ALBERTA BALLET
CANADA

Financial Statements

Alberta Ballet Company

June 30, 2014

Contents

Independent Auditor's Report

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To the Board of Directors of

Alberta Ballet Company

We have audited the accompanying financial statements of the Alberta Ballet Company (the "Company"), which comprise the statement of financial position as at June 30, 2014 and the statements of operations, changes in fund balances and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Alberta Ballet Company as at June 30, 2014 and its financial performance and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Calgary, Alberta
October 3, 2014

Grant Thornton LLP
Chartered Accountants

Alberta Ballet Company
Statement of Operations

Year Ended June 30	2014	2013
Revenues		
Performance	$ 5,542,052	$ 5,157,794
Government grants	2,071,987	2,104,209
Donations	1,165,708	1,760,721
Sponsorship	930,250	903,250
Fundraising events	105,878	579,274
Tuition	1,976,264	1,678,175
School residence	570,609	491,241
Merchandising	210,355	175,843
Amortization of deferred capital contributions (Note 10)	69,144	66,633
Other	79,828	81,877
GST recovered	117,306	109,356
	12,839,381	13,108,373
Expenses		
Personnel	5,924,251	5,552,637
Performance	3,244,935	2,728,860
Administration	1,143,344	1,114,926
Facilities	1,220,609	1,079,059
Marketing	1,060,188	1,050,030
Amortization (Note 3 and Note 4)	570,093	613,467
Fundraising and development	186,620	465,231
Artistic and creations	343,884	119,120
Merchandising	125,551	117,318
Bad debts and loss on foreign exchange	29,367	8,832
(Recovery) allowance against investment in preferred shares (Note 8)	-	(39,385)
Non-recoverable GST	132,494	134,749
	13,981,336	12,944,844
(Deficiency) excess of revenues over expenses	$ (1,141,955)	$ 163,529

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

Alberta Ballet Company
Statement of Changes in Fund Balances
Year Ended June 30

	Operating	Externally Restricted Funds	Internally Restricted Funds	**Total 2014**	Total 2013
Fund balances, beginning of year	$ 217,213	$ 8,752	$ 993,977	**$ 1,219,942**	$ 1,056,277
(Deficiency) excess of revenues over expenses	(1,141,955)	-	-	**(1,141,955)**	163,529
Interest earned by restricted fund (Note 11)	**-**	-	137	**137**	136
Fund balances, end of year (Note 11)	$ (924,742)	$ 8,752	$ 994,114	**$ 78,124**	$ 1,219,942

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

Alberta Ballet Company
Statement of Financial Position

June 30		**2014**		2013
Assets				
Current				
Cash and cash equivalents	$	**145,355**	$	1,162,579
Short term investments		**538,351**		537,464
Receivables		**327,208**		260,079
Grants receivable		**255,187**		186,084
Prepaid expenses		**800,953**		431,155
Other assets		**357,044**		298,429
		2,424,098		2,875,790
Investment in preferred shares (Note 8)		**-**		-
Other long term investments		**8,752**		8,752
Long term receivables		**39,045**		39,045
Leasehold improvements and equipment (Note 3)		**1,351,220**		1,110,340
Capitalized artistic creations (Note 4)		**723,474**		855,359
	$	**4,546,589**	$	4,889,286
Liabilities				
Current				
Bank indebtedness (Note 13)	$	**187,927**	$	-
Payables and accruals (Note 6)		**557,587**		400,267
Deferred revenue (Note 7)		**3,249,969**		2,732,409
Deferred contributions (Note 8)		**-**		-
		3,995,483		3,132,676
Deferred stabilization grant (Note 9)		**85,023**		85,023
Deferred donations		**5,000**		5,000
Deferred capital contributions (Note 10)		**382,959**		446,645
		4,468,465		3,669,344
Fund balances				
Externally restricted (Note 11)		**8,752**		8,752
Internally restricted (Note 11)		**994,114**		993,977
Operating		**(924,742)**		217,213
		78,124		1,219,942
	$	**4,546,589**	$	4,889,286

Commitments and contingencies (Note 13)

