

**Aero Space Museum Association of Calgary
(o/a The Hangar Flight Museum)
Consolidated Financial Statements
December 31, 2021**

**Aero Space Museum Association Of Calgary
(o/a The Hangar Flight Museum)
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Year Ended December 31, 2021**

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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 statement of financial position as at December 31, 2021, and the 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 financial position of the Association as at December 31, 2021, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

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 Financial Statements* section of our report. We are independent of the Association in accordance with 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.

Other Matter

The Consolidated Financial statements for the year ended December 31, 2020 were audited by another accounting firm who expressed an unmodified opinion on those Consolidated Financial statements on March 24, 2021.

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

Management is responsible for the preparation and fair presentation of the Consolidated Financial statements in accordance with ASNPO, 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.

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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
April 1, 2022



Mahmud Khalfan Professional Corporation
Chartered Professional Accountants

**Aero Space Museum Association Of Calgary
(o/a The Hangar Flight Museum)
Statement of Financial Position
December 31, 2021**

	2021	2020
ASSETS		
CURRENT		
Cash - unrestricted	\$ 600,878	\$ 396,247
Cash - restricted casino funds	4,575	13,491
Term deposits (Note 2)	160,000	100,000
Accounts receivable (Note 3)	39,742	60,850
Government assistance receivable (Note 4)	-	58,087
Inventory	18,105	20,568
Prepaid expenses and deposits	27,630	20,323
	850,930	669,566
PROPERTY AND EQUIPMENT (Note 5)	1,327,467	1,362,492
COLLECTIONS (Note 6)	1	1
	\$ 2,178,398	\$ 2,032,059
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 7)	\$ 92,052	\$ 74,728
Deposits and unearned revenue	1,893	7,700
Deferred contributions related to operations (Note 8)	159,565	261,479
Current portion of capital lease obligations (Note 9)	8,433	7,999
CEBA loan (Note 10)	60,000	-
	321,943	351,906
CAPITAL LEASE OBLIGATIONS (Note 9)	1,450	9,883
DEFERRED CONTRIBUTIONS RELATED TO PROPERTY AND EQUIPMENT (Note 11)	1,018,692	1,044,125
	1,342,085	1,405,914
NET ASSETS		
Unrestricted	256,726	165,659
Restricted reserve fund (Note 12)	260,000	160,000
Invested in property and equipment	319,587	300,486
	836,313	626,145
	\$ 2,178,398	\$ 2,032,059

ON BEHALF OF THE BOARD



 Director



 Director

See notes to Consolidated Financial statements

**Aero Space Museum Association Of Calgary
(o/a The Hangar Flight Museum)**

**Statement of Operations
Year Ended December 31, 2021**

	2021	2020
REVENUES		
Grant revenue	\$ 641,835	\$ 590,256
Canada Emergency Wage Subsidy (Note 4)	143,138	185,586
Insurance proceeds (Note 16)	138,583	-
Amortization of deferred contributions related to property and equipment (Note 11)	129,698	142,810
CF-100 restoration	85,000	-
Admissions	67,423	44,436
Donations	55,973	37,356
Canada Emergency Rent Subsidy (Note 4)	50,310	24,305
Gift shop sales	39,061	25,667
Casino	11,272	47,923
Facility rentals	9,665	7,485
Memberships	6,628	4,755
Education and tours	1,618	23,250
Events/ projects	1,500	4,552
Interest and miscellaneous	717	1,066
	1,382,421	1,139,447
EXPENSES		
Wages and benefits	440,278	446,440
Building operations	142,768	87,531
Tent damage repairs (Note 16)	142,516	-
Amortization	128,817	152,956
CF-100 restoration expenses	85,000	-
Other costs	51,732	16,937
Insurance	43,548	32,981
Marketing and promotion	23,068	30,157
Gift shop cost of sales	19,396	13,837
Staff and volunteer recognition	18,885	6,664
Office and administration	17,966	20,483
Collection, restoration and exhibit costs (Note 6)	17,605	43,583
Professional fees	15,938	16,791
Events	8,281	2,562
Bank charges and interest	6,282	7,056
Dues subscriptions and memberships	4,379	4,899
Professional development (staff)	2,644	4,111
Programming (education)	2,395	9,952
Interest on capital lease	755	1,166
	1,172,253	898,106
EXCESS OF REVENUES OVER EXPENSES	\$ 210,168	\$ 241,341

