BANFF CENTRE FOR ARTS AND CREATIVITY

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017

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Independent Auditor's Report

To The Board of Governors of
The Banff Centre

We have audited the accompanying consolidated financial statements of The Banff Centre, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statements of operations and changes in net assets, 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 consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Banff Centre as at March 31, 2017, and the results of its operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants
May 29, 2017

BANFF CENTRE FOR ARTS AND CREATIVITY

Consolidated Statement of Financial Position
As at March 31, 2017
(in thousands of dollars)

	2017	2016
Assets		
Current assets		
Cash and cash equivalents	$ 9,886	$ 7,095
Accounts and grants receivable (note 5)	3,793	4,950
Inventories and prepaid expenses	1,420	1,250
	15,099	13,295
Notes receivable and deferred charge (note 6)	682	678
Long-term investments (note 3)	58,629	55,092
Capital assets (note 7)	137,862	132,249
	$ 212,272	$ 201,314
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 8,389	$ 6,132
Unearned revenue and deposits (note 8)	3,014	3,066
Deferred contributions (note 9)	7,914	4,931
Loans and borrowings (note 11)	3,273	90
	22,590	14,219
Loans and borrowings (note 11)	28	-
Employee future benefit liabilities (note 13)	3,137	3,291
Long-term deferred contributions (note 9)	22,588	22,064
Deferred expended capital contributions (note 10)	109,511	111,328
	157,854	150,902
Net Assets		
Accumulated operating surplus (note 14)	15,461	14,230
Endowments (note 15)	38,957	36,182
	54,418	50,412
	$ 212,272	$ 201,314

Commitments (note 12)

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

Signed on behalf of Board of Governors of The Banff Centre:

Chair, Board of Governors

President and CEO, The Banff Centre

BANFF CENTRE FOR ARTS AND CREATIVITY

Consolidated Statement of Operations and Changes in Net Assets
For the year ended March 31, 2017
(in thousands of dollars)

	Budget 2017	Actual 2017	Actual 2016
Revenue	(Note 19)		
Government of Alberta grants (note 16)	$ 20,120	$ 20,589	$ 20,790
Federal and other government grants (note 16)	2,379	3,322	2,457
Sales, rentals and services	26,321	29,120	26,844
Tuition and related fees	3,887	2,588	2,558
Donations and other grants	6,470	6,172	6,928
Investment earnings (note 17)	2,044	1,308	867
Amortization of deferred expended capital contributions (note 10)	4,235	4,306	4,235
	65,456	67,405	64,679
Expense			
Arts programming	19,978	19,115	18,922
Leadership programs	4,715	4,042	4,410
Institutional support	12,451	13,084	12,247
Facilities operations and related costs	12,572	13,413	12,773
Ancillary operations	15,290	16,520	15,852
	65,006	66,174	64,204
Excess of revenue over expense	$ 450	1,231	475
Net assets, beginning of year		50,412	59,064
Endowment contributions and other transfers (note 15)		2,775	3,129
Endowment investment earnings (note 15)		-	773
Endowment distributions available for spending (note 15)		-	(1,570)
Endowment cumulative undistributed investment earnings reclassified to deferred contributions (note 15)		-	(11,459)
Net assets, end of year		$ 54,418	$ 50,412

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

BANFF CENTRE FOR ARTS AND CREATIVITY

Consolidated Statement of Cash Flows
For the year ended March 31, 2017
(in thousands of dollars)

		2017		2016
Operating Transactions				
Excess of revenue over expense	$	1,231	$	475
Non-cash items:				
Amortization of capital assets (note 7)		5,922		5,881
Loss on disposal of capital assets		-		259
Amortization of deferred expended capital contributions (note 10)		(4,306)		(4,235)
Change in employee future benefit liabilities		(154)		(42)
Other non-cash adjustments		(4)		(3)
Change in:				
Accounts and grants receivable		1,157		(218)
Inventories and prepaid expenses		(170)		(681)
Accounts payable and accrued liabilities		(498)		1,592
Unearned revenue and deposits		(52)		1,359
Deferred contributions		1,308		(67)
Cash provided by operating transactions		4,434		4,320
Capital Transactions				
Acquisition of capital assets (note 7)		(8,735)		(1,888)
Cash applied to capital transactions		(8,735)		(1,888)
Investing Transactions				
Purchases of investments, net of sales		(2,700)		(9,323)
Realized endowment investment earnings, net of distributions		979		1,793
Other realized restricted investment earnings		265		-
Cash applied to investing transactions		(1,456)		(7,530)
Financing Transactions				
Demand operating facility advances		3,260		-
Long-term debt principal repayments		(94)		(360)
Long-term deferred contributions, capital		2,645		1,798
Endowment contributions and transfers		2,737		4,099
Cash provided by financing transactions		8,548		5,537
Increase in cash and cash equivalents		2,791		439
Cash and cash equivalents, beginning of year		7,095		6,656
Cash and cash equivalents, end of year	$	9,886	$	7,095

Cash and cash equivalents, end of year, is comprised of:

Cash on hand and demand deposits	$	670	$	635
Money market funds and guaranteed investment certificates		9,216		6,460
	$	9,886	$	7,095

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

Note 1 Authority and purpose

Board of Governors of The Banff Centre (operating as "Banff Centre for Arts and Creativity") ("Banff Centre") is a corporation that operates under the Post-Secondary Learning Act (Alberta). Banff Centre is a registered charity, and under section 149 of the Income Tax Act (Canada) is exempt from income tax.

Banff Centre provides public access to a broad range of learning and professional development experiences with emphasis on the arts, leadership development, and the exploration of issues related to mountain culture and the environment.

Note 2 Summary of significant accounting policies and reporting practices

(a) Consolidated financial statements

These financial statements are prepared on a consolidated basis and include the accounts of Banff Centre and The Banff Centre Foundation, which is controlled by Banff Centre and operates exclusively to support the activities of Banff Centre. The Foundation is a registered charity and under section 149 of the Income Tax Act (Canada) is exempt from income tax.

(b) Public sector accounting standards ("PSAS") and use of estimates

These financial statements have been prepared in accordance with PSAS, including the 4200 series of standards. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. Banff Centre's management uses judgment to determine such estimates. The fair value of investments, employee future benefit liabilities, amortization of capital assets, amortization of deferred expended capital contributions, potential impairment of capital assets and accrued liabilities are the most significant items based on estimates. In management's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below.

(c) Valuation of financial assets and liabilities

Banff Centre's financial assets and liabilities are generally measured as follows:

Cash and cash equivalents	Amortized cost
Long term investments, externally managed	Fair value
Long term investments, internally managed	
Equities	Fair value
Other	Amortized cost
Accounts, grants and notes receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost

Externally managed investments include all funds managed within The Banff Centre Foundation and other foundations managing assets on behalf of Banff Centre. Externally managed investments also include funds managed within Banff Centre by external investment advisors. Externally managed investments could include equity instruments, bonds, money market funds and other fixed/variable interest investments.

Note 2 Summary of significant accounting policies and reporting practices (continued)

(c) Valuation of financial assets and liabilities (continued)

All financial assets measured at amortized cost are tested annually for impairment. When a financial asset is impaired, an impairment loss is recorded. The write-down of a financial asset measured at amortized cost to reflect a loss in value is not reversed for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value. Investment management fees are expensed as incurred. The purchase and sale of cash and cash equivalents and investments are accounted for using trade-date accounting.

Management evaluates contractual obligations for the existence of embedded derivatives and elects to either designate the entire contract for fair value measurement or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for Banff Centre's normal purchase, sale or usage requirements are not recognized as financial assets or liabilities. Banff Centre does not have any embedded derivatives.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and highly-liquid investments that are readily convertible to cash and have a short maturity of less than three months from the date of acquisition.

(e) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value, being the estimated selling price less the cost to sell. Inventories held for consumption are valued at the lower of cost and replacement value. Cost is calculated principally using the weighted-average cost method.

(f) Capital assets

Purchased capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement and betterment of the assets. The cost of capital assets includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the assets. Capital assets, except for property under development, are amortized on a straight-line basis over the estimated useful lives of the assets as follows:

Land improvements	20 years
Buildings and improvements	50 years
Equipment, furnishings and software	4-15 years

Property under development is not amortized until the project is substantially complete and the asset is placed in service. Assets acquired under capital lease are recorded at the lower of fair value and the present value of the minimum lease payments excluding any lease operating costs. Contributed capital assets are recorded at fair value when such value can be reasonably determined. Works of art, historical treasures and collections are expensed when acquired and not recognized as capital assets, but the cost of these collections is disclosed in note 7.

Note 2 Summary of significant accounting policies and reporting practices (continued)

(f) Capital assets (continued)

Capital assets are written down when conditions indicate that they no longer contribute to Banff Centre's ability to provide goods and services, or when the value of future economic benefits associated with the capital assets is less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

(g) Revenue recognition

All revenues are reported using the accrual basis of accounting. Amounts received in advance for tuition, fees, and sales of goods and services are classified as unearned and recognized as revenue at the time the goods are delivered or the services are provided.

Banff Centre follows the deferral method of accounting for contributions and recognizes government grants, donations and other grants as described below.

Donations and non-government grants are received from individuals, corporations and private sector not-for-profit organizations. These funds and government grants may be unrestricted or restricted for operating, endowment or capital purposes.

Unrestricted non-capital contributions are recorded as revenue in the year received or in the year the funds are committed to Banff Centre if the amount can be reasonably estimated and collection is reasonably assured.

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for the purposes designated by external parties.

Externally restricted capital contributions are recorded as deferred contributions until the amounts are invested in capital assets, at which time the amounts are transferred to deferred expended capital contributions. Deferred expended capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital assets is recorded. The related portions of capital amortization expense and deferred expended capital contributions amortization are matched to indicate that the amortization expense has been funded externally.

Investment earnings include dividend and interest income, realized gains or losses on the sale of investments and unrealized gains and losses on investments.

Any externally restricted contributions containing stipulations that the amounts be retained as net assets or not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes. Any investment earnings attributable to these funds that must be maintained in perpetuity are also recognized as a direct increase in endowment net assets.

Note 2 **Summary of significant accounting policies and reporting practices** (continued)

(g) Revenue recognition (continued)

Unrealized gains and losses from changes in the fair value of financial instruments with no restriction over the use of investment earnings are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations.

Investment earnings related to investments restricted for endowments are recorded in accordance with donor restrictions for their use and recognized as deferred contributions before being recognized in the statement of operations when the funds are expended. Investment earnings associated with other restricted contributions are also recorded as deferred contributions and recognized in the statement of operations when the funds are expended.

In-kind donations of services and materials are recorded at fair value when such value can be reasonably determined. While volunteers and staff contribute a significant amount of time each year to assist Banff Centre, the value of their services is not recognized as revenue and expenses in the financial statements because the fair value cannot be reasonably determined.

(h) Foreign currency translation

Transactions in foreign currencies are translated to Canadian dollars using estimated exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to Canadian dollars using the month-end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to Canadian dollars using the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in earnings.

(i) Employee future benefits

Banff Centre participates with other employers in the Public Service Pension Plan (PSPP) and the Universities Academic Pension Plan (UAPP). These pension plans are multi-employer defined benefit pension plans that provide pensions for the employers' participating employees based on years of service and earnings.

Pension expense for the UAPP is actuarially determined using the projected benefit method prorated on service and is allocated to each participant based on the respective percentage of employer contributions to the plan on the participant's behalf. Actuarial gains or losses on the accrued benefit obligation are amortized over the expected average remaining service life of active plan members.

Banff Centre does not have sufficient plan information on the PSPP required to follow the standards for defined benefit accounting. Accordingly, pension expense recorded for the PSPP is comprised of employer contributions to the plan that are required for its employees during the year. The contributions are calculated based on actuarially predetermined amounts that are expected to fund the plan’s future benefits.

Note 2 **Summary of significant accounting policies and reporting practices** (continued)

(j) Future accounting changes

The Public Sector Accounting (PSA) Handbook was previously written primarily to address the financial reporting needs of governments in Canada. With the broadened scope of the PSA Handbook to include government organizations that previously reported under Part V of the CPA Handbook, it was necessary to update the introduction to clarify the applicability of the PSA Handbook to various public sector entities. The new introduction is applicable for fiscal years beginning on or after January 1, 2017.

In March 2015, the Public Sector Accounting Board issued PS 2200 Related Party Disclosures (which does not apply to Banff Centre) and PS 3420 Inter-entity Transactions. In June 2015, the Public Sector Accounting Board issued PS 3210 Assets, PS 3320 Contingent Assets, PS 3380 Contractual Rights and PS 3430 Restructuring Transactions. These accounting standards are effective for fiscal years starting on or after April 1, 2017, with the exception of PS 3430, which is effective for fiscal years starting on or after April 1, 2018.

PS 3420 - Inter-entity Transactions, establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

PS 3210 - Assets provides guidance for applying the definition of assets set out in PS 1000, Financial Statement Concepts, and establishes general disclosure standards for assets.

PS 3320 - Contingent Assets defines and establishes disclosure standards for contingent assets.

PS 3380 - Contractual Rights defines and establishes disclosure standards for contractual rights.

PS 3430 - Restructuring Transactions defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction.

Management is currently assessing the impact of these new standards on the consolidated financial statements.

(in thousands of dollars, except where specifically expressed in millions)

Note 3 Long-term investments

		2017		2016
Long-term investments, non-endowment	$	19,672	$	18,910
Long-term investments, restricted for endowments		38,957		36,182
	$	58,629	$	55,092
Investments at amortized cost:				
Guaranteed investment certificates (GICs)	$	6,068	$	7,451
Investments at fair value:				
Cash and cash equivalents held for investment and in brokerage accounts		3,979		4,343
Canadian government bonds		10,478		8,455
Corporate bonds		7,482		6,517
Equity investments		30,622		28,326
		52,561		47,641
	$	58,629	$	55,092

See note 4 for explanation of fair value measurements. Investments other than bonds and other fixed income investments are considered Level 1 items where fair value is measured based on quoted prices in active markets for identical investments. Bonds and other fixed income investments included in cash and cash equivalents are Level 2 items where fair value is measured based on market inputs other than quoted prices included in Level 1 that are observable for the investments either directly or indirectly.

Investments at fair value include a pooled fund holding in which The Banff Centre Foundation has an equity interest represented by units in the pooled fund and any distributions from the fund. The pooled fund investment consists of several underlying pooled fund holdings of cash and cash equivalents, Canadian government bonds, corporate bonds and Canadian, U.S. and international equities. The pooled fund holdings have been allocated accordingly to these categories above.

