Non-consolidated Financial Statements of

# ALBERTA BALLET COMPANY

Year ended June 30, 2016

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

# INDEPENDENT AUDITORS' REPORT

To the Board of Directors

We have audited the accompanying non-consolidated financial statements of Alberta Ballet Company, which comprise the non-consolidated statement of financial position as at June 30, 2016, the non-consolidated statements of operations, changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Non-consolidated Financial Statements**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements.

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

KPMG

**Opinion**

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of Alberta Ballet Company as at June 30, 2016, and its non-consolidated results of operations and its non-consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants

October 20, 2016
Calgary, Canada

# ALBERTA BALLET COMPANY

Non-consolidated Statement of Financial Position

June 30, 2016, with comparative information for 2015

| | 2016 | 2015 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 374,923 | $ 835,805 |
| Accounts and accrued receivables | 261,240 | 247,888 |
| Grants receivable | 326,075 | 254,268 |
| Due from Arts Commons | 65,703 | – |
| Due from Alberta Ballet Foundation (note 12) | 21,748 | 3,964 |
| Prepaid expenses | 77,600 | 142,990 |
| Inventory and other assets | 217,388 | 209,121 |
| | 1,344,677 | 1,694,036 |
| Restricted investments and cash (note 3) | 493,444 | 498,256 |
| Long term receivables | 47,784 | 39,045 |
| Leasehold improvements and equipment (note 4) | 642,210 | 1,277,693 |
| Capitalized artistic creations (note 5) | 309,815 | 782,100 |
| | $ 2,837,930 | $ 4,291,130 |
| **Liabilities and Fund Balances** | | |
| Current liabilities: | | |
| Payables and accrued liabilities (note 7) | 532,383 | 619,542 |
| Deferred revenue (note 8) | 3,515,846 | 3,772,016 |
| Current portion of obligations under capital lease (note 9) | 7,190 | 5,508 |
| | 4,055,419 | 4,397,066 |
| Obligations under capital lease (note 9) | 22,467 | 12,161 |
| Deferred capital contributions (note 10) | 148,744 | 328,166 |
| | 4,226,630 | 4,737,393 |
| Fund balances: | | |
| Internally restricted (note 11) | 430,000 | 893,023 |
| Operating | (1,818,700) | (1,339,286) |
| | (1,388,700) | (446,263) |
| Commitments and contingencies (note 13) | | |
| | $ 2,837,930 | $ 4,291,130 |

See accompanying notes to non-consolidated financial statements.

On behalf of the Board:

Chris George
Executive Director

Chandra Henry
Chair, Audit Committee

# ALBERTA BALLET COMPANY

Non-consolidated Statement of Operations

Year ended June 30, 2016, with comparative information for 2015

| | 2016 | 2015 |
|---|---|---|
| Revenues: | | |
| Performance | $ 5,856,674 | $ 5,811,265 |
| Tuition | 3,032,880 | 2,573,227 |
| Government grants | 2,317,821 | 2,403,074 |
| Donations (note 12) | 925,862 | 1,333,498 |
| School residence | 811,105 | 720,457 |
| Sponsorship | 660,757 | 827,112 |
| Merchandising | 280,533 | 287,749 |
| Amortization of deferred capital contributions (note 10) | 206,830 | 54,793 |
| Fundraising events | 119,701 | 340,165 |
| GST recovered | 118,818 | 122,025 |
| Other | 83,976 | 108,241 |
| | 14,414,957 | 14,581,606 |
| Expenses: | | |
| Personnel | 7,056,890 | 6,386,145 |
| Performance | 2,821,669 | 3,113,035 |
| Marketing | 1,278,836 | 1,329,840 |
| Facilities | 1,230,903 | 1,301,487 |
| Administration (note 9) | 1,034,864 | 981,984 |
| Amortization (notes 4 and 5) | 534,709 | 536,465 |
| Residence food and supplies | 199,289 | 116,258 |
| Artistic and creations (note 5) | 160,060 | 407,985 |
| Non-recoverable GST | 128,985 | 119,202 |
| Fundraising and development | 115,652 | 322,103 |
| Merchandising | 62,239 | 107,112 |
| Loss (gain) on foreign exchange | 46,343 | (27,107) |
| Bad debts (recovery) expense | (39,635) | 106,419 |
| | 14,630,804 | 14,800,928 |
| Loss from operations | (215,847) | (219,322) |
| Write down of new building (note 4) | (455,886) | – |
| Write down of artistic creations (note 5) | (193,434) | – |
| Write down of leasehold improvements (note 4) | (77,270) | – |
| Deficiency of revenues over expenses | $ (942,437) | $ (219,322) |

See accompanying notes to non-consolidated financial statements.

