GLENBOW–ALBERTA INSTITUTE
FINANCIAL STATEMENTS

MARCH 31, 2010

Deloitte.

AUDITORS' REPORT

To the Board of Governors of
Glenbow – Alberta Institute:

We have audited the statement of financial position of **Glenbow – Alberta Institute** (the "Institute") as at March 31, 2010 and the operating fund statement and the statements of operations and changes for restricted, endowment and designated fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Institute'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 Institute as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Calgary, Alberta
May 18, 2010

GLENBOW-ALBERTA INSTITUTE
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2010

	OPERATING FUND	INTERNALLY RESTRICTED, ENDOWMENT AND DESIGNATED FUNDS	TOTAL 2010	TOTAL 2009
ASSETS				
Current:				
Cash (Note 5)	$ 418,364	$ -	$ 418,364	$ 413,237
Due (to) / from operating fund	(49,548)	49,548	-	-
Merchandise for resale	227,974	-	227,974	260,937
Grants and pledges receivable	129,676	-	129,676	568,805
Accounts receivable and accrued interest	57,590	-	57,590	98,124
Prepaid expenses	56,830	-	56,830	53,487
	840,886	49,548	890,434	1,394,590
Property and equipment (Note 6)	4,951,639	-	4,951,639	6,020,461
Grants and pledges receivable after more than one year	30,000	-	30,000	65,000
Investments (Note 7)	-	27,251,793	27,251,793	22,716,271
	$ 5,822,525	$ 27,301,341	$ 33,123,866	$ 30,196,322
LIABILITIES AND FUND BALANCES				
Current:				
Bank indebtedness (Note 8)	$ 1,294,799	$ -	$ 1,294,799	$ 1,167,277
Accounts payable and accrued liabilities	1,032,296		1,032,296	1,242,101
Deferred revenue (Notes 9 and 10)	863,972	-	863,972	1,551,735
	3,191,067	-	3,191,067	3,961,113
Long-term:				
Deferred revenue (Notes 9 and 10)	2,813,531	-	2,813,531	3,287,391
Long term debt (Note 11)	900,000	(900,000)	-	-
Fund Balances - Unrestricted (Note 12)	(1,082,073)	-	(1,082,073)	198,633
- Internally restricted, endowment and designated	-	28,201,341	28,201,341	22,749,185
	$ 5,822,525	$ 27,301,341	$ 33,123,866	$ 30,196,322

On behalf of the Board of Governors:

Mr. George Bezaire
Chairman of the Board

Mr. Michael J. Robinson
Governor

The accompanying notes are part of these financial statements.

GLENBOW-ALBERTA INSTITUTE
OPERATING FUND STATEMENT
FOR THE YEAR ENDED MARCH 31, 2010

	2010	2009
REVENUE		
Province of Alberta	$ 3,489,000	$ 3,489,000
Investment income	4,578	19,925
Allocation of unrestricted investment income from Founding, Legacy, Collections, Library and Designated funds (Note 16)	1,375,008	1,646,856
Fundraising (Note 13)	1,617,429	2,021,244
Admissions and memberships	877,359	1,145,457
Museum shop	607,705	686,507
Commercial activities	277,641	245,709
Miscellaneous	1,794	11,800
Amortization of deferred revenue - property and equipment (Note 10)	571,271	762,013
	8,821,785	10,028,511
EXPENDITURES		
President's office	610,017	899,700
Central services	2,334,833	3,047,010
Collections	1,248,597	1,413,921
Program and exhibit development	2,345,215	2,505,408
Library and archives	683,856	711,348
Museum shop	546,095	557,806
Fund development	609,981	692,922
Marketing and communications	466,469	447,167
Amortization	1,257,428	1,339,509
	10,102,491	11,614,791
DEFICIENCY OF REVENUE OVER EXPENDITURES	$ (1,280,706)	$ (1,586,280)

The accompanying notes are part of these financial statements.

