

Financial Statements

Alberta Ballet Company

June 30, 2012



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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*, which comprise the statement of financial position as at June 30, 2012 and the statements of operations, changes in net assets 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 generally accepted accounting principles, 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, 2012, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Calgary, Alberta
September 26, 2012

Chartered Accountants

Alberta Ballet Company

Statement of Operations

Year Ended June 30

2012

2011

Revenues

Performance	\$ 6,046,811	\$ 4,964,457
Government grants	1,930,577	1,681,964
Donations	1,208,169	1,121,537
Fundraising events	213,699	520,003
Tuition	1,276,090	1,445,946
Amortization of deferred capital contributions (Note 10)	53,843	59,502
Merchandising	122,178	158,979
Sponsorship	529,750	465,925
Other	236,886	66,149
GST recovered	<u>152,061</u>	<u>116,168</u>
	<u>11,770,064</u>	<u>10,600,630</u>

Expenses

Performance	3,049,784	2,255,502
Personnel	4,458,259	4,150,896
Facilities	1,072,117	809,431
Marketing	1,242,455	971,762
Fundraising	176,353	211,654
Administration	926,935	844,625
Artistic and creations	169,014	118,359
Amortization and depreciation	761,307	731,710
Non-recoverable GST	155,452	106,953
Merchandising	73,946	103,372
Bad debts & loss on foreign exchange	12,918	23,505
Allowance against investment in preferred shares (Note 8)	<u>79,860</u>	<u>-</u>
	<u>12,178,400</u>	<u>10,327,769</u>
Excess of (expenses over revenues) revenues over expenses	<u>\$ (408,336)</u>	<u>\$ 272,861</u>

See accompanying notes to the financial statements.

Alberta Ballet Company

Statement of Changes in Net Assets

Year Ended June 30, 2012

	<u>Operating</u>	Externally Restricted <u>Funds</u>	Internally Restricted <u>Funds</u>	<u>Total 2012</u>	Total <u>2011</u>
Fund balances, beginning of year	\$ 555,726	\$ 8,752	\$ 900,135	\$ 1,464,613	\$ 1,191,752
Excess of (expenses over revenues) revenues over expenses	(408,458)	-	122	(408,336)	272,861
Transfer to operating fund (Note 11)	<u>6,416</u>	<u>-</u>	<u>(6,416)</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	\$ <u>153,684</u>	\$ <u>8,752</u>	\$ <u>893,841</u>	\$ <u>1,056,277</u>	\$ <u>1,464,613</u>

See accompanying notes to the financial statements.

Alberta Ballet Company

Statement of Financial Position

June 30	2012	2011
Assets		
Current		
Cash and cash equivalents	\$ 968,734	\$ 1,247,654
Short term investments	535,818	554,185
Receivables	133,064	180,566
Grants receivable	256,500	154,500
Prepaid expenses	660,461	377,262
Other assets	<u>225,427</u>	<u>264,148</u>
	2,780,004	2,778,315
Investment in preferred shares (Note 8)	-	82,663
Other long term investments	8,752	10,081
Long term receivables	39,045	-
Leasehold improvements and equipment (Note 4)	962,813	699,842
Capitalized artistic creations (Note 5)	<u>852,926</u>	<u>1,293,308</u>
	\$ 4,643,540	\$ 4,864,209
Liabilities		
Current		
Payables and accruals	\$ 573,575	\$ 606,569
Deferred revenue (Note 7)	2,701,856	2,501,575
Deferred contributions (Note 8)	<u>-</u>	<u>7,250</u>
	3,275,431	3,115,394
Deferred Stabilization grant (Note 9)	85,023	85,023
Deferred donations	5,000	10,727
Deferred capital contributions (Note 10)	<u>221,809</u>	<u>188,452</u>
	3,587,263	3,399,596
Fund balances		
Externally restricted (Note 11)	8,752	8,752
Internally restricted (Note 11)	893,841	900,135
Operating	<u>153,684</u>	<u>555,726</u>
	1,056,277	1,464,613
	\$ 4,643,540	4,864,209

Commitments and contingencies (Note 13)
On behalf of the Board



Martin Bragg,
Executive Director



Jeff Fortin,
Chair, Audit Committee

See accompanying notes to the financial statements.

