BANFF CENTRE FOR ARTS AND CREATIVITY

Statement of Management Responsibility
For the year ended March 31, 2022

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, 2022 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 KPMG LLP. The Independent Auditors' 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

Chief Financial Officer

KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB
T2P 4B9
Telephone (403) 691-8000
Fax (403) 691-8008
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Governors of The Banff Centre

Opinion

We have audited the consolidated financial statements of the Banff Centre for Arts and Creativity (operating name for Board of Governors of The Banff Centre) (the "Entity"), which comprise:

- the consolidated statement of financial position as at March 31, 2022
- the consolidated statement of operations and changes in net assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2022, and its consolidated results of operations, its consolidated remeasurement gains and losses, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards, including the 4200 series of standards.

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 ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity 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.

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the Entity's MD&A and Annual Report document.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the Entity's MD&A and Annual Report document as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, including the 4200 series of standards, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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 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 Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

KPMG

- 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity 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.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada

May 26, 2022

BANFF CENTRE FOR ARTS AND CREATIVITY

Consolidated Statement of Financial Position

As at March 31, 2022, with comparative information for 2021

(in thousands of dollars)

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	$ 15,548	$ 21,965
Accounts and grants receivable (note 5)	754	503
Inventories and prepaid expenses	1,795	663
	18,097	23,131
Long-term investments (note 3)	64,285	61,959
Capital assets (note 6)	142,835	143,099
	$ 225,217	$ 228,189
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 3,515	$ 3,362
Unearned revenue and deposits (note 7)	2,119	552
Current portion of deferred contributions (note 8)	11,378	14,814
Current portion of loans and borrowings (note 10)	3,804	4,731
	20,816	23,459
Loans and borrowings (note 10)	12,763	14,214
Employee future benefit liabilities (note 11)	3,149	3,157
Deferred contributions (note 8)	20,248	20,997
Deferred expended capital contributions (note 9)	108,126	106,364
	165,102	168,191
Net Assets		
Accumulated operating surplus (note 13)	14,236	14,903
Endowments (note 14)	45,879	45,095
	60,115	59,998
	$ 225,217	$ 228,189

Contractual obligations and contingencies (note 12)

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, 2022, with comparative information for 2021
(in thousands of dollars)

		Budget 2022		Actual 2022		Actual 2021
Revenue		(Note 18)				
Government of Alberta grants (note 15)	$	18,059	$	17,064	$	18,476
Federal and other government grants (note 15)		2,694		3,287		3,308
Sales, rentals and services		7,797		3,785		2,181
Tuition and related fees		891		954		239
Donations and other grants		5,433		4,584		3,424
Investment earnings (note 16)		4,287		3,392		2,729
Amortization of deferred expended capital contributions (note 9)		3,445		3,418		3,686
		42,606		36,484		34,043
Expense (note 19)						
Arts and leadership programming		13,611		11,337		9,512
Institutional support		12,401		10,658		10,296
Facilities operations and related costs		12,099		10,276		10,177
Ancillary operations		6,669		4,880		4,922
		44,780		37,151		34,907
Deficiency of revenue over expense	$	(2,174)		(667)		(864)
Net assets, beginning of year				59,998		59,223
Endowment contributions and other transfers (note 14)				784		1,639
Net assets, end of year			$	60,115	$	59,998

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, 2022, with comparative information for 2021
(in thousands of dollars)

