



ANNUAL REPORT 2018



2018: A YEAR OF TRANSITION



Contents

- Chair’s Message 3**
- Executive Director’s Message 4**
- About the Museum 5**
- Strategic Plan 6**
 - Strategic Areas of Focus 6**
- Accomplishments in 2018 7**
 - Improving Visitor Experience 7**
 - Connecting with Communities 8**
 - Strengthening Resources 8**
- Measuring Results 9**
- Volunteers 9**
- Media Coverage 10**
- Major Funders 11**
- Major Donors & Sponsors 11**
- Staff 12**
- Board of Directors 12**
- Financial Statements 13**

Chair's Message

2018 was a year of leadership transition for The Hangar Flight Museum, including the transition of the Board Chair and the Executive Director. We thanked our former Chair, Mark Eberl, and our former Executive Director, Anne Lindsay-MacLeod, for their many years of dedicated service to our organization and wished both of them well for the future.



As we prepared for the search for a new leader, we were fortunate to work with Naomi Grattan as our Interim Executive Director from July through October. Naomi is a senior museum professional who worked closely with the Board as we managed these transitions in our leadership team.

In October, we welcomed our new Executive Director, Brian Desjardins. Brian brings a strong background in marketing, tourism and non-profit leadership to The Hangar Flight Museum.

While 2018 was a year of transition for The Hangar Flight Museum, the enthusiasm and efforts to improve our operations continue. In March 2019, we were excited to welcome home the return of our Tiger Moth, which had been on loan to Heritage Park for more than 10 years.

We are also very honoured and are looking forward with great anticipation to becoming the permanent home of the restored Second World War Hawker Hurricane fighter aircraft, which will be coming to the Museum in the summer of 2019. We are fortunate to be the beneficiary of all the hard work and dedicated efforts of the Calgary Mosquito Society and the City of Calgary in carrying out the restoration of this important piece of Canada's aviation history.

While much was accomplished in 2018, there still yet remains much to do. We look forward to that challenge and hope that you will continue to support us in our efforts to preserve and enhance the understanding and appreciation of the rich aviation history of Calgary and Canada.

Jim Williams
Chair, Board of Directors

Executive Director's Message

My how time flies! My tenure as Executive Director began only six months ago and it has already been a remarkable experience.

I enjoy our fast-paced work environment at the Museum with many projects on the go. Soon after starting, we began fundraising to restore our CF-100 Canuck that has been deteriorating from the elements for many years. I am proud to say that we achieved \$64K in donations before the end of year. The City of Calgary has graciously committed \$244K towards the project and restoration of the aircraft is set to start this year.



Near the end of 2018, we learned that the City also committed additional funds towards operations. As a result, we created a much needed Collections Manager position and increased our Education Interpreter position from part-time to full-time. I am confident that these new positions will grow and strengthen activities at the Museum this year.

As well, we are in talks with the City to build a bigger and better structure to replace the current tent hangar. With new aircraft restoration projects taking place such as the CF-100, we require more space to protect and preserve our artifacts.

We are fortunate to have a strong group of volunteers who offer their immeasurable skills and talents to the museum on a daily basis. I am amazed with their dedication and commitment to the Museum.

I would like to thank the Board of Directors and Staff for their tireless service, guidance, and determination to grow the Association. I know that they share the same passion for the Museum as I do. They all have a wealth of knowledge that I will continue to learn from.

We have exciting times ahead for us and I will continue to work hard for our members and stakeholders. We have gained much needed media attention, and this has helped our brand awareness. We have great momentum to carry us through the rest of 2019!

Upwards and onwards!

Brian Desjardins
Executive Director



Figure 1 Brian Desjardins with Museum volunteers

About the Museum

The Hangar Flight Museum provides a community place and historical resource in Calgary. The history of aviation is closely tied to Canada's development as a nation and to Calgary's development as a vibrant, international city. Our Museum tells this history, expands and inspires visitors' knowledge of the stories surrounding aviation's role in immigration, oil and gas exploration, war and civilian pleasure travel. Many roadways in Calgary are named after renowned aviators such as McKnight, McCall, Barlow and Palmer – who, after serving their country in wartime, went on to develop civilian passenger and transport aviation.



