financial statements

march 31, 2011

Glenbow-Alberta Institute

Deloitte.

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Independent Auditor's Report

To the Board of Governors of
Glenbow-Alberta Institute:

We have audited the accompanying financial statements of **Glenbow-Alberta Institute**, which comprise the statement of financial position as at March 31, 2011, 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, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Glenbow-Alberta Institute** as at March 31, 2011, and the result of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Calgary, Alberta
June 25, 2011

Chartered Accountants

GLENBOW-ALBERTA INSTITUTE
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2011

	OPERATING FUND	INTERNALLY RESTRICTED, ENDOWMENT AND DESIGNATED FUNDS	TOTAL 2011	TOTAL 2010
ASSETS				
Current:				
Cash (Note 5)	$385,741	$-	$385,741	$418,364
Due from operating fund	-	90,673	90,673	49,548
Merchandise for resale	209,888	-	209,888	227,974
Grants and pledges receivable	280,089	-	280,089	129,676
Accounts receivable and accrued interest	90,961	-	90,961	57,590
Prepaid expenses	167,173	-	167,173	56,830
	1,133,852	90,673	1,224,525	939,982
Property and equipment (Note 6)	4,273,077	-	4,273,077	4,951,639
Grants and pledges receivable after more than one year	-	-	-	30,000
Loan to operating fund (Note 11)	-	1,425,000	1,425,000	900,000
Investments (Note 7)	-	29,020,311	29,020,311	27,251,793
	$5,406,929	$30,535,984	$35,942,913	$34,073,414
LIABILITIES AND FUND BALANCES				
Current:				
Bank indebtedness (Note 8)	$1,291,233	$-	$1,291,233	$1,294,799
Accounts payable and accrued liabilities	1,249,835	-	1,249,835	1,032,296
Due to restricted funds	90,673	-	90,673	49,548
Deferred revenue (Notes 9 and 10)	1,171,795	-	1,171,795	863,972
	3,803,536	-	3,803,536	3,240,615
Long-term:				
Deferred revenue (Notes 9 and 10)	2,653,908	-	2,653,908	2,813,531
Loan from restricted funds (Note 11)	1,425,000	-	1,425,000	900,000
Fund Balances:				
Unrestricted (Note 12)	(2,475,515)	-	(2,475,515)	(1,082,073)
Internally restricted, Endowment and Designated	-	30,535,984	30,535,984	28,201,341
	$5,406,929	$30,535,984	$35,942,913	$34,073,414

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, 2011

	2011	2010
REVENUE		
Province of Alberta	$2,966,000	$3,489,000
Investment income	6,802	4,578
Allocation of unrestricted investment income from Founding, Legacy, Collections, Library and Designated Funds (Note 16)	1,476,444	1,375,008
Fundraising (Note 13)	1,619,238	1,617,429
Admissions and memberships	898,215	877,359
Museum shop	562,805	607,705
Commercial activities	376,135	277,641
Miscellaneous	80,926	1,794
Amortization of deferred revenue – property and equipment (Notes 10 and 13)	506,856	571,271
	8,493,421	8,821,785
EXPENDITURES		
President's office	478,537	610,017
Central services	2,261,294	2,334,833
Collections	1,115,594	1,248,597
Program and exhibit development	2,562,055	2,345,215
Library and archives	555,168	683,856
Museum shop	577,651	546,095
Fund development	675,730	609,981
Marketing and communications	568,768	466,469
Amortization	1,092,066	1,257,428
	9,886,863	10,102,491
DEFICIENCY OF REVENUE OVER EXPENDITURES	($1,393,442)	($1,280,706)

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, 2011

	INTERNALLY RESTRICTED AND ENDOWMENT FUNDS					DESIGNATED FUNDS	
	2011				2010	2011	2010
	FOUNDING FUND	LEGACY FUND	COLLECTIONS FUND	TOTAL	TOTAL	TOTAL	TOTAL
REVENUE							
Investment Income:							
Interest, dividends, capital gains and losses	$862,458	$578,307	$286,274	$1,727,039	$(115,497)	$-	$-
Unrealised gain on investments	1,094,134	708,530	351,495	2,154,159	7,005,998	-	-
Allocation of unrestricted income to operating fund (Note 16)	(744,264)	(429,432)	(302,748)	(1,476,444)	(1,375,008)	-	-
Donations	-	450	-	450	1,620	-	-
Miscellaneous	-	-	-	-	786	-	-
	1,212,328	857,855	335,021	2,405,204	5,517,899	-	-
EXPENDITURES							
Investment expenses	35,577	23,389	11,595	70,561	65,743	-	-
EXCESS OF REVENUE OVER EXPENDITURES	1,176,751	834,466	323,426	2,334,643	5,452,156	-	-
Fund balances, beginning of year	14,196,764	9,350,571	4,627,676	28,175,011	22,722,855	26,330	26,330
Fund balances, end of year	$15,373,515	$10,185,037	$4,951,102	$30,509,654	$28,175,011	$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, 2011