		2022		2021
Operating Transactions				
Deficiency of revenue over expense	$	(667)	$	(864)
Non-cash items:				
Amortization of capital assets (note 6)		5,698		5,917
Amortization of deferred expended capital contributions (note 9)		(3,418)		(3,686)
Change in employee future benefit liabilities		(8)		806
Other non-cash adjustments		-		(110)
Change in:				
Accounts and grants receivable		(251)		2,774
Inventories and prepaid expenses		(1,132)		287
Note receivable		-		699
Accounts payable and accrued liabilities		42		(2,047)
Unearned revenue and deposits		1,567		(779)
Deferred contributions		(1,164)		(863)
Cash provided by operating transactions		667		2,134
Capital Transactions				
Acquisition of capital assets (note 6)		(5,323)		(8,834)
Cash applied to capital transactions		(5,323)		(8,834)
Investing Transactions				
Purchases of long-term investments, net		(7,107)		(1,625)
Realized endowment investment earnings, net of distributions		2,763		1,436
Other realized restricted investment earnings		80		147
Cash used in investing transactions		(4,264)		(42)
Financing Transactions				
Long-term deferred capital contributions received		4,111		8,232
Endowment contributions and transfers (note 14)		784		1,639
Change in demand operating facility		(650)		1,740
Long-term loan principal repayments		(1,742)		(2,050)
Proceeds on sale-leaseback transactions (note 6)		-		1,035
Long-term debenture refinancing transaction costs		-		(346)
Cash provided by financing transactions		2,503		10,250
(Decrease) Increase in cash and cash equivalents		(6,417)		3,508
Cash and cash equivalents, beginning of year		21,965		18,457
Cash and cash equivalents, end of year	$	15,548	$	21,965
Cash and cash equivalents, end of year, is comprised of:				
Cash on hand	$	2,698	$	1,196
Demand deposits and guaranteed investment certificates		12,850		20,769
	$	15,548	$	21,965

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

BANFF CENTRE FOR ARTS AND CREATIVITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022, with comparative information for 2021
(in thousands of dollars, except where specifically expressed in millions)

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 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 (as defined by accounting standards) 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) Canadian public sector accounting standards ("PSAS") and use of estimates

These consolidated financial statements have been prepared in accordance with Canadian 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, measurement of 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. Refer to Note 21 for the impact of the Coronavirus COVID-19 (“COVID-19”) outbreak on Banff Centre’s operations and use of estimates.

(c) Valuation of financial assets and liabilities

Banff Centre's financial instruments are recorded at fair value on initial recognition. Subsequently, 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 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 that is other than temporary 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.

BANFF CENTRE FOR ARTS AND CREATIVITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022, with comparative information for 2021
(in thousands of dollars, except where specifically expressed in millions)

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 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. Leases of capital assets that transfer substantially all the benefits and risks of ownership are accounted for as capital assets acquired under capital lease. 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 6.

Capital assets are written down to their residual values, if any, 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. Such write-downs are recognized as an expense in the consolidated statement of operations and are not reversed.

(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.

BANFF CENTRE FOR ARTS AND CREATIVITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022, with comparative information for 2021
(in thousands of dollars, except where specifically expressed in millions)

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 and 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. As at and for the years ended March 31, 2022 and 2021, Banff Centre had no transactions or balances requiring recognition in the consolidated statement of remeasurement gains and losses. Accordingly, no such statement is presented in these consolidated financial statements.

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.

BANFF CENTRE FOR ARTS AND CREATIVITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022, with comparative information for 2021
(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 of participants.

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) Future accounting changes

In August 2018, the Public Sector Accounting Board (PSAB) issued PS 3280 Asset Retirement Obligations. This accounting standard is effective for fiscal years starting on or after April 1, 2022, with early adoption permitted, and provides guidance on how to account for and report a liability for retirement of a tangible capital asset.

In November 2018, PSAB approved PS 3400 Revenue. This accounting standard is effective for fiscal years starting on or after April 1, 2023, with early adoption permitted, and provides guidance on how to account for and report on revenue, specifically addressing revenue arising from exchange transactions and unilateral transactions.

Management has not yet adopted these standards, and is currently assessing the impact, if any, of these new standards on the consolidated financial statements.

Note 3 Long-term investments

	2022	2021
Long-term investments, non-endowment	$ 18,406	$ 16,864
Long-term investments, restricted for endowments	45,879	45,095
	$ 64,285	$ 61,959
Investments at cost or amortized cost:		
Demand deposits	$ 6,486	$ 2,684
Alternative investments	732	698
	7,218	3,382
Investments at fair value:		
Cash and cash equivalents held for investment and in brokerage accounts	4,292	2,199
Canadian government bonds	8,346	11,033
Corporate bonds	7,278	6,526
Equity investments	37,151	38,819
	57,067	58,577
	$ 64,285	$ 61,959

BANFF CENTRE FOR ARTS AND CREATIVITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022, with comparative information for 2021
(in thousands of dollars, except where specifically expressed in millions)

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.