On behalf of the Board

Martin Bragg, Executive Director	Jeff Fortin, Chair, Audit Committee

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

Alberta Ballet Company

Statement of Cash Flows

Year Ended June 30	2014	2013
(Decrease) increase in cash and cash equivalents		
Operating		
(Deficiency) excess of revenues over expenses	**$ (1,141,955)**	$ 163,529
Amortization	**570,093**	613,467
Amortization of deferred capital contributions	**(69,144)**	(66,633)
Net change in non-cash operating working capital	**109,520**	(43,050)
	(531,486)	667,313
Funding and investing activities		
Increase in other investments	**(887)**	(1,646)
Capital contributions received	**5,458**	291,469
Interest earned in Restricted Fund	**137**	136
Purchase of leasehold improvements and equipment	**(472,480)**	(381,413)
Purchase of capitalized artistic creations	**(205,893)**	(382,014)
	(673,665)	(473,468)
Net (decrease) increase in cash and cash equivalents	**(1,205,151)**	193,845
(Bank indebtedness) cash and cash equivalents,		
Beginning of year	**1,162,579**	968,734
End of year	**$ (42,572)**	$ 1,162,579
Cash and cash equivalents are comprised of:		
Cash and cash equivalents	**$ 145,355**	$ 1,162,579
Bank indebtedness	**(187,927)**	-
	$ (42,572)	$ 1,162,579

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

Alberta Ballet Company
Notes to the Financial Statements
June 30, 2014

1. Purpose of Organization

As a dynamic member of the Canadian cultural community, The Alberta Ballet Company (the "Company") fosters and promotes appreciation, enjoyment and participation in classical ballet while nurturing the discerning tastes of its audience through performance of acclaimed contemporary masterpieces and new works by gifted choreographers. Through its school, Alberta Ballet fosters and promotes the study, participation and appreciation of dance, and provides superior academic training. Alberta Ballet 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.*

The Company was affected negatively in the 2014 fiscal year with underperformance in all fundraising areas. While ticket sales remained strong, the growth the Company has previously experienced in the fund development areas did not continue this year. The Company also budgeted for significant single ticket sales associated with their new ballet collaboration with Joni Mitchell and large fundraising special events tied to a celebration of her 70th birthday. This production was forced to be cancelled mid-way through the season, resulting in significant ticket refunds, the cancellation of the special events and lower than planned ticket sales for the replacement production. The Company has made significant changes in the 2015 budget to work towards the return to a surplus position in 2015 and to recover the previously accumulated surplus over the next three fiscal years.

2. Summary of significant accounting policies

The 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:

The Company follows the deferral method of accounting for contributions.

Fund accounting

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

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

Revenue recognition

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Deferred revenue

The Company defers revenue from ticket sales until the date of the performance and tuition fees until the date classes begin. Sponsorships and grant revenues are deferred until the period being funded.

Alberta Ballet Company
Notes to the Financial Statements
June 30, 2014

2. Summary of significant accounting policies (Continued)

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.

Deferred capital contributions

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

Donations in-kind

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

Cash and cash equivalents

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

Leasehold improvements and equipment

Office furniture, fixtures and equipment and production equipment are recorded at cost and are amortized on the declining balance method at a rate of 20% annually. Leasehold improvements are amortized on the declining balance method at a rate of 20% annually. Computer equipment and the CRM system are amortized on the declining balance method at a rate of 25% annually.

Costs related to the Company's new buildings are not being amortized. Amortization will being once the buildings are complete and ready for use.

Capitalized artistic creations

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

Financial instruments

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

2. Summary of significant accounting policies (Continued)

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

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 amounts of assets, liabilities and contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from and affect the results reported in these financial statements.

