

Non-consolidated Financial Statements of

**ALBERTA BALLET COMPANY**

And Independent Auditors' Report thereon

Year ended August 31, 2022



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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, 2022
- 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, 2022, 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.

### ***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 Annual Education Results 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 Annual Education Results 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 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 25, 2022

# ALBERTA BALLET COMPANY

Non-consolidated Statement of Financial Position

As of August 31, 2022, with comparative information for 2021

	2022	2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 5,366,412	\$ 3,709,004
Accounts and accrued receivables (note 3)	181,749	1,310,698
Federal subsidies receivable (note 4)	408,516	684,635
Prepaid expenses	325,569	389,196
Inventory	189,750	187,873
Due from Alberta Ballet Foundation (note 16)	132,778	28,343
Restricted investments and cash (note 5)	1,914,550	1,521,520
	<u>8,519,324</u>	<u>7,831,269</u>
Restricted investments and cash (note 5)	4,318,379	3,824,764
Endowment investments	1,358,614	68,812
Long term receivables and deposits	243,426	55,100
Leasehold improvements and equipment (note 6)	691,653	775,896
Capitalized artistic creations (note 7)	179,598	334,230
	<u>\$ 15,310,994</u>	<u>\$ 12,890,071</u>
<b>Liabilities and Fund Balances</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 894,251	\$ 621,616
Deferred revenue (note 9)	4,819,075	4,146,260
Deposits (note 10)	154,829	271,945
Current portion of obligations under capital lease (note 11)	3,881	13,745
	<u>5,872,036</u>	<u>5,053,566</u>
Obligations under capital lease (note 11)	–	3,881
Deferred contributions (note 12)	50,000	50,828
Deferred capital contributions (note 13)	4,535,254	4,054,653
	<u>10,457,290</u>	<u>9,162,928</u>
Fund balances:		
Operating	1,743,190	2,218,460
Restricted (note 14)	1,690,000	1,440,000
Endowment (note 15)	1,420,514	68,683
	<u>4,853,704</u>	<u>3,727,143</u>
Commitments and contingencies (note 17)		
Subsequent events (notes 4 and 17)		
	<u>\$ 15,310,994</u>	<u>\$ 12,890,071</u>

See accompanying notes to the non-consolidated financial statements.

Signed "Daryl Fridhandler"

Daryl Fridhandler, Director

Signed "Jana Neal"

Jana Neal, Director

# ALBERTA BALLET COMPANY

## Non-consolidated Statement of Operations

Year ended August 31, 2022, with comparative information for 2021

	2022	2021
<b>Revenues:</b>		
Performance	\$ 5,532,260	\$ 57,831
Grants (note 19)	3,551,467	3,162,706
Tuition	3,072,658	2,487,939
Federal subsidies (note 4)	1,381,433	3,041,577
Donations (note 20)	1,047,841	878,926
School residence	1,014,856	653,886
Merchandising	211,721	18,541
Sponsorship	177,268	151,055
Amortization of deferred capital contributions (note 13)	97,826	446,644
Fundraising	85,291	116,740
Investment income	60,785	—
Other income	28,700	15,969
Interest income	19,341	8,229
Management fee (note 16)	10,000	—
	<u>16,291,447</u>	<u>11,040,043</u>
<b>Expenses:</b>		
Personnel	9,411,773	5,727,328
Facilities	1,642,368	1,330,910
Performance	1,579,345	200,667
Administration (note 11)	1,342,731	810,641
Marketing	782,647	107,562
Artistic and creations	567,928	13,508
Residence food and supplies	323,156	203,285
Fundraising and development	197,807	77,355
Merchandising	128,485	37,677
Other expenses	9,685	35,168
Bad debt expense (recovery)	194	(9,742)
	<u>15,986,119</u>	<u>8,534,359</u>
	<u>305,328</u>	<u>2,505,684</u>
Amortization (notes 6 and 7)	(355,223)	(638,850)
Write down of artistic creations (note 7)	—	(349,912)
Unrealized (loss) gain on investments	(164,327)	35,953
Foreign exchange loss	(6,996)	(1,860)
Loss on disposal of equipment	(4,052)	—
	<u>(225,270)</u>	<u>1,551,015</u>
<b>(Deficiency) excess of revenues over expenses</b>	<b>\$ (225,270)</b>	<b>\$ 1,551,015</b>

See accompanying notes to the non-consolidated financial statements.

