



Financial Statements

The National Ballet of Canada

June 30, 2018

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Independent Auditor's Report

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To the Members of
The National Ballet of Canada

We have audited the accompanying financial statements of The National Ballet of Canada, which comprise the statement of financial position as at June 30, 2018, 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 entity'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 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 financial statements.

We believe that the audit evidence we have obtained in our audit 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 National Ballet of Canada as at June 30, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Toronto, Canada

September 21, 2018

Chartered Professional Accountants

Licensed Public Accountants

The National Ballet of Canada

Statement of Financial Position

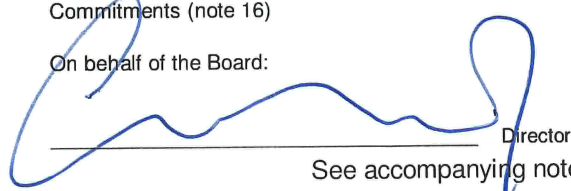
(Dollars in thousands)

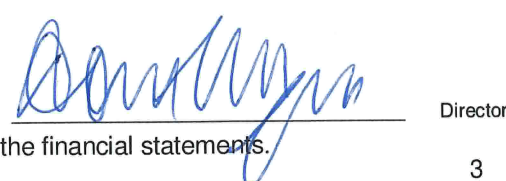
June 30

	2018			2017	
		Restricted Funds			
	Operating Fund	Gretchen Ross Production Centre	Walter Carsen Centre	Total	Total
Assets					
Current					
Cash and cash equivalents (note 13)	\$ 5,242	\$ -	\$ -	\$ 5,242	\$ 1,748
Accounts receivable (note 7)	1,736	-	-	1,736	4,008
Prepaid expenses (note 3)	457	-	-	457	441
	<u>7,435</u>	<u>-</u>	<u>-</u>	<u>7,435</u>	<u>6,197</u>
Investments (note 4)	-	-	2,498	2,498	2,501
Accounts receivable	-	-	-	-	150
Employee future benefit asset (note 15)	4,578	-	-	4,578	4,194
Capital assets (note 5)	221	3,214	131	3,566	3,632
Assets under capital leases, (note 6)	78	-	-	78	-
	<u>\$ 12,312</u>	<u>\$ 3,214</u>	<u>\$ 2,629</u>	<u>\$ 18,155</u>	<u>\$ 16,674</u>
Liabilities					
Current					
Accounts payable and accrued liabilities	\$ 2,467	\$ -	\$ 4	\$ 2,471	\$ 2,261
Deferred revenue (note 9)	7,429	-	-	7,429	6,604
Current portion of obligations under capital lease (note 8)	34	-	-	34	-
Inter-fund (receivable) payable	(108)	109	(1)	-	-
	<u>9,822</u>	<u>109</u>	<u>3</u>	<u>9,934</u>	<u>8,865</u>
Long term					
Deferred revenue (note 9)	100	-	-	100	200
Obligations under capital lease (note 8)	36	-	-	36	-
Long-term loan (note 7)	1,500	-	-	1,500	2,000
	<u>11,458</u>	<u>109</u>	<u>3</u>	<u>11,570</u>	<u>11,065</u>
Fund balances					
Unrestricted funds	736	-	-	736	363
Internally restricted funds	118	-	-	118	118
Externally restricted funds	-	3,105	2,626	5,731	5,128
	<u>854</u>	<u>3,105</u>	<u>2,626</u>	<u>6,585</u>	<u>5,609</u>
	<u>\$ 12,312</u>	<u>\$ 3,214</u>	<u>\$ 2,629</u>	<u>\$ 18,155</u>	<u>\$ 16,674</u>

Commitments (note 16)

On behalf of the Board:


Director


Director

See accompanying notes to the financial statements.