# ALBERTA BALLET COMPANY

Non-consolidated Statement of Changes in Fund Balances

Year ended June 30, 2016, with comparative information for 2015

| | Operating | Internally Restricted Funds | Total 2016 | Total 2015 |
|---|---|---|---|---|
| Fund balances, beginning of year | $(1,339,286) | $ 893,023 | $ (446,263) | $ (226,941) |
| Deficiency of revenues over expenses | (942,437) | – | (942,437) | (219,322) |
| Interfund transfer during the year (note 11) | 463,023 | (463,023) | – | – |
| Fund balances, end of year | $(1,818,700) | $ 430,000 | $(1,388,700) | $ (446,263) |

See accompanying notes to non-consolidated financial statements.

# ALBERTA BALLET COMPANY

Non-consolidated Statement of Cash Flows

Year ended June 30, 2016, with comparative information for 2015

| | 2016 | 2015 |
|---|---|---|
| Increase (decrease) in cash | | |
| Operations: | | |
| Deficiency of revenues over expenses | $ (942,437) | $ (219,322) |
| Amortization | 534,709 | 536,465 |
| Amortization of deferred capital contributions | (206,830) | (54,793) |
| Non-cash deferred stabilization grant recognized in revenue | – | (85,023) |
| Non-cash deferred donations recognized in revenue | – | (5,000) |
| Impaired assets written off | 725,923 | – |
| | 111,365 | 172,327 |
| Net change in non-cash operating working capital (note 16) | (455,184) | 1,135,164 |
| | (343,819) | 1,307,491 |
| Financing: | | |
| Repayment of bank indebtedness | – | (187,927) |
| Loan advance from Alberta Ballet Foundation | – | 205,150 |
| Repayment of loan to Alberta Ballet Foundation | – | (77,307) |
| Capital lease agreements to purchase equipment | 18,087 | – |
| Payments on capital lease obligation | (6,099) | (1,612) |
| | 11,988 | (61,696) |
| Investing: | | |
| Decrease (increase) in restricted investments and cash | 4,812 | (78,996) |
| Capital contributions received | 27,408 | – |
| Purchase of leasehold improvements and equipment | (93,423) | (125,654) |
| Purchase of capitalized artistic creations | (59,109) | (376,629) |
| Increase in long term receivables | (8,739) | – |
| | (129,051) | (581,279) |
| Net (decrease) increase in cash and cash equivalents | (460,882) | 664,516 |
| Cash and cash equivalents, beginning of year | 835,805 | 145,355 |
| Cash and cash equivalents, end of year | $ 374,923 | $ 835,805 |

See accompanying notes to non-consolidated financial statements.

## 1. Nature of the business:

As a dynamic member of the Canadian cultural community, The Alberta Ballet Company (the "Company") fosters and promotes appreciation, enjoyment and participation in classical ballet while nurturing the discerning tastes of its audience through performance of acclaimed contemporary masterpieces and new works by gifted choreographers. Through its school, Alberta Ballet Company fosters and promotes the study, participation and appreciation of dance, and provides superior academic training. Alberta Ballet Company is a not-for-profit organization incorporated under the Societies Act of the Province of Alberta and is a registered charity under the Income Tax Act.

## 2. Significant accounting policies:

The non-consolidated financial statements of the Company have been prepared by management in accordance with Canadian Accounting Standards for Not-for-Profit Organizations ("ASNPO"). Significant accounting policies are summarized below:

(a) Fund accounting:

Revenues and expenses related to program delivery, operation of the School of Alberta Ballet and administrative activities are reported in the Operating Fund.

Endowment contributions and investment revenues are reported in the appropriate externally restricted or internally restricted fund.

(b) Revenue recognition:

The Company follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(c) Deferred revenue:

The Company defers revenue from ticket sales until the date of the performance. Tuition fees are deferred and recognized on a monthly basis as the classes are provided. Sponsorships and grant revenues are deferred until the period being funded.

(d) Deferred contributions:

Restricted donations the Company receives that are related to subsequent use and expense are deferred and recognized as earned revenue when the use and expense is incurred.

**2. Significant accounting policies (continued):**

(e) Deferred capital contributions:

Restricted donations the Company receives for capital purposes are recorded as deferred capital contributions when received or receivable and are taken into income each year in proportion to the annual amortization of the related assets for which the capital contributions were expended.

(f) Donations in-kind:

Donations in-kind of capital assets and contributed material and services are recognized at the fair value at the date of contribution. Volunteers contribute significant time every year in assisting the Company in a variety of areas. Because of the difficulty of determining their fair value, contributed services related to volunteer activities are not recognized in the financial statements.