# ALBERTA BALLET COMPANY

## Non-consolidated Statement of Changes in Fund Balances

Year ended August 31, 2022, with comparative information for 2021

	Operating Fund	Restricted Fund	Endowment Fund	Total	
				2022	2021
Fund balances, beginning of year	\$ 2,218,460	\$ 1,440,000	\$ 68,683	\$ 3,727,143	\$ 2,107,445
(Deficiency) excess of revenues over expenses	(225,270)	–	–	(225,270)	1,551,015
Inter-fund Transfer	(250,000)	250,000	–	–	–
Endowment gifts received	–	–	370,479	370,479	68,683
Endowment transferred from Alberta Ballet Foundation	–	–	1,703,510	1,703,510	–
Endowment gifts paid to Alberta Ballet Foundation	–	–	(722,158)	(722,158)	–
Fund balances, end of year	\$ 1,743,190	\$ 1,690,000	\$ 1,420,514	\$ 4,853,704	\$ 3,727,143

See accompanying notes to the non-consolidated financial statements.



# ALBERTA BALLET COMPANY

## Non-consolidated Statement of Cash Flows

Year ended August 31, 2022, with comparative information for 2021

	2022	2021
Increase (decrease) in cash:		
Operations:		
(Deficiency) excess of revenues over expenses	\$ (225,270)	\$ 1,551,015
Recognition of previously deferred donations and capitalized artistic creations	(228,305)	–
Amortization	355,223	638,850
Amortization of deferred capital contributions (note 13)	(97,826)	(446,644)
Unrealized loss (gain) on investment	164,327	(35,953)
Write down of inventory	6,481	26,507
Write down of equipment	–	349,912
Loss on disposal of capital assets	4,052	–
Bad debt expense (recovery)	194	(9,742)
	(21,124)	2,073,945
Net change in non-cash operating working capital (note 21)	2,152,255	1,421,085
	2,131,131	3,495,030
Financing:		
Payments on capital lease obligation	(13,745)	(11,293)
Increase in endowment fund	1,351,831	68,683
	1,338,086	57,390
Investing:		
Increase in restricted investments (note 5)	(2,176,447)	(1,302,549)
Capital contributions received (note 13)	928,571	999,720
Net investment (loss) income on deferred capital and deferred contributions	(223,514)	299,894
Increase in long term receivables	(188,326)	(1,763)
Purchase of leasehold improvements and equipment	(146,427)	(151,179)
Purchase of capitalized artistic creations	(5,666)	(151,644)
Decrease in short term investment	–	209,000
Contributions received (note 12)	–	55,101
	(1,811,809)	(43,420)
Net increase in cash	1,657,408	3,509,000
Cash, beginning of year	3,709,004	200,004
Cash, end of year	\$ 5,366,412	\$ 3,709,004

See accompanying notes to the non-consolidated financial statements.

# ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements

Year ended August 31, 2022, with comparative information for 2021

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## 1. Nature of the business:

Alberta Ballet Company (“Alberta Ballet” or 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 Company 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”).

Significant accounting policies are summarized below:

### (a) Accounting for a related controlled entity:

The Company considers Alberta Ballet Foundation (the “Foundation”) a controlled entity. The Foundation has not been consolidated in the Alberta Ballet Company financial statements. Required disclosure under ASNPO is included in note 16.

### (b) Fund accounting:

Revenues and expenses related to program delivery and administrative activities are reported in the operating fund.

Endowment contributions and net investment income that are required to be held in perpetuity are reported in the endowment fund.

Net investment income (loss), if restricted, are reported in restricted funds.

### (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.

# ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements, page 2

Year ended August 31, 2022, with comparative information for 2021

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## 2. Significant accounting policies (continued):

Net investment income on endowment contributions, if restricted, is recorded to net assets, consistent with the original contribution. Net investment income on endowment contributions that is unrestricted, in that it is not required to be added to the principal of the original contribution or specifically restricted by the donor, is recorded in the statement of operations.

Endowment contributions are recognized as direct increases in endowment fund net assets.

### (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 related expenses are incurred.

### (e) Deferred contributions:

Restricted donations the Company receives are deferred until the related expenses are incurred.

Investment income related to deferred contributions is also deferred until the related expenses are 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.

Related net investment income is also deferred if specifically required to be added to the principal balance of the contribution until utilized.