The National Ballet of Canada

Statement of Operations

(Dollars in thousands)

Year ended June 30

	2018				2017
	Restricted Funds				
	Operating Fund	Gretchen Ross Production Centre	Walter Carsen Centre	Total	Total
Revenue					
Box office					
Four Seasons Centre	\$ 12,267	\$ -	\$ -	\$ 12,267	\$ 13,421
Touring	690	-	-	690	889
Fundraising (note 10)	11,755	644	-	12,399	10,925
Grants (note 11)	6,814	-	-	6,814	6,039
Donations from:					
The National Ballet of Canada, Endowment Foundation	3,180	-	-	3,180	3,386
Erik Bruhn Prize Trust	-	-	-	-	120
Other income (note 12)	812	-	-	812	772
Unrealized gain on investments	-	-	113	113	231
Investment income	10	-	45	55	15
	<u>35,528</u>	<u>644</u>	<u>158</u>	<u>36,330</u>	<u>35,798</u>
Expenditures					
Performance					
Artistic	12,956	-	-	12,956	12,351
Production and technical	8,742	-	-	8,742	8,596
Marketing and publicity	3,828	-	-	3,828	4,255
Fundraising and development	3,257	-	-	3,257	2,937
General administration	3,579	-	19	3,598	3,609
Sets, costumes and creative costs	1,443	-	-	1,443	2,309
Facilities	880	111	69	1,060	1,165
Education and community outreach	586	-	-	586	328
	<u>35,271</u>	<u>111</u>	<u>88</u>	<u>35,470</u>	<u>35,550</u>
Excess of revenue over expenditures	\$ <u>257</u>	\$ <u>533</u>	\$ <u>70</u>	\$ <u>860</u>	\$ <u>248</u>

See accompanying notes to the financial statements.

The National Ballet of Canada

Statement of Changes in Fund Balances

(Dollars in thousands)

Year ended June 30

	2018				2017
		Restricted Funds			
	Operating Fund	Gretchen Ross Production Centre	Walter Carsen Centre	Total	Total
Fund balances, beginning of year	\$ 481	\$ 2,572	\$ 2,556	\$ 5,609	\$ 5,475
Excess of revenue over expenditures	257	533	70	860	248
Pension re-measurements (note 15)	116	-	-	116	(114)
Fund balances, end of year	\$ 854	\$ 3,105	\$ 2,626	\$ 6,585	\$ 5,609

See accompanying notes to the financial statements.

The National Ballet of Canada

Statement of Cash Flows

(Dollars in thousands)

Year ended June 30

2018

2017

Cash and cash equivalents provided by (used in):

Operating activities

Excess of revenue over expenditures	\$ 860	\$ 248
Amortization	290	243
Unrealized gain on investments	(113)	(231)
Realized capital gains on investments	(45)	(5)
Employee future benefits	(268)	(561)
Change in non-cash operating working capital (note 14)	<u>3,341</u>	<u>(1,641)</u>
	<u>4,065</u>	<u>(1,947)</u>

Investing activities

Investments sold	161	21
Capital assets acquired	<u>(232)</u>	<u>(133)</u>
	<u>(71)</u>	<u>(112)</u>

Financing activities

Long-term loan	<u>(500)</u>	<u>2,000</u>
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(Decrease) in cash and cash equivalents 3,494 (59)

Cash and cash equivalents, beginning of year 1,748 1,807

Cash and cash equivalents, end of year \$ 5,242 \$ 1,748

See accompanying notes to the financial statements.

The National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
June 30, 2018

1. Purpose of the organization

The National Ballet of Canada (the "Company"), a performing dance company, was incorporated in 1951 under the Canada Corporations Act as a not-for-profit organization and is a charitable organization under the Income Tax Act (Canada). The Company continued under the Canada Not-for-profit Corporations Act in 2014.

The National Ballet of Canada, Endowment Foundation was federally incorporated in 1999 and is a registered charity under the Income Tax Act (Canada). These financial statements do not include the net assets and revenue and expenditures of the Endowment Foundation, as it is a separate legal entity. Its purpose is to acquire endowment funds, the earned investment income of which would benefit the Company.

The Company's mission is to perform the masterworks of classical and contemporary ballet for a wide public in Canada and abroad and to exemplify artistic excellence to the highest international standard by attracting, nurturing, and developing the artistry and talent of the best dancers and musicians. We aim to create an environment within which artists and staff realize the fullest extent of their talents and to delight and challenge our audiences and motivate their deep loyalty and lifelong generosity.

The Company's vision is to strive to be a national symbol of Canada's rich culture heritage and to be recognized internationally as one of the world's leading ballet companies. We aspire to become known as an exacting and supportive place for all artists and staff, encouraging a culture of performance excellence and creativity at all levels.

2. Significant accounting policies

Basis of presentation

The Company has prepared these financial statements in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The following is a summary of significant accounting policies adopted by the Company in the preparation of the financial statements.