	OPERATING FUND		INTERNALLY RESTRICTED, ENDOWMENT AND DESIGNATED FUNDS	
	2011	2010	2011	2010
(OUTFLOW) INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES:				
OPERATING				
(Deficiency) excess of revenue over expenditures	($1,393,442)	($1,280,706)	$2,334,643	$5,452,156
Items not affecting cash:				
Unrealized gain on investments	-	-	(2,154,159)	(7,005,998)
Amortization of property and equipment	1,092,066	1,257,428	-	-
Amortization of deferred revenue - property and equipment	(506,856)	(571,271)	-	-
	(808,232)	(594,549)	180,484	(1,553,842)
Changes in non-cash working capital items:				
Accounts receivable and prepaid expenses	(264,154)	511,159	-	-
Merchandise for resale	18,085	32,962	-	-
Due from (to) operating fund	41,124	16,634	(41,124)	(16,634)
Accounts payable and accrued liabilities	217,539	(209,807)	-	-
Deferred revenue	655,083	(590,188)	-	-
	667,677	(239,240)	(41,124)	(16,634)
	(140,555)	(833,789)	139,360	(1,570,476)
INVESTING				
Proceeds on sale of investments, net of purchases	-	-	385,640	2,470,476
(Repayment of bank indebtedness) proceeds on bank indebtedness, net of repayments	(3,566)	127,522	-	-
Purchase of property and equipment	(413,502)	(188,606)	-	-
	(417,068)	(61,084)	385,640	2,470,476
FINANCING				
Proceeds from (repayment of) long term debt	525,000	900,000	(525,000)	(900,000)
NET CASH (OUTFLOW) INFLOW	(32,623)	5,127	-	-
CASH, BEGINNING OF YEAR	418,364	413,237	-	-
CASH, END OF YEAR	$385,741	$418,364	-	-

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.

Ownership of the majority of the collections is held by the Province of Alberta. 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, Ethnology, Military History, Mineralogy, Art, Library and 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 the following eight cost centres:

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 includes curatorial services, conservation, registration and collection management by administering the purchase and acceptance of gifts of art and artifacts and the deaccessioning of collection items. It also stores, catalogues and conserves collection items and makes the collection available for display to the public.

Program and exhibit development plans, facilitates, coordinates, designs and produces all aspects of the Institute’s activities for the public. It also provides programming for school and public audiences, enriching learning opportunities for students K - 12 and fostering an appreciation of arts and culture through broader public programs reaching a variety of audiences. Knowledge management also forms part of this portfolio and oversees intellectual property, the publishing program for catalogues, books, videos and multi-media technology, product development related to the collections, digitization of the Institute’s museum collections and development and management of the Institutes’ online product offerings including all websites.

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.

The Museum shop provides retail services to members, visitors and the public generally.

Fund development is a division of the Institute responsible for private sector, individual donor and foundation fund raising, facility rental and grant applications.

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.

Note 3 Significant Accounting Policies and Reporting Practices

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”) and include the following significant accounting policies:

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 Founding 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, which complies with Section 17.1 of the Glenbow-Alberta Institute Act.

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 in order to maintain the value of the Legacy Fund, increased by inflation. Any remaining unexpended investment income may be retained in the Legacy 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 must be retained in the Collections Fund in order to maintain the value of the Collections Fund, increased by inflation. Any remaining unexpended investment income may be retained in the Collections 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.

Note 3 Significant Accounting Policies and Reporting Practices (Continued)

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 reasonably 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 the Endowment Fund are recognized as revenue in the Endowment Fund.

Investment income earned on Endowment Fund resources is recognized as revenue 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) Collections

The Institute's owned collections, acquired through purchase and contributions, are not recognized as assets on the Statement of Financial Position. Purchases of collection items are recorded in the year in which the items were acquired as expenses of the Institute. Contributed collection items are not reflected in the 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.

Note 3 Significant Accounting Policies and Reporting Practices (Continued)

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, 2011, the sale of merchandise held for resale resulted in the recognition of expenses aggregating $289,019 (2010 - $304,926). There were $Nil in write-downs of inventory to net realizable value required as at March 31, 2011 (2010 - $Nil) and no write-down reversals have been recognized in either year. Merchandise held for resale currently carried at net realizable value aggregated $Nil (2010 - $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 at the following rates: 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.

Permanent exhibitions are recorded at cost and are amortized on a straight-line basis over the expected useful life of the exhibition: 10%.

An impairment charge is recognized for long-lived assets when they no longer contribute to the Institute's ability to provide services. The impairment loss is calculated as the difference between the residual 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 Internally Restricted, Endowment and Designated Fund Balances.

i) Financial Instruments

The Institute has applied Section 3861, Financial Instruments – Disclosure and Presentation, in place of Sections 3862, Financial Instruments – Disclosures, and Section 3863, Financial Instruments – Presentation.

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

Note 3 Significant Accounting Policies and Reporting Practices (Continued)

i) Financial Instruments (continued)

"Held-for-trading" items are carried at fair value, with changes in their fair value recognized in the Statement of Operations and Changes for Internally 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 Internally 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, 2011 and 2010 due to their short-term nature. Investments are long-term in nature and are recorded at fair value (Note 7).