Alberta Ballet Company

Statement of Cash Flows

Year Ended June 30	2012	2011
(Decrease) increase in cash and cash equivalents		
Operating		
Excess of (expenses over revenues) revenues over expenses	\$ (408,336)	\$ 272,861
Amortization and depreciation	761,307	731,710
Amortization of deferred capital contributions	(53,843)	(59,502)
Allowance against investment in preferred shares	79,860	-
Net change in non-cash operating working capital	<u>(183,711)</u>	<u>394,565</u>
	<u>195,277</u>	<u>1,339,634</u>
Funding and investing activities		
Decrease (increase) in other investments	19,696	(2,862)
Capital contributions received	87,200	-
Purchase of leasehold improvements and equipment	(468,442)	(86,111)
Purchase of capitalized artistic creations	(115,454)	(310,138)
Redemption of investment in preferred shares	<u>2,803</u>	<u>17,444</u>
	<u>(474,197)</u>	<u>(381,667)</u>
Net (decrease) increase in cash and cash equivalents	(278,920)	957,967
Cash and cash equivalents,		
Beginning of year	<u>1,247,654</u>	<u>289,687</u>
End of year	\$ <u>968,734</u>	<u>1,247,654</u>

See accompanying notes to the financial statements.

Alberta Ballet Company

Notes to the Financial Statements

June 30, 2012

1. Purpose of Organization

As a dynamic member of the Canadian cultural community, Alberta Ballet 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. 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*.

2. Summary of significant accounting policies

The Alberta Ballet Company (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.

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.

Alberta Ballet Company

Notes to the Financial Statements

June 30, 2012

2. Summary of significant accounting policies (Continued)

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 one year or less.

Amortization

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.

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 has estimated the fair value of its financial instruments, which include cash and cash equivalents, receivables, grants receivable, investments and payables and accruals. The Company has used valuation methodologies and market information available as at year end and has determined that the carrying amounts of such financial instruments approximate fair value in all cases. Unless otherwise indicated, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Other long-term investments consist primarily of Guaranteed Investment Certificates issued by Canadian chartered banks with maturities under two years.

Alberta Ballet Company

Notes to the Financial Statements

June 30, 2012

2. Summary of significant accounting policies (Continued)

Financial instruments are classified as follows:

- 1) Cash and cash equivalents and investments are classified as financial assets held for trading.
- 2) Receivables are classified as loans and receivables.
- 3) Payables and accruals are classified as other financial liabilities.

Held-for-trading instruments are recorded at fair value, with realized and unrealized gains and losses reported in net income. Other instruments are accounted for at amortized cost, with related gains and losses reported in net income.

Use of estimates

The preparation of the financial statements in accordance with Canadian generally accepted accounting principles requires management to make 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 currencies

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, 2012

3. Recent accounting pronouncements

For fiscal years beginning on or after January 1, 2011, publicly accountable enterprises will be required to report interim and annual financial statements using International Financial Reporting Standards ("IFRS"). While not-for-profit organizations have the option of reporting under IFRS, the Canadian Institute of Chartered Accountants Accounting Standards Board ("AcSB") has developed a new GAAP framework for private enterprises, which is to be supplemented by standards specific to not-for-profit organizations. The AcSB proposes that not-for-profit organizations should apply these standards for fiscal years beginning on or after January 1, 2012. Early adoption is permitted.

4. Leasehold improvements and equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2012 Net Book Value</u>
Leasehold improvements	\$ 1,120,338	\$ 782,628	\$ 337,710
Office furniture, fixtures and equipment	392,976	292,218	100,758
Computers and phone equipment	399,273	318,534	80,739
Production equipment	591,366	360,291	231,075
CRM system	504,286	291,755	212,531
Nat Christie Centre (Note 6)	<u>1,714,923</u>	<u>1,714,923</u>	<u>-</u>
	<u>\$ 4,723,162</u>	<u>\$ 3,760,349</u>	<u>\$ 962,813</u>

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2011 Net Book Value</u>
Leasehold improvements	\$ 888,590	\$ 727,169	\$ 161,421
Office furniture, fixtures and equipment	343,834	273,169	70,665
Computers and phone equipment	372,434	296,094	76,340
Production equipment	430,652	322,611	108,041
CRM system	504,286	220,911	283,375
Nat Christie Centre (Note 6)	<u>1,714,923</u>	<u>1,714,923</u>	<u>-</u>
	<u>\$ 4,254,719</u>	<u>\$ 3,554,877</u>	<u>\$ 699,842</u>

Depreciation provided for the current year totalled \$205,471 (2011 - \$193,491).