GLENBOW-ALBERTA INSTITUTE
STATEMENT OF OPERATIONS AND CHANGES FOR INTERNALLY RESTRICTED, ENDOWMENT AND DESIGNATED FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2010

	INTERNALLY RESTRICTED AND ENDOWMENT FUNDS 2010				2009	DESIGNATED FUNDS 2010	2009
	FOUNDING FUND	LEGACY FUND	COLLECTIONS FUND	TOTAL	TOTAL	TOTAL	TOTAL
REVENUE							
Investment income							
Interest, dividends, capital gains and losses	$ 335,670	$ (343,461)	$ (107,706)	$ (115,497)	$ 820,283		
Unrealised gain (loss) on investments	3,298,253	2,521,724	1,186,021	7,005,998	(6,420,070)	-	-
Allocation of unrestricted investment income to operating fund (Note 16)	(682,236)	(463,416)	(229,356)	(1,375,008)	(1,646,856)	-	-
Donations	-	1,620	-	1,620	799	-	-
Miscellaneous	-	415	371	786	-	-	-
	2,951,687	1,716,882	849,330	5,517,899	(7,245,844)	-	-
EXPENDITURES							
Investment expenses	32,877	21,984	10,882	65,743	62,090	-	-
Miscellaneous expenses	-	-	-	-	500	-	-
	32,877	21,984	10,882	65,743	62,590	-	-
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	2,918,810	1,694,898	838,448	5,452,156	(7,308,434)	-	-
Fund balances, beginning of year	11,277,954	7,655,673	3,789,228	22,722,855	30,031,289	26,330	26,330
Fund balances, end of year	$ 14,196,764	$ 9,350,571	$ 4,627,676	$28,175,011	$ 22,722,855	$ 26,330	$ 26,330

The accompanying notes are part of these financial statements.

GLENBOW-ALBERTA INSTITUTE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2010

	OPERATING FUND 2010	OPERATING FUND 2009	RESTRICTED FUNDS 2010	RESTRICTED FUNDS 2009
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES				
OPERATING				
(Deficiency) excess of revenue over expenditures	$ (1,280,706)	$ (1,586,280)	$ 5,452,156	$ (7,308,434)
Items not affecting cash				
Unrealised (gain) loss on investments	-	-	(7,005,998)	6,420,070
Amortization of property and equipment	1,257,428	1,339,509	-	-
Amortization of deferred revenue - property and equipment	(571,271)	(762,013)	-	-
	(594,549)	(1,008,784)	(1,553,842)	(888,364)
Changes in non-cash working capital items	(239,240)	47,763	(16,634)	(1,357)
	(833,789)	(961,021)	(1,570,476)	(889,721)
INVESTING				
Proceeds on sale of investments, net of purchases	-	-	2,470,476	889,721
Proceeds on bank indebtedness, net of repayments	127,522	1,167,277	-	-
Purchase of property and equipment	(188,606)	(265,517)	-	-
	(61,084)	901,760	2,470,476	889,721
FINANCING				
Advance of long term debt	900,000	-	(900,000)	-
NET CASH INFLOW (OUTFLOW)	5,127	(59,261)	-	-
CASH, BEGINNING OF YEAR	413,237	472,498	-	-
CASH, END OF YEAR	$ 418,364	$ 413,237	$ -	$ -

The accompanying notes are part of these financial statements.

Note 1 **General**

The Glenbow-Alberta Institute (the "Institute") operates under the authority of the Glenbow-Alberta Institute Act, Chapter G-5, Revised Statutes of Alberta 1996, as amended. The Institute is registered as a charity under the Income Tax Act and is exempt from income tax.

The Province of Alberta owns all of the collections acquired by the Institute prior to and including March 31, 1996. The Institute is responsible for caring for the collection and providing public access. Accordingly, the collection is not included in the Institute's financial statements.

The Institute administers seven collections with over 1.3 million objects, comprised of Cultural History, Indigenous Studies, Military History, Mineralogy, Art, Library, Archives - paper, photographs and negatives.

All additions to the collections, including gifts, are approved by the Board of Governors. Deaccessioning of major value collection items requires approval by the Province of Alberta.