Note 4 Financial risk management

Banff Centre is exposed to a variety of financial risks, including market risks (price risk, currency risk and interest rate risk), credit risk and liquidity risk, primarily in relation to its investments. To manage these risks, Banff Centre invests in a diversified portfolio of investments that is guided by established investment policies that outline risk and return objectives. The long-term objective of Banff Centre's investment policies is to maximize the purchasing power of investment assets and future endowment contributions after meeting ongoing disbursment requirements. The specific financial objectives include the provision of stable and consistent income to meet the goals of Banff Centre, capital appreciation (without undue risk) such that investments continue to grow over time in real terms, and minimization of risk through diversification.

Banff Centre does not use foreign currency contracts or any other type of derivative financial instruments for trading or speculative purposes.

Banff Centre is exposed to the following risks:

(a) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument, its issuer or general market factors affecting all instruments. To manage this risk for investments, Banff Centre has policies and procedures in place governing asset mix, diversification, exposure limits, credit quality and performance measurement.

Investments are disclosed in note 3. Price risk is most significant in relation to equity investments, where each 1% change in value would have an impact of $306.

(in thousands of dollars, except where specifically expressed in millions)

Note 4 **Financial risk management** (continued)

(b) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The following table provides the carrying value of long-term investments denominated in various currencies and the sensitivity to a 1% change in currency value:

	Carrying value	Impact of 1% change
Canadian denominated investments	$ 39,105	$ -
US denominated investments	10,786	108
Investments denominated in other currencies	8,738	87
	$ 58,629	$ 195

Foreign currency risk for financial instruments other than investments is insignificant.

(c) Interest rate risk

Interest rate risk is the risk to Banff Centre's earnings that arises from the fluctuation and degree of volatility in those rates. Interest rate risk on Banff Centre's debt is insignificant given the low level of debt. Interest rate risk in relation to investments in bonds is insignificant given that the rates are primarily fixed over longer terms. Changes in interest rates will, however, impact the market price of bonds. Interest rate risk in relation to other interest bearing instruments, including cash and cash equivalents and GICs, exists given the relative short term to maturity. The carrying value of these instruments, both current and long term, totals $19.3 million, so the impact of each 1% change in interest rates would be $193 annually. This sensitivity ignores the fact that some of these instruments are locked in for longer periods of time, as indicated in the table below.

The maturities of interest-bearing investments held by Banff Centre are as follows:

	< 1 year	1-5 years	> 5 years	Average market yield
	%	%	%	%
Interest bearing accounts	100.0	-	-	0.90
Money market funds	100.0	-	-	0.67
Guaranteed investment certificates	50.7	49.3	-	1.20
Canadian government and corporate bonds	1.3	20.1	78.6	2.17

(d) Credit risk

Banff Centre is exposed to credit risk on investments arising from the potential failure of a counterparty, debtor or issuer to honor its contractual obligations. To manage this risk, Banff Centre has established an investment policy with required minimum credit quality standards and issuer limits.

The credit ratings on investments held by Banff Centre are as follows:

	2017	2016
A or higher	89.0%	90.2%
BBB	11.0%	9.8%

Banff Centre's accounts receivable are subject to normal credit risks due to the nature of Banff Centre's customers and grantors. The carrying values of these receivables reflect management's assessment of the credit risk associated with these customers and grantors.

(in thousands of dollars, except where specifically expressed in millions)

Note 4 Financial risk management (continued)

(e) Liquidity risk

Banff Centre has credit facilities totalling $14.0 million available (note 11) to ensure that funds are available to meet current and forecasted financial requirements. At March 31, 2017, $3.4 million (2016 - $0) was outstanding under these credit facilities.

(f) Fair value

When measuring the fair value of an asset or liability, Banff Centre uses market observable data to the extent possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that Banff Centre can access at the measurement date

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: unobservable inputs for the asset or liability.

If the inputs used to measure the fair value of an asset or a liability are categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Banff Centre recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Note 5 Accounts and grants receivable

	2017	2016
Trade accounts receivable, net of allowance for doubtful accounts	$ 2,895	$ 2,354
Grants, participant and other receivables	898	2,596
	$ 3,793	$ 4,950

Accounts receivable are unsecured and non-interest bearing. No significant amounts are past due more than 90 days at March 31 of these years.

Note 6 Notes receivable and deferred charge

	2017	2016
Discounted present value of advance to RMCHA	$ 593	$ 566
Accrued interest	26	26
Deferred charge	63	86
	$ 682	$ 678

In prior years, Banff Centre advanced a total of $673 to Rocky Mountain Cooperative Housing Association (RMCHA) for the right to lease 42 accommodation units. In December 2005, the terms of the notes were modified to discontinue the accrual of interest. The notes are unsecured and repayable in 2019. Commitments under these operating leases are included in note 12.

The notes receivable are discounted to a present value. The discount is amortized using the effective interest method. The deferred charge is amortized over the lease period.

(in thousands of dollars, except where specifically expressed in millions)

Note 7 Capital assets

	2017				
	Land improvements	Buildings and improvements	Equipment, furnishings and software	Property under development	Total
Cost					
Beginning of year	$ 2,802	$ 168,545	$ 37,265	$ 468	$ 209,080
Additions	-	-	774	10,761	11,535
	2,802	168,545	38,039	11,229	220,615
Accumulated amortization					
Beginning of year	2,633	48,994	25,204	-	76,831
Amortization expense	27	3,359	2,536	-	5,922
	2,660	52,353	27,740	-	82,753
Net book value - March 31, 2017	$ 142	$ 116,192	$ 10,299	$ 11,229	$ 137,862

	2016				
	Land improvements	Buildings and improvements	Equipment, furnishings and software	Property under development	Total
Cost					
Beginning of year	$ 2,802	$ 168,105	$ 35,800	$ 259	$ 206,966
Additions	-	440	1,465	468	2,373
Disposals and other adjustments	-	-	-	(259)	(259)
	2,802	168,545	37,265	468	209,080
Accumulated amortization					
Beginning of year	2,587	45,642	22,721	-	70,950
Amortization expense	46	3,352	2,483	-	5,881
	2,633	48,994	25,204	-	76,831
Net book value - March 31, 2016	$ 169	$ 119,551	$ 12,061	$ 468	$ 132,249

Cash flow information	2017	2016
Total capital asset additions	$ 11,535	$ 2,373
Capital assets aquired under capital leases	(45)	-
Change in accounts payable balances related to capital asset additions	(2,755)	(485)
Cash used for capital asset additions	$ 8,735	$ 1,888

Other information

Land is leased from the Government of Canada. The current lease expires on July 31, 2043 and is renewable.

Equipment, furnishings and software includes vehicles, furniture, fixtures, computer hardware, software, and other equipment. Included in the net book value at March 31, 2017 is approximately $45 related to assets under capital leases.

Banff Centre holds permanent collections of both library materials and artwork. Due to the subjective nature of these assets, they are not included in capital assets. There were $8 (2016 - $0) of additions to permanent collections in 2017. As of March 31, 2017, the cumulative historical cost of these assets that has not been capitalized is $1.6 million (2016 - $1.5 million).

(in thousands of dollars, except where specifically expressed in millions)

Note 8 Unearned revenue and deposits

	2017	2016
Deposits for accommodations	$ 2,128	$ 2,278
Other sales and services	886	788
	$ 3,014	$ 3,066

Note 9 Deferred contributions

Deferred contributions are comprised of unexpended externally restricted grants, donations and endowment investment earnings available for spending. Substantially all of the operating deferred contributions and earnings are restricted to support arts and leadership programming in addition to financial assistance for program participants. Other deferred contributions are restricted for capital projects.

	2017			2016
	Operating	Capital	Total	Total
Balance, beginning of year	$ 24,998	$ 1,997	$ 26,995	$ 15,123
Grants and contributions received or receivable:				
Operating	6,181	-	6,181	4,478
Capital	-	2,632	2,632	1,782
Restricted investment earnings recognized through deferred contributions (notes 15 and 17)	3,676	14	3,690	-
Distributed endowment investment earnings (note 15)	-	-	-	1,570
Endowment cumulative undistributed investment earnings reclassified to deferred contributions (note 15)	-	-	-	11,459
Recognized as operating revenue:				
Grants and contributions	(5,117)	(200)	(5,317)	(5,335)
Restricted investment earnings (note 17)	(1,190)	-	(1,190)	(763)
Transfers to fund capital acquisitions (note 10)	-	(2,489)	(2,489)	(1,319)
Balance, end of year	28,548	1,954	30,502	26,995
Current portion of deferred contributions	7,914	-	7,914	4,931
Long-term deferred contributions	$ 20,634	$ 1,954	$ 22,588	$ 22,064

Note 10 Deferred expended capital contributions

Deferred expended capital contributions represent the unamortized contributions and grants received to fund capital acquisitions. The amortization of deferred expended capital contributions is recorded as revenue in the statement of operations. Changes in the deferred expended capital contributions balances are as follows:

	2017	2016
Balance, beginning of year	$ 111,328	$ 114,244
Transferred from deferred contributions to acquire capital assets (note 9)	2,489	1,319
Amortization revenue	(4,306)	(4,235)
Balance, end of year	$ 109,511	$ 111,328

(in thousands of dollars, except where specifically expressed in millions)

Note 11 Loans and borrowings

		2017		2016
Demand operating facility	$	3,260	$	-
Term loan		-		67
Capital leases		41		23
		3,301		90
Less: current portion		3,273		90
Long-term loans and borrowings	$	28	$	-

Banff Centre has borrowing facilities available with Royal Bank of Canada (“RBC”) consisting of a revolving demand facility for general operating requirements and a revolving lease facility for the acquisition of capital assets. Borrowings under the revolving demand facility are available by way of loans and letters of guarantee. The aggregate of the borrowings under the revolving demand facility and lease facility shall not exceed $12.0 million, and the lease facility on its own is capped at $10.0 million. The revolving demand facility bears interest at RBC prime, and any issued and outstanding letters of guarantee are subject to fees. The interest rate and repayment terms on leases are fixed by way of separate agreements at the time of each draw. As at March 31, 2017, the following amounts were drawn or issued and outstanding under the RBC borrowing facilities:

Demand operating facility: $3.3 million (2016 - $0)

Lease facility: $41 (2016 - $0)

Banff Centre also has borrowing facilities available with Canadian Imperial Bank of Commerce (“CIBC”) consisting of a $2.0 million revolving demand facility for general operating requirements and a $0.2 million letter of credit facility available through commercial letters of credit. Borrowings under the revolving demand facility bear interest at CIBC prime, and any issued and outstanding commercial letters of credit are subject to fees. As at March 31, 2017, the following amounts were drawn or issued and outstanding under the CIBC borrowing facilities:

Commercial letters of credit: $75 (2016 - $75)

On February 15, 2017, Banff Centre received approval from the Province of Alberta, by way of an Order in Council, to borrow up to $14.0 million from the Alberta Capital Finance Authority (ACFA) for a term not to exceed 10 years. The purpose of the term loan is to fund renovations to Lloyd Hall, one of Banff Centre’s residence facilities. Any borrowings from ACFA require prior approval from RBC. Negotiations are underway with regard to the specific terms associated with the ACFA term loan, including interest rates and security.

The RBC revolving demand facility is being used to provide bridge financing for the Lloyd Hall renovation project until funding from the ACFA term loan is received, which is expected to be June 15, 2017, subject to negotiations with ACFA and RBC and execution of binding agreements.

Interest expense on debt for the year ended March 31, 2017 was $32 (2016 - $9). Interest expense approximates interest paid for both fiscal years and is included in the institutional support category of functional expense.

(in thousands of dollars, except where specifically expressed in millions)

Note 12 Commitments

In January 2015, Banff Centre entered into a long-term supply arrangement with an electrical utility supplier for its electrical power needs for the period February 1, 2015 to January 31, 2020, at a rate of $0.0489 per kilowatt hour subject to minimum and maximum requirements.

Banff Centre is party to an agreement with Rocky Mountain Cooperative Housing Association (see note 6) under which Banff Centre is committed to the rental of 42 housing units through December 2019. Under this agreement, the monthly rent is approximately $48, with a portion recovered from staff and program participants through short-term rental arrangements. The total of this commitment (before recoveries) over the remainder of the lease term is approximately $1.6 million.

Banff Centre is party to an agreement with YWCA Banff under which Banff Centre is committed to the rental of 13 housing units through August 2017. Under this agreement, the approximate monthly rent is $7, with a portion recovered from staff through short-term rental arrangements. The total of this commitment (before recoveries) over the remainder of the lease term is approximately $28.

Commitments under operating leases are summarized as follows:

2018	$	756
2019		656
2020		437
Subsequently		-
	$	1,849

Note 13 Employee future benefit liabilities

		2017		2016
Share of UAPP pension obligation	$	3,014	$	3,228
Accrued administrative leave		123		63
	$	3,137	$	3,291

Banff Centre participates with other employers in the Public Service Pension Plan (PSPP) and the Universities Academic Pension Plan (UAPP). These pension plans are multi-employer defined benefit plans that provide pensions for Banff Centre's participating employees based on years of service and earnings.

(a) PSPP

As Banff Centre does not have sufficient information on the PSPP to follow the accounting standards for defined benefit plans, the plan is accounted for on a defined contribution basis. Accordingly, pension expense of $1.2 million (2016 - $1.3 million) recorded for the PSPP is comprised of employer contributions to the plan that are required for Banff Centre's employees during the year. Contributions are calculated based on actuarially predetermined amounts that are expected to provide the plan’s future benefits. Pension expense is recorded as a direct cost, together with the related salaries and wages, and is reported in all expense categories in the statement of operations.

An actuarial valuation of the PSPP was carried out as at December 31, 2014, resulting in a deficiency, and was then extrapolated to December 31, 2016. At December 31, 2016, the PSPP reported an actuarial surplus of $303.0 million (2015 - $133.2 million deficit) for the plan as a whole. The PSPP’s deficiency determined by the December 31, 2014 actuarial funding valuation continues to be discharged through additional contributions from both employees and employers until 2026. Other than the requirement to make additional contributions, Banff Centre does not bear any risk related to the PSPP deficiency at December 31, 2014.

(in thousands of dollars, except where specifically expressed in millions)

Note 13 Employee future benefit liabilities (continued)

(b) UAPP

The UAPP is a multi-employer defined benefit pension plan for academic staff members and other eligible employees. An actuarial valuation of the UAPP was carried out at December 31, 2014 and further extrapolated to Banff Centre's year ended March 31, 2017. Banff Centre's share of the benefit liability, which has been allocated based on employer contributions to the plan, is estimated to be $3.0 million at March 31, 2017 (2016 - $3.2 million).