### (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 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 and cash equivalents:

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

### (i) Restricted investments and cash:

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

# ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements, page 3

Year ended August 31, 2022, with comparative information for 2021

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## 2. Significant accounting policies (continued):

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

### (j) Inventory:

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

### (k) 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:

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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

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### (l) Capitalized artistic creations:

Capitalized artistic creations include the cost of set, props, original choreography, 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.

Sets, props, original music scores, costumes and related costs for Sleeping Beauty, Cinderella, Edmonton dance film and school costumes, are amortized on a straight line basis over 5 years, and Mix Bill series are amortized on a straight line basis over 3 years, subject to an annual review by management.

# ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements, page 4

Year ended August 31, 2022, with comparative information for 2021

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## 2. Significant accounting policies (continued):

### (m) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments and investments that are quoted in an active market are subsequently measured at fair value and all other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the 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 year 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.

### (n) Long-lived assets:

The Company performs impairment testing on long-lived assets which include leasehold improvements, 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.

### (o) 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.

# ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements, page 5

Year ended August 31, 2022, with comparative information for 2021

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## 2. Significant accounting policies (continued):

### (p) 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. Actual results could differ from and affect the results reported in these financial statements.

The continued impacts of the COVID-19 pandemic may present uncertainty over future government support, projected revenues, cash flows, the magnitude of market fluctuations on the value of the Company's investment portfolio, which may have a significant impact on future operations. An estimate of the financial effect of these items is not practicable at this time. During the year-ended August 31, 2022, government restrictions for in-person gatherings due to COVID-19 were lifted and the Company was able to resume live performances for its audiences.

## 3. Accounts and accrued receivables:

Included in accounts and accrued receivables are \$34,897 (2021 – \$1,148,816) of receipts for single and subscription ticket sales collected by a third party on behalf of the Company.

## 4. Federal subsidies:

During the year Alberta Ballet recognized \$1,381,433 (2021 – \$3,041,577) of revenue related to the Canada Emergency Wage and Rent Subsidies, and the Tourism and Hospitality Recovery Program, of which \$408,516 was receivable at August 31, 2022 (2021 – \$684,635). All amounts have been received subsequent to year-end.

# ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements, page 6

Year ended August 31, 2022, with comparative information for 2021

## 5. Restricted investments and cash:

	2022	2021	Restricted by
<b>Current cash:</b>			
Casino & raffle accounts	\$ 109,001	\$ 24	Alberta Gaming, Liquor & Cannabis Commission
Dancers development fund	10,445	11,446	Donors
Base cash reserve (note 14)	250,000	–	Alberta Foundation for the Arts
<b>Total current cash</b>	<b>\$ 369,446</b>	<b>\$ 11,470</b>	
<b>Current guaranteed investment certificates:</b>			
Base cash reserve (note 14)	\$ 1,440,000	\$ 1,440,000	Board of Directors
Security (note 17)	75,000	55,000	Canadian Actors' Equity Association
Rouleau House capital reserve (note 17)	30,104	15,050	City of Calgary
	1,545,104	1,510,050	
<b>Total current restricted investments and cash</b>	<b>\$ 1,914,550</b>	<b>\$ 1,521,520</b>	
<b>Long term cash:</b>			
Repertoire fee	\$ 92,656	\$ –	Board of Directors
Barbara Palmer fund for New Works	36,489	241,965	Donors
Flora Altieri Award for Academic Advancement Fund	14,439	–	Donors
	143,584	241,965	
<b>Long term guaranteed investment certificates:</b>			
Alberta Ballet building capital fund	1,787,477	1,781,546	Donors
Repertoire fee	300,931	300,447	Board of Directors
	2,088,408	2,081,993	
<b>Long term securities:</b>			
Alberta Ballet building capital fund	1,577,785	994,492	Donors
Barbara Palmer fund for New Works	478,295	451,462	Donors
Flora Altieri Award for Academic Advancement Fund	30,307	54,852	Donors
	2,086,387	1,500,806	
<b>Total long term restricted investments and cash</b>	<b>\$ 4,318,379</b>	<b>\$ 3,824,764</b>	

# ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements, page 7

Year ended August 31, 2022, with comparative information for 2021

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

The restricted guaranteed investment certificates are held with a Canadian chartered bank and bear interest ranging from 0.70% to 1.40% (2021 – 0.35% to 0.65%) per annum, maturing between October 22, 2022 and May 30, 2023 (2021 – between January 25, 2022 and August 27, 2022).

