Non-consolidated Financial Statements of

ALBERTA BALLET COMPANY

And Independent Auditors' Report thereon

Year ended August 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Alberta Ballet Company

Opinion

We have audited the non-consolidated financial statements of Alberta Ballet Company (the “Company”), which comprise:

- The non-consolidated statement of financial position as at August 31, 2020
- the non-consolidated statement of operations for the year then ended
- the non-consolidated statement of changes in fund balances for the year then ended
- the non-consolidated statement of cash flows for the year then ended
- and notes to the non-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 non-consolidated financial position of the Company as at August 31, 2020, 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.

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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company 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 Company 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

November 26, 2020

ALBERTA BALLET COMPANY

Non-consolidated Statement of Financial Position

As of August 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash	$ 200,004	$ 1,484,596
Short term investment	209,000	950,000
Accounts and accrued receivables (note 3 and note 8)	693,071	432,394
Canada Emergency Wage Subsidy receivable (note 4)	1,461,275	–
Due from Alberta Ballet Foundation	46,373	70,130
Inventory	220,920	246,362
Prepaid expenses	444,136	289,725
Restricted investments and cash (note 5)	1,544,724	1,595,853
	4,819,503	5,069,060
Restricted investments and cash (note 5)	2,567,636	1,197,268
Long term receivables	53,337	51,968
Leasehold improvements and equipment (note 6)	843,056	870,364
Capitalized artistic creations (note 7)	953,010	831,672
	$ 9,236,542	$ 8,020,332
Liabilities and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	$ 483,657	$ 665,316
Deferred revenue (note 9)	3,023,818	3,863,526
Deposits (note 10)	359,527	100,643
Current portion of obligations under capital lease (note 11)	11,300	11,298
	3,878,302	4,640,783
Obligations under capital lease (note 11)	17,619	28,903
Deferred capital contributions (note 12)	3,233,176	1,862,221
	7,129,097	6,531,907
Fund balances:		
Externally restricted (note 13)	1,440,000	1,430,000
Operating	667,445	58,425
	2,107,445	1,488,425
Subsequent events (note 4 and note 14)		
Commitments and contingencies (note 15)		
	$ 9,236,542	$ 8,020,332

See accompanying notes to non-consolidated financial statements.

On behalf of the Board:

Daryl Fridhandler, Director

Gerard McInnis, Director

ALBERTA BALLET COMPANY

Non-consolidated Statement of Operations

Year ended August 31, 2020, with comparative information for 2019

	2020	2019
Revenues:		
Performance	$ 5,085,023	$ 6,386,888
Grants	3,029,436	2,683,928
Tuition	2,714,067	3,663,821
Canada Emergency Wage Subsidy (note 4)	1,461,273	–
Donations (note 18)	632,085	771,702
School residence	524,873	847,278
Sponsorship	388,463	553,883
Amortization of deferred capital contributions (note 12)	163,565	108,532
Merchandising	162,504	223,656
Fundraising	30,374	124,285
Interest income	16,943	72,277
Other income	11,504	99,916
	14,220,110	15,536,166
Expenses:		
Personnel	7,716,913	8,285,051
Performance	1,721,150	1,744,861
Facilities	1,184,302	1,258,522
Administration (note 11)	1,148,828	1,403,307
Marketing	790,883	932,510
Residence food and supplies	168,435	238,411
Merchandising	106,298	135,800
Fundraising and development	96,927	108,346
Artistic and creations	43,987	43,275
Other expenses	42,356	86,883
Bad debts (recovery)	15,750	(53,903)
	13,035,829	14,183,063
	1,184,281	1,353,103
Amortization (notes 6 and 7)	(484,452)	(326,597)
Write down of artistic creations (note 7)	(36,868)	(62,551)
Write down of computers and software (note 6)	–	(15,468)
Foreign exchange loss	(12,448)	(10,506)
Unrealized loss on investments	(31,493)	–
Excess of revenues over expenses	$ 619,020	$ 937,981

See accompanying notes to non-consolidated financial statements.

ALBERTA BALLET COMPANY

Non-consolidated Statement of Changes in Fund Balances

Year ended August 31, 2020, with comparative information for 2019

	Operating	Externally Restricted Funds	2020	2019
Fund balances, beginning of period	$ 58,425	$ 1,430,000	$ 1,488,425	$ 550,444
Excess of revenues over expenses	619,020	–	619,020	937,981
Inter fund transfer during the year (note 13)	(10,000)	10,000	–	–
Fund balances, end of period	$ 667,445	$ 1,440,000	$ 2,107,445	$ 1,488,425

See accompanying notes to non-consolidated financial statements.