Note 2 **Nature of Operations and Description of Organization**

The nature and business of the Institute is to provide public service through a human history museum, an art gallery, a library and archives. Future operations of the Institute are dependent upon the ability of the organization to obtain sufficient funding.

The organization is comprised of six cost centres, the functions of which are as follows:

The President's office carries out the functions of the overall administration of the Institute, including human resources.

Central services provides board services, accounting, budgeting and financial services, computer services, photography, purchasing, security and building services, volunteer services and carries other unallocated costs such as photocopier leases and communications.

Collections makes recommendations on the purchase and acceptance of gifts of art and artifacts and the deaccessioning of collection items, stores and conserves collection items and makes the collection available for display to the public.

Program and exhibit development plans, facilitates, coordinates and produces all aspects of the Institute's activities for the public. It also includes the development of publishing programs which reflect the full range of research undertaken at the Institute. Publishing projects include catalogues, books, videos, research notes and multi-media technology.

Library and archives acquires, catalogues, preserves and makes available to the public and staff published and archival material relating to the history of southern Alberta and Western Canada.

Fund development and communication is a division of the Institute responsible for private sector, individual donor and foundation fund raising, facility rentals, the museum shop, grant applications, commercial alliances, advertising and promotion campaigns and new business ventures.

Note 3 Changes in Accounting Policies

Financial instruments

Effective for years beginning on or after October 1, 2008, the Institute may elect to adopt the provisions of Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation. These sections require the disclosure of information with regards to the significance of financial instruments on the Institute's financial position and performance, the nature and extent of risks arising from financial instruments to which the Institute is exposed during the period and at the statement of financial position date, and how the Institute manages those risks. These standards replace CICA Handbook Section 3861, Financial Instruments. The Institute has reviewed these provisions and has elected not to adopt and continue following the requirements of Section 3861.

EIC-173

On April 1, 2009, the Institute adopted EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, issued by the Emerging Issues Committee. This abstract requires that an entity's own credit risk (for financial liabilities) and the credit risk of the counterparty (for financial assets) should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of this abstract did not have an impact on the financial statements.

Financial statement presentation

Effective April 1, 2009, the Institute adopted the sections of the CICA Handbook that were amended to include not-for-profit organizations within their scope. The sections adopted are as follows:

- Section 1540, Cash Flow Statements. This section was amended to include not-for-profit organizations within its scope. There was no impact in adopting this section as the Institute's previous reporting was in compliance with the standard.

- Section 4460, Disclosure of Related Party Transactions by Not-for-profit Organizations. This section has been amended to make the language in Section 4460 consistent with Section 3840, Related Party Transactions. There was no impact in adopting this section as the Institute's previous reporting was in compliance with the standard.

- Section 4470, Disclosure of Allocated Expenses by Not-for-profit Organizations. This new section establishes disclosure standards for not-for-profit organizations that choose to classify their expenses by function and allocate expenses from one function to another. There was no impact in adopting this section as the Institute does not classify and allocate expenses in this manner.

Note 4 Significant Accounting Policies and Reporting Practices

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

a) Fund Accounting
The Institute follows the restricted fund method of accounting for contributions. Loans and advances between the funds are recorded in each fund and are not eliminated in the fund totals on the statement of financial position.

i) Operating Fund
The Operating Fund accounts for the organization's administration activities, fundraising and the costs of maintaining and allowing public access to the collections.

ii) Internally Restricted and Endowment Funds
The Founding Fund contains the Devonian Foundation Gift and the Province of Alberta Gift: initially $5,000,000 each. Both gifts are invested in marketable securities and interest bearing deposits. A portion of the investment income earned annually thereon is required by the Glenbow-Alberta Institute Amendment Act, 1996 to be reinvested in order to maintain the value of the gifts increased by inflation. Investment income in excess of the annual inflation amount may be retained in the Fund or allocated to the Operating Fund at the discretion of the Board of Governors. If the value of the gifts falls below its inflation adjusted amount, the income of each gift should be reinvested, unless the Board of Governors approves another use of that income and complies with Section 17.1 of the Glenbow-Alberta Institute Act (Note 16).