(g) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, balances with banks and short-term deposits with original maturities of three months or less.

(h) Leasehold improvements and equipment:

Office furniture, fixtures and equipment and production equipment are recorded at cost and are amortized on the declining balance method at a rate of 20% annually. Leasehold improvements are amortized on the declining balance method at a rate of 20% annually. Computer equipment and the CRM system are amortized on the declining balance method at a rate of 30% and 25% annually, respectively. School libraries are amortized on a straight-line basis over 3 years.

(i) Capitalized artistic creations:

Capitalized artistic creations include the cost of set, props, original music scores and costumes for major productions performed by the Company. Capitalized artistic creations are amortized on a straight-line basis over their expected life subject to an annual review by management.

(j) Financial instruments:

The Company's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financial fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

## 2. Significant accounting policies (continued):

(j) Financial instruments (continued):

For financial assets measured at amortized cost the Company regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Company determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognizes impairment losses are recognized in operations in the year the reversal occurs.

(k) Long-lived assets:

The Company performs impairment testing on long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from use and disposal are less than the asset's carrying value. Any impairment loss is measured as the amount by which the carrying value exceeds the fair value and would be included in the statement of operations for the year.

(l) Foreign currency translation:

Transactions denominated in foreign currencies are translated into Canadian dollars at the approximate rate of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the year end exchange rate. Non-monetary assets and liabilities are translated at the approximate rate of exchange prevailing at the transaction date.

(m) Accounting for controlled related entity:

The Company has elected to account for its controlled related entity, the Alberta Ballet Foundation, at cost.

(n) Use of accounting estimates:

The preparation of the financial statements in accordance with ASNPO requires management to make accounting estimates and assumptions that affect the reported amount of assets, liabilities and contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from and affect the results reported in these financial statements.

## 3. Restricted investments and cash:

At June 30, 2016 the Company had restricted guaranteed investment certificates of $35,000 (2015 - $35,000) with a Canadian chartered bank which bear interest at a rate of 0.9% (2015 – 1.30%) per annum maturing on December 23, 2016 (2015 – December 23, 2015).

## 3. Restricted investments and cash (continued):

At June 30, 2016 the Company held restricted cash of $458,444 (2015 - $463,256) which includes the $430,000 of working capital reserve in note 11.

The investments and cash are internally restricted by the board of directors to be used for interim financing requirements during the year.

## 4. Leasehold improvements and equipment:

| | Cost | Accumulated depreciation | 2016 Net book value | 2015 Net book value |
|---|---|---|---|---|
| Leasehold improvements | $1,353,903 | $1,088,756 | $ 265,147 | $ 344,329 |
| Office furniture, fixtures and equipment | 544,231 | 425,208 | 119,023 | 137,112 |
| Computers and phone equipment | 582,486 | 452,084 | 130,402 | 122,093 |
| Production equipment | 635,796 | 508,158 | 127,638 | 129,806 |
| CRM system | – | – | – | 88,467 |
| New buildings (note 6) | – | – | – | 455,886 |
| | $3,116,416 | $2,474,206 | $ 642,210 | $ 1,277,693 |

Amortization provided for the current year totaled $195,750 (2015 - $218,462). A total of $455,886 (2015 - $nil) of new building costs and $77,270 (2015 - $nil) of leasehold improvements have been written off during the year.

## 5. Capitalized artistic creations:

| | Cost | Accumulated depreciation | 2016 Net book value | 2015 Net book value |
|---|---|---|---|---|
| Set, props and costumes: | | | | |
| The Nutcracker | $ 1,147,651 | $ 895,423 | $ 252,228 | $ 366,993 |
| Dangerous Liaison | 60,309 | 18,093 | 42,216 | 54,279 |
| School costumes | 19,729 | 4,358 | 15,371 | 10,734 |
| Balletlujah | 310,724 | 310,724 | – | 41,430 |
| Class Acts | 171,569 | 171,569 | – | 57,190 |
| Dynamic Directions | 51,306 | 51,306 | – | – |
| | $ 1,761,288 | $ 1,451,473 | $ 309,815 | $ 782,100 |

**5. Capitalized artistic creations (continued):**

Sets, props, original music scores, costumes, and related costs for all productions with the exception of The Nutcracker, school costumes, Balletlujah and Dangerous Liaison, are being amortized on a straight line basis over three years, subject to an annual review by management.

Sets, props, original music sores, costumes and related costs for the Nutcracker are amortized on a straight-line basis over 10 years and school costumes, Balletlujah and Dangerous Liaison are amortized on a straight line basis over 5 years, subject to an annual review by management.