See notes to Consolidated Financial statements

**Aero Space Museum Association Of Calgary
(o/a The Hangar Flight Museum)
Statement of Changes in Net Assets
Year Ended December 31, 2021**

	Unrestricted	Restricted reserve fund	Invested in property and equipment	2021	2020
NET ASSETS - BEGINNING OF YEAR	\$ 165,659	\$ 160,000	\$ 300,486	\$ 626,145	\$ 384,804
Excess of revenues over expenses	188,593	-	21,575	210,168	241,341
Additions to property and equipment	(93,791)	-	93,791	-	-
Payment for capital lease	(7,999)	-	7,999	-	-
Contributions for capital assets	104,264	-	(104,264)	-	-
Transfer of funds	(100,000)	100,000	-	-	-
NET ASSETS - END OF YEAR	\$ 256,726	\$ 260,000	\$ 319,587	\$ 836,313	\$ 626,145

See notes to Consolidated Financial statements

**Aero Space Museum Association Of Calgary
(o/a The Hangar Flight Museum)**

**Statement of Cash Flows
Year Ended December 31, 2021**

	2021	2020
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 210,168	\$ 241,341
Items not affecting cash:		
Amortization of property and equipment	128,817	152,956
Amortization of deferred contributions related to property and equipment	<u>(129,698)</u>	<u>(142,810)</u>
	<u>209,287</u>	<u>251,487</u>
Changes in non-cash working capital:		
Accounts receivable	21,108	(41,589)
Government assistance receivable	58,087	(58,087)
Inventory	2,463	1,657
Deposits and unearned revenue	(5,807)	(7,928)
Prepaid expenses and deposits	(7,307)	6,188
Accounts payable and accrued liabilities	17,324	6,341
Deferred contributions related to operations	(101,914)	40,542
CEBA loan	<u>60,000</u>	<u>-</u>
	<u>43,954</u>	<u>(52,876)</u>
Cash flow from operating activities	<u>253,241</u>	<u>198,611</u>
INVESTING ACTIVITIES		
Purchase of term deposits	(60,000)	(100,000)
Purchase of property and equipment	<u>(93,791)</u>	<u>(38,853)</u>
Cash flow used by investing activities	<u>(153,791)</u>	<u>(138,853)</u>
FINANCING ACTIVITIES		
Repayment of obligations under capital lease	(7,999)	(7,588)
Deferred contributions related to property and equipment	<u>104,264</u>	<u>-</u>
Cash flow from (used by) financing activities	<u>96,265</u>	<u>(7,588)</u>
INCREASE IN CASH FLOW	195,715	52,170
Cash - beginning of year	<u>409,738</u>	<u>357,568</u>
CASH - END OF YEAR	\$ 605,453	\$ 409,738
CASH CONSISTS OF:		
Cash - unrestricted	\$ 600,878	\$ 396,247
Restricted cash	<u>4,575</u>	<u>13,491</u>
	<u>\$ 605,453</u>	<u>\$ 409,738</u>

See notes to Consolidated Financial statements

**Aero Space Museum Association Of Calgary
(o/a The Hangar Flight Museum)**

**Notes to Consolidated Financial Statements
Year Ended December 31, 2021**

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."

The Association cares for the City of Calgary collection of aircraft and engines which have been excluded from these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

These 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:

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 and cash equivalents

Cash is comprised of funds held in Canadian financial institutions. Cash subject to restrictions imposed by the Alberta Gaming, Liquor, and Cannabis Commission is included in restricted cash. Restricted cash is classified as a current asset as it is probable it will be utilized in the next fiscal year. As of year end, the Association had no cash equivalents.

Term deposits

Term deposits include Guaranteed Investment Certificates which are initially and subsequently measured at fair value. The term deposits earn interest at 0.45% and mature between March 1, 2021 to March 1, 2022. The second term deposit for \$100,000 earns interest at 0.35% and matures between June 8, 2021 to June 8, 2022.

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.

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**Aero Space Museum Association Of Calgary
(o/a The Hangar Flight Museum)**

Notes to Consolidated Financial Statements

Year Ended December 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 plus all costs directly attributable to the acquisition.