The Legacy Fund was established by the Board of Governors and is invested in marketable securities and interest bearing deposits. During 2006, additional endowment gifts were received for the development and maintenance of the Mavericks Gallery and to permanently preserve the Imperial Oil Archival Collection. These have been combined with the proceeds of the T.R. Pat McCloy Library Fund (which was established from the proceeds of a 2002 deaccessioning program of selected items which were not part of the Institute's core mandate, or were duplicates of items accessible in the local community) and the existing Legacy Fund. The Board has specified that an amount of investment income earned thereon must be retained in the Legacy Fund (the "Fund") in order to maintain the value of the Fund, increased by inflation. Any remaining unexpended investment income may be retained in the Fund or allocated to the Operating Fund at the Board's discretion.

The Collections Fund was established from the proceeds of a 1995 deaccessioning program for selected international collection items which are not part of the Institute's core mandate. The net proceeds of the deaccessioned items were credited to the Collections Fund. Expenditures from the capital are restricted to the purchase of collection items. The Board has specified that an amount of investment income earned on the Collections Fund (the "Fund") must be retained in the Fund in order to maintain the value of the Fund, increased by inflation. Any remaining unexpended investment income may be retained in the Fund or allocated to the Operating Fund at the discretion of the Board of Governors for "the care and maintenance of the collection".

iii) Designated Funds
The Institute receives other funds which are designated for special use by donors or by the Board of Governors. It is the Institute's policy to maintain these funds separately as Designated Funds. Transfers for property and equipment asset acquisitions are made annually to the Operating Fund to the extent that Designated Funds have been expended on property and equipment. Designated Funds include grants received from various government and private agencies to finance specific projects and proceeds from the sale of Glenbow-Alberta Institute publications.

b) Revenue Recognition
Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recorded directly to the appropriate restricted fund when received.

Revenue from admissions and memberships, museum shop and commercial activities are recognized when the service has been provided or persuasive evidence of an arrangement exists, the price to the consumer is fixed or determinable and collection is reasonable assured.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Operating grants are recognized as revenue in the period when receivable. Operating grants received for a future period are deferred until that future period.

Contributions to Endowment Funds are recognized as revenue in the Endowment Funds.

Investment income earned on Endowment Fund resources is recognized in the Endowment Fund. Funds are transferred to the Operating Fund in accordance with terms approved by the Board.

Other investment income is recognized as revenue of the Operating or Designated Funds when earned.

Net revenues from the deaccessioning of collections items are forwarded to the Province of Alberta on receipt for deposit into a designated account for Glenbow Museum held collections which form part of the Historic Resources Fund of Alberta Community Development. Revenues from the deaccessioning of library items are allocated to the Legacy Fund which includes the T.R. Pat McCloy Library Fund. Expenses of deaccessioning are paid from sale proceeds.

c) Donated Services
A substantial number of unpaid volunteers have made significant contributions of their time to the Institute's programs. The value of this contributed time is not included in these financial statements, since objective measurement of valuation is indeterminable.

d) Donations of Books and Publications
Donated books and publications that would otherwise be paid for by the Institute are recorded at fair value when provided. Because of the difficulty of determining their fair value, such donated items are not recognized in these financial statements.

e) Grants and Pledges Receivable
Grants and pledges are receivable when signed documents are received or other documents are available to provide reasonable evidence of a valid grant or pledge. Allowances are provided for amounts estimated to be uncollectible.

f) 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.

For the year ended March 31, 2010, the sale of merchandise held for resale resulted in the recognition of expenses aggregating $304,926 (2009 - $327,777). There were $17,666 in write-downs of inventory to net realizable value required as at March 31, 2010 (2009 - $Nil) and no write-down reversals have been recognized in either year. Merchandise held for resale currently carried at net realizable value aggregated $Nil (2009 - $Nil).

g) Property and Equipment

Furniture and equipment is recorded at cost and is amortized on a straight-line basis over the estimated useful lives of the assets: computer equipment 33.3%, vehicles and equipment 20%, major renovations 6.67% and furniture 10%.

