

Non-consolidated Financial Statements of

**ALBERTA BALLET COMPANY**

Year ended June 30, 2015



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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors

We have audited the accompanying non-consolidated financial statements of Alberta Ballet Company, which comprise the non-consolidated statement of financial position as at June 30, 2015, the non-consolidated statements of operations, changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Non-consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these non-consolidated 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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these non-consolidated 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 an audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the non-consolidated 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 entity'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 non-consolidated 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 non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of Alberta Ballet Company as at June 30, 2015, 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.

### **Other Matter**

The non-consolidated financial statements of Alberta Ballet Company as at and for the year ended June 30, 2014 were audited by another auditor who expressed an unmodified opinion on those non-consolidated financial statements on October 3, 2014.

*KPMG LLP*

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Chartered Professional Accountants

October 22, 2015  
Calgary, Canada

# ALBERTA BALLET COMPANY

## Non-consolidated Statement of Financial Position

June 30, 2015, with comparative information for 2014

	2015	2014
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 809,871	\$ 145,355
Receivables	76,805	327,208
Grants receivable	254,268	255,187
Prepaid expenses	142,990	495,888
Inventory and other assets	410,102	357,044
	<u>1,694,036</u>	<u>1,580,682</u>
Restricted investments and cash (note 3)	498,256	547,103
Long term receivables	39,045	39,045
Leasehold improvements and equipment (note 4)	1,277,693	1,351,220
Capitalized artistic creations (note 5)	782,100	723,474
	<u>\$ 4,291,130</u>	<u>\$ 4,241,524</u>
<b>Liabilities and Fund Balances</b>		
Current liabilities:		
Bank indebtedness (note 15)	\$ –	\$ 187,927
Payables and accruals (notes 7 and 13)	619,542	557,587
Deferred revenue (note 8)	3,772,016	3,249,969
Current portion of obligation under capital lease (note 9)	5,508	–
	<u>4,397,066</u>	<u>3,995,483</u>
Obligation under capital lease (note 9)	12,161	–
Deferred stabilization grant (note 11)	–	85,023
Deferred donations	–	5,000
Deferred capital contributions (note 12)	328,166	382,959
	<u>4,737,393</u>	<u>4,468,465</u>
Fund balances:		
Externally restricted (note 13)	–	8,752
Internally restricted (note 13)	893,023	994,114
Operating	(1,339,286)	(1,229,807)
	<u>(446,263)</u>	<u>(226,941)</u>
Commitments and contingencies (note 15)		
	<u>\$ 4,291,130</u>	<u>\$ 4,241,524</u>

See accompanying notes to non-consolidated financial statements.

On behalf of the Board:

  
Dawn McDonald  
Interim Executive Director

  
Chandra Henry  
Chair, Audit Committee

# ALBERTA BALLET COMPANY

## Non-consolidated Statement of Operations

Year ended June 30, 2015, with comparative information for 2014

	2015	2014
<b>Revenues:</b>		
Performance	\$ 5,811,265	\$ 5,542,052
Government grants	2,403,074	2,071,987
Donations (note 6 and 14)	1,333,498	1,165,708
Sponsorship	827,112	930,250
Fundraising events	340,165	105,878
Tuition	2,573,227	1,976,264
School residence	720,457	570,609
Merchandising	287,749	210,355
Amortization of deferred capital contributions (note 12)	54,793	69,144
Other	108,241	79,828
GST recovered	122,025	117,306
	<u>14,581,606</u>	<u>12,839,381</u>
<b>Expenses:</b>		
Personnel	6,386,145	5,928,382
Performance	3,113,035	3,249,784
Administration (note 9)	1,098,242	1,216,403
Facilities	1,301,487	1,220,609
Marketing	1,329,840	1,281,286
Amortization (notes 4 and 5)	536,465	570,093
Fundraising and development	322,103	186,620
Artistic and creations	407,985	345,812
Merchandising	107,112	125,551
Bad debts expense	106,419	26,044
(Gain) loss on foreign exchange	(27,107)	3,323
Non-recoverable GST	119,202	132,494
	<u>14,800,928</u>	<u>14,286,401</u>
<b>Deficiency of revenues over expenses</b>	<u>\$ (219,322)</u>	<u>\$ (1,447,020)</u>

See accompanying notes to non-consolidated financial statements.

