

Non-consolidated Financial Statements of

ALBERTA BALLET COMPANY

And Independent Auditors' Report thereon

Year ended August 31, 2021



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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, 2021
- 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, 2021, 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 19, 2021

ALBERTA BALLET COMPANY

Non-consolidated Statement of Financial Position

As of August 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,709,004	\$ 200,004
Short term investment	–	209,000
Accounts and accrued receivables (notes 3 and 8)	1,310,698	693,071
Canada emergency wage and rent subsidy receivable (note 4)	684,635	1,461,275
Due from Alberta Ballet Foundation	28,343	46,373
Inventory	187,873	220,920
Prepaid expenses	389,196	444,136
Restricted investments and cash (note 5)	1,521,520	1,544,724
	<u>7,831,269</u>	<u>4,819,503</u>
Restricted investments and cash (note 5)	3,824,764	2,567,636
Endowment investment	68,812	–
Long term receivables	55,100	53,337
Leasehold improvements and equipment (note 6)	775,896	843,056
Capitalized artistic creations (note 7)	334,230	953,010
	<u>\$ 12,890,071</u>	<u>\$ 9,236,542</u>
Liabilities and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 621,616	\$ 483,657
Deferred revenue (note 9)	4,146,260	3,023,818
Deposits (note 10)	271,945	359,527
Current portion of obligations under capital lease (note 11)	13,745	11,300
	<u>5,053,566</u>	<u>3,878,302</u>
Obligations under capital lease (note 11)	3,881	17,619
Deferred contributions (note 12)	50,828	–
Deferred capital contributions (note 13)	4,054,653	3,233,176
	<u>9,162,928</u>	<u>7,129,097</u>
Fund balances:		
Restricted (note 14)	1,440,000	1,440,000
Endowment (note 15)	68,683	–
Operating	2,218,460	667,445
	<u>3,727,143</u>	<u>2,107,445</u>
Commitments and contingencies (note 17)		
	<u>\$ 12,890,071</u>	<u>\$ 9,236,542</u>

See accompanying notes to the non-consolidated financial statements.


Daryl Fridhandler, Director


Gerard McInnis, Director

ALBERTA BALLET COMPANY

Non-consolidated Statement of Operations

Year ended August 31, 2021, with comparative information for 2020

	2021	2020
Revenues:		
Performance	\$ 57,831	\$ 5,085,023
Grants (note 19)	3,162,706	3,029,436
Tuition	2,487,939	2,714,067
Canada emergency wage and rent subsidy (note 4)	3,041,577	1,461,273
Donations (note 20)	878,926	632,085
School residence	653,886	524,873
Sponsorship	151,055	388,463
Amortization and write-down of deferred capital contributions (note 13)	446,644	163,565
Merchandising	18,541	162,504
Fundraising	116,740	30,374
Interest income	8,229	16,943
Other income	15,969	11,504
	<u>11,040,043</u>	<u>14,220,110</u>
Expenses:		
Personnel	5,727,328	7,716,913
Facilities	1,330,910	1,184,302
Administration (note 11)	810,641	1,148,828
Residence food and supplies	203,285	168,435
Performance	200,667	1,721,150
Marketing	107,562	790,883
Fundraising and development	77,355	96,927
Merchandising	37,677	106,298
Artistic and creations	13,508	43,987
Bad debt (recovery) expense	(9,742)	15,750
Other expenses	35,168	42,356
	<u>8,534,359</u>	<u>13,035,829</u>
	<u>2,505,684</u>	<u>1,184,281</u>
Amortization (notes 6 and 7)	(638,850)	(484,452)
Write down of artistic creations (note 7)	(349,912)	(36,868)
Unrealized gain (loss) on investments	35,953	(31,493)
Foreign exchange loss	(1,860)	(12,448)
Excess of revenues over expenses	<u>\$ 1,551,015</u>	<u>\$ 619,020</u>

See accompanying notes to the non-consolidated financial statements.

