

financial statements

March 31, 2012

Glenbow-Alberta Institute

Financial statements of

Glenbow-Alberta Institute

March 31, 2012

Glenbow-Alberta Institute

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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, 2012, and the statements of Operating Fund, Operations and Changes in Internally 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 judgment, 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, 2012, 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

Chartered Accountants
June 23, 2012

Glenbow-Alberta Institute

Statement of Financial Position as at March 31, 2012

			2012	2011
	Operating Fund	Internally Restricted, Endowment and Designated Funds	Total	Total
	\$	\$	\$	\$
Assets				
Current assets				
Cash (Note 5)	814,967	-	814,967	385,741
Due from Operating Fund	-	179,639	179,639	90,673
Merchandise for resale	211,649	-	211,649	209,888
Grants and pledges receivable	50,390	-	50,390	280,089
Accounts receivable and accrued interest	119,142	-	119,142	90,961
Prepaid expenses	74,217	-	74,217	167,173
	1,270,365	179,639	1,450,004	1,224,525
Property and equipment (Note 6)	3,501,472	-	3,501,472	4,273,077
Loan to Operating Fund (Note 11)	-	2,950,000	2,950,000	1,425,000
Investments (Note 7)	-	26,423,027	26,423,027	29,020,311
	4,771,837	29,552,666	34,324,503	35,942,913
Liabilities				
Current liabilities				
Bank indebtedness (Note 8)	1,471,215	-	1,471,215	1,291,233
Accounts payable and accrued liabilities	950,876	-	950,876	1,249,835
Due to Restricted Funds	179,639	-	179,639	90,673
Deferred revenue (Notes 9 and 10)	1,243,484	-	1,243,484	1,171,795
	3,845,214	-	3,845,214	3,803,536
Deferred revenue (Notes 9 and 10)	2,123,337	-	2,123,337	2,653,908
Loan from Restricted Funds (Note 11)	2,950,000	-	2,950,000	1,425,000
	8,918,551	-	8,918,551	7,882,444
Contingencies and commitments (Note 18)				
Fund balances				
Unrestricted (Note 12)	(4,146,714)	-	(4,146,714)	(2,475,515)
Internally Restricted, Endowment and Designated	-	29,552,666	29,552,666	30,535,984
	4,771,837	29,552,666	34,324,503	35,942,913

On behalf of the Board of Governors



Mr. Jack Thrasher
Chairman of the Board



Mr. Michael J. Robinson
Governor

Glenbow-Alberta Institute

Statement of Operating Fund year ended March 31, 2012

	2012	2011
	\$	(Note 19) \$
Revenue		
Province of Alberta	2,966,000	2,966,000
Investment income	5,661	6,802
Allocation of unrestricted investment income from Founding, Legacy, Collections, Library and Designated Funds (Note 16)	1,576,318	1,476,444
Fundraising (Note 13)	2,121,128	1,619,244
Admissions	815,382	754,138
Memberships	152,469	144,076
Museum shop	489,860	562,773
Commercial activities	355,482	376,105
Miscellaneous	1,806	80,983
Amortization of deferred revenue - property and equipment (Notes 10 and 13)	496,154	506,856
	8,980,260	8,493,421
Expenses		
Amortization	1,038,672	1,092,066
Central services	2,374,130	2,266,243
Collections	1,172,746	1,115,047
Fund development	882,334	671,796
Library and archives	567,352	555,168
Marketing and communications	679,596	570,249
Museum shop	515,743	577,651
President's office	511,844	483,423
Program and exhibit development	2,909,042	2,555,220
	10,651,459	9,886,863
Deficiency of revenue over expenses	(1,671,199)	(1,393,442)

Glenbow-Alberta Institute

Statement of Operations and Changes in Internally Restricted, Endowment and Designated Fund Balances year ended March 31, 2012