Banff Centre recorded its share of pension expense of $1.2 million (2016 - $1.2 million).

The significant actuarial assumptions used to measure the UAPP accrued benefit obligation for the plan as a whole and Banff Centre's share of the benefit obligation and benefit costs are as follows:

	2017	2016
Accrued benefit obligation at March 31	$ 25,071	$ 24,630
Discount rate	6.00%	6.00%
Benefit costs for years ended March 31	$ 968	$ 866
Discount rate	6.00%	6.00%
Average compensation increase	3.00%	3.00%
Estimated average remaining service life	10.8 yrs	10.8 yrs

The UAPP unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.25% of salaries by the Government of Alberta. Employees and employers share equally the balance of the contributions of 3.54% (2016 - 3.54%) of salaries required to eliminate the unfunded deficiency by December 31, 2043. The Government of Alberta's share of the obligation for the UAPP unfunded deficit at March 31, 2017 is $293.6 million (2016 - $280.5 million).

(c) Administrative leave

Banff Centre provides the President and CEO a paid leave of absence at the end of her administrative appointment, accrued during the period of employment. Upon completion of the term of service, the salary and benefits in effect at that time are paid for the duration of the leave. A lump sum payment may be taken at the end of the appointment with Board approval.

Banff Centre's benefit expense for administrative leave totaled $60 (2016 - $61). The accrued benefit liability at March 31, 2017 is $123 (2016 - $63), with no benefits paid out or forfeited during the current and prior year. No assets are set aside to fund the liability as Banff Centre plans to use its working capital to finance this future obligation.

(in thousands of dollars, except where specifically expressed in millions)

Note 14 Accumulated operating surplus

The changes in accumulated surplus are as follows:

	Unrestricted	UAPP Pension Deficit (note 13)	2017	2016
Accumulated operating surplus (deficit), beginning of year	$ 17,458	$ (3,228)	$ 14,230	$ 13,755
Excess of revenue over expense	1,231	-	1,231	475
UAPP pension benefits adjustment	(214)	214	-	-
Accumulated operating surplus (deficit), end of year	$ 18,475	$ (3,014)	$ 15,461	$ 14,230

Included in accumulated operating surplus is $20.6 million (2016 - $20.8 million) representing the amount of surplus that has been invested in capital assets.

Note 15 Endowments

	2017	2016
Endowments, beginning of year	$ 36,182	$ 45,309
Contributions and other transfers	2,775	3,129
Investment earnings	-	773
Distributions available for spending	-	(1,570)
Cumulative undistributed investment earnings reclassified to deferred contributions (see explanation below)	-	(11,459)
Endowments, end of year	$ 38,957	$ 36,182

Endowments consist of externally restricted donations received by Banff Centre and are managed in accordance with the terms of the agreements between Banff Centre and the inidividual donors. Investment earnings on endowments must be used in accordance with the various purposes established by the donors or Banff Centre's Board of Governors.

Endowment contributions and matching funds from Canadian Heritage under the Endowment Incentives Program on eligible endowment contributions are held by The Banff Centre Foundation and The Banff Canmore Community Foundation (an unrelated public charitable foundation) and managed as permanent endowments for the sole benefit of Banff Centre. The endowment balances held by these foundations are as follows:

	2017	2016
The Banff Centre Foundation	$ 30,817	28,048
The Banff Canmore Community Foundation	8,140	8,134
	$ 38,957	$ 36,182

Note 15 Endowments (continued)

Towards the end of the fiscal year ended March 31, 2016, Banff Centre adopted revised Endowment Management Guidelines, which provide direction for all endowment funds held and restricted for the benefit of Banff Centre. The objectives of these Endowment Management Guidelines are:

To administer endowment funds in compliance with the endowment terms and all laws and regulations governing these funds, including (where applicable) Section 76 the Post-Secondary Learning Act (Alberta), which includes provisions allowing Banff Centre to pool endowment funds for investment purposes and to regulate the distribution of earnings on endowments.

To administer endowments with the intent that annual spending requirements will be met while protecting as much of the purchasing power of the original endowment funds as possible.

To ensure endowment expenditures are made in accordance with all relevant restrictions.

Endowment net assets include all endowment contributions, matching contributions and other amounts designated as such by Banff Centre. Through the revision of the Endowment Management Guidelines adopted late in fiscal 2016, it was clarified that undistributed investment earnings on endowment principal are externally restricted for the purposes intended by the donors rather than permanently endowed. Unless explicitly restricted for endowment, investment earnings in fiscal 2017 and going forward flow directly through deferred contributions. The revised Endowment Management Guidelines were applied to cumulative endowment contributions, and upon adoption in fiscal 2016 a one-time movement of cumulative undistributed investment earnings totaling $11.5 million from endowment net assets to deferred contributions was required.

Under the Post-Secondary Learning Act (Alberta), Banff Centre has the authority to alter the terms and conditions of endowments to enable:

Income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.

Encroachment on the capital of the endowment to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment if, in the opinion of the Board of Governors, the encroachment benefits Banff Centre and does not impair the long-term value of the fund.

(in thousands of dollars, except where specifically expressed in millions)

Note 16 Government grants

		2017		2016
Base operating grant from Alberta Advanced Education	$	17,138	$	16,802
Other Government of Alberta grants:				
Alberta Advanced Education		3,287		3,798
Alberta Culture		160		190
Other ministries		4		-
	$	20,589	$	20,790
Federal and other government grants:				
Government of Canada - Department of Canadian Heritage				
Canada Arts Training Fund	$	1,950	$	1,950
Canada 150		825		-
Canada Arts Presentation Fund		125		125
Canada Cultural Spaces Fund		134		70
Other government grants		288		312
	$	3,322	$	2,457

Note 17 Investment earnings

		2017		2016
Total investment earnings	$	3,808	$	877
Restricted investment earnings recognized through deferred contributions (note 9)		(3,690)		-
Amount recognized as direct increase in net assets		-		(773)
Recognized restricted investment earnings (note 9)		1,190		763
	$	1,308	$	867

(in thousands of dollars, except where specifically expressed in millions)

Note 18 Salaries and employee benefits

The salaries and employee benefit expenses of Banff Centre include:

	2017	2016
Salaries, wages and non-pension benefits	$ 32,507	$ 33,608
Pension benefits	2,373	2,463
	$ 34,880	$ 36,071

The salaries and benefits of the Board of Governors and senior management are as follows:

	2017				2016
	Base Salaries	Other Cash Benefits (1)	Other Non-cash Benefits (2)	Total	Total
Board of Governors (3)	$ -	$ -	$ -	$ -	$ -
President and CEO (4)	300	50	117	467	406
Vice-Presidents:					
Interim Arts and Leadership (5)	197	-	4	201	-
Arts (former) (6)	100	43	29	172	213
Leadership (former)	-	-	-	-	342
Finance and CFO	165	6	47	218	232
Development	167	29	30	226	196
Operations	164	12	30	206	219
Human Resources (7)	164	12	31	207	-
Marketing and Communications (7)	146	7	33	186	-

(1) other cash benefits include earnings such as vacation payouts, bonuses, housing allowances and other lump sum amounts, including retirement and severance payments

(2) other non-cash benefits include Banff Centre's share of all employee benefits and payments made on behalf of employees including pension, administrative and retirement leave, health care, life insurance and disability plans, tuition benefits, taxable travel and other benefits for the use of Banff Centre residences, vehicles and services

(3) the Chair and members of the Board of Governors receive no remuneration for their services

(4) the President and CEO receives administrative leave benefits that have been included in other non-cash benefits

(5) the interim Vice-President of Leadership started in July 2016 and assumed responsibility for Arts in November 2016

(6) the former Vice-President of Arts assumed other duties from November 2016 to March 2017

(7) Human Resources and Marketing and Communications were Director level positions prior to the year ended March 31, 2017

(in thousands of dollars, except where specifically expressed in millions)

Note 19 Budget

Budgeted amounts have been provided for comparative purposes and are derived from Banff Centre's Comprehensive Institutional Plan as approved by the Board of Governors.

Note 20 Expense by object

	2017		2016
	Budget	Actual	Actual
Salaries, wages and benefits (note 18)	$ 34,684	$ 34,880	$ 36,071
Purchased services	5,636	6,771	5,753
Materials, goods and supplies	4,262	4,642	4,221
Scholarships and financial assistance	3,128	2,890	2,394
Facility operations and maintenance	3,521	3,404	2,855
Utilities	1,689	1,511	1,484
Travel, training and related costs	2,172	2,139	2,140
Rentals and equipment	1,022	2,168	1,435
Marketing and recruitment	2,416	1,338	1,093
Financial costs	495	509	618
Amortization of capital assets (note 7)	5,981	5,922	5,881
Loss on disposal of capital assets	-	-	259
	$ 65,006	$ 66,174	$ 64,204

Scholarships and financial assistance include payments to resident artists and program participants for tuition, fees, accommodations and other program related costs.

BANFF CENTRE FOR ARTS AND CREATIVITY
CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018

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Independent Auditor's Report

To The Board of Governors of
The Banff Centre

We have audited the accompanying consolidated financial statements of The Banff Centre, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of operations and changes in net assets, 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 consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Banff Centre as at March 31, 2018, and the results of its operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants
May 25, 2018

BANFF CENTRE FOR ARTS AND CREATIVITY

Consolidated Statement of Financial Position

As at March 31, 2018

(in thousands of dollars)

		2018		2017
Assets				
Current assets				
Cash and cash equivalents	$	14,459	$	9,886
Accounts and grants receivable (note 5)		6,162		3,793
Inventories and prepaid expenses		714		1,420
		21,335		15,099
Notes receivable and deferred charge (note 6)		687		682
Long-term investments (note 3)		58,461		58,629
Capital assets (note 7)		145,421		137,862
	$	225,904	$	212,272
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	$	8,795	$	8,389
Unearned revenue and deposits (note 8)		3,014		3,014
Deferred contributions (note 9)		10,429		7,914
Loans and borrowings (note 11)		1,862		3,273
		24,100		22,590
Loans and borrowings (note 11)		15,996		28
Employee future benefit liabilities (note 12)		2,948		3,137
Long-term deferred contributions (note 9)		19,849		22,588
Deferred expended capital contributions (note 10)		106,360		109,511
		169,253		157,854
Net Assets				
Accumulated operating surplus (note 14)		16,175		15,461
Endowments (note 15)		40,476		38,957
		56,651		54,418
	$	225,904	$	212,272

Contractual obligations (note 13)

The accompanying notes are an integral part of these consolidated financial statements.

Signed on behalf of Board of Governors of The Banff Centre:

Chair, Board of Governors

President and CEO, The Banff Centre

BANFF CENTRE FOR ARTS AND CREATIVITY

Consolidated Statement of Operations and Changes in Net Assets
For the year ended March 31, 2018
(in thousands of dollars)

	Budget 2018	Actual 2018	Actual 2017
Revenue	(Note 20)		
Government of Alberta grants (note 16)	$ 23,233	$ 20,765	$ 20,589
Federal and other government grants (note 16)	3,600	3,605	3,322
Sales, rentals and services	29,145	29,865	29,120
Tuition and related fees	3,242	2,739	2,588
Donations and other grants	6,157	5,391	6,172
Investment earnings (note 17)	4,149	3,203	1,308
Amortization of deferred expended capital contributions (note 10)	4,165	4,247	4,306
	73,691	69,815	67,405
Expense			
Arts and leadership programming (note 22)	28,040	24,062	23,157
Institutional support	15,460	14,379	13,084
Facilities operations and related costs	13,227	14,398	13,413
Ancillary operations	16,866	16,262	16,520
	73,593	69,101	66,174
Excess of revenue over expense	$ 98	714	1,231
Net assets, beginning of year		54,418	50,412
Endowment contributions and other transfers (note 15)		1,519	2,775
Net assets, end of year		$ 56,651	$ 54,418

The accompanying notes are an integral part of these consolidated financial statements.

BANFF CENTRE FOR ARTS AND CREATIVITY

Consolidated Statement of Cash Flows
For the year ended March 31, 2018
(in thousands of dollars)

		2018		2017
Operating Transactions				
Excess of revenue over expense	$	714	$	1,231
Non-cash items:				
Amortization of capital assets (note 7)		6,248		5,922
Amortization of deferred expended capital contributions (note 10)		(4,247)		(4,306)
Change in employee future benefit liabilities		(189)		(154)
Other non-cash adjustments		19		(4)
Change in:				
Accounts and grants receivable		(410)		1,157
Inventories and prepaid expenses		706		(170)
Accounts payable and accrued liabilities		(832)		(498)
Unearned revenue and deposits		-		(52)
Deferred contributions		(4,852)		679
Cash (used in) provided by operating transactions		(2,843)		3,805
Capital Transactions				
Acquisition of capital assets (note 7)		(12,569)		(8,735)
Cash applied to capital transactions		(12,569)		(8,735)
Investing Transactions				
Sales (purchases) of long-term investments, net		359		(2,700)
Realized endowment investment earnings, net of distributions		1,128		979
Other realized restricted investment earnings		134		265
Cash provided by (applied to) investing transactions		1,621		(1,456)
Financing Transactions				
Long-term debenture issuance		14,000		-
Proceeds on sale-leaseback transactions (note 7)		2,587		-
Long-term deferred capital contributions received		2,288		3,274
Endowment contributions and transfers (note 15)		1,519		2,737
Change in demand operating facility		(1,940)		3,260
Long-term loan principal repayments		(90)		(94)
Cash provided by financing transactions		18,364		9,177
Increase in cash and cash equivalents		4,573		2,791
Cash and cash equivalents, beginning of year		9,886		7,095
Cash and cash equivalents, end of year	$	14,459	$	9,886
Cash and cash equivalents, end of year, is comprised of:				
Cash on hand and demand deposits	$	994	$	670
Money market funds and guaranteed investment certificates		13,465		9,216
	$	14,459	$	9,886

The accompanying notes are an integral part of these consolidated financial statements.

Note 1 Authority and purpose

Board of Governors of The Banff Centre (operating as Banff Centre for Arts and Creativity) ("Banff Centre") is a corporation that operates under the Post-Secondary Learning Act (Alberta). Banff Centre is a registered charity, and under section 149 of the Income Tax Act (Canada) is exempt from income tax.

Banff Centre is Canada's largest post graduate arts and leadership training institute that offers a broad range of learning and professional development, with a core emphasis on multi-disciplinary arts education and creation, Indigenous arts and leadership programs, mountain culture, and leadership development.