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, speculative purposes, or for hedging.

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 $372 (2021 - $388).

BANFF CENTRE FOR ARTS AND CREATIVITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022, with comparative information for 2021
(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	$ 42,194	$ -
US denominated investments	12,240	122
Investments denominated in other currencies	9,851	99
	$ 64,285	$ 221

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 interest 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 $30.1 million (2021 - $25.7 million), the impact of each 1% change in interest rates would be $301 annually (2021 - $257). 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	-	-	0.8
Money market funds	100.0	-	-	0.5
Canadian government and corporate bonds	0.1	39.5	60.4	3.2

(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:

	2022	2021
A or higher	85.7%	83.8%
BBB	14.3%	16.2%

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.

BANFF CENTRE FOR ARTS AND CREATIVITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022, with comparative information for 2021
(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 10, Banff Centre has credit facilities, including letters of credit, totalling $14.2 million (2021 - $14.2 million) available to ensure that funds are available to meet current and forecasted financial requirements. At March 31, 2022, $4.5 million (2021 - $7.0 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.

There have been no changes to the risk exposures noted above and there were no transfers between level 1 and level 2 of the fair value hierarchy levels during the year ended March 31, 2022.

Note 5 Accounts and grants receivable

	2022	2021
Trade accounts receivable, net of allowance for doubtful accounts	$ 130	$ 83
Grant, participant and other receivables	624	420
	$ 754	$ 503

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.

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Note 6 Capital assets

2022	Land improvements	Buildings and improvements	Equipment, furnishings and software	Property under development (PUD)	Total
Cost					
Beginning of year	$ 2,802	$ 200,594	$ 44,829	$ 478	$ 248,703
Additions	-	1,120	154	4,160	5,434
PUD transfers	-	4,381	64	(4,445)	-
	2,802	206,095	45,047	193	254,137
Accumulated amortization					
Beginning of year	2,727	67,271	35,606	-	105,604
Amortization expense	16	3,901	1,781	-	5,698
	2,743	71,172	37,387	-	111,302
Net book value - March 31, 2022	$ 59	$ 134,923	$ 7,660	$ 193	$ 142,835

2021	Land improvements	Buildings and improvements	Equipment, furnishings and software	Property under development (PUD)	Total
Cost					
Beginning of year	$ 2,802	$ 192,895	$ 41,394	$ 4,532	$ 241,623
Additions	-	34	127	6,940	7,101
PUD transfers	-	7,665	3,308	(10,973)	-
Write off	-	-	-	(21)	(21)
	2,802	200,594	44,829	478	248,703
Accumulated amortization					
Beginning of year	2,711	63,523	33,453	-	99,687
Amortization expense	16	3,748	2,153	-	5,917
	2,727	67,271	35,606	-	105,604
Net book value - March 31, 2021	$ 75	$ 133,323	$ 9,223	$ 478	$ 143,099

Cash flow information	2022	2021
Total capital asset additions	$ 5,434	$ 7,101
Change in accounts payable balances related to capital asset additions	(111)	1,733
Cash used for capital asset additions	$ 5,323	$ 8,834

Banff Centre enters into sale-leaseback transactions where the leasebacks constitute capital assets. The capital assets leased back are recognized at their carrying values and the lease liabilities are recognized at the present value of the minimum lease payments. There were no proceeds from sale-leaseback transactions for the year ended March 31, 2022 (2021 - $1.0 million).

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Note 6 Capital assets (continued)

Other information

Land is leased from the Government of Canada at a nominal annual rate of one dollar. 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, 2022 is approximately $6.9 million (2021 - $6.9 million) related to assets under capital leases. The amortization expense related to assets under capital leases for the year ended March 31, 2022 was $0.9 million (2021 - $1.1 million). The accumulated amortization at March 31, 2022 includes $3.1 million (2021 - $2.2 million) related to assets under capital leases.

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 $nil additions to permanent collections in 2022 (2021 - $nil). As of March 31, 2022, the cumulative historical cost of these assets that has not been capitalized is $1.6 million (2021 - $1.6 million).