	Internally Restricted and Endowment Funds					Designated Funds	
	2012	2011	2012	2011	2011	2011	
	Founding Fund	Legacy Fund	Collections Fund	Library Fund	Mavericks Fund	Total	Total
Revenue							
Investment income							
Interest, dividends, capital gains and losses	984,553	409,860	328,439	155,429	97,435	1,975,716	1,727,039
Unrealized (loss) gain on investments	(651,062)	(274,141)	(219,721)	(103,854)	(65,191)	(1,313,969)	2,154,159
Allocation of unrestricted income to Operating Fund (Note 16)	(794,791)	(383,399)	(198,752)	(122,560)	(76,816)	(1,576,318)	(1,476,444)
Donations (Note 13)	-	900	-	-	-	900	450
Miscellaneous	135	95	95	-	-	325	-
	(461,165)	(246,685)	(89,939)	(70,985)	(44,572)	(913,346)	2,405,204
Expenses							
Investment	35,282	14,344	11,502	5,434	3,410	69,972	70,561
(Deficiency) excess of revenue over expenses	(496,447)	(261,029)	(101,441)	(76,419)	(47,982)	(983,318)	2,334,643
Fund balances, beginning of year	15,373,515	6,317,718	4,951,102	2,378,171	1,489,148	30,509,654	28,175,011
Fund balances, end of year	14,877,068	6,056,689	4,849,661	2,301,752	1,441,166	29,526,336	30,509,654
							26,330
							26,330

Glenbow-Alberta Institute

Statement of Cash Flows year ended March 31, 2012

	Operating Fund		Restricted Funds	
	2012	2011	2012	2011
	\$	\$	\$	\$
Operating activities				
(Deficiency) excess of				
revenue over expenses	(1,671,199)	(1,393,442)	(983,318)	2,334,643
Items not affecting cash				
Unrealized loss (gain) on investments	-	-	1,313,969	(2,154,159)
Amortization of property and equipment	1,038,672	1,092,066	-	-
Amortization of deferred revenue - property and equipment	(496,154)	(506,856)	-	-
	(1,128,681)	(808,232)	330,651	180,484
Changes in non-cash working capital				
Merchandise for resale	(1,761)	18,086	-	-
Grants and pledges receivable	229,699	(150,413)	-	-
Accounts receivable and accrued interest	(28,181)	(33,371)	-	-
Prepaid expenses	92,956	(110,343)	-	-
Grants and pledges receivable after more than one year	-	30,000	-	-
Accounts payable and accrued liabilities	(298,959)	217,539	-	-
Due to Restricted Funds	88,966	41,124	-	-
Due from Operating Fund	-	-	(88,966)	(41,124)
Deferred revenue (Notes 9 and 10)	37,272	655,055	-	-
	(1,008,689)	(140,555)	241,685	139,360
Investing activities				
Proceeds on sale of investments, net of purchases	-	-	1,283,315	385,640
Proceeds on bank indebtedness, net of repayments	179,982	(3,566)	-	-
Purchase of property and equipment	(267,067)	(413,502)	-	-
	(87,085)	(417,068)	1,283,315	385,640
Financing activity				
Advances from Restricted Funds	1,525,000	525,000	-	-
Advances to Operating Fund	-	-	(1,525,000)	(525,000)
	1,525,000	525,000	(1,525,000)	(525,000)
Net increase (decrease) in cash	429,226	(32,623)	-	-
Cash, beginning of year	385,741	418,364	-	-
Cash, end of year	814,967	385,741	-	-

Glenbow-Alberta Institute

Notes to the financial statements

March 31, 2012

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 comprising Cultural History, Ethnology, Military History, Mineralogy, Art, Library, Archives - paper, photographs and negatives.

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

2. Nature of operations and description of the Institute

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 Institute to obtain sufficient funding.

The Institute is composed of eight 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 multimedia 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.

The museum shop provides retail services to members, visitors and the general public.

Fund development is a division of the Institute responsible for fundraising, 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.

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 Institute's administration activities, fundraising and the costs of maintaining and allowing public access to the collections.

Glenbow-Alberta Institute

Notes to the financial statements

March 31, 2012

3. Significant accounting policies and reporting practices (continued)

a) Fund accounting (continued)

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 (the "Act") to be reinvested in order to maintain the value of the gifts, adjusted for inflation as required by the Act. Investment income, including capital gains, in excess of the inflation adjusted value of each gift may be retained in the Fund or may be used at the discretion of the Board of Governors toward the operating expenses of the Institute, for reinvestment, or to further the general objects of the Institute. If the value of a gift falls below its inflation adjusted amount under the Act, the income of each gift must be reinvested, unless the Board of Governors, having complied with Section 17 of the Act, approves another use of that income. The Board of Governors, having complied with the requirements of Section 17 of the Act, has passed a motion that allows the investment income to be used for the purposes of meeting the capital and operating expenses of the Glenbow Museum, notwithstanding that the value of each gift is less than its inflation adjusted amount in accordance with the Act. Such use would still be subject to compliance with Subsection 16(4) of the Act in the case of the Province of Alberta Gift.