Cash and guaranteed investment certificates subject to external restrictions limiting their use beyond August 31, 2023 have been classified as long term.

## 6. Leasehold improvements and equipment:

			2022	2021
	Cost	Accumulated depreciation	Net book value	Net book value
<u>Not in Use</u>				
Computers and software	\$ –	\$ –	\$ –	\$ 555
Office furniture, fixtures and equipment	23,057	–	23,057	–
<u>In Use</u>				
Leasehold improvements	1,782,262	(1,573,261)	209,001	270,883
Production equipment	830,794	(703,461)	127,333	159,166
Computers and software	1,057,028	(832,268)	224,760	225,571
Office furniture, fixtures and equipment	653,606	(546,104)	107,502	119,721
	\$ 4,346,747	\$(3,655,094)	\$ 691,653	\$ 775,896

Amortization during the year totaled \$225,815 (2021 – \$218,339).



# ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements, page 8

Year ended August 31, 2022, with comparative information for 2021

## 7. Capitalized artistic creations:

			2022	2021
	Cost	Accumulated depreciation	Net book value	Net book value
<u>Shows in Creation</u>				
Phi (David Bowie)	\$ –	\$ –	\$ –	\$ 30,891
<u>Shows in Production</u>				
Sleeping Beauty	552,388	(387,647)	164,741	276,194
Swan Lake	5,666	(944)	4,722	–
Unleashed (Yearning)	7,565	(6,514)	1,051	3,572
Cinderella	8,500	(7,792)	708	2,408
Edmonton dance film	–	–	–	3,639
<u>Other</u>				
School costumes	79,136	(70,760)	8,376	17,526
	\$ 653,255	\$ (473,657)	\$ 179,598	\$ 334,230

Amortization during the year totaled \$129,408 (2021 – \$420,511). There was no write down of artistic creations during the year (2021 – \$349,912).

## 8. Accounts payable and accrued liabilities:

Government remittances payable as at August 31, 2022 are \$97,196 (2021 – \$7,741) related to goods and services, and payroll taxes.

## 9. Deferred revenue:

Deferred revenue represents ticket sales for future performances, grants, tuition, and sponsorships restricted to future expenditures.

The components of deferred revenue are as follows:

	2022	2021
Ticket sales	\$ 2,170,960	\$ 1,765,522
Grants	1,612,925	1,607,877
Tuition	1,004,965	651,351
Donation	25,000	–
Sponsorships	5,225	121,510
	\$ 4,819,075	\$ 4,146,260

# ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements, page 9

Year ended August 31, 2022, with comparative information for 2021

## 10. Deposits:

Deposits represent 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:

	2022	2021
Ticket	\$ 77,360	\$ 130,892
Tuition	41,069	50,614
Damage	36,400	83,304
Other	–	7,135
	<u>\$ 154,829</u>	<u>\$ 271,945</u>

## 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:

2023 minimum lease payment	\$ 4,076
Less amount representing interest	(195)
<u>Minimum capital lease payments - current</u>	<u>3,881</u>

Interest of \$2,554 (2021 – \$5,015) relating to the capital lease obligation has been included in administration expense. The total amount of equipment under capital lease is \$56,193 (2021 – \$56,193) with accumulated amortization of \$53,638 (2021 – \$43,421).

# ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements, page 10

Year ended August 31, 2022, with comparative information for 2021

## 12. Deferred contributions:

Deferred contributions relate to restricted donations the Company receives that are related to the payment of future professional development expenses.

Changes in the deferred contributions balance are as follows:

	2022	2021
Beginning balance	\$ 50,828	\$ –
Contributions received	–	50,828
Less unrealized loss on investments	(828)	–
Ending balance	\$ 50,000	\$ 50,828

## 13. 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:

	2022	2021
Beginning balance	\$ 4,054,653	\$ 3,233,176
Contributions received	928,571	999,720
Amortization of deferred capital contributions	(97,826)	(446,644)
Contributions recognized as revenue	(260,000)	–
Net investment (loss) income	(58,357)	268,401
Contributions reclassified as deferred grant	(31,787)	–
Ending balance	\$ 4,535,254	\$ 4,054,653

# ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements, page 11

Year ended August 31, 2022, with comparative information for 2021

## 14. Restricted fund:

	2022	2021
Internally restricted:		
Base cash reserve	\$ 1,690,000	\$ 1,440,000

The Restricted fund consists of a base cash reserve policy to adhere to 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, internally 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% (2021 – 119%) of the Base Cash Reserve in place as of August 31, 2022.