Note 7 Unearned revenue and deposits

	2022	2021
Deposits for accommodations	$ 1,915	$ 439
Other sales and services	204	113
	$ 2,119	$ 552

Note 8 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.

	2022			2021
	Operating	Capital/ Maintenance	Total	Total
Balance, beginning of year	$ 27,263	8,548	35,811	$ 26,761
Grants and contributions received or receivable	4,069	4,111	8,180	11,272
Restricted investment earnings (note 16)	344	75	419	10,380
Recognized as operating revenue:				
Grants and contributions	(3,120)	(1,157)	(4,277)	(3,424)
Restricted investment earnings (note 16)	(3,327)	-	(3,327)	(2,600)
Transfers to fund capital acquisitions (note 9)	-	(5,180)	(5,180)	(6,578)
Balance, end of year	25,229	6,397	31,626	35,811
Current portion of deferred contributions	8,394	2,984	11,378	14,814
Long-term deferred contributions	$ 16,835	$ 3,413	$ 20,248	$ 20,997

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Note 9 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:

	2022	2021
Balance, beginning of year	$ 106,364	$ 103,472
Transferred from deferred contributions to acquire capital assets (note 8)	5,180	6,578
Amortization revenue	(3,418)	(3,686)
Balance, end of year	$ 108,126	$ 106,364

Note 10 Loans and borrowings

	Maturity	Interest Rate (%)	2022	2021
Debenture payable to Alberta Capital Finance Authority	December 2045	2.27	$ 12,040	$ 12,027
Capital lease facility				
Capital leases	February 2018 - January 2025	1.92 - 3.48	2,187	3,928
Demand operating facility	On demand	RBC prime	2,340	2,990
			16,567	18,945
Current portion of loans and borrowings			3,804	4,731
Long-term portion of loans and borrowings			$ 12,763	$ 14,214

In June 2017, Banff Centre borrowed $14.0 million from the Alberta Capital Finance Authority (ACFA) for a term of 10 years to fund renovations to Lloyd Hall, one of Banff Centre's residence facilities. On December 15, 2020 the debenture was refinanced in the amount of $12.4 million for a term of 25 years at a rate of 2.27% per annum with no principal payments required in the first two years. The carrying amount was recorded net of transaction costs of $346 which are being amortized over the life of the debenture using the effective interest method; current year amortization was $14 (2021 - $nil). 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 the bank's prime rate per annum, 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 the bank's prime rate per annum. 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 is used as bridge financing to be replaced by expected borrowings under the lease facility that are not finalized prior to the fiscal year end, and for general operating requirements.

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 are unsecured, bear interest at CIBC prime, and any issued and outstanding commercial letters of credit are subject to fees. As at March 31, 2022, commercial letters of credit of $55 (2021 - $55) were issued and outstanding under the CIBC facilities.

Banff Centre has available a credit card facility with a limit of $625 CAD and $75 USD (2021 - $625 CAD, $75 USD). As at March 31, 2022, Banff Centre had utilized $47 (2021 - $24), which is included in accounts payable and accrued liabilities.

Interest expense on loans and borrowings for the year ended March 31, 2022 was $408 (2021 - $407). Interest expense approximates interest paid for both fiscal years and is included in the institutional support category of functional expense. The lending facilities above require Banff Centre to meet certain non-financial covenants. Banff Centre has complied with these covenants as at and for the year ended March 31, 2022.

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Note 10 Loans and borrowings (continued)

Principal and interest payments are due as follows:

		Principal		Interest		Total
2023	$	3,804	$	379	$	4,183
2024		1,008		286		1,294
2025		527		269		796
2026		421		259		680
2027		430		249		679
Thereafter		10,377		2,516		12,893
	$	16,567	$	3,958	$	20,525

Note 11 Employee future benefit liabilities

		2022		2021
Share of UAPP pension obligation	$	2,720	$	2,794
Accrued administrative leave and other		429		363
	$	3,149	$	3,157