ALBERTA BALLET COMPANY

Non-consolidated Statement of Cash Flows

Year ended August 31, 2020, with comparative information for 2019

	2020	2019
Increase (decrease) in cash		
Operations:		
Excess of revenues over expenses	$ 619,020	$ 937,981
Amortization	484,452	326,597
Amortization of deferred capital contributions (note 12)	(163,565)	(108,532)
Write down of artistic creations	36,868	62,551
Write down of computers and software	–	15,468
	976,775	1,234,065
Net change in non-cash operating working capital (note 19)	(2,589,647)	120,202
	(1,612,872)	1,354,267
Financing:		
Payments on capital lease obligation	(11,282)	(18,373)
	(11,282)	(18,373)
Investing:		
Decrease (increase) in short term investment	741,000	(950,000)
Increase in restricted investments (note 5)	(1,319,239)	(1,779,086)
Capital contributions received (note 12)	1,534,520	1,084,707
Purchase of leasehold improvements and equipment	(189,364)	(220,561)
Purchase of capitalized artistic creations	(425,986)	(558,562)
Increase in long term receivables	(1,369)	(1,223)
	339,562	(2,424,725)
Net decrease in cash	(1,284,592)	(1,088,831)
Cash, beginning of year	1,484,596	2,573,427
Cash, end of year	$ 200,004	$ 1,484,596

See accompanying notes to non-consolidated financial statements.

1. Nature of the business:

Alberta Ballet Company (the "Company") is Alberta's dance company. As a major professional performing arts company with an internationally renowned ballet training institution, it is a rare artistic institution to serve a provincial mandate. For over five decades, the Company has connected audiences with world-class live dance and trained current and future generations of dancers. The Company includes a division operating as the Alberta Ballet School (the "School"). The Group focuses on supporting activity that makes ballet more approachable, accessible, and inspirational. Its mission is to ignite the curiosity and imagination of people in all communities across the province, championing their stories and experiences through dance training, creation, and performances. The 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").

On March 11, 2020, the World Health Organization declared the Coronavirus ("COVID-19") outbreak a pandemic. This has resulted in governments worldwide, including the Canadian and Alberta governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods, closures of non-essential businesses, and physical distancing, have caused material disruption to businesses in Alberta resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The Company was required to postpone all performances until restrictions have lifted. The Company was also required to close its in person school operations, which resumed in July 2020. As a result of the decrease in operations, the Company was initially required to temporarily lay off certain employees. The Company rehired some of the employees that were laid off after the introduction of the Canada Emergency Wage Subsidy ("CEWS"), however, some changes to in full-time equivalence were made.

As at the reporting date, the Company has determined that COVID-19 has impacted its contracts related to the postponement of performances unable to be held due to social distancing restrictions. COVID-19 has not impacted lease agreements, the assessment of provisions and contingent liabilities, or the timing of revenue recognition. Management has assessed the financial impacts of the COVID-19 pandemic and did not identify any additional impacts on its financial statements as at August 31, 2020.

2. Significant accounting policies (continued):

The factors discussed above may present uncertainty over future government support, project revenues and cash flows which may have a significant impact on future operations. An estimate of the financial effect of these items is not practicable at this time.

Significant accounting policies are summarized below:

(a) Accounting for controlled related Company:

The Company considers its relationship with Alberta Ballet Foundation as a controlled organization. The Alberta Ballet Foundation has not been consolidated in the Alberta Ballet Company financial statements. Required disclosure under ASNPO is included in Note 14.

(b) Fund accounting:

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

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

(c) Revenue recognition:

The Company follows the deferral method of accounting for contributions. Restricted contributions; government grants, donations received, and sponsorships are recognized as revenue in the period in which the related expenses are incurred. Unrestricted contributions, government grants, donations received, merchandising fundraising, other income, and interest income, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(d) Deferred revenue:

The Company defers revenue from ticket sales until the date of the performance. Tuition and residence 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.

(e) 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.

(f) 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 period in proportion to the annual amortization of the related assets for which the capital contributions were expended.

2. Significant accounting policies (continued):

(g) 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 period in assisting the Company in a variety of areas, due to the difficulty of determining their fair value, contributed services related to volunteer activities are not recognized in the financial statements.

(h) Cash:

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

(i) Short term and long term investment:

Investments are classified as short term investment if they have original maturities of more than three months and matures within one year from the Statement of Financial Position date. These short term investments consist of guaranteed investment certificates.