ALBERTA BALLET COMPANY

Non-consolidated Statement of Changes in Fund Balances

Year ended August 31, 2021, with comparative information for 2020

	Operating Fund	Restricted Fund	Endowment Fund	Total	
				2021	2020
Fund balances, beginning of year	\$ 667,445	\$ 1,440,000	\$ –	\$ 2,107,445	\$ 1,488,425
Excess of revenues over expenses	1,551,015	–	–	1,551,015	619,020
Endowment gifts received	–	–	68,683	68,683	–
Fund balances, end of year	\$ 2,218,460	\$ 1,440,000	\$ 68,683	\$ 3,727,143	\$ 2,107,445

See accompanying notes to the non-consolidated financial statements.

ALBERTA BALLET COMPANY

Non-consolidated Statement of Cash Flows

Year ended August 31, 2021, with comparative information for 2020

	2021	2020
Increase (decrease) in cash		
Operations:		
Excess of revenues over expenses	\$ 1,551,015	\$ 619,020
Amortization	638,850	484,452
Amortization of deferred capital contributions (note 13)	(446,644)	(163,565)
Write down of artistic creations	349,912	36,868
Write down of inventory	26,507	—
Unrealized (gain) loss on investment	(35,953)	31,493
Bad debt (recovery) expense	(9,742)	—
	<u>2,073,945</u>	<u>1,008,268</u>
Net change in non-cash operating working capital (note 21)	1,421,085	(2,589,647)
	<u>3,495,030</u>	<u>(1,581,379)</u>
Financing:		
Payments on capital lease obligation	(11,293)	(11,282)
Increase in endowment fund	68,683	—
	<u>57,390</u>	<u>(11,282)</u>
Investing:		
Decrease in short term investment	209,000	741,000
Increase in restricted investments (note 5)	(1,302,549)	(1,319,239)
Contributions received (note 12)	55,101	—
Capital contributions received (note 13)	999,720	1,534,520
Net investment income (loss) on deferred capital contributions	299,894	(31,493)
Purchase of leasehold improvements and equipment	(151,179)	(189,364)
Purchase of capitalized artistic creations	(151,644)	(425,986)
Increase in long term receivables	(1,763)	(1,369)
	<u>(43,420)</u>	<u>308,069</u>
Net increase (decrease) in cash	3,509,000	(1,284,592)
Cash, beginning of year	200,004	1,484,596
Cash, end of year	<u>\$ 3,709,004</u>	<u>\$ 200,004</u>

See accompanying notes to the non-consolidated financial statements.

ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements

Year ended August 31, 2021, with comparative information for 2020

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”).

The COVID-19 pandemic 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 breadth of the impact of the COVID-19 pandemic on Alberta Ballet included cancellation of its scheduled performances at the Jubilee Auditorium from March 2020 through the 2020/21 season and closure of the Company’s in-person school operations periodically when government imposed restrictions were in place. The effect of COVID-19 on Alberta Ballet’s patrons, donors, audiences and students may also have a material adverse impact on the Company’s financial condition, results of operations and cash flows.

As at the reporting date, the Company determined that COVID-19 impacted its contracts related to the cancellation of its performances. COVID-19 has not impacted lease agreements, the assessment of provisions and contingent liabilities, or the timing of revenue recognition. Management assessed the financial impacts of the COVID-19 pandemic and did not identify any additional impacts on its financial statements as at August 31, 2021.

The factors discussed above 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.

ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements, page 2

Year ended August 31, 2021, with comparative information for 2020

Significant accounting policies are summarized below:

(a) Accounting for controlled related Company

The Company considers its relationship with Alberta Ballet Foundation (the "Foundation") as a controlled organization. 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 operation of the Alberta Ballet School 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 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.

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 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 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.

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

ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements, page 3

Year ended August 31, 2021, with comparative information for 2020

(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 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 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) Short term investment, and restricted investments and cash

Investments are classified as short term investment if they have original maturities of more than three months and mature 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, mature 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 have original maturities of more than 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 4

Year ended August 31, 2021, with comparative information for 2020

(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

(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.

