginning of year		17,921,588	3,087,027	9,452,121	559,641	31,020,377	29,066,078
Fund balances, end of year		16,269,438	2,810,363	8,601,491	525,356	28,206,648	31,020,377

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

Glenbow-Alberta Institute

Statement of cash flows

Year ended March 31, 2020

Notes	Operating Fund \$	Restricted Funds \$	2020 Total \$	2019 Total \$
Operating activities				
(Deficiency) excess of revenue over expenses	(1,202,256)	(2,813,729)	(4,015,985)	4,341,611
Items not affecting cash				
Unrealized loss (gain) on investments	14,744	4,727,435	4,742,179	2,914,372
Amortization of tangible capital assets	145,950	—	145,950	151,843
Amortization of deferred capital contributions	(29,923)	—	(29,923)	(24,911)
	(1,071,485)	1,913,706	842,221	7,382,915
Changes in non-cash operational working capital				
Due from Operating Fund	—	(6,555)	(6,555)	(3,102)
Merchandise for resale	(20,392)	—	(20,392)	(56,918)
Accounts receivable	(16,081)	4,513	(11,568)	(56,360)
Proceeds due from the University of Calgary	1,627,500	997,500	2,625,000	(4,250,000)
Prepaid expenses	57,807	—	57,807	(56,512)
Accounts payable and accrued liabilities	39,716	—	39,716	26,953
Due to Endowment Funds	6,555	—	6,555	3,102
Deferred revenue	(302,477)	—	(302,477)	256,910
	1,392,628	995,458	2,388,086	3,246,988
Investing activities				
Proceeds from sale of investments, net of purchases (purchases of investments, net of sale proceeds)	561,404	(2,909,164)	(2,347,760)	(3,533,372)
Purchase of capital assets	(243,576)	—	(243,576)	(474,552)
	317,828	(2,909,164)	(2,591,336)	(4,007,924)
Financing activities				
Deferred capital contributions	17,049	—	17,049	340,236
Net increase (decrease) in cash	656,020	—	656,020	(420,700)
Cash, beginning of year	318,691	—	318,691	739,391
Cash, end of year	974,711	—	974,711	318,691

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

(a) Current 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 all within the Glenbow Centre building. During the 2019/20 fiscal year, operations were carried out through the eight functional cost centers described below:

- Program and exhibit development plans, facilitates, coordinates and produces all aspects of the Institute's activities for the public. It is also responsible for publishing programs which reflect the full range of research undertaken at the Institute. Publishing projects include catalogues, books, videos, research notes and multimedia technology.
- Central services is responsible for security, human resources, legal, information technology, photography, accounting, reporting, purchasing and building services, and carries costs such as equipment leases and professional fees.
- Collections stores and conserves collection items, prepares the collections for display to the public and makes recommendations on the additions to the collections, including the acceptance of gifts of art and artifacts, and the deaccessioning of collection items.
- Marketing and communications is responsible for the promotion of the Institute and its activities, including all exhibitions and programs. This includes advertising, public relations and social media.
- Fund development is responsible for all aspects of fundraising, grant applications, facility rentals and volunteer management.
- Until July 31, 2019, the Library and archives acquired, catalogued and preserved archival material, books and publications relating to the history of southern Alberta and Western Canada and made these collections available to the public free of charge. Substantially all of these collections are now held by and operated by the University of Calgary as the Glenbow Western Research Centre.
- The museum shop provides retail merchandising services to members, visitors and the general public.
- The President's office is responsible for the overall management and planning of the Institute, and provides support and services for the Board of Governors.

2. Nature of and extent of operations (continued)

(b) Strategic Plan

For several years the Institute used its own resources, including endowment allocations, to cover revenue shortfalls in its fee for service agreement with the Government of Alberta while managing its cost structure through efficiencies, staff lay-offs, outsourcing and reductions in service. This reverse subsidy was not sustainable. A new three year service agreement that commenced April 1, 2018 failed to remedy the Provincial shortfall.

In response, the Board finalized a new strategic plan in 2018 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.

(i) 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 the University relocated substantially all of the Institute's Library and Archives collections to the University. 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.

The agreement between the Institute and the University, requires that \$5.25 million be paid by the University to the Institute in 3 installments: \$1 million was paid in November 2018; \$2.625 million was paid in July 2019; and \$1.625 million is due in July 2020.