Investments are classified as short term restricted investments and cash if they have original maturities of more than three months, matures within one year from the Statement of Financial Position date, and external restrictions limiting their use.

Investments are classified as long term restricted investment and cash if they are original maturities of more than one year from the Statement of Financial Position date, and external restrictions limiting their use.

(j) Leasehold improvements and equipment:

Leasehold improvements and equipment are recorded at cost at the time of the acquisition. Contributed leasehold improvements and equipment in use are recorded at fair value at the date of the contribution. Leasehold improvements and equipment are amortized as follows:

Leasehold improvements	Greater of 20% declining balance or straight-line over term of lease
Office furniture, fixtures and equipment	20% declining balance or straight-line over term of lease
Computers and software	30% declining balance
Production equipment	20% declining balance

2. Significant accounting policies (continued):

(k) Capitalized artistic creations:

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

Medicine Hat dance film and Peter Pan are currently in creation and capitalized artistic creation costs will not be amortized until they are put in use.

Sets, props, original music scores, costumes and related costs for Sleeping Beauty, Frankenstein, All of Us, school costumes, Cinderella, and Midsummer are amortized on a straight line basis over 5 years; Mix Bill series (Yearning in Unleashed, Sixth Breath in Deviate, and Caelestis) on a straight line basis over 3 years, subject to an annual review by management.

(l) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. The Company has not elected to carry and such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal period if there are indicators of impairment. If there is an indicator of impairment, the Company determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Company expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

2. Significant accounting policies (continued):

(m) Long-lived assets:

The Company performs impairment testing on long-lived assets which include leasehold improvements and equipment and capitalized artistic creations, 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 period.

(n) 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 period end exchange rate. Non-monetary assets and liabilities are translated at the approximate rate of exchange prevailing at the transaction date.

(o) 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. Significant items subject to such estimates and assumptions include the useful life of capitalized artistic creations and leasehold improvements and equipment, and eligibility and the collection of the CEWS. Actual results could differ from and affect the results reported in these financial statements.

(p) Inventory:

Inventory consisting of ballet shoes, jazz shoes, merchandise and raffle prize is valued at the lower of cost, on a weighted average basis, and net realizable value. Previously write-downs to net realizable value are reversed to the extent there is a subsequent increase in the net realizable value of the inventory.

3. Accounts and accrued receivables:

Included in accounts and accrued receivables are $312,033 (2019 – $7,480) of receipts for single and subscription ticket sales collected by a third party on behalf of the Company.

4. Canada Emergency Wage Subsidy receivable:

The Company has met the eligibility requirements and has incurred eligible remuneration, a portion of which is covered under the Canada Emergency Wage Subsidy. The applications for the eligible claim periods from March 15, 2020 to August 31, 2020 were submitted and subsidy payments received subsequent to year end. While qualifications and subsidy amounts may be subject to audit by the Canada Revenue Agency, the Company is confident in respect to its entitlement to the subsidies received.

5. Restricted investments and cash:

	2020	2019	Restricted by
Current cash:			
Dancers development fund	$ 24,634	$ 17,109	Donors
Casino & raffle accounts	10,090	38,769	Alberta Gaming, Liquor & Cannabis Commission
Base cash reserve (note 13)	10,000	900,000	Alberta Foundation for the Arts
Barbara Palmer fund for New Works	–	70,000	Donors
Total current cash	44,724	1,025,878	
Current guaranteed investment certificates:			
Base cash reserve (note 13)	1,430,000	534,975	Alberta Foundation for the Arts
Security (note 15)	55,000	35,000	Canadian Actors' Equity Association
Rouleau House capital reserve (note 15)	15,000		City of Calgary
	1,500,000	569,975	
Total current restricted investments and cash	1,544,724	1,595,853	

5. Restricted investments and cash (continued):

	2020	2019	Restricted by
Long term cash:			
Barbara Palmer fund for New Works	$ 193,118	$ 36,118	Donors
Dance films	55,000	–	Funders
	248,118	36,118	
Long term securities:			
Alberta Ballet building capital fund	792,727	–	Donors
Repertoire fee	293,851	–	Board of Directors
Barbara Palmer fund for New Works	9,424	–	Donors
	1,096,002	–	
Long term guaranteed investment certificates:			
Alberta Ballet building capital fund	1,024,067	1,005,831	Donors
Barbara Palmer fund for New Works	199,449	155,319	Patrons
	1,223,516	1,161,150	
Total long term restricted investments and cash	$ 2,567,636	$1,197,268	

The restricted guaranteed investment certificates are held with a Canadian chartered bank and bear interest at 0.1 % to 1.95 % (2019 – 1.5% to 2.15%) per annum, maturing between December 23, 2020 – August 27, 2021 (2019 – October 2, 2019 – August 9, 2020).