Fund accounting

The Company follows the restricted fund method of accounting.

(a) Operating Fund

The operating fund reports unrestricted resources and restricted operating grants. Included in the operating fund is the Creative Capital fund, an internally restricted fund. The fund is dedicated to the creation, production, and acquisition of dance repertoire. The use and application of the funds are at the discretion of the Company's artistic director.

The National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
June 30, 2018

2. Summary of significant accounting policies (continued)

(b) Restricted Funds

Externally restricted donations, and capital assets related to the Gretchen Ross Production Centre and the Walter Carsen Centre are reported in their respective funds. The Gretchen Ross Production Centre is the production and storage facility for the Company's sets, props and theatrical equipment. The Walter Carsen Centre is home to the Company's rehearsal, instructional and administrative functions.

Revenue recognition

(i) Donations, contributions and grants:

- (a) Unrestricted donations and pledges are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.
- (b) Externally restricted contributions reported in the operating fund are deferred and recognized as revenue in the year in which the related expenses are recognized.
- (c) Externally restricted contributions reported in the externally restricted funds are recognized as revenue when received or receivable.

(ii) Performance-related activities:

Revenue and expenses from performance-related activities are recognized at the time of the related performance. This revenue includes subscription and sponsorship revenue, performance ticket sales, and touring grants. Accordingly, amounts received in advance of the performance to which they relate are recorded as deferred revenue.

Proceeds from ticket sales include a contribution to the Creative Capital fund. The amounts collected are recognized as revenue of the Creative Capital fund when received or receivable.

- (iii) Investment income (loss) consists of interest, dividends, income distributions from pooled funds and realized gains and losses, and is recorded on an accrual basis. Investment income and unrealized gains earned on restricted resources are recognized as revenue of the applicable restricted fund. Unrestricted investment income is recognized as revenue of the Operating fund when earned.

The National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
June 30, 2018

2. Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash and short term deposits with a maturity period of three months or less from the date of acquisition.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is determined on a straight-line basis over the following periods:

Gretchen Ross Production Centre building, improvements and equipment	30 years
Walter Carsen Centre building, improvements and equipment	20 years
Furniture and equipment	3 – 10 years

Prepaid expenses

Prepaid expenses include sets, costumes and creative costs incurred for new productions and for the major refurbishment of existing productions, which are charged to expenses at the date of the first performance.

Contributed services

These financial statements do not reflect the substantial value of services contributed by volunteers and other interested parties.

Employee future benefits

Pension Plans

The Company maintains various pension plans for its permanent administrative employees who participate in either the defined benefit component or the defined contribution component of the plan.

The cost of defined benefit employee future benefits is actuarially determined using the accrued benefit actuarial cost method and management's best estimates of plan performance, salary escalation, and length of service. The Company has elected to use the actuarial valuation prepared for funding purposes to measure the defined benefit obligation.

The National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
June 30, 2018

2. Summary of significant accounting policies (continued)

Pension Plans (continued)

The current services costs and the finance cost related to the defined pension plans' benefits are expensed in the statement of operations each period. Re-measurements and other items for the period, which include actuarial gains and losses, past service costs and gains and losses arising from settlements and curtailments, are recorded directly in the statement of changes in fund balances rather than the statement of operations.

The cost of the defined contribution component is based on required employer contributions.

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.

At each reporting date, the Company measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets). The Company has irrevocably elected to measure its investments in pooled funds at fair value. All changes in fair value of the Company's investments in pooled funds are recorded in the statement of operations. The financial instruments measured at amortized cost are cash and cash equivalents, accounts receivables, accounts payable, and long-term loan.

For financial assets measured at cost or 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 estimates

In preparing the Company's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenditures. Actual results could differ from these estimates.

Items subject to significant management estimates include receivables, employee future benefits and the estimated useful life of capital assets.