The legal form of the transaction was a 99 year loan, however the substance is that the Institute has effectively disposed of Glenbow-owned collection material and recovered a portion of the funding shortfall on Provincially-owned collection material. The Institute's policy and its past practice is to add the net proceeds of deaccessioning to an endowment fund for the future care of, or additions to, its collections. In this case, the Institute expected to incur approximately \$250,000 of related severance and legal costs in fiscal 2020 and recorded this amount as a deferred revenue in the Operating Fund at March 31, 2019. Of the remaining \$5 million net proceeds, the proportionate amount of \$2.1 million (representing the relevant proportion based on the value of the Glenbow-owned collection material), has been added to the Collections Endowment Fund and the proportionate amount of \$2.9 million (representing the relevant proportion based on the value of Provincially-owned collection material), has been recorded as a gain on discontinued operations in the Operating Fund.

(ii) Revitalizing the Glenbow Centre Building

In February 2020, the Province of Alberta announced that it will provide \$40 million toward the \$115 million cost to completely renovate the Glenbow Centre Building. This funding commitment is contingent upon securing the remaining \$75 million from other sources. As of March 31, 2020, the Institute was in active discussions with private donors and other levels of government with a goal to start construction before the end of the 2021 fiscal year.

2. Nature of and extent of operations (continued)

(b) Strategic Plan (continued)

(iii) Transition costs

During the year the Institute incurred transitional and restructuring costs including recruitment and legal fees, relocation expenses, severance payments, catering and other costs related to its strategy to foster a prosperous and effective organization. The transitional process is anticipated to continue into the 2021 fiscal year.

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.

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.

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.

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.

The Future Fund contains an undesignated gift that was endowed by the Board to support the continuing care of the Maverick's exhibit.

3. Significant accounting policies and reporting practices (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. Externally restricted contributions for the acquisition of tangible capital assets are deferred and recognized over the life of the related asset that is purchased. Unrestricted contributions are recognized as revenues in the Operating Fund.

Grants and pledges receivable are recorded when signed documents provide reasonable evidence of a valid grant or pledge and collection is reasonably assured. Allowances are provided for amounts estimated to be uncollectible.

(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.

Grants and pledges receivable are recorded when signed documents provide reasonable evidence of a valid grant or pledge and collection is reasonably assured. Allowances are provided for amounts estimated to be uncollectible.

(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.

3. Significant accounting policies and reporting practices (continued)

(b) Revenue recognition (continued)

(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.

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 \$283,906 (\$415,931 in 2019) that have been recorded at a nominal carrying value of \$1. The Institute also purchased art for its collection totaling \$12,500 (\$nil in 2019) that, by policy, has been expensed. As of March 31, 2020, the objects owned by Institute were insured for \$111,267,770. The policy premium for this insurance coverage was \$63,864.

3. Significant accounting policies and reporting practices (continued)

(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.

Cost of sales for the year included in museum shop expenses totaled \$261,201 (\$243,800 in 2019).

(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, valuation of merchandise for resale, the accrual of liabilities, the amortization period and potential impairment of tangible capital assets, and potential contingencies. Actual results could differ from these estimates.

3. Significant accounting policies (continued)

(j) *Adoption of new accounting standards*

Effective April 1, 2019, the Institute adopted Section 4441 Collections Held by Not-for-Profit Organizations ("Section 4441"). Among other requirements, Section 4441 requires capitalization of collections held by not-for-profit organizations to be accounted either at cost or at nominal value. Since the Institute accounted for its collections at nominal value, the adoption of Section 4441 did not have a material impact on the financial statements of the Institute.

Effective April 1, 2019, the Institute adopted Section 4433, Tangible Capital Assets Held by Not-for-Profit Organizations ("Section 4433") and Section 4434 Intangible Assets Held by Not-for-Profit Organizations ("Section 4434"). Among other requirements, Sections 4433 and 4434 required componentization of capital assets held at April 1, 2019 and those acquired subsequent to that date into significant identifiable component parts that have different useful lives. Also Sections 4433 and 4434 introduce the requirement to recognize partial impairment of the capital assets should the net book value of such assets be non-recoverable at a particular date.

The adoption of Sections 4433 and 4434 did not have a material impact on the Institute's financial statements.

4. Government remittances recoverable

Included in accounts receivable are government remittances recoverable aggregating \$11,965 (\$8,197 in 2019).

5. Investments

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

	2020	2019
	\$	\$
Investments – Operating Fund		
Pooled bond fund (short term maturities)	536,163	532,311
Cashable term deposit	–	580,000
	536,163	1,112,311
Investments – Endowment Funds		
Founding Fund	16,255,967	17,910,368
Legacy Fund	2,774,832	3,054,780
Collections Fund	7,913,500	7,343,090
Future Fund	324,937	359,269
Pooled balanced funds	27,269,236	28,667,507
Collections Fund – cashable term deposit	–	420,000
	27,269,236	29,087,507
	27,805,399	30,199,818

5. 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.