Cash and guaranteed investment certificates subject to external restrictions limiting their use beyond August 31, 2021 have been classified as long term.

6. Leasehold improvements and equipment:

			2020	2019
	Cost	Accumulated depreciation	Net book value	Net book value
Not in Use				
Computers and software	$ 70,642	$ –	$ 70,642	$ 24,145
In Use				
Leasehold improvements	1,769,421	(1,414,864)	354,557	426,370
Production equipment	799,013	(638,731)	160,282	154,349
Computers and software	826,750	(682,666)	144,084	160,755
Office furniture, fixtures and equipment	590,921	(477,430)	113,491	104,745
	$ 4,056,747	$(3,213,691)	$ 843,056	$ 870,364

6. Leasehold improvements and equipment (continued):

Amortization provided for the current period totaled $216,672 (2019 – $186,753). Write down of computers and software during the period is $nil (2019 – $15,468).

7. Capitalized artistic creations:

	Cost	Accumulated depreciation	2020 Net book value	2019 Net book value
Shows in Creation				
Medicine Hat dance film	$ 28,697	$ –	$ 28,697	$ –
Peter Pan	2,664	–	2,664	2,664
Shows in Production				
Sleeping Beauty	552,389	(165,717)	386,672	497,150
Frankenstein	467,367	(85,684)	381,683	84,587
All of Us	164,441	(84,961)	79,480	112,368
Unleashed (Yearning)	32,229	(6,267)	25,962	22,472
Deviate (Sixth Breath)	20,782	(10,391)	10,391	17,318
Cinderella	8,500	(4,392)	4,108	5,808
Midsummer	49,157	(49,157)	–	44,241
Caelestis	10,000	(10,000)	–	1,111
Other				
School costumes	79,136	(45,783)	33,353	43,953
	$ 1,415,362	$ (462,352)	$ 953,010	$ 831,672

Amortization provided for the current period totaled $267,780 (2019 – $139,844). There was a write down of artistic creations during the period of $36,868 (2019 – $62,551).

8. Accounts payable and accrued liabilities:

Government remittances for 2020 are a receivable of $20,633 (2019 – payable of $30,586) related to goods and services, and payroll taxes.

9. Deferred revenue:

Deferred revenue represents ticket sales for future performances, grants, tuition, sponsorships, raffle, performance fees and studio rental restricted to future expenditures. The components of deferred revenue are as follows:

	2020	2019
Ticket sales	$ 1,043,783	$ 2,265,485
Grants	1,173,953	873,942
Tuition	646,286	620,310
Sponsorships	136,510	63,499
Raffle	21,580	–
Performance fees	1,386	40,290
Studio rental	320	–
	$ 3,023,818	$ 3,863,526

10. Deposits:

Deposits represents credits on account related to tickets for past performances and tuition refunds due to mandatory closures during COVID-19. It also represents school residence damage and tuition deposits. The components of deposits are as follows:

	2020	2019
Ticket	$ 287,431	$ –
Tuition	48,346	63,543
Damage	23,750	37,100
	$ 359,527	$ 100,643

11. Obligations under capital lease:

The Company has financed copier equipment by entering a capital lease arrangement. The copier contract matures on September 22, 2022, bears interest at 20% per annum and is collateralized by a general security agreement of the equipment. Capital lease repayments are as follows:

2021	$ 16,307
2022	16,307
2023	4,062
Total minimum lease payments	36,676
Less amount representing interest	(7,757)
Minimum capital lease payments	28,919
Current portion of obligations under capital	11,300
	$ 17,619

Interest of $7,105 (2019 – $9,890) relating to the capital lease obligation has been included in administration expense. The total amount of equipment under capital lease is $56,193 (2019 – $93,561) with accumulated amortization of $33,205 (2019 – $54,838).