Figure 2 New Signage in 2018

The Museum is a civic partner of the City of Calgary and a large part of our collection is owned by the City. We are honoured to be entrusted by the City and others who have donated artifacts to us with the stewardship of our collection for the benefit of Calgarians and visitors from around the world.

Calgary has a long and proud aviation history dating back to the formation of the "Calgary Aero Club" in 1919. During the Second World War, Calgary and its surrounding areas were home to many British Commonwealth Air Training Plan flight training schools which, by the end of the War, had produced more than 130,000 aircrew, including pilots, navigators, wireless operators, and air gunners for the Royal Canadian Air Force and the Air Forces of Britain and other members of the Commonwealth. Calgary's long standing connection to aviation continues to this day, with a vibrant aviation community centered on the YYC Calgary International Airport - Canada's fourth-busiest airport.

The Hangar Flight Museum is committed to preserving and enhancing that impressive aviation history. Through consultations with City of Calgary officials in 2018, we were successful in securing the City's commitment (subject to ongoing annual budget approval) to substantially increasing our operational and capital funding for the next three years. That increased funding has already paid dividends with the recent hiring of our full-time Collections Manager - an important position in any museum that had been vacant for many years due to budgetary restraints. Moving forward, such increased funding will also allow us to improve and enhance our exhibits at the Museum, undertake a long overdue restoration of our CF-100 Canuck aircraft, as well as plan for a replacement and expansion of our existing tent hangar to better accommodate our existing and growing collection of artifacts, including those planned for the Hawker Hurricane - an aircraft that will be the Crown jewel of our collection and of great interest to aviation enthusiasts from far and wide.

Strategic Plan

- Vision** To inspire dreams of flight.
- Mission** To provide a rich understanding and appreciation of the evolution of flight by telling stories related to our collections that provide inspiration to current and future generations.
- Values** Our values describe the behaviours and how we create a positive engaging experience for all visitors and guests at The Hangar:
- Hold a **passion** for flight
 - Bring a strong desire for **sharing** in that passion
 - Hold **respect** for our history, our Museum community and our visitors
 - Ensure the **preservation** of the history of flight
 - Focus our **energy** to make a difference

Strategic Areas of Focus

In January 2017, the following three strategic pillars became our areas of focus for the next 3-5 years. Within this goal framework, we will implement the following seven strategies to accomplish our mission and advance our vision.



Accomplishments in 2018

Improving Visitor Experience

1. Develop Our Exhibitions, Programs and Events

- a. Planning for the return of the Tiger Moth and Hawker Hurricane
- b. New programs – Open Planes Weekends, Movie Night at the Museum, Sleepovers
- c. New exhibits – Avro Arrow, Northern Exploration, Cold War, McCall McKnight (in progress)
- d. Developing the museum’s story through ongoing plans to develop new exhibits for 2019 (i.e. women in aviation)

2. Be Responsible Stewards of Our Collections

- a. CF-100 Canuck Restoration project
- b. Begin discussions with the City on new structure to replace current tent hangar (increase space to protect and preserve our artifacts)



Figure 3 CF-100 Fundraising for restoration began in late fall 2018

Some exciting events took place this past year. We hosted over 750 people at our Remembrance Day Service (second largest service in Calgary), over 2,000 people attended our Wings & Wheels on Father’s Day Weekend, and over 150 people attended the 20th Royal Canadian Air Force Mess Dinner. We will continue to grow more events as they are excellent revenue generators for the Museum.

The Tiger Moth Returns

After a ten year loan to Heritage Park (Gasoline Alley), our Tiger Moth returned to its original home, hanging from the rafters above the Avro Anson in the main hangar. Our Volunteers impressed us again with how quickly they mobilized to help us bring this important piece of our collection home to The Hangar. If planes could talk, we’re sure our aircraft welcomed their old friend home with warm words and open arms.