Leasehold improvements are recorded at cost and are amortized over the expected lives of the improvements or exhibitions.

New permanent exhibits are recorded at cost and are amortized on a straight-line basis over the expected useful life of the exhibit 10%.

An impairment charge is recognized for long-lived assets when an event or change in circumstances causes an asset's carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated as the difference between the fair value of the assets and their carrying value.

h) Investments

Investments are recorded at fair value. Any changes in fair value are recognized in income for the period and are accordingly reflected in the statement of operations and changes for endowment.

i) Financial Instruments

The Institute has classified its financial instruments as follows:

Asset/liability	Category
Cash	Held-for-trading
Grants and pledges receivable	Loans and Receivables
Accounts receivable and accrued interest	Loans and Receivables
Investments	Held-for-trading
Bank indebtedness	Other liabilities
Accounts payable and accrued liabilities	Other liabilities

"Held-for-trading" items are carried at fair value, with changes in their fair value recognized in the Statement of Operations and Changes for Restricted, Endowment and Designated Fund Balances in the current period. "Loans and receivables" are carried at amortized cost, using the effective interest method, net of any impairment. "Other liabilities" are carried at amortized cost, using the effective interest method.

At each Statement of Financial Position date, the Institute assesses whether a financial asset carried at cost is impaired. If there is objective evidence that impairment exists, the amount of the loss is measured as the difference between the carrying amount of the asset and its fair value and the carrying amount of the assets is reduced with the loss being recognized in the Statement of Operations and Changes for Restricted, Endowment and Designated Fund Balances.

Based on a review of the Institute's contracts, management has determined that there are no embedded derivatives that are required to be accounted for separately as derivatives. The Institute does not engage in hedging activities.

Cash, grants and pledges receivable, accounts receivable and accrued interest, investments, bank indebtedness and accounts payable and accrued liabilities constitute financial instruments. Based on available information, the carrying value of the Institute's cash, accounts receivable and accrued interest, bank indebtedness and accounts payable and accrued liabilities approximates fair value as at March 31, 2010 and 2009 due to their short-term nature. Investments are long-term in nature and are recorded at fair value (Note 7).

The Institute's financial risks are as follows:

Equity risk

The Institute's endowment and designated fund assets include a large portion of equities. These assets are invested in pooled funds managed professionally by a fund manager appointed by the Board of Directors. The fund manager is governed by an Investment Policy of the Board of Directors, which places certain parameters on investments. The performance of the fund manager is routinely assessed by the Audit and Investment Committee of the Board of Directors. The Audit and Investment Committee has authority to make certain changes to asset mix to ensure that the investments are as secure as possible. The value of equities 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 value of investments. The fair market value of the managed portfolio at March 31, 2010 is $27,251,793 (2009 - $22,716,271), with 63.5% (2009 – 82.2%) invested in equities (Note 7).

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 investments are not intended to be realized in the short term.

Interest rate risk

The Institute is exposed to interest rate risk given that its 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.

The Institute is also subject to interest rate risk given that its bank indebtedness is 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, 2010, the foreign content of the managed portfolio was 27.9% (2009 -13.7%) (Note 7).

Credit risk

Management is of the opinion that the Institute is not exposed to credit risk. The Institute's ability to fundraise may fluctuate over time, however the Institute's grants and pledges receivable are not concentrated in one particular sector or group, but are received from a broad variety of individuals and organizations.

j) Transaction Costs

Transaction costs incurred for the acquisition or disposition of all financial assets and liabilities are recorded in the statement of operations and changes for restricted, endowment and designated fund balances when incurred.

k) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the reporting period. The most significant of these estimates are related to the allowances for doubtful grants, pledges and accounts receivable, amortization period and potential impairment of property and equipment and the accrual of interest and accrued liabilities. Actual results could differ significantly from these estimates.