12. Deferred capital contributions:

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

Changes in the deferred capital contributions balance are as follows:

	2020	2019
Beginning balance	$ 1,862,221	$ 886,044
Contributions received	1,534,520	1,084,709
Less amounts amortized and recognized as revenue	(163,565)	(108,532)
Ending balance	$ 3,233,176	$ 1,862,221

13. Base cash reserve:

	2020	2019
Externally restricted:		
Base cash reserve	$ 1,440,000	$1,430,000

The Company established a Base Cash Reserve policy to adhere to Alberta Foundation for the Arts Professional Performing Arts Operating Grants and to ensure that Alberta Ballet remains financially sustainable in the future.

The Base Cash Reserve has been defined as an unencumbered, externally restricted cash and cash equivalents account that can only be accessed upon a resolution of the Board of Directors, approved by a majority vote, equal to 10% of average annual operating expenditures. The Company had 100% (2019 – 94%) of the Base Cash Reserve in place as of August 31, 2020.

Cash and cash equivalents removed from the Base Cash Reserve must be replenished by the last day of the fiscal year in which the Base Cash Reserve funds were utilized.

During the year ended August 31, 2020, $10,000 (2019 – $900,000) was transferred from the operating fund to the externally restricted funds.

14. Alberta Ballet Foundation:

The Alberta Ballet Foundation (the “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 the Company in amounts as determined by the Board of Directors of the Foundation. The following transactions occurred between the Foundation and the Company:

	2020	2019
Donation to the Company	$ 32,566	$ 33,294

14. Alberta Ballet Foundation (continued):

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 are provided as follows:

	2020	2019
Statement of operations:		
Revenues	$ 82,818	$ 22,252
Expenses	52,320	42,625
Excess (deficiency) of revenues over expenses	$ 30,498	$ (20,373)

	2020	2019
Financial position:		
Total assets	$ 987,812	$ 983,577
Total liabilities	48,763	75,026
Capital stock and fund balances	$ 939,049	$ 908,551

	2020	2019
Cash flows:		
Operations	$ 8,672	$ (47,461)
Investing	(474)	12,302
Increase (decrease) in cash and restricted cash	$ 8,198	$ (35,159)

Subsequent to year end a significant donation was made by an individual related to a member of the Company's Board of Directors.

15. Commitments and contingencies:

(a) 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 and 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.

Effective May 1, 2020, the Company entered a 5-year lease agreement with an option to extend a further 10 years for an additional historic building located beside the Studios, known as Rouleau house. The lease calls for annual rental payments of $10, and requires the Company to reserve and accumulate $15,000 plus interest annually, for the capital maintenance reserve fund. This reserve fund currently has balance of $15,000 (2019 - $nil) secured by a $15,000 cashable GIC. At expiry of the lease, the Company shall transfer and assign any positive balance to the City of Calgary. The reserve was not utilized during the year.

Effective June 2017, the Company entered into a 7-year lease agreement with an option to terminate after 5 years for the Alberta Ballet School.

Effective July 2019, the Company entered into a 3-year lease agreement to lease warehouse space in Calgary for the purposes of building and storing sets and props expiring July 2022 with an option to extend a further 3 years.

Effective June 2019, the Company entered into a 3-year lease agreement to lease studio space in Edmonton expiring in August 2022 with an option to extend a further 3 years.

Effective June 1, 2017 the Company entered into a 5-year licensed user agreement with Ticketmaster. This agreement was amended on June 1, 2020 for a period of 5 years with an automatic renewal of 2 years.

Minimum base rent payable for premises and licensing for each of the next five fiscal years is as follows:

2021	$ 532,966
2022	523,042
2023	350,849
2024	265,915
2025 and beyond	30,536
	$ 1,703,308

15. Commitments and contingencies (continued):

(b) The Company has arranged a Letter of Guarantee in favor of The Canadian Actors' Equity Association for $55,000 (2019 – $35,000) secured by a $55,000 non-redeemable GIC. The Association did not draw on this guarantee on August 31, 2020 or August 31, 2019.

16. Bank indebtedness:

The Company has an operating line of credit for $500,000 (2019 – $500,000) at an interest rate of bank's prime rate plus 0.75%. The Company has provided the lender a general security agreement over all assets and future acquired assets. As of August 31, 2020, the Company had not drawn this line of credit (2019 – $nil). There is no covenant requirement on the facility agreement.