Figure 4 Tiger Moth shown suspended from the ceiling.

Connecting with Communities

1. **Improve Identity and Visibility in the Community** – new signs on the buildings and along McKnight Blvd. and McCall Way
2. **Strengthen Our Community Connections** – outreach to surrounding businesses, and early success with corporate membership campaign to lead the charge in rekindling of an airport district
3. **Connecting with tourism industry** – Tourism Calgary, Travel Alberta, Calgary Hotel Association, Calgary Attractions Committee

Figure 5 News coverage of The Hangar's Remembrance Day Service by SAIT's student media group

The screenshot shows a news article from 'The Press', SAIT Journalism's Online Publication. The article is titled 'Hangar Flight Museum ceremony honours 'Dam Busters'' and is dated November 24, 2018, by Michael Mantisano. The main image shows a woman in a white dress speaking at a podium in front of a large aircraft replica. The article text begins with 'The Hangar Flight Museum on McCall Way N.E. in the city held its annual Remembrance Day Ceremony on Nov. 11.' To the right of the article is a sidebar titled 'PHOTO AND VIDEO GALLERIES' with several links to photo galleries for various months and events, such as 'Day in the Life of SAIT 2019', 'February Pictures of the Month', 'January Pictures of the Month', 'October Pictures of the Month', 'September Pictures of the Month', and 'Trojans soccer off to a great start'.

Strengthening Resources

1. **Long Term Facility Development**
 - a. New larger overhead door on the tent hangar
 - b. Planning new structure to replace tent hangar
 - c. Planning long-term Museum expansion
2. **Ensure Long Term Financial Sustainability** – successful in negotiating new operational funding from the City of Calgary
3. **Develop Our Human Resources** – added two new staff positions (early 2019) – Collections Manager and Education Interpreter

Measuring Results

While visitor attendance held steady in 2018, we saw a 72% increase in new Canadians participating in the use of the Cultural Access Pass. Individual learning experiences increased by 43% and facility bookings increased by over 40% as well.

	2018	2017	2016
Number of Visitors	30,098	30,086	35,441
Cultural Access Passes (New Canadians)	978	570	1,793
Individual Learning Experiences	8,657	6,037	5,688
Number of Volunteers	117	104	107
Facility Rentals	141	100	152
Sleepover Program (New)	12	N/A	N/A
Members	192	191	168
Corporate Members	4	N/A	N/A

The extraordinary growth in education programs is in response to the Museum offering more diverse school and youth programs than ever before and this has generated a strong revenue stream for the Museum. This increased visitation also supports increased gift shop sales and activity, thereby developing more revenue.

Volunteers

The Museum has an amazing group of dedicated volunteers. They teach kids, setup for events, haul aircraft into the rafters, keep aircraft clean and tires filled. Any and every job, small or big, they're there for us.

We are very grateful to our active volunteer base of 117 who contributed 4,936 volunteer hours in 2018.



Figure 6 It floats again! Volunteers and Staff raise the Barclay-Grow to increase space in the tent.

In the News

During 2018 our marketing efforts focused upon the popular Father's Day Wings & Wheels event, Now Boarding during the summer (specifically during the long weekends) and growing our social media presence. We can see the growth in our social media presence as 65% more people were following us at the end of 2018 compared to the end of 2017.

We also began our first fundraising campaign in many years with #GivingTuesday in November 2018. The media carried coverage of our CF-100 Canuck fundraising efforts, which certainly helped us reach our goals.

Media Coverage

Global News Calgary	CBC	660 CityNews
CTV News Calgary	Blush Magazine	And more...
Calgary Herald	The Press	

7TH ANNUAL WINGS & WHEELS

ON FATHER'S DAY WEEKEND

You're invited!