# ALBERTA BALLET COMPANY

## Non-consolidated Statement of Changes in Fund Balances

Year ended June 30, 2015, with comparative information for 2014

	Operating	Externally Restricted Funds	Internally Restricted Funds	Total 2015	Total 2014
Fund balances, beginning of year	\$ (1,229,807)	\$ 8,752	\$ 994,114	\$ (226,941)	\$ 1,219,942
Deficiency of revenues over expenses	(219,322)	–	–	(219,322)	(1,447,020)
Interest earned by restricted fund	–	–	–	–	137
Transfers to the Alberta Ballet Foundation (note 13)	127,843	(8,752)	(119,091)	–	–
Interfund transfer during the year (note 13)	(18,000)	–	18,000	–	–
Fund balances, end of year	\$ (1,339,286)	\$ –	\$ 893,023	\$ (446,263)	\$ (226,941)

See accompanying notes to non-consolidated financial statements.

# ALBERTA BALLET COMPANY

## Non-consolidated Statement of Cash Flows

Year ended June 30, 2015, with comparative information for 2014

	2015	2014
Increase (decrease) in cash and cash equivalents		
Operations:		
Deficiency of revenues over expenses	\$ (219,322)	\$(1,447,020)
Amortization	536,465	570,093
Amortization of deferred capital contributions	(54,793)	(69,144)
Bad debt expense	106,419	26,044
Net change in non-cash operating working capital	1,028,745	388,541
Non-cash deferred stabilization grant recognized in revenue	(85,023)	—
Non-cash deferred donations recognized in revenue	(5,000)	—
	<u>1,307,491</u>	<u>(531,486)</u>
Financing:		
(Decrease) increase in bank indebtedness	(187,927)	187,927
Loan advance from Alberta Ballet Foundation	205,150	—
Repayment of loan to Alberta Ballet Foundation	(77,307)	—
Payments on capital lease obligation	(1,612)	—
	<u>(61,696)</u>	<u>187,927</u>
Investing:		
Increase in restricted investments and cash	(78,996)	(887)
Capital contributions received	—	5,458
Interest earned in Restricted Fund	—	137
Purchase of leasehold improvements and equipment	(125,654)	(472,480)
Purchase of capitalized artistic creations	(376,629)	(205,893)
	<u>(581,279)</u>	<u>(673,665)</u>
Net increase (decrease) in cash and cash equivalents	664,516	(1,017,224)
Cash and cash equivalents, beginning of year	145,355	1,162,579
Cash and cash equivalents, end of year	<u>\$ 809,871</u>	<u>\$ 145,355</u>

See accompanying notes to non-consolidated financial statements.

# ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements

Year ended June 30, 2015, with comparative information for 2014

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## 1. Nature of the business:

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 Company fosters and promotes the study, participation and appreciation of dance, and provides superior academic training. Alberta Ballet Company is a not-for-profit organization incorporated under the Societies Act of the Province of Alberta and is a registered charity under the Income Tax Act.

## 2. Significant accounting policies:

The non-consolidated financial statements of the Company have been prepared by management in accordance with Canadian Accounting Standards for Not-for-Profit Organizations ("ASNPO"). Significant accounting policies are summarized below:

### (a) 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.

### (b) Revenue recognition:

The Company follows the deferral method of accounting for contributions. 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.

### (c) 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.

### (d) 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 Non-consolidated Financial Statements

Year ended June 30, 2015, with comparative information for 2014

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### 2. Significant accounting policies (continued):

(e) 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.

(f) 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 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.

(g) 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.

(h) 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 30% and 25% annually, respectively. School libraries are amortized on a straight-line basis over 3 years.

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

(i) Capital artistic creations:

Capitalized artistic creations include the cost of set, 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.

# ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements

Year ended June 30, 2015, with comparative information for 2014

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## 2. Significant accounting policies (continued):

(j) 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 financial 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.

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 recognizes impairment losses are recognized in operations in the year the reversal occurs.

(k) 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.

(l) 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.

(m) Accounting for controlled related entity:

The Company has elected to account for its controlled related entity at cost.

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

# ALBERTA BALLET COMPANY

## Notes to the Non-consolidated Financial Statements

Year ended June 30, 2015, with comparative information for 2014

### 3. Restricted investments and cash:

At June 30, 2015 the Company had restricted guaranteed investment certificates of \$35,000 (2014 - \$547,103) with a Canadian chartered bank which bear interest at a rate of 1.30% (2014 – ranging from 1.10% to 1.55%) per annum maturing on December 23, 2015 (2014 – ranging from October 14, 2014 to February 15, 2016).

At June 30, 2015 the Company held restricted cash of \$463,256 (2014 - \$nil).

### 4. Leasehold improvements and equipment:

			2015	2014
	Cost	Accumulated depreciation	Net book value	Net book value
Leasehold improvements	\$ 1,377,129	\$ 1,032,800	\$ 344,329	\$ 363,846
Office furniture, fixtures and equipment	530,806	393,694	137,112	168,386
Computers and phone equipment	529,619	407,526	122,093	86,012
Production equipment	609,359	479,553	129,806	162,258
CRM system	504,266	415,799	88,467	117,982
New buildings (note 6)	455,886	–	455,886	452,736
Studios (note 6)	1,714,923	1,714,923	–	–
	<u>\$ 5,721,988</u>	<u>\$ 4,444,295</u>	<u>\$ 1,277,693</u>	<u>\$ 1,351,220</u>

Amortization provided for the current year totaled \$218,462 (2014 - \$232,315).

# ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements

Year ended June 30, 2015, with comparative information for 2014

## 5. Capitalized artistic creations:

			2015	2014
	Cost	Accumulated depreciation	Net book value	Net book value
Set, 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	269,294	41,430	103,575
Upper Room	37,211	37,211	—	12,403
Pomp Without Circumstance	34,079	34,079	—	11,359
Class Acts	171,569	114,379	57,190	114,379
The Nutcracker	1,147,651	780,658	366,993	481,758
School costumes	11,927	1,193	10,734	—
Carmen	304,392	52,918	251,474	—
Dangerous Liaison	60,310	6,031	54,279	—
	\$ 4,280,600	\$ 3,498,500	\$ 782,100	\$ 723,474

Sets, props, original music scores, costumes, and related costs for all production with the exception of The Nutcracker, school costumes, Balletlujah and Dangerous Liaison, are being amortized on a straight line basis over three 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 and school costumes, Balletlujah and Dangerous Liaison are amortized on a straight line basis over 5 years, subject to an annual review by management.

Amortization provided for the current year totaled \$318,003 (2014 - \$337,778).

# ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements

Year ended June 30, 2015, with comparative information for 2014

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## 6. 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 \$175,000, have been received towards the renovation of Rouleau House and the new building including \$50,000 related to a subsequent reclassification to donation revenue based on the donor's wishes.

The Alberta Ballet Studios on 18<sup>th</sup> Avenue (the "Studios") is a Government of Alberta designated Provincial Historic Resource. The building is owned by the City of Calgary and is held by the Company under a long-term lease. The lease expires December 31, 2036 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.

## 7. Payables and accruals:

Government remittances (other than income taxes) payable total \$62,440 (2014 - \$46,307) related to payroll taxes.