The National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
June 30, 2018

3. Prepaid expenses

	<u>2018</u>	<u>2017</u>
Shoe supplies	\$ 161	\$ 198
Subscriptions and other administrative expenses	59	101
Deferred production costs	227	94
Deposits	<u>10</u>	<u>48</u>
	\$ <u>457</u>	\$ <u>441</u>

4. Investments, at fair value

Investments consist of one pooled fund and are allocated with the following asset mix:

	<u>2018</u>	<u>2017</u>
Cash and short-term investments	2%	1%
Bonds	32%	32%
Canadian equities	24%	26%
U.S. equities	23%	18%
International equities	19%	23%

5. Capital assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2018 Net Book Value</u>	<u>2017 Net Book Value</u>
Operating fund				
Furniture and equipment	\$ 2,738	\$ 2,517	\$ 221	\$ 165
Gretchen Ross Production Centre fund				
Land	853	-	853	853
Building	3,208	855	2,353	2,459
Equipment	<u>28</u>	<u>20</u>	<u>8</u>	<u>13</u>
	<u>4,089</u>	<u>875</u>	<u>3,214</u>	<u>3,325</u>
Walter Carsen Centre fund				
Building improvements and equipment	11,614	11,614	-	-
Furniture and equipment	<u>722</u>	<u>591</u>	<u>131</u>	<u>142</u>
	<u>12,336</u>	<u>12,205</u>	<u>131</u>	<u>142</u>
	\$ <u>19,163</u>	\$ <u>15,597</u>	\$ <u>3,566</u>	\$ <u>3,632</u>

The National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
June 30, 2018

6. Assets under capital leases

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2018 Net Book Value</u>	<u>2017 Net Book Value</u>
Operating Fund				
Furniture and equipment	\$ <u>104</u>	\$ <u>26</u>	\$ <u>78</u>	\$ <u>-</u>

Additions to furniture and equipment under capital leases during the year ended June 30, 2018 totalled \$104 (2017 - \$nil).

7. Related party transactions

Accounts receivable include amounts owing from The National Ballet of Canada, Endowment Foundation of \$273 (2017 - \$7). The National Ballet of Canada, Endowment Foundation is related by virtue of common management.

The long-term loan is an amount payable to a related party. The loan is unsecured, non-interest bearing and due no later than March 6, 2020.

The Erik Bruhn Prize Trust is related by virtue of common management.

8. Obligations under capital lease

	<u>2018</u>	<u>2017</u>
Obligations under capital lease for furniture and equipment, with interest at a rate of 2.52%, maturing on June 30, 2020	\$ <u>70</u>	\$ <u>-</u>
Less: current portion	<u>34</u>	<u>-</u>
	\$ <u>36</u>	\$ <u>-</u>

Future minimum lease payments, including principal and interest, under the capital leases for subsequent years are as follows:

2019	\$ <u>36</u>
2020	<u>27</u>
	\$ <u>63</u>

The National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
June 30, 2018

9. Deferred revenue

	<u>2018</u>	<u>2017</u>
Box office	\$ 3,332	\$ 3,146
New production and other sponsorships	2,302	1,865
Operating grants	<u>1,895</u>	<u>1,793</u>
	7,529	6,804
Less: current portion	<u>7,429</u>	6,604
	\$ <u>100</u>	\$ <u>200</u>

10. Fundraising

	<u>2018</u>	<u>2017</u>
Individuals	\$ 7,798	\$ 5,526
New production sponsorships	2,330	3,080
Special events	1,257	1,261
Corporate	744	776
Creative Capital fund	<u>270</u>	<u>282</u>
	\$ <u>12,399</u>	\$ <u>10,925</u>

11. Grants

	<u>2018</u>	<u>2017</u>
Operating:		
Canada Council	\$ 3,038	\$ 2,518
Ontario Arts Council	2,233	2,158
City of Toronto	1,355	1,320
Touring:		
Canada Council	126	35
Ontario Arts Council	56	-
Other:		
Miscellaneous	<u>6</u>	<u>8</u>
	\$ <u>6,814</u>	\$ <u>6,039</u>

12. Other income

	<u>2018</u>	<u>2017</u>
Education, outreach and dance classes	\$ 507	\$ 438
Rental of sets and costumes	87	201
Miscellaneous	<u>218</u>	<u>133</u>
	\$ <u>812</u>	\$ <u>772</u>

The National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
June 30, 2018

13. Credit facility

The Company has provided letters of credit for \$185 (2017 - \$105) under the terms of certain agreements. The Company has pledged \$185 (2016 - \$105) of its cash and cash equivalents as collateral for the letters of credit.