10am-4pm June 16 & 17, 2018
Purchase tickets online or at the door!
www.thehangarmuseum.ca



Figure 7 Marketing for Wings & Wheels

April 28th – Day of Mourning
Every moment counts. Visit clac.ca

Museum gets city clearance for aircraft rescue mission

BILL KAUFMANN Updated: January 23, 2019

The CF-100 Canuck on display at the Hangar Flight Museum in Calgary. GAVIN YOON/POSTMEDIA

Restoration of a Cold War-era fighter has been given lift-off by a city funding commitment, says the head of the Hangar Flight Museum.

Although an \$82,000 fundraising effort fell \$20,000 short of its Dec. 31 deadline, the city has agreed to inject \$243,000 into repairing a 1950s-vintage Avro CF-100 Canuck fighter plane, said museum executive director Brian Desjardins.

The relative success in collecting \$62,000 in just two months was probably a factor in the city's decision, though fundraising continues for the project, he said.

"I have every confidence the restoration will now proceed," said Desjardins.

(Note: The following text is partially obscured in the original image)

Prequalify for a mortgage in 60 seconds.

Kickstart your mortgage.

RBC

TRENDING IN CANADA

Charging Up

Figure 8 News coverage from the Calgary Herald on the need to restore the CF-100

Thank you to our Supporters!

We are continuously grateful to those who share our passion for aviation history and our desire to keep history alive through supporting The Hangar Flight Museum.



Major Funders

- City of Calgary
- Alberta Museum Association
- Young Canada Works (Canada) – two summer students
- Student Temporary Employment Program – one summer student



Major Donors & Sponsors

The Lecky Foundation	Operations & CF-100 Canuck Restoration Project	\$15,000
Hotchkiss Family Foundation	CF-100 Canuck Restoration Project	\$10,000
John Binder	CF-100 Canuck Restoration Project	\$10,000
Private Donations	CF-100 Canuck Restoration Project	\$34,000
Fortune Industries Ltd.	United Space School - Student Recipient	\$5,000
Alberta Museum Association	Exhibits and Professional Development	\$5,000
Royal Canadian Air Force Mess Dinner	Operations	\$5,000
Brian Van Humbeck	Operations	\$5,000
Cavendish Investing Ltd.	RCAF Mess Dinner	\$3,000
Eagle Copters	RCAF Mess Dinner	\$2,500
Enbridge	RCAF Mess Dinner	\$2,000
United Way	Operations	\$2,000



Figure 9 Photography credit: J. Chan, The Lecky Foundation.

Staff

Brian Desjardins, Executive Director

Lauren Maillet, Guest Services and Marketing Manager

Willa Wu, Office Manager

Herb Grieder, Events and Operations Manager

Caitlin Reid, Education and Volunteer Manager

Cassandra Cummings, Collections Manager

Stephen Yuzyk, Education Interpreter



Board of Directors

Jim Williams, Chair

Nora Molina, Vice Chair

Mike Gocal, Treasurer

Dave Mapplebeck, Secretary

Gord Lowe, Director

John Melbourne, Director

Lesley Rigg, Director

Don Ross, Director

Brian Van Humbeck, Director

Lyle Witkowicz, Director

Board Advisors:

Mark Eberl, Past Chair

Bill Kaufmann

Betty Thompson

'Museums are now establishing themselves as community spaces, as places where the personal and the local are of equal importance as the state or national story.'

-Elizabeth Crooke

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Aero Space Museum Association of Calgary
(o/a The Hangar Flight Museum)
Consolidated Financial Statements
December 31, 2018

Aero Space Museum Association of Calgary
(o/a The Hangar Flight Museum)
Contents

For the year ended December 31, 2018

	<i>Page</i>
Independent Auditors' Report	
Consolidated Financial Statements	
Consolidated Statement of Financial Position.....	1
Consolidated Statement of Operations.....	2
Consolidated Statement of Changes in Net Assets.....	3
Consolidated Statement of Cash Flows.....	4
Notes to the Consolidated Financial Statements	5

Independent Auditor's Report

To the Members of Aero Space Museum Association of Calgary (o/a The Hangar Flight Museum):