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 $663 (2021 - $660) 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, 2020 and was then extrapolated to December 31, 2021. At December 31, 2021, the PSPP reported an actuarial surplus of $4,588 million (December 31, 2020 - $2,224 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, 2020 and further extrapolated to March 31, 2022. Banff Centre's share of the benefit liability, which has been allocated based on employer contributions to the plan, is estimated to be $2.7 million at March 31, 2022 (2021 - $2.8 million). Banff Centre recorded its share of pension expense of $0.9 million (2021 - $1.8 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:

		2022		2021
Accrued benefit obligation at March 31	$	24,144	$	31,824
Discount rate		5.10%		5.20%
Benefit costs for years ended March 31	$	826	$	1,092
Discount rate		5.10%		5.20%
Average compensation increase		3.00%		3.00%
Estimated average remaining service life		10.6 yrs		10.6 yrs

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Note 11 Employee future benefit liabilities (continued)

The UAPP unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2021 - 1.25%) of salaries by the Government of Alberta. Employees and employers share equally the balance of the contributions of 3.04% (2021 - 3.04%) of salaries required to eliminate the unfunded deficiency by December 31, 2043.

The unfunded deficiency at March 31, 2022 for the UAPP plan as a whole, before unamortized actuarial net losses, is $247.9 million (2021 - $817.4 million), of which the Government of Alberta share is $226.0 million (2021 - $249.3 million), the employer pool share is $10.9 million (2021 - $284.1 million) and the employee pool share is $10.9 million (2021 - $284.1 million). Banff Centre's share of the unfunded deficiency for the employer pool at March 31, 2022 is $0.08 million (2021 - $3.9 million).

(c) Administrative leave and other

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. During 2019, a contract extension was negotiated for an additional 3 years - the administrative benefit was extended to cover this period and will cap out at the originally negotiated maximum benefit of 18 months of salary.

Banff Centre's benefit expense for administrative leave totaled $60 (2021 - $60). The accrued benefit liability at March 31, 2022 is $423 (2021 - $363), 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. Included in accrued administrative leave and other is $6 (2021 - $0) which relates to a Deferred Salary Leave Plan.

Note 12 Contractual obligations and contingencies

In November 2020, Banff Centre entered into a long-term supply arrangement with an electrical utility supplier for its electrical power needs for the period January 1, 2021 to December 31, 2025, at a rate of $57.35 per megawatt hour subject to minimum and maximum requirements. In March 2022, Banff Centre entered into a long-term supply arrangement with a natural gas supplier for the period November 1, 2023 to October 31, 2026, at a rate of $3.69 per gigajoule for approximately 70% of projected gas consumption.

Banff Centre is party to a software as a service agreement with Campus Management Corporation, WorldShare, Pantheon, and Blackbaud/Omatic under which Banff Centre is committed to the use of the software through January 2024, May 2024, December 2024, and March 2025, respectively. Banff Centre is party to an infrastructure licensing agreement with Cisco under which Banff Centre is committed to the use of the infrastructure through January 2025.

As disclosed in note 10, Banff Centre also has contractual obligations related to capital leases and other borrowing facilities, which include principal and interest payments due through the year ending March 31, 2025.

Contractual obligations are summarized as follows:

		Software as a service and Infrastructure		Capital leases - principal and interest		Total
2023	$	316		1,500		1,816
2024		318		617		935
2025		223		117		340
Total at March 31, 2022	$	857	$	2,234	$	3,091

Periodically, legal actions are brought against Banff Centre in the normal course of operations; as at March 31, 2022 there were no outstanding legal claims. Also, refer to notes 4(e) and 10 for the details of commercial letters of credit.

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Note 13 Accumulated operating surplus

Changes in accumulated operating surplus are as follows:

	Unrestricted	UAPP Pension Deficit (note 11)	2022	2021
Accumulated operating surplus (deficit), beginning of year	$ 17,697	$ (2,794)	$ 14,903	$ 15,767
Excess of revenue over expense	(667)	-	(667)	(864)
UAPP pension benefits adjustment	(74)	74	-	-
Accumulated operating surplus (deficit), end of year	$ 16,956	$ (2,720)	$ 14,236	$ 14,903

Included in accumulated operating surplus is $17.9 million (2021 - $17.3 million) representing the amount of surplus that has been invested in capital assets.