Long-lived assets

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

Foreign currency translation

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

Alberta Ballet Company
Notes to the Financial Statements
June 30, 2014

3. Leasehold improvements and equipment

	Cost	Accumulated Amortization	**2014 Net Book Value**
Leasehold improvements	$ 1,317,982	$ 954,136	**$ 363,846**
Office furniture, fixtures and equipment	520,953	352,567	**168,386**
Computers and phone equipment	456,814	370,802	**86,012**
Production equipment	609,359	447,101	**162,258**
CRM system	504,286	386,304	**117,982**
New buildings (Note 5)	452,736	-	**452,736**
Nat Christie Centre (Note 5)	1,714,923	1,714,923	**-**
	$ 5,577,053	$ 4,225,833	**$ 1,351,220**

	Cost	Accumulated Amortization	2013 Net Book Value
Leasehold improvements	$ 1,310,189	$ 870,973	$ 439,216
Office furniture, fixtures and equipment	410,953	314,167	96,786
Computers and phone equipment	423,645	341,765	81,880
Production equipment	601,499	407,519	193,980
CRM system	504,286	344,888	159,398
New buildings (Note 5)	139,080	-	139,080
Nat Christie Centre (Note 5)	1,714,923	1,714,923	-
	$ 5,104,575	$ 3,994,235	$ 1,110,340

Amortization provided for the current year totalled $232,315 (2013 - $233,886).

Alberta Ballet Company
Notes to the Financial Statements
June 30, 2014

4. Capitalized artistic creations

	Cost	Accumulated Amortization	**2014 Net Book Value**
Sets, props and costumes			
Seven Deadly Sins	$ 129,797	$ 129,797	**$ -**
Carmina Burana	63,904	63,904	**-**
Songs of a Wayfarer	105,603	105,603	-
The Fiddle and the Drum	137,427	137,427	-
Othello	293,190	293,190	-
Requiem	83,584	83,584	-
Romeo and Juliet	143,206	143,206	-
Vigil of Angels	71,590	71,590	-
Fumbling Towards Ecstasy	235,685	235,685	-
Cinderella	186,179	186,179	-
Love Lies Bleeding	752,572	752,572	-
Balletlujah	310,724	207,149	**103,575**
Upper Room	37,211	24,808	**12,403**
Pomp Without Circumstance	34,079	22,720	**11,359**
Class Acts	171,569	57,190	**114,379**
The Nutcracker	1,147,651	665,893	**481,758**
	$ 3,903,971	$ 3,180,497	**$ 723,474**

	Cost	Accumulated Amortization	2013 Net Book Value
Sets, props and costumes			
Seven Deadly Sins	$ 129,797	$ 129,797	$ -
Carmina Burana	63,904	63,904	-
Songs of a Wayfarer	105,603	105,603	-
The Fiddle and the Drum	137,427	137,427	-
Othello	293,190	293,190	-
Requiem	83,584	83,584	-
Romeo and Juliet	143,206	143,206	-
Vigil of Angels	71,590	71,590	-
Fumbling Towards Ecstasy	235,685	235,685	-
Cinderella	186,179	175,332	10,847
Love Lies Bleeding	752,572	724,934	27,638
Balletlujah	310,724	103,575	207,149
Upper Room	37,211	12,404	24,807
Pomp Without Circumstance	34,079	11,360	22,719
The Nutcracker	1,113,326	551,127	562,199
	$ 3,698,077	$ 2,842,718	$ 855,359

Alberta Ballet Company
Notes to the Financial Statements
June 30, 2014

4. Capitalized artistic creations (Continued)

Sets, props, original music scores, costumes and related costs for all productions with the exception of The Nutcracker, are being amortized on a straight line basis over 3 years, subject to an annual review by management.

Sets, props, original music scores, costumes and related costs for The Nutcracker are amortized on a straight-line basis over 10 years, subject to an annual review by management.

Amortization provided for the current year totalled $337,778 (2013 - $379,581).

5. New buildings and existing studios

In 2013, the Board of Directors authorized the Company to undertake the renovation of an adjacent building (Rouleau House) and to begin the planning for the construction of a new building to house both the Company and the School of Alberta Ballet. Feasibility studies and other preliminary work are currently underway, with an anticipated capital cost of $85,000,000.

Deferred capital contributions in the amount of $125,000 have been received towards the renovation of Rouleau House and the new building. Amortization provided for the current year totalled $Nil.