Opinion

We have audited the consolidated financial statements of Aero Space Museum Association of Calgary (o/a The Hangar Flight Museum) (the "Association"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Association as at December 31, 2018, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Association'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 Association or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Association'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 Association'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 consolidated 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 Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Calgary, Alberta

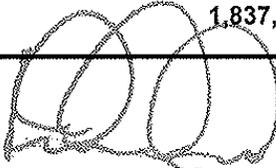
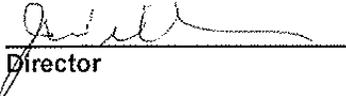
March 27, 2019

MNP LLP

Chartered Professional Accountants

Aero Space Museum Association of Calgary
(o/a The Hangar Flight Museum)
Consolidated Statement of Financial Position

As at December 31, 2018

	2018	2017
Assets		
Current		
Cash	139,370	113,321
Restricted cash	49,560	6,935
Temporary investments (Note 3)	-	28,924
Accounts receivable	10,684	13,804
Inventory	17,425	14,359
Prepaid expenses and deposits	20,970	40,565
	238,009	217,908
Property and equipment (Note 4)	1,599,422	1,688,723
Building expansion (Note 5)	-	48,009
	1,837,431	1,954,640
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 7)	33,743	27,057
Deposits and unearned revenue	18,442	19,319
Deferred contributions related to operations (Note 8)	118,679	9,891
Current portion of capital lease obligations (Note 9)	7,197	-
	178,061	56,267
Capital lease obligations (Note 9)	25,470	-
Deferred contributions related to property and equipment (Note 10)	1,328,423	1,539,443
	1,531,954	1,595,710
Commitments (Note 11)		
Subsequent events (Note 18)		
Net Assets		
Unrestricted	67,145	139,806
Invested in property and equipment	238,332	219,124
	305,477	358,930
	1,837,431	1,954,640
Approved on behalf of the Board		
 Director	_____ Director	

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

**Aero Space Museum Association of Calgary
(o/a The Hangar Flight Museum)
Consolidated Statement of Operations**

For the year ended December 31, 2018

	2018	2017
Revenue		
Grant revenue	278,059	284,311
Amortization of deferred contributions related to property and equipment <i>(Note 10)</i>	211,020	194,291
Admissions	118,895	113,614
Education tours	61,816	33,863
Facility rentals	55,930	58,480
Gift shop sales	54,874	69,812
Donations	33,255	18,584
Casino	23,342	39,710
Events/projects	20,700	22,243
Rental income	10,320	11,412
Memberships	5,602	6,573
Interest and miscellaneous	1,974	263
Fundraising	50	750
	875,837	853,906
Expenses		
Salaries and benefits	330,810	323,635
Amortization	172,499	197,351
Building operations	89,125	98,757
Professional fees	50,256	15,915
Marketing and promotions	39,953	58,606
Insurance	32,575	23,400
Events	29,991	35,200
Office and administration	28,717	19,732
Gift shop cost of sales	27,715	34,371
Fund development	25,000	-
Programming	12,790	12,715
Bank charges and interest	10,810	8,668
Collection, restoration and exhibit costs	7,696	14,049
Staff and volunteer recognition	7,138	3,978
Other costs	4,113	3,119
Professional development	3,141	1,173
Membership fees	2,253	2,447
Interest on capital lease	1,412	-
Conferences	860	-
Travel	70	-
Fundraising	-	653
Special projects	-	1,199
	876,924	854,968
Deficiency of revenue over expenses from operations	(1,087)	(1,062)
Impairment of building expansion costs <i>(Note 5)</i>	48,009	-
Deficiency of revenue over expenses before income taxes	(49,096)	(1,062)
Provision for income taxes <i>(Note 14)</i>	(4,357)	(4,318)
Deficiency of revenue over expenses	(53,453)	(5,380)

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

Aero Space Museum Association of Calgary
(o/a The Hangar Flight Museum)
Consolidated Statement of Changes in Net Assets
For the year ended December 31, 2018