Note 14 Endowments

	2022	2021
Endowments, beginning of year	$ 45,095	$ 43,456
Contributions	784	1,639
Endowments, end of year	$ 45,879	$ 45,095

Endowments, which are to be retained in perpetuity, 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, 2022 are cumulative matching funds received through the Endowment Incentives Component of $16.0 million (2021 - $15.6 million). Contributions for the year ended March 31, 2022 include $401 (2021 - $664) 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:

	2022	2021
The Banff Centre Foundation	$ 37,739	$ 36,955
Banff Canmore Community Foundation	8,140	8,140
	$ 45,879	$ 45,095

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 endowment.

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Note 15 Government grants

	2022	2021
Base operating grant from Alberta Advanced Education	$ 15,649	$ 16,441
Other Government of Alberta grants:		
Alberta Advanced Education	1,308	2,008
Alberta Culture and Tourism	7	27
Other ministries	100	-
	$ 17,064	$ 18,476
Federal government grants:		
Government of Canada - Department of Canadian Heritage		
Canada Arts Training Fund	$ 2,455	$ 2,668
Canada Arts Presentation Fund	263	188
Celebrate Canada	12	5
Canada Council for the Arts	557	447
	$ 3,287	$ 3,308

Note 16 Investment earnings

	2022	2021
Total investment earnings	$ 484	$ 10,509
Restricted investment earnings flowing through deferred contributions (note 8)	(419)	(10,380)
Restricted investment earnings expended in accordance with donor requirements (note 8)	3,327	2,600
	$ 3,392	$ 2,729

Note 17 Salaries, wages and employee benefits

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

	2022	2021
Salaries, wages and non-pension benefits	$ 17,785	$ 16,825
Pension benefits	1,557	2,428
	$ 19,342	$ 19,253

Note 18 Budget

Unaudited budget amounts, which were approved by the Board of Governors, have been provided for comparative purposes.

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Note 19 Expense by object

	2022 Budget (note 18)	2022 Actual	2021 Actual
Salaries, wages and benefits (note 17)	$ 21,150	$ 19,342	$ 19,253
Purchased services	5,341	3,818	3,630
Materials, goods and supplies	1,352	795	566
Scholarships and financial assistance	1,491	1,166	399
Facility operations and maintenance	4,798	1,964	2,331
Utilities	1,616	1,518	1,349
Travel, training and related costs	753	290	91
Rentals and equipment	1,473	1,705	905
Marketing and recruitment	519	290	69
Financial costs	547	565	397
Amortization of capital assets (note 6)	5,740	5,698	5,917
	$ 44,780	$ 37,151	$ 34,907