Note 2 Summary of significant accounting policies and reporting practices

(a) Consolidated financial statements

These financial statements are prepared on a consolidated basis and include the accounts of Banff Centre and The Banff Centre Foundation, which is controlled by Banff Centre and operates exclusively to support the activities of Banff Centre. The Foundation is a registered charity and under section 149 of the Income Tax Act (Canada) is exempt from income tax.

(b) Public sector accounting standards ("PSAS") and use of estimates

These financial statements have been prepared in accordance with PSAS, including the 4200 series of standards. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. Banff Centre's management uses judgment to determine such estimates. The fair value of investments, employee future benefit liabilities, amortization of capital assets, amortization of deferred expended capital contributions, potential impairment of capital assets and accrued liabilities are the most significant items based on estimates. In management's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below.

(c) Valuation of financial assets and liabilities

Banff Centre's financial assets and liabilities are generally measured as follows:

Cash and cash equivalents	Amortized cost
Long term investments, externally managed	Fair value
Long term investments, internally managed	
Equities	Fair value
Other	Amortized cost
Accounts, grants and notes receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loans and borrowings	Amortized cost

Externally managed investments include all funds managed within The Banff Centre Foundation and other foundations managing assets on behalf of Banff Centre. Externally managed investments also include any funds managed within Banff Centre by external investment advisors. Externally managed investments could include equity instruments, bonds, money market funds and other fixed/variable interest investments.

All financial assets measured at amortized cost are tested annually for impairment. When a financial asset is impaired, an impairment loss is recorded. The write-down of a financial asset measured at amortized cost to reflect a loss in value is not reversed for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value. Investment management fees are expensed as incurred. The purchase and sale of cash and cash equivalents and investments are accounted for using trade-date accounting.

Note 2 Summary of significant accounting policies and reporting practices (continued)

(c) Valuation of financial assets and liabilities (continued)

Management evaluates contractual obligations for the existence of embedded derivatives and elects to either designate the entire contract for fair value measurement or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for Banff Centre's normal purchase, sale or usage requirements are not recognized as financial assets or liabilities. Banff Centre does not have any embedded derivatives.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and highly-liquid investments that are readily convertible to cash and have a short maturity of less than three months from the date of acquisition.

(e) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value, being the estimated selling price less the cost to sell. Inventories held for consumption are valued at the lower of cost and replacement value. Cost is calculated principally using the weighted-average cost method.

(f) Capital assets

Purchased capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement and betterment of the assets. The cost of capital assets includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the assets. Capital assets, except for property under development, are amortized on a straight-line basis over the estimated useful lives of the assets as follows:

Land improvements	20 years
Buildings and improvements	50 years
Equipment, furnishings and software	4-15 years

Property under development is not amortized until the project is substantially complete and the asset is placed in service. Assets acquired under capital lease are recorded at the present value of the future minimum lease payments at the inception of the lease excluding any executory costs (e.g., insurance, maintenance costs, etc.) and are amortized on the same basis and under the same terms as the asset categories described above. Contributed capital assets are recorded at fair value when such value can be reasonably determined. Works of art, historical treasures and collections are expensed when acquired and not recognized as capital assets because a reasonable estimate of future benefits associated with such property cannot be made. The cost of these collections is disclosed in note 7.

Capital assets are written down when conditions indicate that they no longer contribute to Banff Centre's ability to provide goods and services, or when the value of future economic benefits associated with the capital assets is less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

(g) Revenue recognition

All revenues are reported using the accrual basis of accounting. Amounts received in advance for tuition, fees, and sales of goods and services are classified as unearned and recognized as revenue at the time the goods are delivered or the services are provided.

Banff Centre follows the deferral method of accounting for contributions and recognizes government grants, donations and other grants as described below.

Note 2 Summary of significant accounting policies and reporting practices (continued)

(g) Revenue recognition (continued)

Donations and non-government grants are received from individuals, corporations and private sector not-for-profit organizations. These funds and government grants may be unrestricted or restricted for operating, endowment or capital purposes.

Unrestricted non-capital contributions are recorded as revenue in the year received or in the year the funds are committed to Banff Centre if the amount can be reasonably estimated and collection is reasonably assured.

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for the purposes designated by external parties.

Externally restricted capital contributions are recorded as deferred contributions until the amounts are invested in capital assets, at which time the amounts are transferred to deferred expended capital contributions.

Deferred expended capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital assets is recorded. The related portions of capital amortization expense and deferred expended capital contributions amortization are matched to indicate that the amortization expense has been funded externally.

Investment earnings include dividend and interest income, realized gains or losses on the sale of investments and unrealized gains and losses on investments.

Any externally restricted contributions containing stipulations that the amounts be retained as net assets or not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes. Any investment earnings attributable to these funds that must be maintained in perpetuity are also recognized as a direct increase in endowment net assets.

Unrealized gains and losses from changes in the fair value of financial instruments with no restriction over the use of investment earnings are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations.

Investment earnings related to investments restricted for endowments are managed in accordance with donor restrictions for their use and recognized as deferred contributions before being recognized in the statement of operations when the funds are expended. Investment earnings associated with other restricted contributions are also recorded as deferred contributions and recognized in the statement of operations when the funds are expended.

In-kind donations of services and materials are recorded at fair value when such value can be reasonably determined. While volunteers contribute a significant amount of time each year to assist Banff Centre, the value of their services is not recognized as revenue and expenses in the financial statements because the fair value cannot be reasonably determined.

(h) Foreign currency translation

Transactions in foreign currencies are translated to Canadian dollars using estimated exchange rates at the dates of the transactions. Carrying values of monetary assets and liabilities and non-monetary items carried at fair value reflect the exchange rates at the consolidated statement of financial position date. Foreign currency differences arising on retranslation are recognized in the consolidated statement of operations.

Note 2 **Summary of significant accounting policies and reporting practices** (continued)

(i) Employee future benefits

Banff Centre participates with other employers in the Public Service Pension Plan (PSPP) and the Universities Academic Pension Plan (UAPP). These pension plans are multi-employer defined benefit pension plans that provide pensions for the employers' participating employees based on years of service and earnings.

Pension expense for the UAPP is actuarially determined using the projected benefit method prorated on service and is allocated to each participant based on the respective percentage of pensionable earnings. Actuarial gains or losses on the accrued benefit obligation are amortized over the expected average remaining service life.

Banff Centre does not have sufficient plan information on the PSPP required to follow the standards for defined benefit accounting. Accordingly, pension expense recorded for the PSPP is comprised of employer contributions to the plan that are required for its employees during the year. The contributions are calculated based on actuarially predetermined amounts that are expected to fund the plan’s future benefits.

(j) Adoption of new accounting standards

Banff Centre has prospectively adopted the following standards from April 1, 2017:

PS 2200 - Related party disclosures defines a related party and identifies disclosures for related parties and related party transactions, including key management personnel and close family members.

PS 3420 - Inter-entity Transactions establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

PS 3210 - Assets provides guidance for applying the definition of assets set out in PS 1000, Financial Statement Concepts, and establishes general disclosure standards for assets.

PS 3320 - Contingent Assets defines and establishes disclosure standards for contingent assets.

PS 3380 - Contractual Rights defines and establishes disclosure standards for contractual rights.

Adoption of these standards did not have a material impact on Banff Centre's consolidated financial statements. Adoption of PS 3420 did not result in a change of accounting policy for the Centre.

(k) Future accounting changes

In June 2015, the Public Sector Accounting Board issued PS 3430 Restructuring transactions. This accounting standard is effective for fiscal years starting on or after April 1, 2018. PS 3430 Restructuring transactions defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction. Management is currently assessing the impact, if any, of this new standard on the consolidated financial statements.

(in thousands of dollars, except where specifically expressed in millions)

Note 3 Long-term investments

	2018	2017
Long-term investments, non-endowment	$ 17,985	$ 19,672
Long-term investments, restricted for endowments	40,476	38,957
	$ 58,461	$ 58,629
Investments at amortized cost:		
Guaranteed investment certificates (GICs)	$ 10,719	$ 6,068
Investments at fair value:		
Cash and cash equivalents held for investment and in brokerage accounts	3,918	3,979
Canadian government bonds	8,360	10,478
Corporate bonds	6,586	7,482
Equity investments	28,878	30,622
	47,742	52,561
	$ 58,461	$ 58,629

See note 4 for explanation of fair value measurements. Investments other than bonds and other fixed income investments are considered Level 1 items where fair value is measured based on quoted prices in active markets for identical investments. Bonds and other fixed income investments included in cash and cash equivalents are Level 2 items where fair value is measured based on market inputs other than quoted prices included in Level 1 that are observable for the investments either directly or indirectly.

Investments at fair value include a pooled fund holding in which The Banff Centre Foundation has an equity interest represented by units in the pooled fund and any distributions from the fund. The pooled fund investment consists of several underlying pooled fund holdings of cash and cash equivalents, Canadian government bonds, corporate bonds and Canadian, U.S. and international equities. The pooled fund holdings have been allocated accordingly to these categories above.

Note 4 Financial risk management

Banff Centre is exposed to a variety of financial risks, including market risks (price risk, currency risk and interest rate risk), credit risk and liquidity risk, primarily in relation to its investments. To manage these risks, Banff Centre invests in a diversified portfolio of investments that is guided by established investment policies that outline risk and return objectives. The long-term objective of Banff Centre's investment policies is to maximize the purchasing power of investment assets after meeting ongoing disbursement requirements. The specific financial objectives include the provision of stable and consistent income to meet the goals of Banff Centre, capital appreciation (without undue risk) such that investments continue to grow over time in real terms, and minimization of risk through diversification.

Banff Centre does not use foreign currency contracts or any other type of derivative financial instruments for trading or speculative purposes.

Banff Centre is exposed to the following risks:

(a) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument, its issuer or general market factors affecting all instruments. To manage this risk for investments, Banff Centre has policies and procedures in place governing asset mix, diversification, exposure limits, credit quality and performance measurement.

Investments are disclosed in note 3. Price risk is most significant in relation to equity investments, where each 1% change in value would have an impact of $289.

(in thousands of dollars, except where specifically expressed in millions)

Note 4 **Financial risk management** (continued)

(b) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The following table provides the carrying value of long-term investments denominated in various currencies and the sensitivity to a 1% change in currency value:

	Carrying value	Impact of 1% change
Canadian denominated investments	$ 40,368	$ -
US denominated investments	9,477	95
Investments denominated in other currencies	8,616	86
	$ 58,461	$ 181

Foreign currency risk for financial instruments other than investments is insignificant.

(c) Interest rate risk

Interest rate risk is the risk to Banff Centre's earnings that arises from the fluctuation and degree of volatility in those rates. Interest rate risk on Banff Centre's loans and borrowings and investments in bonds is insignificant given that rates are primarily fixed over longer terms. Changes in interest rates will, however, impact the market price of bonds. Interest rate risk in relation to other interest bearing instruments, including cash and cash equivalents and GICs, exists given many have variable interest rates and others with fixed rates have relatively short terms to maturity when they may need to be renewed. The carrying value of these instruments, both current and long term, totals $28.1 million, so the impact of each 1% change in interest rates would be $281 annually. This sensitivity ignores the fact that some of these instruments are locked in for longer periods of time, as indicated in the table below.

The maturities of interest-bearing investments held by Banff Centre are as follows:

	< 1 year	1-5 years	> 5 years	Average market yield
	%	%	%	%
Interest bearing accounts	100.0	-	-	1.70
Money market funds	100.0	-	-	1.10
Guaranteed investment certificates	84.9	15.1	-	1.70
Canadian government and corporate bonds	0.8	30.2	69.0	2.60

(d) Credit risk

Banff Centre is exposed to credit risk on investments arising from the potential failure of a counterparty, debtor or issuer to honor its contractual obligations. To manage this risk, Banff Centre has established an investment policy with required minimum credit quality standards and issuer limits.

The credit ratings on investments held by Banff Centre are as follows:

	2018	2017
A or higher	91.0%	89.0%
BBB	9.0%	11.0%

Banff Centre's accounts receivable are subject to normal credit risks due to the nature of Banff Centre's customers and grantors. The carrying values of these receivables reflect management's assessment of the credit risk associated with these customers and grantors.

(in thousands of dollars, except where specifically expressed in millions)

Note 4 Financial risk management (continued)

(e) Liquidity risk

Liquidity risk is the risk that Banff Centre will not be able to meet its financial obligations as they become due. Banff Centre actively manages its liquidity through weekly and longer-term cash outlook and debt management strategies. Banff Centre's policy is to ensure that sufficient resources are available either from cash balances, cash flows or undrawn bank facilities, to ensure all obligations are met as they fall due. As detailed in note 11, Banff Centre has credit facilities, including letters of credit, totalling $14.2 million available to ensure that funds are available to meet current and forecasted financial requirements. At March 31, 2018, $3.9 million (2017 - $3.4 million) was outstanding under these credit facilities.

(f) Fair value

When measuring the fair value of an asset or liability, Banff Centre uses market observable data to the extent possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that Banff Centre can access at the measurement date

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: unobservable inputs for the asset or liability

If the inputs used to measure the fair value of an asset or a liability are categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input (where Level 3 is the lowest) that is significant to the entire measurement. Banff Centre recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Note 5 Accounts and grants receivable

	2018	2017
Trade accounts receivable, net of allowance for doubtful accounts	$ 3,418	$ 2,895
Grant, participant and other receivables	2,744	898
	$ 6,162	$ 3,793

Accounts receivable are unsecured and non-interest bearing. No significant amounts are past due more than 90 days at March 31 of these years.

Note 6 Notes receivable and deferred charge

	2018	2017
Discounted present value of advance to RMCHA	$ 621	$ 593
Accrued interest	26	26
Deferred charge	40	63
	$ 687	$ 682

Banff Centre advanced a total of $673 to Rocky Mountain Cooperative Housing Association (RMCHA) for the right to lease 42 accommodation units. In December 2005, the terms of the notes were modified to discontinue the accrual of interest. The notes are unsecured and repayable in December 2019. Contractual obligations under these operating leases are included in note 13.

The notes receivable are discounted to a present value. The discount is amortized using the effective interest method. The deferred charge is amortized over the lease period.