The Legacy Fund was established by the Board of Governors and is invested in marketable securities and interest bearing deposits. 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 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.

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. The Board has specified that an amount of investment income earned thereon must be retained in the Mavericks 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.

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 are included in the Library Fund. The Board has specified that an amount of investment income earned thereon must be retained in the Library 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 internally 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 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.

Glenbow-Alberta Institute

Notes to the financial statements

March 31, 2012

3. Significant accounting policies and reporting practices (continued)

b) *Revenue recognition*

Internally 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 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) *Collections*

The Institute's 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) *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.

f) *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.

Glenbow-Alberta Institute

Notes to the financial statements

March 31, 2012

3. Significant accounting policies and reporting practices (continued)

g) *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, 2012, the sale of merchandise held for resale resulted in the recognition of expenses aggregating \$266,408 (2011 - \$289,019). There were \$Nil in write-downs of inventory to net realizable value required as at March 31, 2012 (2011 - \$Nil) and no write-down reversals have been recognized in either year. Merchandise held for resale currently carried at net realizable value aggregated \$Nil (2011 - \$Nil).

h) *Property and equipment*

Furniture and equipment is recorded at cost and 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 amortized over the expected lives of the improvements or exhibitions.

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

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.

i) *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 in Internally Restricted, Endowment and Designated Fund Balances.

j) *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

"Held-for-trading" items are carried at fair value, with changes in their fair value recognized in the Statement of Operations and Changes in 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.

Glenbow-Alberta Institute

Notes to the financial statements

March 31, 2012

3. Significant accounting policies and reporting practices (continued)

j) *Financial instruments (continued)*

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 in 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 values of the Institute's cash, accounts receivable and accrued interest, bank indebtedness and accounts payable and accrued liabilities approximate their fair values as at March 31, 2012 and 2011 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 Governors. The fund manager is governed by an Investment Policy of the Board of Governors, 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 Governors. 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 the value of investments. The fair market value of the managed portfolio at March 31, 2012 is \$26,423,027 (2011 - \$29,020,311), with 61.7% (2011 - 61.0%) 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, 2012, the foreign content of the managed portfolio was 29.6% (2011 - 27.6%) (Note 7).

Glenbow-Alberta Institute

Notes to the financial statements

March 31, 2012

3. Significant accounting policies and reporting practices (continued)

j) *Financial instruments (continued)*

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.

k) *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 in Internally Restricted, Endowment and Designated Fund Balances when incurred.

l) *Use of estimates*

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets 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.

4. Future accounting change

New accounting framework

The 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.

5. Externally restricted cash balances

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

	2012	2011
	\$	\$
Restricted for "The Warrior Emperor and China's Terracotta Army" exhibition	225,000	225,000

During April 2012, the Institute finalized arrangements to release \$112,500 of these funds to the Alberta Museum Association in accordance with the signed agreements. The balance of these funds in the amount of \$112,500 has been approved for use by the Institute during the 2013 fiscal year for a community engagement project.

Glenbow-Alberta Institute

Notes to the financial statements

March 31, 2012

6. Property and equipment

	2012		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture and equipment	7,592,676	6,995,370	597,306
Leasehold improvements	3,634,130	3,398,190	235,940
Permanent exhibitions	5,440,525	2,772,299	2,668,226
	16,667,331	13,165,859	3,501,472

	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

7. Investments

	Market value	
	2012	2011
	\$	\$
Founding Fund	13,323,993	14,632,569
Legacy Fund	5,416,435	5,949,629
Collections Fund	4,343,666	4,769,927
Library Fund	2,051,394	2,253,627
Mavericks Fund	1,287,539	1,414,559
	26,423,027	29,020,311

The entire portfolio in 2012 and 2011 is externally managed with weightings as follows:

	2012	2011
	%	%
Pooled bonds and cash	38.3	39.0
Equities		
Canadian	32.1	33.4
United States	15.6	13.7
Other	14.0	13.9
	100.0	100.0

8. Bank indebtedness

Bank indebtedness is composed 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 interest rate plus 1% per annum (2011 - prime interest rate plus 1% per annum) and is provided on an unsecured basis.