Alberta Ballet Company

Notes to the Financial Statements

June 30, 2012

5. Capitalized artistic creations

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2012 Net Book Value</u>
Sets, props and costumes			
Seven Deadly Sins	\$ 129,797	\$ 129,797	\$ -
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	-
Cinderella	186,179	164,486	21,693
Love Lies Bleeding	752,572	697,296	55,276
Vigil of Angels	71,590	47,726	23,864
Fumbling Towards Ecstasy	235,685	157,123	78,562
The Nutcracker	<u>1,113,326</u>	<u>439,795</u>	<u>673,531</u>
	<u>\$ 3,252,159</u>	<u>\$ 2,399,233</u>	<u>\$ 852,926</u>

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2011 Net Book Value</u>
Sets, props and costumes			
Seven Deadly Sins	\$ 129,797	\$ 86,531	43,266
Songs of a Wayfarer	105,603	70,402	35,201
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	-
Cinderella	153,639	153,639	-
Love Lies Bleeding	669,657	444,530	225,127
Vigil of Angels	71,590	23,863	47,727
Fumbling Towards Ecstasy	235,685	78,562	157,123
The Nutcracker	<u>1,113,326</u>	<u>328,462</u>	<u>784,864</u>
	<u>\$ 3,136,704</u>	<u>\$ 1,843,396</u>	<u>\$ 1,293,308</u>

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 \$555,836 (2011 - \$538,219).

Alberta Ballet Company

Notes to the Financial Statements

June 30, 2012

6. Nat Christie Centre

The Nat Christie Centre is a Government of Alberta designated Provincial Historic Resource and a City of Calgary owned registered historic site that is held by the Alberta Ballet 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 Centre was amortized over 20 years on a straight-line basis. Amortization provided for the current year totalled \$Nil (2011 - \$Nil). Amortization of deferred capital contributions related to Nat Christie Centre for the current year totalled \$Nil (2011 - \$Nil).

7. Deferred revenue

Deferred revenue represents ticket sales and tuition fees applicable to the 2012 - 2013 season and sponsorships and grants restricted to future expenditures. The components of deferred revenue are as follows:

	<u>2012</u>	<u>2011</u>
Ticket sales	\$ 1,607,754	\$ 1,615,286
Tuition fees	322,795	158,658
Government grants	675,547	658,831
Sponsorships	60,000	50,000
Dance circle	<u>35,760</u>	<u>18,800</u>
	<u>\$ 2,701,856</u>	<u>\$ 2,501,575</u>

Alberta Ballet Company

Notes to the Financial Statements

June 30, 2012

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:

	<u>2012</u>	<u>2011</u>
Beginning balance	\$ 7,250	\$ 43,750
Contributions received	43,750	137,500
Less amounts recognized as revenue in the year	<u>(51,000)</u>	<u>(174,000)</u>
Ending balance	\$ <u>-</u>	\$ <u>7,250</u>

Components of the deferred contributions balance are as follows:

Artistic Director's Circle of Creation		
Update of Love Lies Bleeding (Elton John)	\$ <u>-</u>	\$ <u>7,250</u>
Ending balance	\$ <u>-</u>	\$ <u>7,250</u>

The Artistic Director's Circle of Creation (formerly Guild of Creation) is a group of Albertans who support Alberta Ballet 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 \$43,750 (2011 – \$137,500) from the Artistic Director's Guild of Creation.

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 2,803 (2011 – 17,444) Class A shares for \$1 per share.

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.