(in thousands of dollars, except where specifically expressed in millions)

Note 7 Capital assets

			2018		
	Land improvements	Buildings and improvements	Equipment, furnishings and software	Property under development (PUD)	Total
Cost					
Beginning of year	$ 2,802	168,545	38,039	11,229	$ 220,615
Additions	-	-	972	12,835	13,807
PUD transfers	-	21,891	2,004	(23,895)	-
	2,802	190,436	41,015	169	234,422
Accumulated amortization					
Beginning of year	2,660	52,353	27,740	-	82,753
Amortization expense	17	3,655	2,576	-	6,248
	2,677	56,008	30,316	-	89,001
Net book value - March 31, 2018	$ 125	$ 134,428	$ 10,699	$ 169	$ 145,421

			2017		
	Land improvements	Buildings and improvements	Equipment, furnishings and software	Property under development (PUD)	Total
Cost					
Beginning of year	$ 2,802	$ 168,545	$ 37,265	$ 468	$ 209,080
Additions	-	-	774	10,761	11,535
	2,802	168,545	38,039	11,229	220,615
Accumulated amortization					
Beginning of year	2,633	48,994	25,204	-	76,831
Amortization expense	27	3,359	2,536	-	5,922
	2,660	52,353	27,740	-	82,753
Net book value - March 31, 2017	$ 142	$ 116,192	$ 10,299	$ 11,229	$ 137,862

Cash flow information	2018	2017
Total capital asset additions	$ 13,807	$ 11,535
Capital assets aquired under capital leases, excluding sale-leasebacks	-	(45)
Change in accounts payable balances related to capital asset additions	(1,238)	(2,755)
Cash used for capital asset additions	$ 12,569	$ 8,735

Banff Centre entered into two sale-leaseback transactions during the year where the leasebacks constituted capital assets. Proceeds received were as follows:

	2018	2017
Equipment and furnishings	$ 827	$ -
Lloyd Hall furnishings	1,760	-
	$ 2,587	$ -

The capital assets leased back were recognized at their carrying values and the lease liabilities were recognized at the present value of the minimum lease payments. No gains or losses were recognized.

(in thousands of dollars, except where specifically expressed in millions)

Note 7 Capital assets (continued)

Other information

Land is leased from the Government of Canada. The current lease expires on July 31, 2043 and is renewable.

Equipment, furnishings and software includes vehicles, furniture, fixtures, computer hardware, software, other equipment and implementation costs related to software.

Included in the cost of capital assets at March 31, 2018 is approximately $2.6 million (2017 - $45) related to assets under capital leases. The amortization expense related to assets under capital leases for the year ending March 31, 2018 is $0.2 million (2017 - $0). The accumulated amortization at March 31, 2018 includes $0.2 million (2017 - $0) related to assets under capital leases.

The Lloyd Hall renovations were substantially completed in the fiscal year ended March 31, 2018, and, as such, there was a corresponding transfer of $23.3 million from PUD to the following capital asset categories: buildings and improvements and equipment, furnishings and software.

Banff Centre holds permanent collections of both library materials and artwork. Due to the subjective nature of the value of these assets, they are not included in capital assets. There were no additions to permanent collections in 2018 (2017 - $8). As of March 31, 2018, the cumulative historical cost of these assets that has not been capitalized is $1.6 million (2017 - $1.6 million).

Note 8 Unearned revenue and deposits

	2018	2017
Deposits for accommodations	$ 1,842	$ 2,128
Other sales and services	1,172	886
	$ 3,014	$ 3,014

Note 9 Deferred contributions

Deferred contributions are comprised of unexpended externally restricted grants, donations and endowment investment earnings available for spending. Substantially all of the operating deferred contributions and earnings are restricted to support arts and leadership programming in addition to financial assistance for program participants. Other deferred contributions are restricted for capital projects.

	2018			2017
	Operating	Capital	Total	Total
Balance, beginning of year	$ 28,548	1,954	30,502	$ 26,995
Grants and contributions received or receivable	1,850	4,271	6,121	9,442
Restricted investment earnings (note 17)	3,008	36	3,044	3,690
Recognized as operating revenue:				
Grants and contributions	(4,200)	(979)	(5,179)	(5,946)
Restricted investment earnings (note 17)	(3,114)	-	(3,114)	(1,190)
Transfers to fund capital acquisitions (note 10)	-	(1,096)	(1,096)	(2,489)
Balance, end of year	26,092	4,186	30,278	30,502
Current portion of deferred contributions	8,036	2,393	10,429	7,914
Long-term deferred contributions	$ 18,056	$ 1,793	$ 19,849	$ 22,588

(in thousands of dollars, except where specifically expressed in millions)

Note 10 Deferred expended capital contributions

Deferred expended capital contributions represent the unamortized contributions and grants received to fund capital acquisitions. The amortization of deferred expended capital contributions is recorded as revenue in the statement of operations. Changes in the deferred expended capital contributions balances are as follows:

	2018	2017
Balance, beginning of year	$ 109,511	$ 111,328
Transferred from deferred contributions to acquire capital assets (note 9)	1,096	2,489
Amortization revenue	(4,247)	(4,306)
Balance, end of year	$ 106,360	$ 109,511

Note 11 Loans and borrowings

	Maturity	Interest Rate (%)	2018	2017
Debenture payable to Alberta Capital Financing Authority	June 2027	2.06	$ 14,000	$ -
Capital leases	November 2019 - January 2023	2.90 - 3.20	2,538	41
Demand operating facility	On demand	RBC prime	1,320	3,260
			17,858	3,301
Less: current portion			1,862	3,273
Long-term loans and borrowings			$ 15,996	$ 28

On February 15, 2017, Banff Centre received approval from the Province of Alberta, by way of an Order in Council, to borrow up to $14.0 million from the Alberta Capital Finance Authority (ACFA) for a term not to exceed 10 years to fund renovations to Lloyd Hall, one of Banff Centre's residence facilities. On June 15, 2017, the binding agreements were executed and $14.0 million in proceeds were received by Banff Centre. Interest only is payable in the first two years, with principal and interest payable in the eight years thereafter. The debenture is secured by a first priority General Security Agreement (GSA) covering Banff Centre property with the exception of property leased or acquired under the Royal Bank of Canada (RBC) lease facility described below.

Banff Centre has borrowing facilities available from RBC consisting of a revolving demand facility for general operating requirements and a revolving lease facility for the acquisition of capital assets. Borrowings under the revolving demand facility are available by way of loans and letters of guarantee. The aggregate of the borrowings under the revolving demand facility and lease facility shall not exceed $12.0 million, and the lease facility on its own is capped at $10.0 million. The revolving demand facility bears interest at RBC prime, and any issued and outstanding letters of guarantee are subject to fees. The interest rate and repayment terms on leases are fixed by way of separate agreements at the time of each draw. The RBC borrowing facility is secured by property leased or acquired under the facility and a second priority claim on other Banff Centre property. Capital leases and amounts drawn under the RBC facilties are included in the table above. The demand operating facility was used as bridge financing to be replaced by borrowings under the lease facility that were not finalized prior to March 31, 2018.

Banff Centre also has borrowing facilities available with Canadian Imperial Bank of Commerce ("CIBC") consisting of a $2.0 million revolving demand facility for general operating requirements and a $0.2 million letter of credit facility available through commercial letters of credit. Borrowings under the revolving demand facility bear interest at CIBC prime, and any issued and outstanding commercial letters of credit are subject to fees. As at March 31, 2018, commercial letters of credit of $75 (2017 - $75) were issued and outstanding under the CIBC facilities.

Interest expense on loans and borrowings for the year ended March 31, 2018 was $181 (2017 - $32). Interest expense approximates interest paid for both fiscal years and is included in the institutional support category of functional expense.

(in thousands of dollars, except where specifically expressed in millions)

Note 11 Loans and borrowings (continued)

Principal and interest payments are as follows:

	Principal	Interest	Total
2019	$ 1,862	$ 365	$ 2,227
2020	1,369	344	1,713
2021	2,206	301	2,507
2022	2,240	249	2,489
2023	2,025	199	2,224
Thereafter	8,156	426	8,582
	$ 17,858	$ 1,884	$ 19,742

Note 12 Employee future benefit liabilities

	2018	2017
Share of UAPP pension obligation	$ 2,765	$ 3,014
Accrued administrative leave	183	123
	$ 2,948	$ 3,137

Banff Centre participates with other employers in the Public Service Pension Plan (PSPP) and the Universities Academic Pension Plan (UAPP). These pension plans are multi-employer defined benefit plans that provide pensions for Banff Centre's participating employees based on years of service and earnings.

(a) PSPP

As Banff Centre does not have sufficient information on the PSPP to follow the accounting standards for defined benefit plans, the plan is accounted for on a defined contribution basis. Accordingly, pension expense of $1.4 million (2017 - $1.2 million) recorded for the PSPP is comprised of employer contributions to the plan that are required for Banff Centre's employees during the year. Contributions are calculated based on actuarially predetermined amounts that are expected to provide the plan’s future benefits. Pension expense is recorded as a direct cost, together with the related salaries and wages, and is reported in all expense categories in the statement of operations.

An actuarial valuation of the PSPP was carried out as at December 31, 2016 and was then extrapolated to December 31, 2017. At December 31, 2017, the PSPP reported an actuarial surplus of $1,276.0 million for the plan as a whole. The previous actuarial valuation of the PSPP was carried out as at December 31, 2014, resulting in a deficiency, and was then extrapolated to December 31, 2016. At December 31, 2016, the PSPP reported an actuarial surplus of $303.0 million.

(b) UAPP

The UAPP is a multi-employer defined benefit pension plan for academic staff members and other eligible employees. An actuarial valuation of the UAPP was carried out at December 31, 2016 and further extrapolated to Banff Centre's year ended March 31, 2018. Banff Centre's share of the benefit liability, which has been allocated based on employer contributions to the plan, is estimated to be $2.8 million at March 31, 2018 (2017 - $3.0 million). Banff Centre recorded its share of pension expense of $1.1 million (2017 - $1.2 million).

The significant actuarial assumptions used to measure the UAPP accrued benefit obligation for the plan as a whole and Banff Centre's share of the benefit obligation and benefit costs are as follows:

	2018	2017
Accrued benefit obligation at March 31	$ 24,362	$ 25,071
Discount rate	6.00%	6.00%
Benefit costs for years ended March 31	$ 963	$ 968
Discount rate	6.00%	6.00%
Average compensation increase	3.00%	3.00%
Estimated average remaining service life	10.6 yrs	10.8 yrs

(in thousands of dollars, except where specifically expressed in millions)

Note 12 Employee future benefit liabilities (continued)

The UAPP unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.25% of salaries by the Government of Alberta. Employees and employers share equally the balance of the contributions of 2.90% (2017 - 3.54%) of salaries required to eliminate the unfunded deficiency by December 31, 2043. The Government of Alberta's share of the obligation for the UAPP unfunded deficit at March 31, 2018 is $244.2 million (2017 - $293.6 million).

(c) Administrative leave

Banff Centre provides the President and CEO a paid leave of absence at the end of their administrative appointment, accrued during the period of employment. Upon completion of the term of service, the salary and benefits in effect at that time are paid for the duration of the leave. A lump sum payment may be taken at the end of the appointment with Board approval.

Banff Centre's benefit expense for administrative leave totaled $60 (2017 - $60). The accrued benefit liability at March 31, 2018 is $183 (2017 - $123), with no benefits paid out or forfeited during the current and prior year. No assets are set aside to fund the liability as Banff Centre plans to use its working capital to finance this future obligation.

Note 13 Contractual obligations

In January 2015, Banff Centre entered into a long-term supply arrangement with an electrical utility supplier for its electrical power needs for the period February 1, 2015 to January 31, 2020, at a rate of $0.0489 per kilowatt hour subject to minimum and maximum requirements.

Banff Centre is party to an agreement with RMCHA (see note 6) under which Banff Centre is committed to the rental of 42 housing units through December 2019. Under this agreement, the monthly rent is approximately $48, with a portion recovered from staff and program participants through short-term rental arrangements. The total of this contractual obligation (before recoveries) over the remainder of the lease term is approximately $1.0 million.

Banff Centre is party to an agreement with YWCA Banff under which Banff Centre is committed to the rental of 12 housing units through September 2019. Under this agreement, the approximate monthly rent is $8, with a portion recovered from staff through short-term rental arrangements. The total of this contractutal obligation (before recoveries) over the remainder of the lease term is approximately $145.

As disclosed in note 11, Banff Centre also has contractual obligations related to capital leases, which include principal and interest payments due through the year ending March 31, 2023.

Contractual obligations under operating and capital leases are summarized as follows:

	RMCHA & YWCA leases	Other operating leases	Capital leases - principal and interest	Total
2019	$ 670	$ 90	$ 614	$ 1,374
2020	478	15	615	1,108
2021	-	1	600	601
2022	-	-	582	582
2023	-	-	317	317
Total at March 31, 2018	$ 1,148	$ 106	$ 2,728	$ 3,982

(in thousands of dollars, except where specifically expressed in millions)

Note 14 Accumulated operating surplus

The changes in accumulated surplus are as follows:

	Unrestricted	UAPP Pension Deficit (note 12)	2018	2017
Accumulated operating surplus (deficit), beginning of year	$ 18,475	$ (3,014)	$ 15,461	$ 14,230
Excess of revenue over expense	714	-	714	1,231
UAPP pension benefits adjustment	(249)	249	-	-
Accumulated operating surplus (deficit), end of year	$ 18,940	$ (2,765)	$ 16,175	$ 15,461

Included in accumulated operating surplus is $16.7 million (2017 - $20.6 million) representing the amount of surplus that has been invested in capital assets.

Note 15 Endowments

	2018	2017
Endowments, beginning of year	$ 38,957	$ 36,182
Contributions and other transfers	1,519	2,775
Endowments, end of year	$ 40,476	$ 38,957

Endowments, which are permanent, are held for the sole benefit of Banff Centre and consist of externally restricted donations and matching funds from Canadian Heritage under Canada Cultural Investment Fund's Endowment Incentives Component. Included in the endowment balance at March 31, 2018 are cumulative matching funds received through the Endowment Incentives Component of $13.7 million (2017 - $13.0 million). Contributions for the year ending March 31, 2018 include $660 (2017 - $898) of funds received through the matching program.

Endowments are managed in accordance with the terms of the agreements between Banff Centre and the individual donors, with investment earnings used in accordance with the various purposes established by the agreements and Banff Centre's Board of Governors. Endowments are held by The Banff Centre Foundation and The Banff Canmore Community Foundation (an unrelated public charitable foundation), with balances as follows:

	2018	2017
The Banff Centre Foundation	$ 32,336	$ 30,817
The Banff Canmore Community Foundation	8,140	8,140
	$ 40,476	$ 38,957

Under the Post-Secondary Learning Act (Alberta), Banff Centre has the authority to alter the terms and conditions of endowments to enable:

Income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.

Encroachment on the capital of the endowment to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment if, in the opinion of the Board of Governors, the encroachment benefits Banff Centre and does not impair the long-term value of the fund.