Note 5 Externally Restricted Cash Balances

Major categories of externally imposed restrictions on cash balances are as follows:

	2010	2009
Restricted for "Artist's Proof - Prints and Printmaking" project	-	$19,005

Note 6 Property and Equipment

	2010 Cost	2010 Accumulated Amortization	2010 Net Book Value	2009 Net Book Value
Furniture and equipment	$ 7,860,267	$ 6,860,610	$ 999,657	$ 1,567,836
Leasehold improvements	3,488,618	3,121,546	367,072	552,222
Permanent gallery construction	5,405,542	1,820,632	3,584,910	3,900,403
	$ 16,754,427	$ 11,802,788	$ 4,951,639	$ 6,020,461

Note 7 Investments

	2010 Market Value	2009 Market Value
Founding Fund	$ 13,740,148	$ 11,275,581
Legacy Fund	5,583,699	4,730,852
Collections Fund	4,476,201	3,787,594
Library Fund	2,124,265	1,798,578
Mavericks Fund	1,327,480	1,123,666
	$ 27,251,793	$ 22,716,271
Common and preferred stocks	$ 27,251,793	$ 18,663,134
Bonds, debentures and mortgages	-	3,998,832
Cash and short-term deposits	-	54,305
	$ 27,251,793	$ 22,716,271

Externally Managed Funds Portfolio Weighting	2010 %	2009 %
Pooled bonds and cash	36.5	17.8
Equities		
Canadian	35.6	68.5
United States	14.1	7.0
Other foreign	13.8	6.7
	100.0	100.0

Note 8 Bank Indebtedness

Bank indebtedness is comprised of the Institute's demand credit facility to a maximum of $1,500,000 with a Canadian chartered bank. The facility bears interest at the bank's prime rate plus 1% per annum and is provided on an unsecured

Note 9 Deferred Revenue - Expenses of Future Periods

Deferred revenue consists of contributions which the donor has restricted to a specific purpose. These amounts are only recognized in income when expenditures meeting the restriction are made. The Institute complies with these external restrictions.

	2010	2009
Balance, beginning of year	$ 947,461	$ 1,485,939
Plus: Contributions received	427,616	1,667,888
Less: Amount recognized as revenue during the year	(1,017,968)	(2,206,366)
Balance, end of year	$ 357,109	$ 947,461

Deferred revenue related to expenses of future periods which will be recognized as revenue in less than twelve months is $357,109 (2009 - $803,040) . The amount which will be recognized in more than twelve months is $Nil (2009 - $144,421).

Note 10 Deferred Revenue - Property and Equipment

Deferred revenue related to property and equipment represent unamortized amounts of property and equipment which have been donated to the Institute.

Changes in the deferred revenue - property and equipment are:

	2010	2009
Balance, beginning of year	$ 3,891,665	$ 5,244,561
Less: Grants not utilized	-	(590,883)
Less: Amount recognized as revenue during the year	(571,271)	(762,013)
Balance, end of year	$ 3,320,394	$ 3,891,665

Deferred revenue related to propery and equipment which will be recognized as revenue in less than twelve months is $506,863 (2009 - $748,695). The amount which will be recognized in more than twelve months is $2,813,531 (2009 -

Note 11 Long Term Debt

	2010	2009
Unrestricted loan from the Internally Restricted, Endowment and Designated Funds bearing interest at the Bank of Canada's prime rate plus 1% per annum.	$ (900,000)	-

This loan has no specified terms of repayment. As at March 31, 2010, $12,484 interest has been paid on this loan.

Note 12 Changes in Operating Fund Balance

Changes in the Operating Fund balances were comprised of:

	2010	2009
Balance, beginning of year	$ 198,633	$ 1,784,913
Deficiency of revenue over expenditures	(1,280,706)	(1,586,280)
Balance, end of year	$ (1,082,073)	$ 198,633

Note 13 **Fundraising**

Fundraising revenues of $2,188,700 (2009 - $2,783,257) in the operating fund and $1,620 (2009 - $799) in the endowment and restricted funds include cash donations to the Institute and do not include donations of art, artifacts and archival material to the collections which are owned by the Province of Alberta.