Amortization provided for the current year totaled $338,959 (2015 - $318,003) and a total of $193,434 (2015 - $nil) of capitalized artistic creations has been written off during the year.

**6. New buildings and existing studios:**

In 2013, the Board of Directors authorized the Company to undertake the renovation of an adjacent building (Rouleau House), and to begin the planning for the construction of a new building to house both the Company and the School of Alberta Ballet. As there are no plans at this time to continue with the new building, and as a result of management's annual impairment assessment, $455,887 of capitalized costs incurred for the feasibility and design of the new building have been written off.

The Alberta Ballet Studios on 18th Avenue (the "Studios") is a Government of Alberta designated Provincial Historic Resource. The building is owned by the City of Calgary and is held by the Company under a long-term lease. The lease expires December 31, 2036 but contains an irrevocable option for an additional 25 years provided no terms of the lease are violated. The lease calls for annual rental payments of $1.

**7. Payables and accrued liabilities:**

Government remittances (other than income taxes) payable total $22,825 (2015 - $62,440) related to payroll taxes.

## 8. Deferred revenue:

Deferred revenue represents ticket sales, tuition, service and performance fees applicable to the 2016 – 2017 season, and grants, sponsorship and raffle revenue restricted to future expenditures. The components of deferred revenue are as follows:

| | 2016 | 2015 |
|---|---|---|
| Ticket sales | $ 1,517,164 | $ 1,836,231 |
| Tuition fees | 1,199,234 | 1,161,974 |
| Government grants | 770,495 | 723,811 |
| Sponsorships | – | 50,000 |
| Raffle | 19,020 | – |
| Service charges | 5,933 | – |
| Performance fees | 4,000 | – |
| | $ 3,515,846 | $ 3,772,016 |

## 9. Obligations under capital lease:

The Company has financed computer equipment by entering into capital lease arrangements. The contracts mature on August 15 and December 15, 2019, bear interest at 1.1% and 1.2% per month and are collateralized by a general security agreement of the equipment. Capital lease repayments are as follows:

| | 2016 |
|---|---|
| 2017 | $ 10,968 |
| 2018 | 10,968 |
| 2019 | 10,968 |
| 2020 | 4,869 |
| Total minimum lease payments | 37,773 |
| Less amount representing interest | 8,116 |
| Minimum capital lease payments | 29,657 |
| Current portion of obligations under capital leases | 7,190 |
| | $ 22,467 |

Interest of $4,088 (2015 - $655) relating to the capital lease obligation has been included in administration expense. The total amount of equipment under capital lease is $37,368 (2015 - $19,281) with accumulated amortization of $10,522 (2015 - $2,892).

### 10. Deferred capital contributions:

Deferred capital contributions relate to restricted donations the Company receives that are related to acquisition of leasehold improvements and equipment.

Changes in the deferred capital contributions balance are as follows:

| | 2016 | 2015 |
|---|---|---|
| Beginning balance | $ 328,166 | $ 382,959 |
| Contributions received | 27,408 | – |
| Less amounts recognized as revenue in the year | (206,830) | (54,793) |
| Ending balance | $ 148,744 | $ 328,166 |

### 11. Fund balances:

| | 2016 | 2015 |
|---|---|---|
| Internally restricted: | | |
| Working capital reserve | $ 430,000 | $ 430,000 |
| New Repertoire (new sets props and costumes) | – | 463,023 |
| | $ 430,000 | $ 893,023 |

The Board of Directors had previously internally restricted resources to establish the New Repertoire Fund, as new Repertoire has been developed the amount has been reallocated to the operating fund.

The Company is required to maintain a working capital reserve under AFA guidelines. As required by the AFA, the working capital reserve may be used to fund operations during the fiscal period as defined in the agreement and must be refunded in accordance with AFA requirements. The stated desire of the AFA is that the Company seek to increase the cash reserve fund over time to a target of 10% of total revenue. During the year ended June 30, 2016, $nil was transferred from the operating fund to the working capital reserve (2015 - $18,000).