(in thousands of dollars, except where specifically expressed in millions)

Note 16 Government grants

	2018	2017
Base operating grant from Alberta Advanced Education	$ 17,481	$ 17,138
Other Government of Alberta grants:		
Alberta Advanced Education	3,062	3,287
Alberta Culture and Tourism	222	160
Other ministries	-	4
	$ 20,765	$ 20,589
Federal and other government grants:		
Government of Canada - Department of Canadian Heritage		
Canada Arts Training Fund	$ 2,200	$ 1,950
Canada 150	950	825
Canada Arts Presentation Fund	125	125
Canada Cultural Spaces Fund	-	134
Celebrate Canada	4	4
Canada Council for the Arts	326	280
Other government grants	-	4
	$ 3,605	$ 3,322

Note 17 Investment earnings

	2018	2017
Total investment earnings	$ 3,133	$ 3,808
Restricted investment earnings added to deferred contributions (note 9)	(3,044)	(3,690)
Restricted investment earnings expended in accordance with donor requirements (note 9)	3,114	1,190
	$ 3,203	$ 1,308

Note 18 Salaries and employee benefits

The salaries and employee benefit expenses of Banff Centre include:

	2018	2017
Salaries, wages and non-pension benefits	$ 33,592	$ 32,507
Pension benefits	2,451	2,373
	$ 36,043	$ 34,880

(in thousands of dollars, except where specifically expressed in millions)

Note 18 Salaries and employee benefits (continued)

The salaries and benefits of the Board of Governors and senior management are as follows:

	2018				2017
	Base Salaries	Other Cash Benefits (1)	Other Non-cash Benefits (2)	Total	Total
Board of Governors (3)	$ -	$ -	$ -	$ -	$ -
President and CEO (4)	300	53	121	474	467
Vice-Presidents:					
Interim Arts and Leadership	280	-	4	284	201
Arts and Leadership (5)	50	-	11	61	-
Arts (former) (6)	-	-	-	-	172
Administration and CFO	182	17	55	254	218
Development	175	29	33	237	226
Operations	170	29	33	232	206
Human Resources	170	24	33	227	207
Marketing, Communications and Board Relations (7)	45		11	56	-
Marketing and Communications (former) (8)	-	-	-	-	186

(1) other cash benefits include earnings such as vacation payouts, variable pay, housing allowances and other lump sum amounts, including retirement and severance payments.

(2) other non-cash benefits include Banff Centre's share of all employee benefits and payments made on behalf of employees including pension, administrative and retirement leave, health care, life insurance and disability plans, tuition benefits, taxable travel and other benefits for the use of Banff Centre residences, vehicles and services.

(3) the Chair and members of the Board of Governors receive no remuneration for their services.

(4) the President and CEO receives administrative leave benefits that have been included in other non-cash benefits.

(5) the Vice President, Arts and Leadership assumed the position in January 2018.

(6) the former Vice-President, Arts assumed other duties from November 2016.

(7) the Vice President, Marketing, Communications and Board Relations assumed the position in January 2018.

(8) the former Vice President, Marketing and Communications resigned in March 2017.

Note 19 Budget

Budgeted amounts have been provided for comparative purposes and are derived from Banff Centre's Comprehensive Institutional Plan as approved by the Board of Governors.

(in thousands of dollars, except where specifically expressed in millions)

Note 20 Expense by object

	2018 Budget	2018 Actual	2017 Actual
Salaries, wages and benefits (note 19)	$ 37,106	$ 36,043	$ 34,880
Purchased services	8,497	6,268	6,771
Materials, goods and supplies	4,712	4,780	4,642
Scholarships and financial assistance	4,392	3,299	2,890
Facility operations and maintenance	3,639	3,608	3,404
Utilities	2,024	1,604	1,511
Travel, training and related costs	2,450	2,226	2,139
Rentals and equipment	1,183	2,187	2,168
Marketing and recruitment	2,151	1,907	1,338
Financial costs	914	931	509
Amortization of capital assets (note 7)	6,525	6,248	5,922
	$ 73,593	$ 69,101	$ 66,174

Scholarships and financial assistance include payments to resident artists and program participants for tuition, fees, accommodations and other program related costs.

Note 21 Related parties

Banff Centre is a related party with organizations within the Government of Alberta reporting entity. Key management personnel and their close family members are also considered related parties. Banff Centre may enter into transactions with these entities and individuals in the normal course of operations and under normal terms.

Note 22 Comparative figures

Certain comparative figures have been reclassified to conform to current year financial statement presentation.

BANFF CENTRE FOR ARTS AND CREATIVITY

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

BANFF CENTRE FOR ARTS AND CREATIVITY

Statement of Management Responsibility
For the year ended March 31, 2019

The consolidated financial statements of Board of Governors of The Banff Centre (operating as Banff Centre for Arts and Creativity) ("Banff Centre") have been prepared by management in accordance with Canadian public sector accounting standards, including the 4200 series of standards. The consolidated financial statements present fairly, in all material respects, the financial position of Banff Centre as at March 31, 2019 and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with these standards.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has developed and maintains a system of internal control designed to provide reasonable assurance that Banff Centre assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the consolidated financial statements.

Banff Centre's Board of Governors is responsible for reviewing and approving the consolidated financial statements, and overseeing management's performance of its financial reporting responsibilities. The Board of Governors carries out its responsibility for review of the consolidated financial statements principally through its Audit and Finance Committee. With the exception of the President and CEO, all members of the Audit and Finance Committee are not employees of Banff Centre. The Audit and Finance Committee meets with management and the external auditors to discuss the results of audit examinations and financial reporting matters. The external auditors have full access to the Audit and Finance Committee, with and without the presence of management.

These consolidated financial statements have been reported on by Deloitte LLP. The Independent Auditor's Report outlines the scope of the audit and provides the audit opinion on the fairness of presentation of the information in the consolidated financial statements.

President and CEO	Vice President, Administration and CFO

Deloitte.

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Independent Auditor's Report

To the Board of Governors of
The Banff Centre

Opinion

We have audited the consolidated financial statements of the Board of Governors of The Banff Centre (the "Centre"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations and changes in net assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2019, and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Deloitte LLP

Chartered Professional Accountants
May 24, 2019

BANFF CENTRE FOR ARTS AND CREATIVITY

Consolidated Statement of Financial Position

As at March 31, 2019

(in thousands of dollars)

		2019		2018
Assets				
Current assets				
Cash and cash equivalents	$	19,333	$	14,459
Accounts and grants receivable (note 5)		2,295		6,162
Note receivable and deferred charge (note 6)		693		-
Inventories and prepaid expenses		1,106		714
		23,427		21,335
Note receivable and deferred charge (note 6)		-		687
Long-term investments (note 3)		56,823		58,461
Capital assets (note 7)		141,157		145,421
	$	221,407	$	225,904
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	$	4,654	$	8,795
Unearned revenue and deposits (note 8)		3,789		3,014
Deferred contributions (note 9)		13,091		10,429
Loans and borrowings (note 11)		3,528		1,862
		25,062		24,100
Loans and borrowings (note 11)		15,232		15,996
Employee future benefit liabilities (note 12)		2,272		2,948
Deferred contributions (note 9)		17,514		19,849
Deferred expended capital contributions (note 10)		102,891		106,360
		162,971		169,253
Net Assets				
Accumulated operating surplus (note 14)		16,950		16,175
Endowments (note 15)		41,486		40,476
		58,436		56,651
	$	221,407	$	225,904

Contractual obligations (note 13)

The accompanying notes are an integral part of these consolidated financial statements.

Signed on behalf of Board of Governors of The Banff Centre:

Chair, Board of Governors

President and CEO, Banff Centre

BANFF CENTRE FOR ARTS AND CREATIVITY

Consolidated Statement of Operations and Changes in Net Assets
For the year ended March 31, 2019
(in thousands of dollars)

	Budget 2019 (Note 19)	Actual 2019	Actual 2018
Revenue			
Government of Alberta grants (note 16)	$ 21,812	$ 21,776	$ 20,765
Federal and other government grants (note 16)	2,608	2,628	3,605
Sales, rentals and services	30,929	31,709	29,865
Tuition and related fees	3,240	2,893	2,739
Donations and other grants	6,834	6,182	5,391
Investment earnings (note 17)	3,237	2,999	3,203
Amortization of deferred expended capital contributions (note 10)	4,208	3,835	4,247
	72,868	72,022	69,815
Expense			
Arts and leadership programming	25,564	24,947	24,062
Institutional support	15,534	14,760	14,379
Facilities operations and related costs	14,633	14,206	14,398
Ancillary operations	17,047	17,334	16,262
	72,778	71,247	69,101
Excess of revenue over expense	$ 90	775	714
Net assets, beginning of year		56,651	54,418
Endowment contributions and other transfers (note 15)		1,010	1,519
Net assets, end of year		$ 58,436	$ 56,651

The accompanying notes are an integral part of these consolidated financial statements.

BANFF CENTRE FOR ARTS AND CREATIVITY

Consolidated Statement of Cash Flows

For the year ended March 31, 2019

(in thousands of dollars)

Operating Transactions		
Excess of revenue over expense	$ 775	$ 714
Non-cash items:		
Amortization of capital assets (note 7)	6,037	6,248
Amortization of deferred expended capital contributions (note 10)	(3,835)	(4,247)
Change in employee future benefit liabilities	(676)	(189)
Other non-cash adjustments	15	19
Change in:		
Accounts and grants receivable	1,863	(410)
Inventories and prepaid expenses	(392)	706
Accounts payable and accrued liabilities	444	(832)
Unearned revenue and deposits	775	-
Deferred contributions	(5,405)	(4,852)
Cash used in operating transactions	(399)	(2,843)
Capital Transactions		
Acquisition of capital assets (note 7)	(5,696)	(12,569)
Cash applied to capital transactions	(5,696)	(12,569)
Investing Transactions		
Sales of long-term investments, net of purchases	2,187	359
Realized endowment investment earnings, net of distributions	1,685	1,128
Other realized restricted investment earnings	341	134
Cash provided by investing transactions	4,213	1,621
Financing Transactions		
Long-term debenture issuance	-	14,000
Proceeds on sale-leaseback transactions (note 7)	1,302	2,587
Long-term deferred capital contributions received	5,506	2,288
Endowment contributions and transfers (note 15)	1,010	1,519
Change in demand operating facility	(200)	(1,940)
Long-term loan principal repayments	(862)	(90)
Cash provided by financing transactions	6,756	18,364
Increase in cash and cash equivalents	4,874	4,573
Cash and cash equivalents, beginning of year	14,459	9,886
Cash and cash equivalents, end of year	$ 19,333	$ 14,459
Cash and cash equivalents, end of year, is comprised of:		
Cash on hand and demand deposits	$ 1,275	$ 994
Money market funds and guaranteed investment certificates	18,058	13,465
	$ 19,333	$ 14,459

The accompanying notes are an integral part of these consolidated financial statements.

Note 1 Authority and purpose

Board of Governors of The Banff Centre (operating as Banff Centre for Arts and Creativity) ("Banff Centre") is a corporation that operates under the Post-Secondary Learning Act (Alberta). Banff Centre is a registered charity, and under section 149 of the Income Tax Act (Canada) is exempt from income tax.

Banff Centre is Canada's largest post graduate arts and leadership training institute that offers a broad range of learning and professional development, with a core emphasis on multi-disciplinary arts education and creation, Indigenous arts and leadership programs, mountain culture, and leadership development.

Note 2 Summary of significant accounting policies and reporting practices

(a) Consolidated financial statements

These financial statements are prepared on a consolidated basis and include the accounts of Banff Centre and The Banff Centre Foundation, which is controlled by Banff Centre and operates exclusively to support the activities of Banff Centre. The Banff Centre Foundation is a registered charity and under section 149 of the Income Tax Act (Canada) is exempt from income tax.

(b) Public sector accounting standards ("PSAS") and use of estimates

These consolidated financial statements have been prepared in accordance with PSAS, including the 4200 series of standards. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. Banff Centre's management uses judgment to determine such estimates. The fair value of investments, employee future benefit liabilities, amortization of capital assets, amortization of deferred expended capital contributions, potential impairment of capital assets and accrued liabilities are the most significant items based on estimates. In management's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below.

(c) Valuation of financial assets and liabilities

Banff Centre's financial assets and liabilities are generally measured as follows:

Cash and cash equivalents	Amortized cost
Long term investments, externally managed	Fair value
Long term investments, internally managed	Cost or amortized cost
Accounts, grants and notes receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loans and borrowings	Amortized cost

Externally managed investments include all funds managed within The Banff Centre Foundation and other foundations managing assets on behalf of Banff Centre. Externally managed investments also include any funds managed within Banff Centre by external investment advisors. Externally managed investments could include equity instruments, bonds, money market funds and other fixed/variable interest investments.

All financial assets measured at cost or amortized cost are tested annually for impairment. When a financial asset is impaired, an impairment loss is recorded. The write-down of a financial asset measured at cost or amortized cost to reflect a loss in value is not reversed for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value. Investment management fees are charged to investment earnings as incurred. The purchase and sale of cash and cash equivalents and investments are accounted for using trade-date accounting.

Note 2 Summary of significant accounting policies and reporting practices (continued)

(c) Valuation of financial assets and liabilities (continued)

Management evaluates contractual obligations for the existence of embedded derivatives and elects to either designate the entire contract for fair value measurement or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for Banff Centre's normal purchase, sale or usage requirements are not recognized as financial assets or liabilities. Banff Centre does not have any embedded derivatives.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and highly-liquid investments that are readily convertible to cash and have a short maturity of less than three months from the date of acquisition.

(e) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value, being the estimated selling price less the cost to sell. Inventories held for consumption are valued at the lower of cost and replacement value. Cost is calculated principally using the weighted-average cost method.

(f) Capital assets

Purchased capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement and betterment of the assets. The cost of capital assets includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the assets. Capital assets, except for property under development, are amortized on a straight-line basis over the estimated useful lives of the assets as follows:

Land improvements	20 years
Buildings and improvements	50 years
Equipment, furnishings and software	4-15 years

Property under development is not amortized until the project is substantially complete and the asset is placed in service. Assets acquired under capital lease are recorded at the present value of the future minimum lease payments at the inception of the lease excluding any executory costs (e.g., insurance, maintenance costs, etc.) and are amortized on the same basis and under the same terms as the asset categories described above. Contributed capital assets are recorded at fair value when such value can be reasonably determined. Works of art, historical treasures and collections are expensed when acquired and not recognized as capital assets because a reasonable estimate of future benefits associated with such property cannot be made. The cost of these collections is disclosed in note 7.