	2020	2019
	%	%
Cash	3.8	6.9
Fixed income		
Canadian	28.1	28.6
International	6.1	6.4
Equities		
Canadian	26.1	25.9
United States	20.8	15.1
International	15.1	17.1
	100.0	100.0

6. Loan to Operating Fund (from Future Fund)

During the 2018 fiscal year, the Board authorized a loan of \$200,100 from an internally restricted fund to fund a comprehensive building master plan that will guide the future redevelopment of the Glenbow Centre. The loan is non-interest bearing and has no fixed terms of repayment. No repayments have been made since the loan was advanced.

7. Capital assets

	Cost	Accumulated	2020
	\$	amortization	Net book
		\$	value
			\$
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 6)	254,185	—	254,185
Permanent exhibitions	5,412,923	5,344,744	68,179
	17,764,500	16,840,811	923,689

	Cost	Accumulated	2019
	\$	amortization	Net book
		\$	value
			\$
Furniture and equipment	7,943,903	7,710,533	233,370
Leasehold improvements	3,963,834	3,639,582	324,252
Building master plan (Note 6)	200,262	—	200,262
Permanent exhibitions	5,412,923	5,344,744	68,179
	17,520,922	16,694,859	826,063

8. 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 1% in 2019). The Institute did not draw on this facility in the current fiscal year.

9. Deferred capital contributions

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

	2020	2019
	\$	\$
Balance, beginning of year	335,325	269,114
Contributions	17,049	91,122
	352,374	360,236
Less: Recognized in the current year	29,923	24,911
Balance, end of year	322,451	335,325

10. Creative Calgary Campaign

During the 2018 fiscal year, in collaboration with other local arts organizations, the Institute undertook a public awareness campaign related to the level of arts funding in the City of Calgary. In fiscal 2020, unexpended proceeds from the campaign were donated to the Rosza Foundation.

11. 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 \$146,901 (\$191,176 in 2019) in connection with the plan.

12. 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 \$2,011,362 (\$2,150,969 in 2019) and has not been included in these financial statements.

13. Related party transaction

During the 2019 fiscal year the Board approved a loan of artwork to a corporation that employs the Board Chair. The loan is part of a pilot project to explore the success of expanding Glenbow's community reach and education into spaces to which the public has access. The corporation paid the Institute \$5,950 in rental fees and is providing other in-kind services as consideration for the loan. Once the success of the pilot project has been evaluated, the program may be expanded to other organizations and the term of this loan term may be extended.

14. Contingencies and commitments

From year to year, legal actions may be brought against the Institute in the normal course of business. There are currently no known claims outstanding against the Institute as at March 31, 2020.

In February, 2020 the Institute engaged an architectural firm on a \$60,000 short term contract to refine and update the building master plan (Note 6) in preparation for the revitalization of the Glenbow Centre Building (Note 2(b)(ii)).

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.

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

	\$
2020	121,275
2021	114,103
2022	55,988
2023	40,799
2024	27,375
	<u>359,540</u>

15. 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.

15. Financial instruments (continued)

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.

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, 2020, the foreign content of the managed portfolios was 42.1% (38.6% in 2019) (Note 5).

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.

16. Subsequent event

(a) COVID-19

On March 13 2020, in response to the COVID-19 pandemic, the Institute closed the Glenbow Centre building and arranged for staff to work from home. On March 25, when it was clear that a longer term closure would be required, the Institute issued temporary lay-off notices to over 80% of its employees effective for the pay period commencing March 29. Subsequent to year end, the Board approved the budgeted payment of \$900,000 to cover severance, retiring allowances and outplacement services for 39 staff members that will not be recalled when the 120 day temporary lay-off period is completed. The payment will be funded from working capital. As of the date of these financial statements, the museum remains closed. A return to full operations will be dependent upon the state of the economy, the extent of government assistance available for this purpose and the timing of the commencement of the building renovation.

The pandemic also caused an unprecedented decline in financial markets around the world. This resulted in a significant loss in the year end market valuation of the Institute's endowment funds.

(b) Revitalizing the Glenbow Center Building (note 2(b)(ii))

Subsequent to year end the Institute entered into a fee for service agreement with a Development Manager at a cost of \$31,000 per month. The agreement has a 30 day notice for cancellation. To fund this expenditure as well as other anticipated pre-construction planning costs, the Board authorized a special allocation of \$525,100 from the Future Fund. Of this amount, \$200,100 will be used to retire the inter-fund loan (note 6).