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

The investment in significant leasehold improvements to the Studios was amortized over 20 years on a straight-line basis. Amortization provided for the current year totalled $Nil (2013 - $Nil). Amortization of deferred capital contributions related to the Studios for the current year totalled $Nil (2013 - $Nil).

6. Payables and accruals

Government remittances (other than income taxes) payable total $46,307 (2013 - $92,267).

Alberta Ballet Company
Notes to the Financial Statements
June 30, 2014

7. Deferred revenue

Deferred revenue represents ticket sales and tuition fees applicable to the 2014 - 2015 season and sponsorships and grants restricted to future expenditures. The components of deferred revenue are as follows:

	2014	2013
Ticket sales	$ 1,726,964	$ 1,712,102
Tuition fees	774,780	547,232
Government grants	702,165	428,935
Sponsorships	15,000	15,000
Dance circle	31,060	29,140
	$ 3,249,969	$ 2,732,409

8. Deferred contributions

Deferred contributions relate to restricted donations the Company receives that are related to the future development of specific productions.

Changes in the deferred contributions balance are as follows:

	2014	2013
Beginning balance	$ -	$ -
Contributions received	77,500	137,431
Less amounts recognized as revenue in the year	(77,500)	(137,431)
Ending balance	$ -	$ -

The Artistic Director's Circle of Creation (formerly Guild of Creation) is a group of Albertans who support the Company and provide directed funding for designated projects. Funds raised have been invested in the television production "The Secret of the Nutcracker" and for the artistic creation of new stage productions of The Nutcracker, Love Lies Bleeding and Fumbling Towards Ecstasy.

During the year, the Company received donations of $77,500 (2013 – $137,431) from the Artistic Director's Circle of Creation.

Alberta Ballet Company
Notes to the Financial Statements
June 30, 2014

8. Deferred contributions (Continued)

Investment

In 2007, the Company made a $275,000 investment in Class A redeemable shares and $1 in one Class B participating share of Nutcracker Productions Inc., a single purpose entity producing a television special currently entitled “The Secret of the Nutcracker”. The $275,000 investment in Class A redeemable shares are redeemable for cash upon successful production. The Class B participating share entitles the Company to a 13% interest in Additional Production Revenue as defined in the contract. During the current year, the Company redeemed Nil (2013 – 39,385) Class A shares for $1 per share in exchange for services provided.

Due to the uncertainty in collecting the remaining amount owed, an allowance of $79,860 was taken against the balance of the investment in 2012. In exchange for work performed on behalf of the Company in 2013, $39,385 was reversed from this allowance in 2013. The remaining amount of the investment is fully provided against.

9. Deferred Stabilization (formerly A.P.A.S.F.) grant

In 2009, the Company received $9,000 from the Alberta Foundation for the Arts (“AFA”) to be added to the working capital reserve of $403,000 previously provided. As required under the Funding Agreement the working capital reserve may be used for unforeseen operating deficits as defined in the agreement. The stated desire of the AFA is that the Company seek to maintain a working capital reserve equal to the funds advanced for this purpose under the Funding Agreement.

During the year, $Nil (2013 - $Nil) of the Deferred Stabilization grant was recognized as revenue in accordance with the terms of the Funding Agreement.

10. Deferred capital contributions

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

Changes in the deferred capital contributions balance are as follows:

	2014	2013
Beginning balance	$ 446,645	$ 221,809
Contributions received	5,458	291,469
Less amounts recognized as revenue in the year	(69,144)	(66,633)
Ending balance	$ 382,959	$ 446,645

Components of the deferred capital contributions balance are as follows:

	2014	2013
Leasehold improvements and equipment	$ 382,959	$ 446,645

Alberta Ballet Company

Notes to the Financial Statements

June 30, 2014

11. Fund balances

	2014	2013
Externally Restricted:		
Endowment Fund - Crysta T. Lacey	$ 8,752	$ 8,752
Internally Restricted:		
Ruth Carse Fund	$ 9,091	$ 8,954
Barbara Moore Coffey Fund	25,000	25,000
Education Fund	85,000	85,000
New Repertoire (new sets, props and costumes)	463,023	463,023
Working Capital reserve	412,000	412,000
	$ 994,114	$ 993,977

The income derived from the externally restricted fund is awarded annually to the School of Alberta Ballet to support student tuition excused.