The Organization'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, 2011 is $29,020,311 (2010 - $27,251,793), with 61.0% (2010 - 63.5%) 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.

Note 3 Significant Accounting Policies and Reporting Practices (Continued)

i) Financial Instruments (continued)

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, 2011, the foreign content of the managed investment portfolio was 27.6% (2010 - 27.9%) (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 Internally 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 4 Future Accounting Change

New Accounting Framework

The Canadian Institute of Chartered Accountants ("CICA") has issued a new accounting framework applicable to Canadian not-for-profit organizations. Effective for the annual reporting period that commences on or after January 1, 2012, not-for-profit organizations will have to choose between International Financial Reporting Standards ("IFRS") and Canadian accounting standards for not-for-profit organizations, whichever accounting framework suits them best. Early adoption of these standards is permitted. The Institute currently plans to adopt the new Canadian accounting standards for not-for-profit organizations for its fiscal year beginning April 1, 2012 and has not yet determined the impact of adoption.

Note 5 Externally Restricted Cash Balances

The externally imposed restriction on cash balances is as follows:

	2011	2010
Restricted for “The Warrior Emperor and China’s Terracotta Army” exhibition	$225,000	$-

Note 6 Property and Equipment

2011	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	$7,480,176	$6,566,666	$913,510
Leasehold improvements	3,536,854	3,292,324	244,530
Permanent exhibitions	5,411,512	2,296,475	3,115,037
	$16,428,542	$12,155,465	$4,273,077

2010	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	$7,860,267	$6,860,610	$999,657
Leasehold improvements	3,488,618	3,121,546	367,072
Permanent exhibitions	5,405,542	1,820,632	3,584,910
	$16,754,427	$11,802,788	$4,951,639

Note 7 Investments

	2011	2010
	Market Value	
Founding Fund	$14,632,569	$13,740,148
Legacy Fund	9,617,815	9,035,444
Collections Fund	4,769,927	4,476,201
	$29,020,311	$27,251,793

Externally Managed Funds Portfolio Weighting	2011 %	2010 %
Pooled bonds and cash	39.0	36.5
Equities:		
Canadian	33.4	35.6
United States	13.7	14.1
Other	13.9	13.8
	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 (2010 - prime plus 1% per annum) and is provided on an unsecured basis.

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.

	2011	2010
Balance, beginning of year	$357,109	$947,461
Plus: Contributions received	1,677,475	427,616
Less: Amount recognized as revenue during the year	(1,022,419)	(1,017,968)
Balance, end of year	$1,012,165	$357,109

Deferred revenue related to expenses of future periods which will be recognized as revenue in less than twelve months is $665,998 (2010 - $357,109). The amount which will be recognized in more than twelve months is $346,167 (2010 - $Nil).

Note 10 Deferred Revenue – Property and Equipment

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

Changes in deferred revenue – property and equipment are:

	2011	2010
Balance, beginning of year	$3,320,394	$3,891,665
Less: Amount recognized as revenue during the year	(506,856)	(571,271)
Balance, end of year	$2,813,538	$3,320,394

Deferred revenue related to property and equipment which will be recognized as revenue in less than twelve months is $505,797 (2010 - $506,863). The amount which will be recognized in more than twelve months is $2,307,741 (2010 - $2,813,531).

Note 11 Loan from Restricted Funds / Loan to Operating Fund

	2011	2010
Unrestricted loan from the Internally Restricted, Endowment and Designated Funds bearing interest at the Bank of Canada's prime rate plus 1% per annum.	$(1,425,000)	$(900,000)

This loan has no specified terms of repayment. As at March 31, 2011, $39,397 (2010 - $12,484) interest has been paid on this loan.

Note 12 Changes in Operating Fund Balance

Changes in Operating Fund balance were comprised of:

	2011	2010
Balance, beginning of year	$(1,082,073)	$198,633
Deficiency of revenue over expenditures	(1,393,442)	(1,280,706)
Balance, end of year	$(2,475,515)	$(1,082,073)

Note 13 Fundraising

Fundraising revenues of $2,126,094 (2010 - $2,188,700) in the operating fund and $450 (2010 - $1,620) 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 substantially 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 $666,724 (2010 - $429,622) and was applied to the redevelopment of the permanent galleries on the third floor and the Collections access digitization initiative.

The expenses incurred for the purposes of soliciting contributions were $123,998 (2010 - $103,714). Remuneration to employees whose principal duties involve fund-raising amounted to $407,576 (2010 - $387,991).

The approximate dollar amount of the tax receipts issued by the Institute for items donated to the collection in 2011 amounted to $13,296,615 (2010 - $5,074,083). 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 2011, the Institute contributed $180,142 (2010 - $199,421) 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 $2,046,253 for the year ended March 31, 2011 (2010 - $1,486,736). 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 discretion 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 this 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.

Note 16 Allocation of Unrestricted Investment Income (Continued)

During the year, a total of $1,476,444 (2010 - $1,375,008) 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 the Operating Fund. In the event that revenues decline, the Institute will budget for reduced distributions and reduced operational expenditures.

Glenbow Museum