All contributions received were applied to the charitable activities and the associated operating overheads of the organization. Contributions in excess of 10% of the total gross contributions recognized as revenue during the year amounted to $429,622 (2009-$627,308) and were applied to the redevelopment of the permanent galleries on the third floor.

The expenses incurred for the purposes of soliciting contributions were $103,714 (2009 - $168,032). Remuneration to employees whose principal duties involve fund-raising amounted to $387,991 (2009 - $349,427).

The approximate dollar amount of the tax receipts issued by the Institute for items donated to the collection in 2009 amounted to $5,074,083 (2009 - $3,258,487). Tax receipts for amounts greater than $1,000 are supported by independent appraisals.

Note 14 **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. In 2010, the Institute contributed $199,421 (2009 - $205,868) in connection with the plan.

Note 15 **Donated Services**

The Glenbow Centre is leased to The City of Calgary by the Province of Alberta for a nominal amount of one dollar per year. The City of Calgary, in turn, subleases it to the Institute for the same amount per year. Fair market value of the rental has not been determined. The City of Calgary also provides janitorial, maintenance and utility services for the Glenbow Centre at no cost to the Institute. The value of the services as determined by The City of Calgary based on actual costs was $1,486,736 for the year ended March 31, 2010 (2009 - $1,557,544). This amount has not been included in the Operating Fund statement.

Note 16 **Allocation of Unrestricted Investment Income**

Any income that is not restricted to its use by the donor is subject to the direction of the Board of Governors and is considered internally restricted. The Board of Governors has determined that any investment income shall be distributed to the operating fund at an annual rate of 5% to 5.5%. Any investment income above this amount will be retained within the internally restricted endowment and designated funds. Investment income refers to the combination of interest and dividend income and appreciation/depreciation in the fund's value. That actual percentage of distribution is at the discretion of the Board of Governors.

Section 16 (1) of the Glenbow-Alberta Institute Act requires that any capital deficiency in the Founding Fund must be addressed. To this end, the Board of Governors, in accordance with Section 17 of the Glenbow-Alberta Institute Act, has addressed any deficiency by passing a board motion at a meeting of the Board of Governors on February 3, 2010. This motion allows the income from each of the funds to continue to be applied for the purpose of meeting the capital and operating expenses of the Glenbow Museum rather than being applied to meet the capital deficiency of the Founding Fund.

During the year, a total of $1,375,008 (2009 - $1,646,856) was allocated from the internally restricted and endowment funds to the general operating fund. As this source of funding is a large component of the general operating budget, management must formulate a long-term strategy to achieve the goals of strategically growing all the restricted funds. Management is in the process of developing this strategy. The allocations from the funds to general operations have continued after year end.

Note 17 **Management of Capital**

The Institute defines its capital as the amounts included in its Fund balances.

The Institute sets the amount of Fund balances in proportion to risk, manages the Fund structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets.

The Institute's objective when managing capital is to safeguard its ability to sustain itself as a going concern so that it can continue to provide the appropriate level of benefits and services to its members and stakeholders.

A proportion of the Institute's capital is restricted in that the Institute is required to meet certain requirements to utilize its endowment fund balances (Note 16). The Institute has internal control procedures in place to ensure the restrictions are met prior to utilization of these resources and has been putting measures in place to ensure that it remains in compliance with these restrictions throughout the year.

Management and the Board of Governors carefully considers fundraising campaigns, grants, sponsorship, investment income and the Institute's contractual relationship with the Province of Alberta to ensure that sufficient funds will be available to meet the Institute's short and long-term objectives.

The Institute monitors its financial performance against an annual budget. Surpluses from unspent operational activities are accumulated under Unrestricted Fund Balances. In the event that revenues decline, the Institute will budget for reduced distributions and reduced operational expenditures. While an annual budget deficit may periodically arise, no such deficit shall be allowed to exceed the total funds available under the Unrestricted Fund Balances.