	<i>Unrestricted</i>	<i>Invested in property and equipment</i>	2018	<i>2017</i>
Net assets, beginning of year	139,806	219,124	358,930	364,310
Deficiency of revenue over expenses	(43,965)	(9,488)	(53,453)	(5,380)
Additions to property and equipment	(61,363)	61,363	-	-
Net increase in capital lease	32,667	(32,667)	-	-
Net assets, end of year	67,145	238,332	305,477	358,930

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

Aero Space Museum Association of Calgary
(o/a The Hangar Flight Museum)
Consolidated Statement of Cash Flows
For the year ended December 31, 2018

	2018	2017
Cash provided by (used for) the following activities		
Operating		
Deficiency of revenue over expenses	(53,453)	(5,380)
Amortization	172,499	197,351
Impairment of building expansion costs	48,009	-
Amortization of deferred contributions - operations	(25,584)	(60,343)
Amortization of deferred contributions related to property and equipment	(211,020)	(194,291)
	(69,549)	(62,663)
Changes in working capital accounts		
Accounts receivable	3,120	(1,993)
Inventory	(3,066)	1,739
Prepaid expenses and deposits	(2,240)	(25,702)
Accounts payable and accrued liabilities	6,686	(4,535)
Deposits and unearned revenue	(877)	12,264
	(65,926)	(80,890)
Financing		
Repayments of capital lease obligations	(5,883)	-
Deferred contributions related to operations received	134,372	14,261
	128,489	14,261
Investing		
Proceeds on disposal of temporary investments	28,924	-
Purchase of property and equipment	(43,052)	(1,669)
Proceeds on disposal of property and equipment	20,239	-
Proceed from temporary investments	-	5,000
	6,111	3,331
Increase (decrease) in cash resources	68,674	(63,298)
Cash resources, beginning of year	120,256	183,554
Cash resources, end of year	188,930	120,256
Cash resources are composed of:		
Unrestricted cash	139,370	113,321
Restricted cash	49,560	6,935
	188,930	120,256

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

Aero Space Museum Association of Calgary (o/a The Hangar Flight Museum) Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

1. Incorporation and nature of the organization

Aero Space Museum Association of Calgary (the "Association") is a not-for-profit organization established in the Province of Alberta in 1975 and became a registered charity on January 1, 1979.

The Association promotes understanding and appreciation of Western Canadian aviation history and technology through the collection, acquisition, preservation, restoration and management of related artifacts and archives. The Association operates under the brand "The Hangar Flight Museum."

2. Significant accounting policies

The consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada, and include the following significant accounting policies:

Basis of presentation

The Association holds an investment in 534921 Alberta Ltd., a wholly owned profit-oriented subsidiary, which is accounted for using the consolidation method.

The Association's consolidated financial statements include the accounts of its wholly-owned subsidiary, 534921 Alberta Ltd. Consolidated financial statements are prepared by aggregating the accounts of 534921 Alberta Ltd. with those of the Association. Transactions between the organizations and inter-organization balances have been eliminated in the consolidated financial statements.

Cash

Cash is comprised of funds held in Canadian financial institutions. Cash subject to restrictions are imposed by the Alberta Gaming and Liquor Commission and are included in restricted cash.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

Collections

The value of the collection of aircraft and related artifacts have been excluded from the statement of financial position. Purchases of collection items are expensed in the period acquired. Contributions of collection items are not reflected in the financial statements.

Property and equipment

Purchased property and equipment are recorded at cost. Contributed property and equipment are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the declining balance or straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

The Association has intangible assets in the form of blueprints and drawings of possible building expansion plans for future use. These building expansion plans are not amortized.