17. Grants:

Grant revenue recognized during the year from amounts awarded to the Company are as follows:

	2020	2019
Federal:		
Canada Council:		
Engage and Sustain: Artistic Institutions	$ 549,685	$ 502,685
COVID-19 Emergency Support Fund	156,500	–
Canada Council Arts Abroad Travel	3,000	–
Canada Arts Training Fund	65,000	65,000
Provincial:		
Alberta Foundation for the Arts:		
Professional Performing Arts Organization	1,262,885	1,262,885
Organizations: Arts Project Funding	3,000	–
Cultural Relations Project	–	25,000
Alberta Minister of Culture and Tourism: Other Initiatives Program	62,333	–
Alberta Education	246,783	356,888
Municipal:		
Calgary Arts Development Authority:		
Operating	407,000	224,070
Operating Grant Plus	14,600	–
Edmonton Arts Council Arts Operating	248,100	242,000
Foundations:		
Rozsa Foundation: Aspirations	10,550	5,400
	$ 3,029,436	$ 2,683,928

18. Donations in-kind:

During the year ended August 31, 2020, 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:

	2020	2019
Administration	$ 79,161	$ 50,032
Marketing	21,919	32,835
Production	11,497	–
	$ 112,577	$ 82,867

19. Net change in non-cash operating working capital:

	2020	2019
Accounts and accrued receivables	$ (260,677)	$ 201,029
Canada Emergency Wage Subsidy receivable	(1,461,275)	–
Due from Alberta Ballet Foundation	23,757	16,384
Prepaid expenses	(154,411)	6,981
Inventory	25,442	67,004
Accounts payable and accrued liabilities	(181,659)	138,054
Deferred revenue	(839,708)	(240,726)
Deposits	258,884	(68,523)
	$(2,589,647)	$ 120,203

20. Financial instruments:

The Company's financial instruments consist of cash and cash equivalents, short term investment, accounts and accrued receivables, grants receivable, due from Alberta Ballet Foundation, short term restricted investments and cash, long term restricted investments and cash, long term receivable, accounts payable and accrued liabilities, and deposits. The Company is not significantly exposed to interest risk as the available line of credit has not been utilized.

20. Financial instruments (continued):

(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 by management as moderate for the Company. The Company holds cash in reputable Canadian Financial institutions. The company's accounts and accrued receivables, grants receivable and long term receivable are primarily due from governments, large corporations, students and are subject to normal credit risks. 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. Liquidity risk is assessed by management as minimal. Mitigation of this risk is achieved through active cash management and budgeting processes. The risk exposure is considered heightened this year and increased from 2019 due to the COVID-19 pandemic and the impact on the business as described in note 2.

(c) Foreign exchange risk:

The Corporation is exposed to foreign currency fluctuations as it has both purchases in U.S. dollars. The Company does not currently enter forward contracts to mitigate this risk.

21. Changes in accounting standards:

In March 2018, the Canadian Accounting Standards Board issued "Basis for Conclusions - Accounting Standards Improvements for Not-for-Profit Organizations" resulting in the introduction of three new sections in the Canadian Accounting Standards for Not-for-Profit Organizations Part III of the Handbook as follows:

A. Section 4433, Tangible capital assets held by not-for-profit organizations, which directs organizations to apply the accounting guidance of Section 3061, Property Plant and Equipment in Part II of the Handbook. In so doing, the new section requires that organizations annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a non-reversible impairment expense. In addition, where practical, to componentize capital assets when estimates can be made of the useful lives of the separate components.

   This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairments of tangible assets that existed as at September 1, 2019.

21. Changes in accounting standards (continued):

B. Section 4434, Intangible assets held by not-for-profit organizations, which directs organizations to annually assess intangible assets, and where applicable to record an impairment expense should the net carrying value be higher than the asset's fair value or replacement cost.

   This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairment of intangible assets that existed as at September 1, 2019.

C. Section 4441, Collections held by not-for-profit organizations, which defines a collection and directs organizations to record such assets on the statement of financial position at either cost or nominal value. It is anticipated that all collections will be accounted for using the same method, with the exception of organizations that opt to account for collections at cost, whereby the cost for certain collections either held or contributed cannot be determined. Such items are to be accounted for at a nominal value. In addition, collections are written down when there is evidence that the net carrying amount exceeds fair value.

   Organizations are permitted to retrospectively capitalize collections at their cost or fair value at the date of acquisition, or fair value or replacement cost as September 1, 2019, based on the most readily determinable value. In addition, an adjustment to opening net assets is permitted to recognize any partial impairment of the value of collections that existed as at September 1, 2019.

The implementation of these changes had no impact on the non-consolidated financial statements.

The amendments are effective for financial statements for fiscal years beginning on or after January 1, 2019.

22. Comparative information:

Certain prior period balances have been reclassified to conform to current period's presentation, including the guaranteed investment certificates reclassification of $950,000 from cash to short term investment.