Phi (David Bowie) is 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, 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.

(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 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

ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements, page 5

Year ended August 31, 2021, with comparative information for 2020

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.

(m) 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.

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

(p) 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.

3. Accounts and accrued receivables

Included in accounts and accrued receivables are \$1,148,816 (2020 – \$312,033) of receipts for single and subscription ticket sales collected by a third party on behalf of the Company.

ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements, page 6

Year ended August 31, 2021, with comparative information for 2020

4. Canada emergency wage and rent subsidy

During the year Alberta Ballet recognized \$3,041,577 (2020 – \$1,461,275) of revenue related to the Canada Emergency Wage and Rent Subsidies, of which \$684,635 was receivable at August 31, 2021 (2020 – \$1,461,275).

5. Restricted investments and cash

	2021	2020	Restricted by
Current cash:			
Dancers development fund	\$ 11,446	\$ 24,634	Donors
Casino & raffle accounts	24	10,090	Alberta Gaming, Liquor & Cannabis Commission
Base cash reserve (note 14)	–	10,000	Alberta Foundation for the Arts
Total current cash	\$ 11,470	\$ 44,724	
Current guaranteed investment certificates:			
Base cash reserve (note 14)	\$ 1,440,000	\$ 1,430,000	Alberta Foundation for the Arts
Security (note 17)	55,000	55,000	Canadian Actors' Equity Association
Rouleau House capital reserve (note 17)	15,050	15,000	City of Calgary
	1,510,050	1,500,000	
Total current restricted investments and cash	\$ 1,521,520	\$ 1,544,724	

ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements, page 7

Year ended August 31, 2021, with comparative information for 2020

	2021	2020	Restricted by
Long term cash:			
Barbara Palmer fund for New Works	\$ 241,965	\$ 193,118	Donors
Dance films	–	55,000	Funders
	241,965	248,118	
Long term securities:			
Alberta Ballet building capital fund	994,492	792,727	Donors
Repertoire fee	300,447	293,851	Board of Directors
Barbara Palmer fund for New Works	451,462	9,424	Donors
Flora Altieri Award for Academic Advancement Fund	54,852	–	Donors
	1,801,253	1,096,002	
Long term guaranteed investment certificates:			
Alberta Ballet building capital fund	1,781,546	1,024,067	Donors
Barbara Palmer fund for New Works	–	199,449	Patrons
	1,781,546	1,223,516	
Total long term restricted investments and cash			
	\$ 3,824,764	\$ 2,567,636	

The restricted guaranteed investment certificates are held with a Canadian chartered bank and bear interest at 0.35% to 0.65% (2020 – 0.1% to 1.95%) per annum, maturing between January 25, 2022 and August 27, 2022 (2020 – between December 23, 2020 and August 27, 2021).

Cash and guaranteed investment certificates subject to external restrictions limiting their use beyond August 31, 2022 have been classified as long term.

6. Leasehold improvements and equipment

	2021		2020	
	Cost	Accumulated depreciation	Net book value	Net book value
<u>Not in Use</u>				
Computers and software	\$ 555	\$ –	\$ 555	\$ 70,642
<u>In Use</u>				
Leasehold improvements	1,769,421	(1,498,538)	270,883	354,557
Production equipment	830,794	(671,628)	159,166	160,282
Computers and software	976,476	(750,905)	225,571	144,084
Office furniture, fixtures and equipment	630,679	(510,958)	119,721	113,491
	\$ 4,207,925	\$ 3,432,029	\$ 775,896	\$ 843,056

Amortization during the year totaled \$218,339 (2020 – \$216,672).

ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements, page 8

Year ended August 31, 2021, with comparative information for 2020

7. Capitalized artistic creations

			2021	2020
	Cost	Accumulated depreciation	Net book value	Net book value
<u>Shows in Creation</u>				
Phi (David Bowie)	\$ 30,891	\$ –	\$ 30,891	\$ –
<u>Shows in Production</u>				
Sleeping Beauty	552,389	(276,195)	276,194	386,672
Frankenstein	–	–	–	381,683
All of Us	–	–	–	79,480
Sugar Plum Palliser	60,786	(60,786)	–	–
Medicine Hat dance film	50,430	(50,430)	–	28,697
Ecclesia Movie	37,259	(37,259)	–	–
Unleashed (Yearning)	7,565	(3,993)	3,572	25,962
Deviante (Sixth Breath)	–	–	–	10,391
Cinderella	8,500	(6,092)	2,408	4,108
Edmonton dance film	3,639	–	3,639	–
Peter Pan	–	–	–	2,664
<u>Other</u>				
School costumes	79,136	(61,610)	17,526	33,353
	\$ 830,595	\$ 496,365	\$ 334,230	\$ 953,010

Amortization during the year totaled \$420,511 (2020 – \$267,780). There was a write down of artistic creations during the year of \$349,912 (2020 – \$36,868).

8. Accounts payable and accrued liabilities

Government remittances payable as at August 31, 2021 are \$7,741 (2020 – receivable of \$20,633) 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.

ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements, page 9

Year ended August 31, 2021, with comparative information for 2020

The components of deferred revenue are as follows:

	2021	2020
Ticket sales	\$ 1,765,522	\$ 1,043,783
Grants	1,607,877	1,173,953
Tuition	651,351	646,286
Sponsorships	121,510	136,510
Raffle	–	21,580
Performance fees	–	1,386
Studio rental	–	320
	<u>\$ 4,146,260</u>	<u>\$ 3,023,818</u>

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:

	2021	2020
Ticket	\$ 130,892	\$ 287,431
Tuition	50,614	48,346
Damage	83,304	23,750
Other	7,135	–
	<u>\$ 271,945</u>	<u>\$ 359,527</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.

ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements, page 10

Year ended August 31, 2021, with comparative information for 2020

Capital lease repayments are as follows:

2022	\$	16,307
2023		4,069
Total minimum lease payments		20,376
Less amount representing interest		(2,750)
Minimum capital lease payments		17,626
Current portion of obligations under capital		13,745
	\$	3,881

Interest of \$5,015 (2020 – \$7,105) relating to the capital lease obligation has been included in administration expense. The total amount of equipment under capital lease is \$56,193 (2020 – \$56,193) with accumulated amortization of \$43,421 (2020 – \$33,205).

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:

	2021	2020
Beginning balance	\$ –	\$ –
Contributions received	50,828	–
Less amounts amortized and recognized as revenue	–	–
Ending balance	\$ 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.

ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements, page 11

Year ended August 31, 2021, with comparative information for 2020

Changes in the deferred capital contributions balance are as follows:

	2021	2020
Beginning balance	\$ 3,233,176	\$ 1,862,221
Contributions received	999,720	1,534,520
Net investment income	268,401	–
Less amounts amortized and recognized as revenue	(446,644)	(163,565)
Ending balance	\$ 4,054,653	\$ 3,233,176

14. Base cash reserve

	2021	2020
Internally restricted:		
Base cash reserve	\$ 1,440,000	\$ 1,440,000

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, 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 119% (2020 – 100%) of the Base Cash Reserve in place as of August 31, 2021.

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, 2021 \$nil (2020 – \$10,000) was transferred from the operating fund to the internally restricted fund.

ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements, page 12

Year ended August 31, 2021, with comparative information for 2020

15. Endowment Fund

The Company's endowment fund is unrestricted and 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:

	2021	2020
Beginning balance	\$ –	\$ –
Contributions received	68,683	–
Ending balance	\$ 68,683	\$ –

During the year ended August 31, 2021 endowment contributions of \$46,683 (2020 – \$nil) were made by members of the Board of Directors of the Company. Donations from the Board of Directors of the Company are disclosed in note 20.