	Method	Rate
Leasehold improvements	straight-line	20 years
Temporary building	straight-line	10 years
Equipment	declining balance	20 %
Signs	declining balance	20 %
Small tools	declining balance	20 %

Aero Space Museum Association of Calgary
(o/a The Hangar Flight Museum)
Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

2. **Significant accounting policies** *(Continued from previous page)*

Capital leases

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair market value. Assets under capital leases are amortized on a declining balance basis, over their estimated useful lives lease term. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

An arrangement contains a lease where the arrangement conveys a right to use the underlying tangible asset, and whereby its fulfillment is dependent on the use of the specific tangible asset. After the inception of the arrangement, a reassessment of whether the arrangement contains a lease is made only in the event that:

- there is a change in contractual terms;
- a renewal option is exercised or an extension is agreed upon by the parties to the arrangement;
- there is a change in the determination of whether the fulfillment of the arrangement is dependent on the use of the specific tangible asset; or
- there is a substantial physical change to the specified tangible asset.

Deferred contributions related to property and equipment

Deferred contributions related to property and equipment represent the unamortized portion of contributed property and equipment and restricted contributions that were used to complete building improvements. Recognition of these amounts as revenue is deferred to periods when the related property and equipment are amortized.

Contributed services

Volunteers contribute many hours per year to assist the Association in carrying out its activities. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Revenue recognition

The Association follows the deferral method of accounting for contributions. Restricted contributions including grants and other externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted contributions including donations, fundraising, membership and other revenues are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Admissions, education tours and gift shop sales revenue is recognized at the time of purchase.

Rental revenue is recognized when rental services have been provided.

Financial instruments

The Association recognizes its financial instruments when the Association becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with Section 3840 *Related Party Transactions*.

At initial recognition, the Association may irrevocably elect to subsequently measure any financial instrument at fair value. The Association has not made such an election during the year.

The Association subsequently measures all financial assets at amortized cost. The fair value of the financial instruments approximate their carrying value due to the short term nature of these investments. Gains and losses arising from changes in fair value are recognized immediately in the statement of revenue and expenses and net assets.

Aero Space Museum Association of Calgary
(o/a The Hangar Flight Museum)
Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

2. Significant accounting policies *(Continued from previous page)*

Financial asset impairment

The Association assesses impairment of all of its financial assets measured at cost or amortized cost. When there is an indication of impairment, the Association determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Association reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess of revenues over expenses.

The Association reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess of revenues and expenses in the year the reversal occurs.

Measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of property and equipment.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

3. Temporary investments

Temporary investments include a cashable Guaranteed Investment Certificate that earns interest at 0.5% and matured on December 22, 2018.

4. Property and equipment

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Leasehold improvements	2,748,680	1,237,593	1,511,087	1,648,506
Temporary building	605,946	568,855	37,091	25,524
Equipment	152,649	137,581	15,068	11,624
Signs	21,260	17,422	3,838	2,802
Small tools	16,587	16,374	213	267
	3,545,122	1,977,825	1,567,297	1,688,723
Signs under capital lease	38,550	6,425	32,125	-
	3,583,672	1,984,250	1,599,422	1,688,723

Aero Space Museum Association of Calgary
(o/a The Hangar Flight Museum)
Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

5. Impairment loss on building expansion

The building expansion includes intangible assets in the form of blueprints and drawings that were intended for future use. During the year, management assessed that any blueprints and drawings for future expansion would require re-working, the blueprints and drawings would not be used in the current redevelopment plans. As such, an impairment loss has been recorded in the statement of operations. The offsetting deferred capital contributions were fully recognized.

6. Bank indebtedness

The Association has access to a demand revolving credit facility in 2018 ("Facility A"), to provide for ongoing operating and working capital requirements, authorized to a maximum of \$100,000 (2017 - \$100,000), of which \$Nil (2017 - \$Nil) has been drawn. The Facility A bears interest at RBC's prime rate plus 4.7% per annum. As at December 31, 2018, the RBC prime rate was 3.95% (2017 - 3.2%).