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

Note 20 Related parties

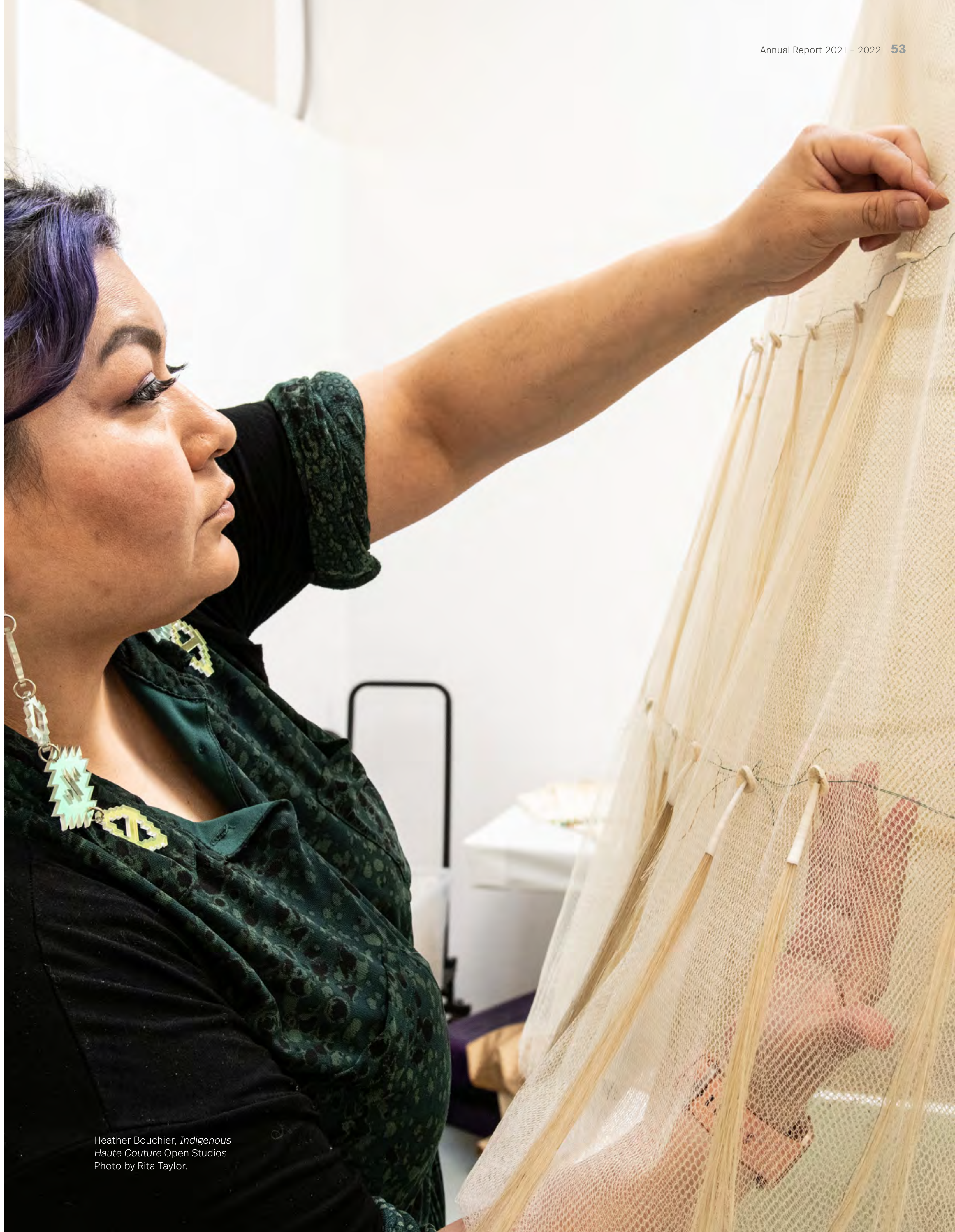
Banff Centre is a related party with organizations within the Government of Alberta reporting entity. Key management personnel of Banff Centre and their close family members are also considered related parties. Banff Centre may enter into transactions with these entities and individuals in the normal course of operations and under normal terms. Banff Centre has debt with the Alberta Capital Finance Authority as outlined in Note 10.

Note 21 COVID-19

While the disruption caused by COVID-19 is expected to be temporary, considerable uncertainty around its duration remains. The COVID-19 pandemic presents uncertainty over future cash flows, may cause significant changes to Banff Centre's assets or liabilities and may have a significant impact on its future operations.

During the year, the COVID-19 pandemic continued to have a negative effect on Banff Centre's operations, particularly on Conference and Hospitality revenue which typically represents Banff Centre's largest source of self-generated revenue. Multiple waves of Coronavirus variants throughout the year resulted in extended periods of governmental restrictions which limited Banff Centre's ability to resume normal operations. Despite increases in numerous revenue and expense categories as compared to the prior year, the unforeseen variant waves prevented Banff Centre from resuming operations as planned.

As at the reporting date, Banff Centre has determined that COVID-19 has had no significant impact on its accounting policies, contracts or lease agreements, the assessment of provisions and contingent labilities, or the timing of revenue recognition. Banff Centre has determined that there is no impairment that needs to be recognized on its assets at March 31, 2022. Banff Centre continues to manage liquidity risk by forecasting and assessing cash flow requirements on an ongoing basis. As at March 31, 2022, Banff Centre continues to meet its contractual obligations within normal payment terms and Banff Centre's exposure to credit risk remains largely unchanged.



Heather Bouchier, *Indigenous Haute Couture* Open Studios. Photo by Rita Taylor.