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, 2022 \$250,000 (2021 – \$nil) was transferred from the operating fund to the internally restricted fund.

## 15. Endowment Fund:

The Company's endowment fund is managed and invested in accordance with the Company's policies. In accordance with Alberta Ballet's endowment and investment policies, an amount is disbursed annually to the Foundation, where endowed funds are held in perpetuity.

Changes in the endowments fund balance are as follows:

	2022	2021
Beginning balance	\$ 68,683	\$ –
Gifts received	370,479	68,683
Transferred from Alberta Ballet Foundation	1,703,510	–
Gifts paid to Alberta Ballet Foundation	(722,158)	–
Ending balance	\$ 1,420,514	\$ 68,683

During the year ended August 31, 2022 endowment contributions of \$109,952 (2021 – \$46,683) were made by employees and members of the Board of Directors of the Company. Donations from the Board of Directors of the Company are disclosed in note 20.

# ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements, page 12

Year ended August 31, 2022, with comparative information for 2021

## 16. Alberta Ballet Foundation:

The Foundation, a controlled related entity, 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:

	2022	2021
Donation to the Company	\$ 118,472	\$ 32,333
Management fee	10,000	—

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:

	2022	2021
Statement of operations:		
Revenues	\$ 159,837	\$ 145,912
Expenses	171,197	55,699
Unrealized loss (gain) on investments	598,043	(323,205)
(Deficiency) excess of revenues over expenses	\$ (609,403)	\$ 413,418

	2022	2021
Financial position:		
Total assets	\$ 5,717,504	\$ 5,860,939
Total liabilities	137,698	30,133
Capital stock and fund balances	\$ 5,579,806	\$ 5,830,806

	2022	2021
Cash flows:		
Operations	\$ 96,205	\$ 84,104
Financing	358,403	4,478,339
Investing	(528,361)	(4,490,317)
(Decrease) increase in cash and restricted cash	\$ (73,753)	\$ 72,126

# ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements, page 13

Year ended August 31, 2022, with comparative information for 2021

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## 17. Commitments and contingencies:

- (a) The Alberta Ballet Studios on 18<sup>th</sup> 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 which started April 30, 2021, for the capital maintenance reserve fund. This reserve fund currently has balance of \$30,104 (2021 - \$15,050) held in a cashable guaranteed investment certificate. 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 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.

Effective November 2021, the Company entered into a 1-year lease agreement to lease residence space at Mount Royal University in Calgary for Alberta Ballet School expiring in October 2022, with an option to extend a further 3 years. Subsequent to year-end, effective November 2022, the Company entered into a 1-year lease agreement to lease residence space at Mount Royal University in Calgary expiring in October 2023, with an option to extend a further 3 years.

Effective March 2022, the Company entered into a 10-year lease agreement to lease warehouse space in Calgary for the purposes of building and storing sets and props expiring August 31, 2032.

Effective August 2022, the Company entered into a 3-year lease agreement to lease studio space in Edmonton expiring August 31, 2025.

# ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements, page 14

Year ended August 31, 2022, with comparative information for 2021

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## 17. Commitments and contingencies (continued):

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

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2023	\$ 539,187
2024	485,501
2025	174,075
2026	105,975
2027	103,200
Thereafter	515,567
	<hr/>
	\$ 1,923,505

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- (b) The Company has arranged a Letter of Guarantee in favor of The Canadian Actors' Equity Association for \$75,000 (2021 – \$55,000) secured by a \$75,000 (2021 - \$55,000) non-redeemable GIC. The Company did not draw on this guarantee on August 31, 2022 or August 31, 2021.

## 18. Bank indebtedness:

The Company has an operating line of credit for \$500,000 (2021 – \$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, 2022, the Company had not drawn this line of credit (2021 – \$nil). There is no covenant requirement on the facility agreement.

# ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements, page 15

Year ended August 31, 2022, with comparative information for 2021

## 19. Grants:

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

	2022	2021
<u>Federal:</u>		
Canada Council:		
Engage and Sustain: Artistic Institutions	\$ 622,685	\$ 622,685
COVID-19 Emergency Support Fund	124,600	–
Canada Council Dance Films	22,070	–
Department of Heritage	100,000	–
Canada Arts Training Fund	65,000	65,000
COVID Safe Return to School	–	18,200
<u>Provincial:</u>		
Alberta Foundation for the Arts:		
Professional Performing Arts Organization	1,342,710	1,477,636
Organizations: Arts Project Funding	5,000	15,000
Alberta Education	293,211	298,836
Alberta Minister of Culture and Tourism:		
Other Initiatives Program	124,668	–
Alberta Job Grants	14,336	–
Canadian Arts Data (CADAC) Grant	–	800
<u>Municipal:</u>		
Calgary Arts Development Authority:		
Operating	407,000	407,000
Operating Grant Plus	25,400	–
Edmonton Arts Council Arts:		
Operating	248,100	248,099
Operating Grant Plus	19,600	–
City of Edmonton COVID-19 Recovery	15,000	–
<u>Foundations:</u>		
Royal Bank of Canada Emerging Artists	20,000	–
Nickle Family Foundation	14,347	–
Allard Foundation	5,000	–
Rozsa Foundation: Aspirations	–	9,450
<u>Community Investment</u>	82,740	–
	<u>\$ 3,551,467</u>	<u>\$ 3,162,706</u>



# ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements, page 16

Year ended August 31, 2022, with comparative information for 2021

## 20. Donations:

### (a) Donations in-kind:

During the year ended August 31, 2022, the Company received donation in-kind of material and services. The fair market values that are included in the statement of operations as sponsorship revenues and expenses as follows:

	2022	2021
Administration	\$ 47,485	\$ 26,140
Production	21,079	52,931
Development	–	585
Marketing	–	315
	<u>\$ 68,564</u>	<u>\$ 79,971</u>

Included in these amounts is \$68,564 (2021 – \$56,470) from a certain limited liability partnership where one of the Board of Directors of the Company has significant influence. The terms and conditions of transactions with this limited liability partnership are based on market rates for similar services and are no more favourable than those available, or which might reasonable be expected to be available, in similar transactions on an arm's length basis.

### (b) Donations by the Board of Directors:

Included in donations is \$24,518 (2021 – \$54,642) made by members of the Board of Directors of the Company, management of the Company and their immediate families during the year ended August 31, 2022. Endowment contributions from the Board of Directors and employees of the Company of the Company are disclosed in note 15.

## 21. Net change in non-cash operating working capital:

	2022	2021
Accounts and accrued receivables	\$ 1,128,755	\$ (610,924)
Federal subsidies receivable	276,119	776,640
Due from Alberta Ballet Foundation	(104,435)	18,030
Inventory	(8,358)	6,540
Prepaid expenses	63,627	54,940
Accounts payable and accrued liabilities	272,635	140,999
Deferred revenue	641,028	1,122,442
Deposits	(117,116)	(87,582)
	<u>\$ 2,152,255</u>	<u>\$ 1,421,085</u>

# ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements, page 17

Year ended August 31, 2022, with comparative information for 2021

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## 22. Financial instruments:

The Company's financial instruments consist of cash and cash equivalents, short term investment, accounts and accrued receivables, grants receivable, due from the 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.

(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. To mitigate this risk, the Company's cash and investments are held with 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. 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 purchases in U.S. dollars. The Company does not currently enter forward contracts to mitigate this risk.

(d) Market risk:

Market risk is the risk that changes in market prices, such as interest rates or foreign exchange rates will affect the Company's loss or the value of its financial instruments. Management's objective is to control market risk exposures of its restricted investments within acceptable parameters while maximizing return. The Company manages this risk by investing in guaranteed investment certificates and engaging the services of a professional investment manager who adheres to the Company's investment policy.

# ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements, page 18

Year ended August 31, 2022, with comparative information for 2021

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## 22. Financial instruments (continued):

(e) Concentration risk:

Concentration risk is the risk associated with a significant percent of the Company's accounts and accrued receivables balance is from a single customer and thus presents a higher risk to the Company in the event of a default by that customer. At August 31, 2022, approximately 19% (2021 – 88%) of accounts and accrued receivables related to receipts for single and subscription ticket sales collected by a third party on behalf of the Company as described in note 3. The Company manages this risk by engaging the services of one of the world's leading ticket sales and distribution company based in the United States.

The risk exposures are considered unchanged from 2021, despite the potential impact as a result of COVID-19 described in note 2(p).