14. Supplementary cash flow information

	<u>2018</u>	<u>2017</u>
Change in non-cash operating working capital		
Accounts receivable	\$ 2,422	\$ (1,999)
Prepaid expenses	(16)	123
Accounts payable and accrued liabilities	210	25
Deferred revenue	<u>725</u>	<u>210</u>
	\$ <u>3,341</u>	\$ <u>(1,641)</u>

15. Employee future benefits

The Company's Pension Plan includes, for its permanent employees, a defined benefit pension plan, a supplemental pension agreement, and a defined contribution plan. For the defined benefit plan, the date of the most recent actuarial valuation for funding purposes was based on December 31, 2016 membership data from which valuation results were rolled forward to June 30, 2018.

The reconciliation of the funded status of the defined benefit plans to the amounts recorded in the financial statements is as follows:

	<u>2018</u>	<u>2017</u>
Accrued benefit obligation	\$ 11,080	\$ 10,582
Fair value of plan assets	<u>15,658</u>	<u>14,776</u>
Funded status, employee future benefit asset	<u>4,578</u>	<u>4,194</u>
Net benefit expense for pension plan	<u>171</u>	<u>188</u>
Pension re-measurement	<u>116</u>	<u>114</u>
Benefits paid	\$ <u>414</u>	\$ <u>371</u>

Contributions to the defined benefit plan during the year are as follows:

Employees	\$ 69	\$ 79
Employer - regular	\$ 293	\$ 280
Employer - special	\$ 146	\$ 469

The National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
June 30, 2018

16. Commitments

The Company has minimum annual lease payments for premises and office equipment, expiring up to 2026, as follows:

2019	\$	1,418
2020		1,466
2021		1,406
2022		1,391
2023		1,388
Thereafter		<u>4,244</u>
	\$	<u>11,313</u>

After 2019, the premises lease agreement annual payments are subject to an adjustment based on the Consumer Price Index.

17. American Friends of the National Ballet of Canada Inc.

American Friends of the National Ballet of Canada, Inc. is a separate corporation without share capital and with its own Board of Directors. Its purpose is to foster and support ballet endeavours in the U.S. and Canada. The corporation was incorporated in 2012 and was granted exemption from Federal income tax under section 501 (c) (3) of the Internal Revenue Code on August 8, 2014. American Friends can accept donations, gifts, legacies and bequests and issue U.S. charitable donation receipts.

18. UK Friends of the National Ballet of Canada

UK Friends of the National Ballet of Canada is a separate registered charity with its own Board of Directors. Its purpose is to foster and support ballet endeavours in the U.K. and Canada. UK Friends was registered for tax purposes in line with Paragraph 1 of Schedule 6 Finance Act 2010, effective November 15, 2016. UK Friends can accept donations, gifts, legacies and bequests and issue U.K. charitable donation receipts.

19. Financial instrument risk

Transactions in financial instruments may result in the Company assuming or transferring to another party one or more of the financial risks described below. This required disclosure provides information that assists users of the financial statements in assessing the extent of risk related to financial instruments. There have been no changes in these risks over the prior year.

The National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
June 30, 2018

19. Financial instrument risk (continued)

Credit risk

Credit risk arises from cash and cash equivalents and credit exposures on outstanding accounts receivable and bonds within the pooled fund. Cash and cash equivalents are held at major financial institutions minimizing any potential exposure to credit risk. It is management's opinion that the risk related to accounts receivable is minimal since the organization only deals with what management believes to be financially sound counterparties and accordingly, does not anticipate significant loss for non-performance. Credit risk is also minimized by investing surplus funds in financial institutions that maintain a high credit rating or in entities that are considered as being financially sound.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: other price risk, currency risk, and interest rate risk.

i. Other price risk

The Company is subject to price risk on the investments carried at fair value. These investments are subject to market risk such that the fair value of these investments may change as a result of factors specific to a particular investment or as a result of factors affecting all instruments trading in the market. The Company manages this risk by using a professional portfolio manager and maintaining a diversified portfolio with a mix of bonds and equity funds.

ii. Foreign currency risk

Foreign currency exposure arises from the Company's holdings of foreign currency denominated investments. Fluctuations in the relative value of foreign currencies against the Canadian dollar can result in a positive or negative effect on the fair value of investments. The Company manages this risk by using a professional portfolio manager and maintaining a diversified portfolio.

iii. Interest rate risk

The Company's earnings are exposed to the interest rate risk that arises from fluctuations in interest rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to interest rate risk.

20. Comparative information

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.