### 12. Alberta Ballet Foundation:

The Alberta Ballet Foundation, a controlled related entity that is accounted for at cost, was established to solicit funding for the sole benefit of the Company by providing financial assistance to that organization in amounts as determined by the Board of Directors of the Foundation. The Foundation has not been consolidated in the Alberta Ballet Company financial statements. The following transactions occurred between the Alberta Ballet Foundation and the Company:

## 12. Alberta Ballet Foundation (continued):

| For the year ended June 30 | 2016 | 2015 |
|---|---|---|
| Donation to the Alberta Ballet Company | $ 21,748 | $ 21,940 |

A summary of operations, financial position and cash flows based upon the audited statement of financial position and statements of operations, changes in net assets and cash flows for the June 30 year end, are provided as follows:

| For the year ended June 30 | 2016 | 2015 |
|---|---|---|
| Statement of operations: | | |
| Revenues | $ 509,241 | $ 38,822 |
| Expenses | (26,121) | (25,535) |
| Excess of revenues over expenses | $ 483,120 | $ 13,287 |

| As at June 30 | 2016 | 2015 |
|---|---|---|
| Financial position: | | |
| Total assets | $ 1,108,764 | $ 607,427 |
| Total liabilities | 25,248 | 7,031 |
| Capital stock and fund balances | $ 1,083,516 | $ 600,396 |

| For the year ended June 30 | 2016 | 2015 |
|---|---|---|
| Cash flows: | | |
| Operations | $ 502,836 | $ 15,068 |
| Investing | (501,180) | (63,967) |
| Financing | – | (127,843) |
| Increase (decrease) in cash and cash equivalents | $ 1,656 | $ (176,172) |

## 13. Commitments and contingencies:

(a) Effective June 2011, the Company entered into an 8 year lease agreement for space to house the School of Alberta Ballet (the "School"). This lease has been amended effective September 2014 to include space for the academic business unit of the School expiring July 2019. The Company holds two leases for office and studio space in Edmonton expiring in July and August 2019. The Company leases warehouse space in Calgary for the purposes of building and storing sets and props expiring July 2017. Minimum base rent payable for premises and equipment leases for each of the next five fiscal years is as follows:

| | |
|---|---|
| 2017 | $ 895,372 |
| 2018 | 809,985 |
| 2019 | 803,039 |
| 2020 | 72,927 |
| 2021 | – |
| | $ 2,581,323 |

(b) The Company has arranged a Letter of Guarantee in favor of The Canadian Actions Equity Association for $35,000 (2015 - $35,000) secured by a $35,000 non-redeemable GIC. At June 30, 2016, the Association has not drawn on this guarantee (2015 - $nil).

## 14. Bank indebtedness:

The Company has an operating line of credit for $500,000 (2015 - $500,000). As security, the Company has provided the lender a general security agreement over all assets and future acquired assets. At June 30, 2016, the Company had drawn $nil on this line of credit (2015 - $ nil).

**15. Donations in-kind:**

During the current year, the Company received donation in-kind of material and services, the fair market values that are included in the statement of operations as donations revenues and expenses as follows:

| | 2016 | 2015 |
|---|---|---|
| Development | $ 14,724 | $ 50,658 |
| Marketing | 24,910 | 28,303 |
| Production | 8,095 | 12,721 |
| Administration | 106,204 | 71,730 |
| | $ 153,933 | $ 163,412 |

**16. Net change in non-cash operating working capital:**

| | 2016 | 2015 |
|---|---|---|
| Accounts and accrued receivables | $ 53,691 | $ 250,403 |
| Grants receivable | (156,966) | 919 |
| Due from Arts Common | (65,703) | – |
| Prepaid expenses | 65,390 | 352,898 |
| Inventory and other assets | (8,267) | (53,058) |
| Payables and accrued liabilities | (87,159) | 61,955 |
| Deferred revenue | (256,170) | 522,047 |
| | $ (455,184) | $ 1,135,164 |

**17. Comparative information:**

Certain prior period balances have been reclassified to conform to current period's presentation.

**18. Financial instruments:**

The Company's financial instruments consist of cash and cash equivalents, accounts and accrued receivables, grants receivable, due from Arts Commons, due from Alberta Ballet Foundation, restricted investments and cash and payables and accruals. The Company is not significantly exposed to interest risk.

(a) Credit risk:

The Company is exposed to credit risk, which is the risk that a counterparty will fail to perform an obligation or settle a liability, resulting in a financial loss to the Company. Credit risk is assessed management as minimal for the Company. The Company's accounts and accrued receivables, and grants receivable are primarily due from governments and large corporations and are subject to normal credit risks. The Company's cash and cash equivalents, and restricted cash are held with a Canadian chartered bank and are subject to credit risk. The maximum credit risk exposure associated with the Company's financial assets is the carrying amount.

(b) Liquidity risk:

The Company is exposed to liquidity risk, which is the risk that the Company will be unable to generate or obtain sufficient cash to meet its obligations as they come due. Mitigation of this risk is achieved through active cash management and budgeting processes.

(c) Foreign exchange risk:

The Corporation is exposed to foreign currency fluctuations as it has both purchases and sales in U.S. dollars. There were no exchange rate contracts in place as at June 30, 2016.