## 8. Deferred revenue:

Deferred revenue represents ticket sales and tuition fees applicable to the 2015 – 2016 season and sponsorship and grants restricted to future expenditures. The components of deferred revenue are as follows:

	2015	2014
Ticket sales	\$ 1,836,231	\$ 1,726,964
Tuition fees	1,161,974	774,780
Government grants	723,811	702,165
Sponsorships	50,000	15,000
Dance circle	–	31,060
	<u>\$ 3,772,016</u>	<u>\$ 3,249,969</u>

# ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements

Year ended June 30, 2015, with comparative information for 2014

## 9. Obligation under capital lease:

The Company has financed computer equipment by entering into a capital lease arrangement. The contract matures on August 15, 2019, bears interest at 1.2% per annum and is collateralized by a general security agreement of the equipment. Capital lease repayments are as follows:

	2015
2016	\$ 5,508
2017	5,508
2018	5,508
2019	5,508
2020	2,610
Total minimum lease payments	24,642
Less amount representing interest	6,973
Minimum capital lease payments	17,669
Current portion of obligations under capital leases	5,508
	\$ 12,161

Interest of \$655 (2014 - \$nil) relating to the capital lease obligation has been included in administration expense. The total amount of equipment under capital lease is \$19,281 (2014 - \$nil) with accumulated amortization of \$2,892 (2014 - \$nil).

## 10. Deferred contributions:

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

Changes in the deferred contributions balance are as follows:

	2015	2014
Beginning balance	\$ -	\$ -
Contributions received	147,067	77,500
Less amounts recognized as revenue in the year	(147,067)	(77,500)
Ending balance	\$ -	\$ -

# ALBERTA BALLET COMPANY

Notes to the Non-consolidated Financial Statements

Year ended June 30, 2015, with comparative information for 2014

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## 10. Deferred contributions (continued):

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 The Nutcracker, Love Lies Bleeding and Fumbling Towards Ecstasy.

During the year, the Company received donations of \$147,067 (2014 - \$77,500) from the Artistic Director's Circle of Creation.

## 11. Deferred Stabilization Grant (formerly Alberta Performing Arts Stabilization Fund "A.P.A.S.F"):

In prior years, the Company received funds totaling \$195,023 from the Alberta Foundation for the Arts ("AFA") related to the deferred stabilization grant. In prior years \$110,000 was recognized into income. The Company recognized the remaining deferred amount of \$85,023 (2014 - \$nil) as revenue during the year as authorized by the Board of Directors.

## 12. 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:

	2015	2014
Beginning balance	\$ 382,959	\$ 446,645
Contributions received	—	5,458
Less amounts recognized as revenue in the year	(54,793)	(69,144)
Ending balance	\$ 328,166	\$ 382,959

# ALBERTA BALLET COMPANY

## Notes to the Non-consolidated Financial Statements

Year ended June 30, 2015, with comparative information for 2014

### 13. Fund balances:

	2015	2014
Externally restricted:		
Endowment Fund – Crystal T. Lacey	\$ –	\$ 8,752
Internally restricted:		
Ruth Carse Fund	\$ –	\$ 9,091
Barbara Moore Coffey Fund	–	25,000
Education Fund	–	85,000
New Repertoire (new sets props and costumes)	463,023	463,023
Working capital reserve	430,000	412,000
	<u>\$ 893,023</u>	<u>\$ 994,114</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 previously internally restricted resources to establish the Ruth Carse Fund, the Barbara Moore Coffey Fund, the Education Fund and the New Repertoire Fund. The income derived from the Ruth Carse Fund is rolled into the fund until it reached \$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 students tuition excused.

During the year, the Company received a \$205,150 loan from the Foundation. The loan is unsecured and bears interest at a rate which would have been earned by the Foundation on the funds up to the date of transfer. In repayment, the Company's Board of Directors approved the transfer of the externally restricted investment in the Crystal T. Lacey Endowment Fund of \$8,752 and \$119,091 of the internally restricted investments in the Ruth Carse Fund, Barbara Moore Coffey Fund and the Education Fund. The remainder of the loan was settled through cash payment of \$77,307.

The Company is required to maintain a working capital reserve under AFA guidelines. As required by the AFA, the working capital reserve may be used to fund operations during the fiscal period as defined in the agreement and must be refunded in accordance with AFA requirements. The stated desire of the AFA is that the Company seek to increase the cash reserve fund over time to a target of 10% of total revenue. During the year ended June 30, 2015, \$18,000 was transferred from the operating fund to the working capital reserve (2014 - \$nil).