16. 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:

	2021	2020
Donation to the Company	\$ 32,333	\$ 32,566

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:

	2021	2020
Statement of operations:		
Revenues	\$ 145,912	\$ 82,818
Expenses	55,699	52,320
Unrealized (gain) on investments	(323,205)	–
Excess of revenues over expenses	\$ 413,418	\$ 30,498

ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements, page 13

Year ended August 31, 2021, with comparative information for 2020

	2021	2020
Financial position:		
Total assets	\$ 5,860,939	\$ 987,812
Total liabilities	30,133	48,763
Capital stock and fund balances	\$ 5,830,806	\$ 939,049

	2021	2020
Cash flows:		
Operations	\$ 84,104	\$ 8,672
Financing	4,478,339	–
Investing	(4,490,317)	(3,172)
Increase in cash and restricted cash	\$ 72,126	\$ 5,500

17. 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 starting April 30, 2021, for the capital maintenance reserve fund. This reserve fund currently has balance of \$15,050 (2020 - \$15,000) 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 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.

ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements, page 14

Year ended August 31, 2021, with comparative information for 2020

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:

2022	\$ 523,042
2023	350,849
2024	265,915
2025 and beyond	30,536
	<hr/>
	\$ 1,170,342

- (b) The Company has arranged a Letter of Guarantee in favor of The Canadian Actors' Equity Association for \$55,000 (2020 – \$55,000) secured by a \$55,000 non-redeemable GIC. The Association did not draw on this guarantee on August 31, 2021 or August 31, 2020.

18. Bank indebtedness

The Company has an operating line of credit for \$500,000 (2020 – \$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, 2021, the Company had not drawn this line of credit (2020 – \$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, 2021, with comparative information for 2020

19. Grants

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

	2021	2020
<u>Federal:</u>		
Canada Council:		
Engage and Sustain: Artistic Institutions	\$ 622,685	\$ 549,685
COVID-19 Emergency Support Fund	–	156,500
Canada Council Arts Abroad Travel	–	3,000
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	1,477,636	1,262,885
Organizations: Arts Project Funding	15,000	3,000
Alberta Minister of Culture and Tourism: Other Initiatives Program	–	62,333
Canadian Arts Data (CADAC) Grant	800	–
Alberta Education	298,836	246,783
<u>Municipal:</u>		
Calgary Arts Development Authority:		
Operating	407,000	407,000
Operating Grant Plus	–	14,600
Edmonton Arts Council Arts Operating	248,099	248,100
<u>Foundations:</u>		
Rozsa Foundation: Aspirations	9,450	10,550
	<u>\$ 3,162,706</u>	<u>\$ 3,029,436</u>

ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements, page 16

Year ended August 31, 2021, with comparative information for 2020

20. Donations

(a) Donations in-kind

During the year ended August 31, 2021, 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:

	2021	2020
Administration	\$ 26,140	\$ 79,161
Development	585	–
Marketing	315	21,919
Production	52,931	11,497
	<u>\$ 79,971</u>	<u>\$ 112,577</u>

Included in these amounts is \$56,470 (2020 – \$81,864) 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 \$54,642 (2020 – \$86,475) 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, 2021. Endowment contributions from the Board of Directors of the Company are disclosed in note 15.

21. Net change in non-cash operating working capital

	2021	2020
Accounts and accrued receivables	\$ (610,924)	\$ (260,677)
Canada emergency wage and rent subsidy receivable	776,640	(1,461,275)
Due from Alberta Ballet Foundation	18,030	23,757
Prepaid expenses	54,940	(154,411)
Inventory	6,540	25,442
Accounts payable and accrued liabilities	140,999	(181,659)
Deferred revenue	1,122,442	(839,708)
Deposits	(87,582)	258,884
	<u>\$ 1,421,085</u>	<u>\$ (2,589,647)</u>

ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements, page 17

Year ended August 31, 2021, with comparative information for 2020

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. Liquidity risk is assessed by management as heightened due to the COVID-19 pandemic and the impact on the business as described in note 2. 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 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.

(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, 2021, approximately 88% (2020 – 45%) 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

ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements, page 18

Year ended August 31, 2021, with comparative information for 2020

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.

23. Comparative information

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