Amortization is provided using the following method and rates intended to amortize the cost of assets over their estimated useful lives.

Leasehold improvements	20 years	straight-line method
Temporary building	20 years	straight-line method
Equipment	20%	declining balance method
Signs	20%	declining balance method
Computer equipment	55%	declining balance method
Small tools	20%	declining balance method

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:

- a) there is a change in contractual terms;
- b) a renewal option is exercised or an extension is agreed upon by the parties to the arrangement;
- c) 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
- d) there is a substantial physical change to the specified tangible asset.

Collections

Collections owned by the Association are recognized in the statement of financial position at a nominal value. Collections owned by the City of Calgary are not recognized as an asset of the Association. Purchases, including expenses for the City of Calgary's collection, are recorded as expenses in the year incurred.

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**Aero Space Museum Association Of Calgary
(o/a The Hangar Flight Museum)**

Notes to Consolidated Financial Statements

Year Ended December 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 these 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 operations and statement of changes in net assets.

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**Aero Space Museum Association Of Calgary
(o/a The Hangar Flight Museum)**

Notes to Consolidated Financial Statements

Year Ended December 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 the current year's 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. ACCOUNTS RECEIVABLE

	<u>2021</u>		<u>2020</u>
Accounts receivable	\$ 37,019	\$	54,978
GST receivable	2,723		5,872
	<u>\$ 39,742</u>	\$	<u>60,850</u>

**Aero Space Museum Association Of Calgary
(o/a The Hangar Flight Museum)**

Notes to Consolidated Financial Statements

Year Ended December 31, 2021

4. GOVERNMENT ASSISTANCE

In March 2020, the Government of Canada announced the introduction of the Canada Emergency Wage Subsidy (CEWS) to support employers that are hardest hit by the pandemic. During the year, the Association has recognized \$143,138 (2020 - \$185,586) in assistance from the CEWS program. As at December 31, 2021, \$Nil (2020 - \$33,782) of CEWS is included in Government assistance receivable.

In October 2020, the Government of Canada announced the introduction of the Canada Emergency Rent Subsidy (CERS) to support organizations which have been affected by the pandemic. During the year, the Association has recognized \$50,310 (2020 - \$24,305) in assistance from the CERS program. As at December 31, 2021, \$Nil (2020 - \$24,305) of CERS is included in Government assistance receivable.

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Leasehold improvements	\$ 2,897,178	\$ 1,630,320	\$ 1,266,858	\$ 1,290,889
Temporary building	37,720	11,945	25,775	29,547
Equipment	164,250	148,310	15,940	18,076
Signs	21,260	19,091	2,169	2,711
Computer equipment	2,254	1,882	372	828
Small tools	16,587	16,478	109	136
	<u>3,139,249</u>	<u>1,828,026</u>	<u>1,311,223</u>	<u>1,342,187</u>
Signs under capital lease	38,550	22,306	16,244	20,305
	<u>\$ 3,177,799</u>	<u>\$ 1,850,332</u>	<u>\$ 1,327,467</u>	<u>\$ 1,362,492</u>

6. COLLECTIONS

At December 31, 2021, the Association's collection consists of artifacts, archived materials, photographs, and other items related to Western Canadian aviation history.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021	2020
Trade accounts payable and accruals	\$ 60,217	\$ 59,738
Wages payable	11,800	-
Vacation payable	15,891	14,990
Employee deductions payable	4,143	-
	<u>\$ 92,051</u>	<u>\$ 74,728</u>

**Aero Space Museum Association Of Calgary
(o/a The Hangar Flight Museum)**

**Notes to Consolidated Financial Statements
Year Ended December 31, 2021**

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:

	2021	2020
Beginning balance	\$ 261,479	\$ 220,937
Funds received	-	225,673
Funds used	(101,914)	(185,131)
	159,565	261,479
	\$ 159,565	\$ 261,479

During the year, the Association received funds in the amount of \$66,250 (2020 - \$1,305) in order to restore the CF-100. These amounts will be recognized as revenue as restoration costs are incurred.

9. CAPITAL LEASE OBLIGATIONS

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 \$16,245 (2020 - \$20,305).