The Board of Directors has internally restricted resources to establish the Ruth Carse Fund, the Barbara Moore Coffey Fund, the Education Fund and the New Repertoire Fund as well as to maintain a Working Capital reserve as required in relation to A.P.A.S.F. funding. The income derived from the Ruth Carse Fund is rolled into the fund until it reaches $10,000, after which it will be awarded to the School of Alberta Ballet. The income derived from the investments related to the Barbara Moore Coffey and Education Funds are awarded annually to the School of Alberta Ballet to support student tuition excused.

During the year, $137 in interest was earned by the Ruth Carse Fund (2013 – $136).

12. Alberta Ballet Foundation

The Alberta Ballet Foundation, a controlled related party that is accounted for at cost, was established to solicit funding for the sole benefit of the Company by providing financial assistance to that organization in amounts as determined by the Board of Directors of the Foundation. The following transactions occurred between the Alberta Ballet Foundation and the Company:

	2014	2013
Donations to the Alberta Ballet Company	$ 24,647	$ 4,000

Alberta Ballet Company
Notes to the Financial Statements
June 30, 2014

12. 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 for the June 30 year end, are provided as follows:

	Year Ended June 30,	
	2014	2013
Statement of operations		
Revenues	**$ 30,615**	$ 13,090
Expenses	**(4,385)**	(4,158)
Donation to Alberta Ballet Company	**(24,647)**	(4,000)
Excess of revenues over expenses	**$ 1,583**	$ 4,932
Statement of financial position		
Current assets	**$ 198,318**	$ 196,566
Restricted cash	**392,291**	392,291
	$ 590,609	$ 588,857
Current liabilities	**$ 3,500**	$ 3,331
Fund balances		
Capital stock	**2**	2
Restricted	**563,296**	563,296
Unrestricted	**23,811**	22,228
	587,109	585,526
	$ 590,609	$ 588,857
Statement of cash flows		
Cash increase from operations	**$ 2,175**	$ 5,332
Cash increase from financing and investing activities	**-**	-
Increase in cash and term deposits	**$ 2,175**	$ 5,332

Alberta Ballet Company
Notes to the Financial Statements
June 30, 2014

13. Commitments and contingencies

a) Effective June 2011, the Company entered into an 8-year lease agreement for space to house the School of Alberta Ballet. This lease has been increased effective September 2012 to include space for the academic business unit of the School. The Company leases an office in Edmonton expiring in August 2014. The Company leases warehouse space in Calgary for the purpose of building and storing sets and props. The Company also leases a retail and office location in Calgary expiring October 2014. Minimum base rent payable for premises and equipment leases for each of the next five fiscal years is as follows:

2015	$	502,525
2016		335,246
2017		334,720
2018		366,377
2019		268,586
	$	1,807,454

b) The Company has arranged an operating line of credit for $500,000 (2013 - $500,000). As security, the Company has provided the lender a general security agreement over all assets and future acquired assets. At June 30, 2014, the Company had drawn $187,927 on this line.

c) The Company has arranged a Letter of Guarantee in favour of The Canadian Actors Equity Association for $28,000 (2013 - $28,000) utilizing the same security as per 13 b) above. At June 30, 2014, the Association has not drawn on this guarantee.

14. Donations in-kind

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

		2014		2013
Marketing	**$**	**65,961**	$	101,496
Production		**15,052**		35,476
Administration		**117,807**		137,232
	$	**198,820**	$	274,204

Alberta Ballet Company
Notes to the Financial Statements
June 30, 2014

15. Financial instruments

The Company's financial instruments consist of cash and cash equivalents, short term investments, receivables, grants receivable, investment in preferred shares, other long term investments, bank indebtedness and payables and accruals.

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 minimal for the Company. The Company's accounts receivable are primarily due from governments and large corporations and are subject to normal credit risks. The maximum credit risk exposure associated with the Company's financial assets is the carrying amount.

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. Liquidity risk is assessed by management as minimal for the Company.