Alberta Ballet Company

Notes to the Financial Statements

June 30, 2012

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 by the A.P.A.S.F. As required under the A.P.A.S.F 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 (2011 - \$Nil) of the Deferred Stabilization grant was recognized as revenue in accordance with the terms of the A.P.A.S.F 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:

	<u>2012</u>	<u>2011</u>
Beginning balance	\$ 188,452	\$ 247,954
Contributions received	87,200	-
Less amounts recognized as revenue in the year	<u>(53,843)</u>	<u>(59,502)</u>
Ending balance	\$ <u>221,809</u>	\$ <u>188,452</u>

Components of the deferred capital contributions balance are as follows:

Leasehold improvements and equipment	\$ <u>221,809</u>	\$ <u>188,452</u>
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Alberta Ballet Company

Notes to the Financial Statements

June 30, 2012

11. Fund balances	2012	2011
Externally Restricted:		
Endowment Fund - Crysta T. Lacey	\$ <u>8,752</u>	\$ <u>8,752</u>
Internally Restricted:		
Ruth Carse Fund	\$ 8,818	\$ 8,696
Barbara Moore Coffey Fund	25,000	26,903
Education Fund	85,000	89,513
New Repertoire (new sets, props and costumes)	363,023	363,023
Working Capital reserve	<u>412,000</u>	<u>412,000</u>
	\$ <u>893,841</u>	\$ <u>900,135</u>

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.

In 2012, interest income from prior years in the amount of \$6,416 has been transferred to the operating fund.

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 Alberta Ballet 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:

	<u>2012</u>	<u>2011</u>
Donations to the Alberta Ballet Company	\$ <u>3,450</u>	\$ <u>15,000</u>

Alberta Ballet Company

Notes to the Financial Statements

June 30, 2012

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,	
	<u>2012</u>	<u>2011</u>
Statement of operations		
Revenues	\$ 9,315	\$ 7,152
Expenses	3,559	3,287
Donation to Alberta Ballet Company	<u>3,450</u>	<u>15,000</u>
Excess of revenues over expenses (expenses over revenues)	<u>\$ 2,306</u>	<u>\$ (11,135)</u>
Statement of financial position		
Current assets	\$ 156,294	\$ 149,782
Restricted cash	<u>427,231</u>	<u>431,506</u>
	<u>\$ 583,525</u>	<u>\$ 581,288</u>
Current liabilities	<u>\$ 2,931</u>	<u>\$ 3,000</u>
Fund balances		
Capital stock	2	2
Restricted	563,296	563,296
Unrestricted	<u>17,296</u>	<u>14,990</u>
	<u>580,594</u>	<u>578,288</u>
	<u>\$ 583,525</u>	<u>\$ 581,288</u>
Statement of cash flows		
Cash increase (decrease) from operations	\$ 2,237	\$ (11,635)
Cash increase from financing and investing activities	<u>-</u>	<u>-</u>
Increase (decrease) in cash and term deposits	<u>\$ 2,237</u>	<u>\$ (11,635)</u>

Alberta Ballet Company

Notes to the Financial Statements

June 30, 2012

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 for each of the next five fiscal years is as follows:

2013	\$	480,772
2014		362,976
2015		322,388
2016		332,153
2017		<u>331,627</u>
	\$	<u>1,829,916</u>

- b) The Company has arranged an operating line of credit for \$500,000 (2011 - \$500,000). As security, the Company has provided the lender a general security agreement over all assets and future acquired assets. At June 30, 2012, the Company has not drawn on this line.
- c) The Company has arranged a Letter of Guarantee in favour of The Canadian Actors Equity Association for \$28,000 (2011 - \$28,000) utilizing the same security as per 13 b) above. At June 30, 2012, the Association has not drawn on this guarantee.
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14. Donations in-kind

During the current year, Alberta Ballet 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:

	<u>2012</u>	<u>2011</u>
Marketing	\$ 59,092	\$ 80,703
Production	15,634	7,537
Administration	<u>80,692</u>	<u>93,337</u>
	<u>\$ 155,418</u>	<u>\$ 181,577</u>

Alberta Ballet Company

Notes to the Financial Statements

June 30, 2012

15. Financial instruments

Credit risk

The Company is exposed to credit risk, which is the risk that 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.

16. Capital disclosure

The Company defines capital managed as net assets and contributions for the development and production of various performances and for education through its school. The Company's objectives in managing capital are to safeguard its ability to continue as a going concern. The Company manages its capital structure with objectives to achieve long-term stability and the continued capacity to grow in order to further the Company's mission.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets, which are approved by the Board of Directors and updated as necessary depending on various factors, including capital deployment and general economic conditions.

At June 30, 2012, the Company has continued to meet all externally imposed capital requirements.

17. Comparative information

Certain 2011 comparative figures have been reclassified to conform to the current year's presentation.



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