Capital assets are written down when conditions indicate that they no longer contribute to Banff Centre's ability to provide goods and services, or when the value of future economic benefits associated with the capital assets is less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

(g) Revenue recognition

All revenues are reported using the accrual basis of accounting. Amounts received in advance for tuition, fees, and sales of goods and services are classified as unearned and recognized as revenue at the time the goods are delivered or the services are provided.

Banff Centre follows the deferral method of accounting for contributions and recognizes government grants, donations and other grants as described below.

Note 2 Summary of significant accounting policies and reporting practices (continued)

(g) Revenue recognition (continued)

Donations and non-government grants are received from individuals, corporations and private sector not-for-profit organizations. These funds and government grants may be unrestricted or restricted for operating, endowment or capital purposes.

Unrestricted non-capital contributions are recorded as revenue in the year received or in the year the funds are committed to Banff Centre if the amount can be reasonably estimated and collection is reasonably assured.

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for the purposes designated by external parties.

Externally restricted capital contributions are recorded as deferred contributions until the amounts are invested in capital assets, at which time the amounts are transferred to deferred expended capital contributions.

Deferred expended capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital assets is recorded. The related portions of capital amortization expense and deferred expended capital contributions amortization are matched to indicate that the amortization expense has been funded externally.

Investment earnings include dividend and interest income, realized gains or losses on the sale of investments and unrealized gains and losses on investments.

Any externally restricted contributions containing stipulations that the amounts be retained as net assets or not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes. Any investment earnings attributable to these funds that must be maintained in perpetuity are also recognized as a direct increase in endowment net assets.

Unrealized gains and losses from changes in the fair value of financial instruments with no restriction over the use of investment earnings are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the consolidated statement of operations.

Investment earnings related to investments restricted for endowments are managed in accordance with donor restrictions for their use and recognized as deferred contributions before being recognized in the consolidated statement of operations when the funds are expended. Investment earnings associated with other restricted contributions are also recorded as deferred contributions and recognized in the consolidated statement of operations when the funds are expended.

In-kind donations of services and materials are recorded at fair value when such value can be reasonably determined. While volunteers contribute a significant amount of time each year to assist Banff Centre, the value of their services is not recognized as revenue and expenses in the consolidated financial statements because the fair value cannot be reasonably determined.

(h) Foreign currency translation

Transactions in foreign currencies are translated to Canadian dollars using estimated exchange rates at the dates of the transactions. Carrying values of monetary assets and liabilities and non-monetary items carried at fair value reflect the exchange rates at the consolidated statement of financial position date. Foreign currency differences arising on retranslation are recognized in the consolidated statement of operations.

(i) Employee future benefits

Banff Centre participates with other employers in the Public Service Pension Plan (PSPP) and the Universities Academic Pension Plan (UAPP). These pension plans are multi-employer defined benefit pension plans that provide pensions for the employers' participating employees based on years of service and earnings.

(in thousands of dollars, except where specifically expressed in millions)

Note 2 Summary of significant accounting policies and reporting practices (continued)

(i) Employee future benefits (continued)

Pension expense for the UAPP is actuarially determined using the projected benefit method prorated on service and is allocated to each participant based on the respective percentage of pensionable earnings. Actuarial gains or losses on the accrued benefit obligation are amortized over the expected average remaining service life.

Banff Centre does not have sufficient plan information on the PSPP required to follow the standards for defined benefit accounting. Accordingly, pension expense recorded for the PSPP is comprised of employer contributions to the plan that are required for its employees during the year. The contributions are calculated based on actuarially predetermined amounts that are expected to fund the plan's future benefits.

(j) Adoption of new accounting standards

On April 1, 2018, Banff Centre prospectively adopted PS 3430 Restructuring Transactions. This accounting standard defines and establishes disclosure requirements for restructuring transactions. The adoption of this standard did not impact the consolidated financial statements.

(k) Future accounting changes

In August 2018, the Public Sector Accounting Board issued PS 3280 Asset Retirement Obligations. This accounting standard is effective for fiscal years starting on or after April 1, 2021 and provides guidance on how to account for and report a liability for retirement of a tangible capital asset.

In November 2018, the Public Sector Accounting Board issued PS 3400 Revenue. This accounting standard is effective for fiscal years starting on or after April 1, 2022 and provides guidance on how to account for and report on revenue, specifically addressing revenue arising from exchange transactions and unilateral transactions.

Management is currently assessing the impact, if any, of these new standards on the consolidated financial statements.

Note 3 Long-term investments

	2019	2018
Long-term investments, non-endowment	$ 15,337	$ 17,985
Long-term investments, restricted for endowments	41,486	40,476
	$ 56,823	$ 58,461
Investments at cost or amortized cost:		
Guaranteed investment certificates (GICs)	$ 5,769	$ 10,719
Alternative investments	627	-
	6,396	10,719
Investments at fair value:		
Cash and cash equivalents held for investment and in brokerage accounts	3,759	3,918
Canadian government bonds	8,743	8,360
Corporate bonds	6,812	6,586
Equity investments	31,113	28,878
	50,427	47,742
	$ 56,823	$ 58,461

Note 3 Long-term investments (continued)

Alternative investments include an insurance policy that was donated in December 2018, where The Banff Centre Foundation has been designated as the beneficiary. A third party valuation was the basis for determining its initial measurement at fair value to approximate cost. The donation was treated as a non-cash transaction on the statement of cash flows.

Investments at fair value include a pooled fund holding in which The Banff Centre Foundation has an equity interest represented by units in the pooled fund and any distributions from the fund. The pooled fund investment consists of several underlying pooled fund holdings of cash and cash equivalents, Canadian government bonds, corporate bonds and Canadian, U.S. and international equities. The pooled fund holdings have been allocated accordingly to the categories in the table above.

See note 4(f) for explanation of fair value measurements. Investments other than bonds and other fixed income investments are considered Level 1 items where fair value is measured based on quoted prices in active markets for identical investments. Bonds and other fixed income investments included in cash and cash equivalents are Level 2 items where fair value is measured based on market inputs other than quoted prices included in Level 1 that are observable for the investments either directly or indirectly.

Note 4 Financial risk management

Banff Centre is exposed to a variety of financial risks, including market risks (price risk, currency risk and interest rate risk), credit risk and liquidity risk, primarily in relation to its investments. To manage these risks, Banff Centre invests in a diversified portfolio of investments that is guided by established investment policies that outline risk and return objectives. The long-term objective of Banff Centre's investment policies is to maximize the return on investment assets after meeting ongoing disbursement requirements. The specific financial objectives include the provision of stable and consistent income to meet the goals of Banff Centre, capital appreciation (without undue risk) such that investments continue to grow over time in real terms, and minimization of risk through diversification.

Banff Centre does not use foreign currency contracts or any other type of derivative financial instruments for trading or speculative purposes.

Banff Centre is exposed to the following risks:

(a) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument, its issuer or general market factors affecting all instruments. To manage this risk for investments, Banff Centre has policies and procedures in place governing asset mix, diversification, exposure limits, credit quality and performance measurement.

Investments are disclosed in note 3. Price risk is most significant in relation to equity investments, where each 1% change in value would have an impact of $311.

(in thousands of dollars, except where specifically expressed in millions)

Note 4 Financial risk management (continued)

(b) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The following table provides the carrying value of long-term investments denominated in various currencies and the sensitivity to a 1% change in currency value:

		Carrying value	Impact of 1% change
Canadian denominated investments	$	37,145	-
US denominated investments		10,504	105
Investments denominated in other currencies		9,174	92
	$	56,823	197

Foreign currency risk for financial instruments other than investments is insignificant.

(c) Interest rate risk

Interest rate risk is the risk to Banff Centre's earnings that arises from the fluctuation and degree of volatility in those rates. Interest rate risk on Banff Centre's loans and borrowings and investments in bonds is insignificant given that rates are primarily fixed over longer terms. Changes in interest rates will, however, impact the market price of bonds. Interest rate risk in relation to other interest bearing instruments, including cash and cash equivalents and GICs, exists given many have variable interest rates and others with fixed rates have relatively short terms to maturity when they may need to be renewed. The carrying value of these instruments, both current and long term, totals $27.6 million, so the impact of each 1% change in interest rates would be $276 annually. This sensitivity ignores the fact that some of these instruments are locked in for longer periods of time, as indicated in the table below.

The maturities of interest-bearing investments held by Banff Centre are as follows:

	< 1 year	1-5 years	> 5 years	Average market yield
	%	%	%	%
Interest bearing accounts	100.0	-	-	1.7
Money market funds	100.0	-	-	1.7
Guaranteed investment certificates	93.2	6.8	-	2.4
Canadian government and corporate bonds	0.9	39.0	60.1	2.4

(d) Credit risk

Banff Centre is exposed to credit risk on investments arising from the potential failure of a counterparty, debtor or issuer to honor its contractual obligations. To manage this risk, Banff Centre has established an investment policy with required minimum credit quality standards and issuer limits.

The credit ratings on investments held by Banff Centre are as follows:

	2019	2018
A or higher	89.8%	91.0%
BBB	10.2%	9.0%

Banff Centre's accounts receivable are subject to normal credit risks due to the nature of Banff Centre's customers and grantors. The carrying values of these receivables reflect management's assessment of the credit risk associated with these customers and grantors.

(in thousands of dollars, except where specifically expressed in millions)

Note 4 Financial risk management (continued)

(e) Liquidity risk

Liquidity risk is the risk that Banff Centre will not be able to meet its financial obligations as they become due. Banff Centre actively manages its liquidity through weekly and longer-term cash outlook and debt management strategies. Banff Centre's policy is to ensure that sufficient resources are available either from cash balances, cash flows or undrawn bank facilities, to ensure all obligations are met as they fall due. As detailed in note 11, Banff Centre has credit facilities, including letters of credit, totalling $14.2 million available to ensure that funds are available to meet current and forecasted financial requirements. At March 31, 2019, $4.8 million (2018 - $3.9 million) was outstanding under these credit facilities.

(f) Fair value

When measuring the fair value of an asset or liability, Banff Centre uses market observable data to the extent possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that Banff Centre can access at the measurement date

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: unobservable inputs for the asset or liability

If the inputs used to measure the fair value of an asset or a liability are categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input (where Level 3 is the lowest) that is significant to the entire measurement. Banff Centre recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Note 5 Accounts and grants receivable

	2019	2018
Trade accounts receivable, net of allowance for doubtful accounts	$ 1,872	$ 3,418
Grant, participant and other receivables	423	2,744
	$ 2,295	$ 6,162

Accounts receivable are unsecured and non-interest bearing. No significant amounts are past due more than 90 days at March 31 of the current and prior year.

Note 6 Note receivable and deferred charge

	2019	2018
Discounted present value of advance to RMCHA	$ 650	$ 621
Accrued interest	26	26
Deferred charge	17	40
Balance, end of year	693	687
Current portion of note receivable and deferred charge	693	-
Long-term note receivable and deferred charge	$ -	$ 687

Banff Centre advanced a total of $673 to Rocky Mountain Cooperative Housing Association (RMCHA) for the right to lease 42 accommodation units. In December 2005, the terms of the notes were modified to discontinue the accrual of interest. The notes are unsecured and repayable in December 2019. Contractual obligations under this lease are included in note 13.

The notes receivable are discounted to a present value. The discount is amortized using the effective interest method. The deferred charge is amortized over the lease period.

(in thousands of dollars, except where specifically expressed in millions)

Note 7 Capital assets

2019

	Land improvements	Buildings and improvements	Equipment, furnishings and software	Property under development (PUD)	Total
Cost					
Beginning of year	$ 2,802	190,436	41,015	169	234,422
Additions	-	288	671	1,252	2,211
Adjustments	-	(438)	-	-	(438)
Disposals	-	-	(1,201)	-	(1,201)
	2,802	190,286	40,485	1,421	234,994
Accumulated amortization					
Beginning of year	2,677	56,008	30,316	-	89,001
Amortization expense	17	3,796	2,224	-	6,037
Disposals	-	-	(1,201)	-	(1,201)
	2,694	59,804	31,339	-	93,837
Net book value - March 31, 2019	$ 108	$ 130,482	$ 9,146	$ 1,421	$ 141,157

2018

	Land improvements	Buildings and improvements	Equipment, furnishings and software	Property under development (PUD)	Total
Cost					
Beginning of year	$ 2,802	168,545	38,039	11,229	$ 220,615
Additions	-	-	972	12,835	13,807
PUD transfers	-	21,891	2,004	(23,895)	-
	2,802	190,436	41,015	169	234,422
Accumulated amortization					
Beginning of year	2,660	52,353	27,740	-	82,753
Amortization expense	17	3,655	2,576	-	6,248
	2,677	56,008	30,316	-	89,001
Net book value - March 31, 2018	$ 125	$ 134,428	$ 10,699	$ 169	$ 145,421

Cash flow information	2019	2018
Total capital asset additions	$ 2,211	$ 13,807
Capital assets acquired under capital lease facility, excluding sale-leasebacks	(662)	-
Change in accounts payable balances related to capital asset additions	4,147	(1,238)
Cash used for capital asset additions	$ 5,696	$ 12,569

Banff Centre enters into sale-leaseback transactions where the leasebacks constitute capital assets. Proceeds received were as follows:

	2019	2018
Equipment and furnishings	$ -	$ 827
Lloyd Hall furnishings	-	1,760
Sally Borden Building improvements	388	-
Information technology and systems infrastructure	914	-
	$ 1,302	$ 2,587

The capital assets leased back were recognized at their carrying values and the lease liabilities were recognized at the present value of the minimum lease payments. No gains or losses were recognized.

(in thousands of dollars, except where specifically expressed in millions)

Note 7 Capital assets (continued)

Other information

Land is leased from the Government of Canada. The current lease expires on July 31, 2043 and is renewable.

Equipment, furnishings and software includes vehicles, furniture, fixtures, computer hardware, software, other equipment and implementation costs related to software.

Included in the cost of capital assets at March 31, 2019 is approximately $3.9 million (2018 - $2.6 million) related to assets under capital leases. The amortization expense related to assets under capital leases for the year ended March 31, 2019 was $0.6 million (2018 - $0.2 million). The accumulated amortization at March 31, 2019 includes $0.8 million (2018 - $0.2 million) related to assets under capital leases.

The Lloyd Hall renovations were substantially completed in the fiscal year ended March 31, 2018, and, as such, there was a corresponding transfer of $23.3 million from PUD to the following capital asset categories: buildings and improvements and equipment, furnishings and software. In the year ended March 31, 2019, the cost of buildings and improvements was reduced by $438 to account for the settlement of a legal dispute that reduced the cost of the Lloyd Hall renovations.