Glenbow-Alberta Institute

Notes to the financial statements

March 31, 2012

9. Deferred revenue - expenses of future periods

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

	2012	2011
	\$	\$
Balance, beginning of year	1,012,165	357,109
Plus: contributions received	1,256,523	1,677,475
Less: amount recognized as revenue during the year	<u>(1,314,926)</u>	<u>(1,022,419)</u>
Balance, end of year	<u>953,762</u>	<u>1,012,165</u>

Deferred revenue related to expenses of future periods which will be recognized as revenue in less than 12 months is \$761,423 (2011 - \$665,998). The amount which will be recognized in more than 12 months is \$192,339 (2011 - \$346,167).

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:

	2012	2011
	\$	\$
Balance, beginning of year	2,813,538	3,320,394
Plus: contributions received	95,675	-
Less: amount recognized as revenue during the year	<u>(496,154)</u>	<u>(506,856)</u>
Balance, end of year	<u>2,413,059</u>	<u>2,813,538</u>

Deferred revenue related to property and equipment which will be recognized as revenue in less than 12 months is \$482,061 (2011 - \$505,797). The amount which will be recognized in more than 12 months is \$1,930,998 (2011 - \$2,307,741).

11. Loan from Restricted Funds and loan to Operating Fund

	2012	2011
	\$	\$
Unrestricted loan from the Internally Restricted, Endowment and Designated Funds bearing interest at the Bank of Canada's prime rate plus 1% per annum.	<u>(2,950,000)</u>	<u>(1,425,000)</u>

This loan has no specified terms of repayment. As at March 31, 2012, \$85,255 (2011 - \$39,397) interest has been paid on this loan.

Glenbow-Alberta Institute

Notes to the financial statements

March 31, 2012

12. Changes in Operating Fund balances

Changes in Operating Fund balances were as follows:

	2012	2011
	\$	\$
Balance, beginning of year	(2,475,515)	(1,082,073)
Deficiency of revenue over expenditures	(1,671,199)	(1,393,442)
Balance, end of year	(4,146,714)	(2,475,515)

13. Fundraising

Fundraising revenues including amortization of deferred revenue - property and equipment of \$2,617,282 (2011 - \$2,126,094) in the Operating Fund and \$900 (2011 - \$450) 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, of which the majority are owned by the Province of Alberta.

All contributions received were applied to the charitable activities and the associated operating overheads of the Institute. Contributions in excess of 10% of the total gross contributions recognized as revenue during the year amounted to \$401,974 (2011 - \$666,724) 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 \$289,107 (2011 - \$123,998). Remuneration to employees whose principal duties involve fundraising amounted to \$245,421 (2011 - \$407,576).

The approximate dollar amount of the tax receipts issued by the Institute for items donated to the collection in 2012 amounted to \$408,097 (2011 - \$13,296,615). Tax receipts for amounts greater than \$1,000 are supported by independent appraisals.

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 2012, the Institute contributed \$192,402 (2011 - \$180,142) in connection with the plan.

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 \$1,562,036 for the year ended March 31, 2012 (2011 - \$1,702,680) based on actual costs as reported to the Institute by The City of Calgary. This amount has not been included in the Statement of Operating Fund.

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 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 or depreciation in the fund's value. That actual percentage of distribution is at the discretion of the Board of Governors.

Glenbow-Alberta Institute

Notes to the financial statements

March 31, 2012

16. Allocation of unrestricted investment income (continued)

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.

During the year, a total of \$1,576,318 (2011 - \$1,476,444) was allocated from the Internally Restricted and Endowment Funds to the 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 reducing the deficiency in the Capital Fund while maintaining operations. Management is in the process of developing this strategy. The allocations from the funds to general operations have continued after year-end. The estimated amount, being the capital deficiency of the funds, has not been reflected on the Statement of Financial Position. The estimated capital deficiency will fluctuate from time to time based on the market fluctuations and investment portfolio performance.

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.

18. Contingencies and commitments

From year to year, legal actions may be brought against the Institute in the normal course of business. Management represents that there are currently no known claims outstanding against the Institute as at March 31, 2012.

The Institute entered into agreements with terms of one to five years for photocopy, internet and cell phone services and warehouse rent which expire from October 2012 to November 2016.

Glenbow-Alberta Institute

Notes to the financial statements

March 31, 2012

18. Contingencies and commitments (continued)

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

	\$
2013	91,652
2014	77,128
2015	57,235
2016	54,043
2017	32,029
	<hr/> 312,087 <hr/>

19. Comparative figures

Certain prior year balances in the Statement of Operating Fund have been reclassified to conform with the current year's financial statement presentation.



Glenbow Museum