	2021	2020
Total capital lease payable	\$ 9,883	\$ 17,882
Less; Current portion	(8,433)	(7,999)
	\$ 1,450	\$ 9,883

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

2022	\$ 8,754
2023	1,459
	10,213
Less: imputed interest	(330)
	9,883
Less: current portion	(8,433)
	\$ 1,450

10. SHORT TERM DEBT

Short term debt pertains to the amounts received from the Canada Emergency Business Account (CEBA). The loan is interest free and does not have any set repayment terms. The Association will be eligible for loan forgiveness of 25 percent (\$10,000) on the first \$40,000 and 50 percent (\$10,000) on the remaining \$20,000 if the loan is paid back on or before December 31, 2023.

**Aero Space Museum Association Of Calgary
(o/a The Hangar Flight Museum)**

Notes to Consolidated Financial Statements

Year Ended December 31, 2021

11. 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:

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 1,044,125	\$ 1,186,935
Additions	104,264	-
Amounts amortized to revenue	<u>(129,698)</u>	<u>(142,810)</u>
Ending balance	<u>\$ 1,018,691</u>	<u>\$ 1,044,125</u>

12. RESTRICTED RESERVE FUND

Effective December 31, 2021, the board approved a transfer of \$100,000 (2020 - \$160,000) from the unrestricted fund to the restricted reserve fund.

13. COMMITMENTS

The Association leases its land and building premises from the Calgary Airport Authority. Rent is charged at a nominal amount. The lease expires October 31, 2044.

14. CREDIT FACILITY

The Association has access to a demand revolving credit facility in 2021 ("Facility A"), to provide for ongoing operating and working capital requirements, authorized to a maximum of \$100,000 (2020 - \$100,000), of which \$Nil (2020 - \$Nil) has been drawn. The Facility A bears interest at RBC's prime rate plus 1.25% per annum. As at December 31, 2021, the RBC prime rate was 2.45% (2020 - 2.45%).

15. 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.

The Association's primary source of revenue is the operating grant from the City of Calgary 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 of Calgary without notice. The Association's ability to continue viable operations is dependent on the operating grant

**Aero Space Museum Association Of Calgary
(o/a The Hangar Flight Museum)**

**Notes to Consolidated Financial Statements
Year Ended December 31, 2021**

16. TENT DAMAGE CLAIM

The Association suffered hail damage to the tent during the year. As of the year end, the tent repair was completed and expenses were covered by insurance. The insurance claim deductible paid by the Association was \$1,000. The Association was responsible for additional expenses incurred and not reimbursed of approximately \$3,000.

17. 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.

18. 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 2021 was \$7,661 (2020 - \$7,477).

19. 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.

20. SUBSEQUENT EVENTS

The following events occurred subsequent to the fiscal year end:

The Association entered into a 10 year License and Services Agreement beginning March 1, 2022 with Canada's Aviation Hall of Fame (CAHF) under which (i) the CAHF will relocate to Calgary, Alberta and become situated within the Associations premises, and (ii) the Association will subsume certain administrative operations of CAHF. As part of the agreement, CAHF will pay the Association a minimum fee of \$5,000 plus applicable taxes per month, subject to escalations over the term of the agreement. The fee will go towards the administrative and operational costs from the relocation.

Under the terms of this agreement, the Association has agreed to employ several of the CAHF staff to provide the agreed services, assist with fundraising for CAHF, and house the CAHF's collections as required for display. CAHF will provide volunteer support for display of the collection and maintain insurance coverage on the collection.

**Aero Space Museum Association Of Calgary
(o/a The Hangar Flight Museum)**

**Notes to Consolidated Financial Statements
Year Ended December 31, 2021**

21. IMPACT OF COVID-19 ON OPERATIONS

During the year, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. During the year, the Hangar Flight Museum was closed for a significant period of time and experienced large decreases of earned revenue from customers using the facilities. Government grant increases as well as new emergency government assistance programs provided much needed support in place of reduced business operations. Cost cutting was also implemented in an effort to conserve cash reserves during the year.

It is unknown the extent of the impact the COVID-19 outbreak may have on the Association in the future as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

22. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation. Figures for the December 31, 2020 year end were audited by another accounting firm.