Banff Centre holds permanent collections of both library materials and artwork. Due to the subjective nature of the value of these assets, they are not included in capital assets. There were $6 in additions to permanent collections in 2019 (2018 - $0). As of March 31, 2019, the cumulative historical cost of these assets that has not been capitalized is $1.6 million (2018 - $1.6 million).

Note 8 Unearned revenue and deposits

	2019	2018
Deposits for accommodations	$ 2,703	$ 1,842
Other sales and services	1,086	1,172
	$ 3,789	$ 3,014

Note 9 Deferred contributions

Deferred contributions are comprised of unexpended externally restricted grants, donations and endowment investment earnings available for spending. Substantially all of the operating deferred contributions and earnings are restricted to support arts and leadership programming in addition to financial assistance for program participants. Other deferred contributions are restricted for capital and maintenance projects.

	2019			2018
	Operating	Capital/ Maintenance	Total	Total
Balance, beginning of year	$ 26,092	4,186	30,278	$ 30,502
Grants and contributions received or receivable	3,187	3,523	6,710	6,121
Restricted investment earnings (note 17)	3,305	108	3,413	3,044
Recognized as operating revenue:				
Grants and contributions	(4,774)	(1,814)	(6,588)	(5,179)
Restricted investment earnings (note 17)	(2,842)	-	(2,842)	(3,114)
Transfers to fund capital acquisitions (note 10)	-	(366)	(366)	(1,096)
Balance, end of year	24,968	5,637	30,605	30,278
Current portion of deferred contributions	8,302	4,789	13,091	10,429
Long-term deferred contributions	$ 16,666	$ 848	$ 17,514	$ 19,849

(in thousands of dollars, except where specifically expressed in millions)

Note 10 Deferred expended capital contributions

Deferred expended capital contributions represent the unamortized contributions and grants received to fund capital acquisitions. The amortization of deferred expended capital contributions is recorded as revenue in the consolidated statement of operations. Changes in the deferred expended capital contributions balances are as follows:

	2019	2018
Balance, beginning of year	$ 106,360	$ 109,511
Transferred from deferred contributions to acquire capital assets (note 9)	366	1,096
Amortization revenue	(3,835)	(4,247)
Balance, end of year	$ 102,891	$ 106,360

Note 11 Loans and borrowings

	Maturity	Interest Rate (%)	2019	2018
Debenture payable to Alberta Capital Financing Authority	June 2027	2.06	$ 14,000	$ 14,000
Capital lease facility				
Capital leases	November 2019 - March 2023	2.90 - 3.25	2,978	2,538
Progress payment advances	On demand	RBC prime	662	-
Demand operating facility	On demand	RBC prime	1,120	1,320
			18,760	17,858
Current portion of loans and borrowings			3,528	1,862
Long-term loans and borrowings			$ 15,232	$ 15,996

In June 2017, Banff Centre borrowed $14.0 million from the Alberta Capital Finance Authority (ACFA) to fund renovations to Lloyd Hall, one of Banff Centre's residence facilities. Until June 15, 2019, only interest is payable, with principal and interest payable in the eight years thereafter. The debenture is secured by a first priority General Security Agreement (GSA) covering Banff Centre property with the exception of property leased or acquired under the Royal Bank of Canada (RBC) lease facility described below.

Banff Centre has borrowing facilities available from RBC consisting of a revolving demand facility for general operating requirements and a revolving lease facility for the acquisition of capital assets. Borrowings under the revolving demand facility are available by way of loans and letters of guarantee. The aggregate of the borrowings under the revolving demand facility and lease facility shall not exceed $12.0 million, and the lease facility on its own is capped at $10.0 million. The revolving demand facility bears interest at RBC prime, and any issued and outstanding letters of guarantee are subject to fees. The interest rate and repayment terms on leases are fixed by way of separate agreements at the time each lease is executed. Progress payment advances on leases are due on demand and bear interest at RBC prime. The RBC borrowing facility is secured by property leased or acquired under the facility and a second priority claim on other Banff Centre property. Capital leases and amounts drawn under the RBC facilities are included in the table above. The demand operating facility was used as bridge financing in the current and prior year to be replaced by borrowings under the lease facility that were not finalized prior to the fiscal year end.

Banff Centre also has borrowing facilities available with Canadian Imperial Bank of Commerce ("CIBC") consisting of a $2.0 million revolving demand facility for general operating requirements and a $0.2 million letter of credit facility available through commercial letters of credit. Borrowings under the revolving demand facility bear interest at CIBC prime, and any issued and outstanding commercial letters of credit are subject to fees. As at March 31, 2019, commercial letters of credit of $75 (2018 - $75) were issued and outstanding under the CIBC facilities.

Interest expense on loans and borrowings for the year ended March 31, 2019 was $407 (2018 - $181). Interest expense approximates interest paid for both fiscal years and is included in the institutional support category of functional expense.

(in thousands of dollars, except where specifically expressed in millions)

Note 11 Loans and borrowings (continued)

Principal and interest payments are due as follows:

	Principal	Interest	Total
2020	$ 3,528	$ 383	$ 3,911
2021	2,596	315	2,911
2022	2,373	253	2,626
2023	2,107	201	2,308
2024	1,748	159	1,907
Thereafter	6,408	267	6,675
	$ 18,760	$ 1,578	$ 20,338

Note 12 Employee future benefit liabilities

	2019	2018
Share of UAPP pension obligation	$ 2,030	$ 2,765
Accrued administrative leave	242	183
	$ 2,272	$ 2,948

Banff Centre participates with other employers in the Public Service Pension Plan (PSPP) and the Universities Academic Pension Plan (UAPP). These pension plans are multi-employer defined benefit plans that provide pensions for Banff Centre's participating employees based on years of service and earnings.

(a) PSPP

As Banff Centre does not have sufficient information on the PSPP to follow the accounting standards for defined benefit plans, the plan is accounted for on a defined contribution basis. Accordingly, pension expense of $1.3 million (2018 - $1.4 million) recorded for the PSPP is comprised of employer contributions to the plan that are required for Banff Centre's employees during the year. Contributions are calculated based on actuarially predetermined amounts that are expected to provide the plan's future benefits. Pension expense is recorded as a direct cost, together with the related salaries and wages, and is reported in all expense categories in the consolidated statement of operations.

An actuarial valuation of the PSPP was carried out as at December 31, 2017 and was then extrapolated to December 31, 2018. At December 31, 2018, the PSPP reported an actuarial surplus of $519.0 million for the plan as a whole. The previous actuarial valuation of the PSPP was carried out as at December 31, 2016 and was then extrapolated to December 31, 2017. At December 31, 2017, the PSPP reported an actuarial surplus of $1,276.0 million for the plan as a whole.

(b) UAPP

The UAPP is a multi-employer defined benefit pension plan for academic staff members and other eligible employees. An actuarial valuation of the UAPP was carried out at December 31, 2016 and further extrapolated to March 31, 2019. Banff Centre's share of the benefit liability, which has been allocated based on employer contributions to the plan, is estimated to be $2.0 million at March 31, 2019 (2018 - $2.8 million). Banff Centre recorded its share of pension expense of $0.8 million (2018 - $1.1 million).

The significant actuarial assumptions used to measure the UAPP accrued benefit obligation for the plan as a whole and Banff Centre's share of the benefit obligation and benefit costs are as follows:

	2019	2018
Accrued benefit obligation at March 31	$ 30,476	$ 24,362
Discount rate	5.60%	6.00%
Benefit costs for years ended March 31	$ 902	$ 963
Discount rate	5.60%	6.00%
Average compensation increase	3.00%	3.00%
Estimated average remaining service life	10.6 yrs	10.6 yrs

(in thousands of dollars, except where specifically expressed in millions)

Note 12 Employee future benefit liabilities (continued)

The UAPP unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.25% of salaries by the Government of Alberta. Employees and employers share equally the balance of the contributions of 2.90% (2018 - 2.90%) of salaries required to eliminate the unfunded deficiency by December 31, 2043. The Government of Alberta's share of the obligation for the UAPP unfunded deficit at March 31, 2019 is $258.6 million (2018 - $244.2 million).

(c) Administrative leave

Banff Centre provides the President and CEO a paid leave of absence at the end of their administrative appointment, accrued during the period of employment. Upon completion of the term of service, the salary and benefits in effect at that time are paid for the duration of the leave. A lump sum payment may be taken at the end of the appointment with Board approval.

Banff Centre's benefit expense for administrative leave totaled $60 (2018 - $60). The accrued benefit liability at March 31, 2019 is $243 (2018 - $183), with no benefits paid out or forfeited during the current and prior year. No assets are set aside to fund the liability as Banff Centre plans to use its working capital to finance this future obligation.

Note 13 Contractual obligations

In January 2015, Banff Centre entered into a long-term supply arrangement with an electrical utility supplier for its electrical power needs for the period February 1, 2015 to January 31, 2020, at a rate of $0.0489 per kilowatt hour subject to minimum and maximum requirements.

Banff Centre is party to an agreement with RMCHA (see note 6) under which Banff Centre is committed to the rental of 42 housing units through December 2019. Under this agreement, the monthly rent is approximately $48, with a portion recovered from staff and program participants through short-term rental arrangements. The total of this contractual obligation (before recoveries) over the remainder of the lease term is approximately $429.

Banff Centre is party to an agreement with YWCA Banff under which Banff Centre is committed to the rental of 12 housing units through September 2019. Under this agreement, the approximate monthly rent is $8, with a portion recovered from staff through short-term rental arrangements. The total of this contractual obligation (before recoveries) over the remainder of the lease term is approximately $49.

Banff Centre is party to a software as a service agreement with Campus Management Corporation under which Banff Centre is committed to the use of the software through January 2024.

As disclosed in note 11, Banff Centre also has contractual obligations related to capital leases, which include principal and interest payments due through the year ending March 31, 2023.

Contractual obligations are summarized as follows:

	RMCHA & YWCA leases	Software as a service contract	Capital leases - principal and interest	Total
2020	$ 478	177	1,018	$ 1,673
2021	-	177	1,003	1,180
2022	-	177	719	896
2023	-	177	401	578
2024	-	147	-	147
Total at March 31, 2019	$ 478	$ 855	$ 3,141	$ 4,474

(in thousands of dollars, except where specifically expressed in millions)

Note 14 Accumulated operating surplus

The changes in accumulated operating surplus are as follow

		Unrestricted		UAPP Pension Deficit (note 12)		2019		2018
Accumulated operating surplus (deficit), beginning of year	$	18,940	$	(2,765)	$	16,175	$	15,461
Excess of revenue over expense		775		-		775		714
UAPP pension benefits adjustment		(735)		735		-		-
Accumulated operating surplus (deficit), end of year	$	18,980		(2,030)	$	16,950	$	16,175

Included in accumulated operating surplus is $19.1 million (2018 - $16.7 million) representing the amount of surplus that has been invested in capital assets.

Note 15 Endowments

		2019		2018
Endowments, beginning of year	$	40,476	$	38,957
Contributions and other transfers		1,010		1,519
Endowments, end of year	$	41,486	$	40,476

Endowments, which are permanent, are held for the sole benefit of Banff Centre and consist of externally restricted donations and matching funds from Canadian Heritage under Canada Cultural Investment Fund's Endowment Incentives Component. Included in the endowment balance at March 31, 2019 are cumulative matching funds received through the Endowment Incentives Component of $14.2 million (2018 - $13.7 million). Contributions for the year ended March 31, 2019 include $451 (2018 - $660) of funds received through the matching program.

Endowments are managed in accordance with the terms of the agreements between Banff Centre and the individual donors, with investment earnings used in accordance with the various purposes established by the agreements and Banff Centre's Board of Governors. Endowments are held by The Banff Centre Foundation and Banff Canmore Community Foundation (an unrelated public charitable foundation), with balances as follows:

		2019		2018
The Banff Centre Foundation	$	33,346	$	32,336
Banff Canmore Community Foundation		8,140		8,140
	$	41,486	$	40,476

Under the Post-Secondary Learning Act (Alberta), Banff Centre has the authority to alter the terms and conditions of endowments to enable: (1) income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment, and (2) encroachment on the capital of the endowment to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment if, in the opinion of the Board of Governors, the encroachment benefits Banff Centre and does not impair the long-term value of the fund.

(in thousands of dollars, except where specifically expressed in millions)

Note 16 Government grants

	2019	2018
Base operating grant from Alberta Advanced Education	$ 17,830	$ 17,481
Other Government of Alberta grants:		
Alberta Advanced Education	3,779	3,062
Alberta Culture and Tourism	167	222
	$ 21,776	$ 20,765
Federal government grants:		
Government of Canada - Department of Canadian Heritage		
Canada Arts Training Fund	$ 2,200	$ 2,200
Canada 150	-	950
Canada Arts Presentation Fund	125	125
Celebrate Canada	4	4
Canada Council for the Arts	299	326
	$ 2,628	$ 3,605

Note 17 Investment earnings

	2019	2018
Total investment earnings	$ 3,570	$ 3,133
Restricted investment earnings added to deferred contributions (note 9)	(3,413)	(3,044)
Restricted investment earnings expended in accordance with donor requirements (note 9)	2,842	3,114
	$ 2,999	$ 3,203

Note 18 Salaries, wages and employee benefits

The salaries, wages and employee benefit expenses of Banff Centre include:

	2019	2018
Salaries, wages and non-pension benefits	$ 36,183	$ 33,592
Pension benefits	2,113	2,451
	$ 38,296	$ 36,043

Note 19 Budget

Budgeted amounts have been provided for comparative purposes and are derived from Banff Centre's Comprehensive Institutional Plan as approved by the Board of Governors.

(in thousands of dollars, except where specifically expressed in millions)

Note 20 Expense by object

		2019				2018
		Budget		Actual		Actual
Salaries, wages and benefits (note 18)	$	37,697	$	38,296	$	36,043
Purchased services		6,068		6,092		6,268
Materials, goods and supplies		5,242		4,668		4,780
Scholarships and financial assistance		4,290		3,900		3,299
Facility operations and maintenance		4,475		3,505		3,608
Utilities		1,957		1,716		1,604
Travel, training and related costs		2,004		2,178		2,226
Rentals and equipment		1,964		2,539		2,187
Marketing and recruitment		1,486		1,303		1,907
Financial costs		855		1,013		931
Amortization of capital assets (note 7)		6,740		6,037		6,248
	$	72,778	$	71,247	$	69,101

Scholarships and financial assistance include payments to resident artists and program participants for tuition, fees, accommodations and other program related costs.

Note 21 Related parties

Banff Centre is a related party with organizations within the Government of Alberta reporting entity. Key management personnel of Banff Centre and their close family members are also considered related parties. Banff Centre may enter into transactions with these entities and individuals in the normal course of operations and under normal terms.