7. Accounts payable and accrued liabilities

	2018	2017
Trade accounts payable and accruals	28,870	22,169
Income taxes payable	4,357	4,318
Goods and Services Tax payable	516	570
	33,743	27,057

8. Deferred contributions related to operations

Deferred contributions consist of unspent contributions externally restricted for programming expenses and specific purposes. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are made and is included in education tours and casino revenue. Changes in the deferred contribution balance are as follows:

	2018	2017
Balance, beginning of year	9,891	55,973
Amount received during the year	134,372	14,261
Less: Amounts recognized as revenue during the year	(25,584)	(60,343)
Balance, end of year	118,679	9,891

During the year, the Association received funds in the amount of \$60,700 in order to restore the CF-100 in its collection. These amounts will be recognized as the restoration is completed.

Aero Space Museum Association of Calgary
(o/a The Hangar Flight Museum)
Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

9. Capital lease obligations

	2018	2017
Outdoor signs lease payable in equal monthly installments of \$730 including interest at 5.30%, due on February 1, 2023, secured by property and equipment with carrying value of \$32,125.	32,667	-
Less: Current portion	7,197	-
	25,470	-

Future minimum lease payments related to the obligation under capital lease are as follows:

2019	8,754
2020	8,754
2021	8,754
2022	8,754
2023	1,459
	<u>36,475</u>
	36,475
Less: imputed interest	<u>(3,808)</u>
	32,667
Less: current portion	<u>(7,197)</u>
	<u>25,470</u>

10. Deferred contributions related to property and equipment

Deferred capital contributions consist of the unamortized amount of contributions received for the purchase of property and equipment. Recognition of these amounts as revenue is deferred to periods when the related property and equipment are amortized. Changes in deferred contributions related to property and equipment are as follows:

	2018	2017
Balance, beginning of year	1,539,443	1,733,734
Less: Amounts recognized as revenue during the year	(211,020)	(194,291)
Balance, end of year	1,328,423	1,539,443

Aero Space Museum Association of Calgary
(o/a The Hangar Flight Museum)
Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

11. Commitments

The Association leases its land and building premises from the Calgary Airport Authority. Rent is charged at a nominal rate of \$1 per annum. The lease expires October 31, 2044.

12. City of Calgary Agreements

The Association and the City have a ground lease for its parking lot which renews annually on April 1. There is a nominal lease cost of \$200 per year.

The Association and the City also have an operating agreement effective until December 31, 2022. This agreement covers City funding to the Association as well as the operations of the Association's facility and the terms of the aircraft and engine loans from the City to the Association.

13. Economic dependence

The Association's primary source of revenue is the operating grant from the City under the Investing in Partnership Program (One Calgary budget). While there are no specific conditions related to the grant, the Association must continue to operate The Hangar Flight Museum. The operating grant funding could be withdrawn or adjusted by the City without notice. The Association's ability to continue viable operations is dependent on the operating grant.

14. Income taxes

The Association is registered as a charitable organization under the *Income Tax Act* (the "Act") and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Association must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

The Association's controlled entity, 534921 Alberta Ltd., is a profit-oriented entity and uses the taxes payable method.

15. Calgary Foundation Fund

The Association has a fund held and managed by the Calgary Foundation. The fund generates investment income which is used to provide a grant to the Association each year. The income received from the Calgary Foundation during 2018 was \$7,190 (2017 - \$4,567).

16. Financial instruments

The Association, as part of its operations, carries a number of financial instruments. It is management's opinion that the Association is not exposed to significant interest rate, currency, credit, liquidity or other price risks arising from these financial instruments.

17. Comparative figures

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

18. Subsequent events

On January 15, 2019, the Association received a 2019-2022 funding notification letter from City of Calgary (the "City") which includes annual operating funding of \$425,000 for the next four years and one time funding of \$50,000 to be received in 2019. This funding is subject to change by the City, through its annual budgetary review process. Additionally, the Association will receive a 2019 Civic Partner Infrastructure Grant in the amount of \$339,000 of which \$95,250 is allocated to the Replacement of Tent Hangar Fabric project and \$243,750 is allocated to the Restoration of CF-100 project.