# ALBERTA BALLET COMPANY

## Notes to the Non-consolidated Financial Statements

Year ended June 30, 2015, with comparative information for 2014

### 14. Alberta Ballet Foundation:

The Alberta Ballet 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 that organization in amounts as determined by the Board of Directors of the Foundation. The Foundation has not been consolidated in the Alberta Ballet Company financial statements. The following transactions occurred between the Alberta Ballet Foundation and the Company:

For the year ended June 30	2015	2014
Donation to the Alberta Ballet Company	\$ 21,940	\$ 24,647

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:

For the year ended June 30	2015	2014
Statement of operations:		
Revenues	\$ 38,822	\$ 30,615
Expenses	(3,595)	(4,385)
Donation to Alberta Ballet Company	(21,940)	(24,647)
Excess of revenues over expenses	\$ 13,287	\$ 1,583

As at June 30	2015	2014
Financial position:		
Total assets	\$ 607,427	\$ 590,609
Total liabilities	7,031	3,500
Capital stock and fund balances	\$ 600,396	\$ 587,109

For the year ended June 30	2015	2014
Cash flows:		
Operations	\$ 15,068	\$ 2,175
Investing	(85,543)	—
Financing	(127,843)	—
(Decrease) increase in cash and cash equivalents	\$ (198,318)	\$ 2,175

# ALBERTA BALLET COMPANY

## Notes to the Non-consolidated Financial Statements

Year ended June 30, 2015, with comparative information for 2014

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### 15. 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 (the "School"). This lease has been amended effective September 2014 to include space for the academic business unit of the School expiring July 2019. The Company leases an office in Edmonton expiring in July 2019. The Company leases warehouse space in Calgary for the purposes of building and storing sets and props expiring July 2017. Minimum base rent payable for premises and equipment leases for each of the next five fiscal years is as follows:

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2016	\$ 859,134
2017	831,771
2018	739,633
2019	732,690
2020	62,203
	<hr/>
	\$ 3,225,431

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- (b) The Company has arranged an operating line of credit for \$500,000 (2014 - \$500,000). As security, the Company has provided the lender a general security agreement over all assets and future acquired assets. At June 30, 2015, the Company had drawn \$nil on this line of credit (2014 - \$187,927).
- (c) The Company has arranged a Letter of Guarantee in favor of The Canadian Actions Equity Association for \$35,000 (2014 - \$28,000) secured by a \$35,000 non-redeemable GIC. At June 30, 2015, the Association has not drawn on this guarantee.
- (d) The Company has been named in two legal claims with regards to wrongful dismissal of former employees. For each case the likelihood of settlement is not determinable nor is the amount known, or reasonably estimated, and as such no amounts have been recorded with respect to the claims. In the event that payment is required as a result of these claims, amounts will be recorded when known.

# ALBERTA BALLET COMPANY

## Notes to the Non-consolidated Financial Statements

Year ended June 30, 2015, with comparative information for 2014

### 16. Donations in-kind:

During the current year, 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:

	2015	2014
Development	\$ 50,658	\$ -
Marketing	28,303	65,961
Production	12,721	15,052
Administration	71,730	117,807
	<u>\$ 163,412</u>	<u>\$ 198,820</u>

### 17. Comparative information:

Comparative information has been recast as at and for the year ended June 30, 2014. The Company had included certain marketing and advertising costs in prepaid expenses which should have been expensed as incurred.

The effect of the recast as at and for the year ended June 30, 2014 is as follows:

	As reported	Increase (decrease)	Recasted
Prepaid expenses	\$ 800,953	\$ (305,065)	\$ 495,888
Artistic and creations expenses	343,884	1,928	345,812
Marketing expenses	1,060,188	221,098	1,281,286
Personnel expenses	5,924,251	4,131	5,928,382
Performance expenses	3,244,935	4,849	3,249,784
Administration expenses	1,143,344	73,059	1,216,403
Deficiency of revenues over expenses	1,141,955	305,065	1,447,020
Operating fund balance	(924,742)	(305,065)	(1,229,807)