



Financial Statements

The National Ballet of Canada

June 30, 2022

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Independent auditor's report

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To the Members of The National Ballet of Canada

Opinion

We have audited the financial statements of The National Ballet of Canada (“the Company”), which comprise the statement of financial position as at June 30, 2022, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Company as at June 30, 2022, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton LLP

Toronto, Canada
September 22, 2022

Chartered Professional Accountants
Licensed Public Accountants

The National Ballet of Canada

Statement of Financial Position

(Dollars in thousands)

June 30

| | <u>2022</u> | | | <u>2021</u> | |
|--|-------------------------|--|-----------------------------|------------------|------------------|
| | <u>Restricted Funds</u> | | | | |
| | <u>Operating Fund</u> | <u>Gretchen Ross Production Centre</u> | <u>Walter Carsen Centre</u> | <u>Total</u> | <u>Total</u> |
| Assets | | | | | |
| Current | | | | | |
| Cash and cash equivalents (note 12) | \$ 5,279 | \$ - | \$ - | \$ 5,279 | \$ 7,333 |
| Accounts receivable (note 6) | 3,063 | - | - | 3,063 | 1,197 |
| Prepaid expenses (note 3) | 3,532 | - | - | 3,532 | 4,300 |
| Inter-fund receivable (payable) | (55) | 206 | (151) | - | - |
| | <u>11,819</u> | <u>206</u> | <u>(151)</u> | <u>11,874</u> | <u>12,830</u> |
| Investments (note 4) | - | - | 1,774 | 1,774 | 1,966 |
| Employee future benefit asset (note 14) | 1,169 | - | - | 1,169 | 4,060 |
| Capital assets (note 5) | <u>158</u> | <u>2,785</u> | <u>895</u> | <u>3,838</u> | <u>4,053</u> |
| | <u>\$ 13,146</u> | <u>\$ 2,991</u> | <u>\$ 2,518</u> | <u>\$ 18,655</u> | <u>\$ 22,909</u> |
| Liabilities | | | | | |
| Current | | | | | |
| Accounts payable and accrued liabilities | \$ 3,382 | \$ - | \$ 5 | \$ 3,387 | \$ 2,260 |
| Deferred revenue- (note 7 and 11) | <u>8,602</u> | <u>-</u> | <u>-</u> | <u>8,602</u> | <u>11,537</u> |
| | <u>11,984</u> | <u>-</u> | <u>5</u> | <u>11,989</u> | <u>13,797</u> |
| Long term deferred revenue (note 7 and 11) | <u>178</u> | <u>-</u> | <u>-</u> | <u>178</u> | <u>88</u> |
| | <u>12,162</u> | <u>-</u> | <u>5</u> | <u>12,167</u> | <u>13,885</u> |
| Fund balances | | | | | |
| Unrestricted funds | 984 | - | - | 984 | 3,452 |
| Internally restricted funds | - | - | - | - | 13 |
| Externally restricted funds | <u>-</u> | <u>2,991</u> | <u>2,513</u> | <u>5,504</u> | <u>5,559</u> |
| | <u>984</u> | <u>2,991</u> | <u>2,513</u> | <u>6,488</u> | <u>9,024</u> |
| | <u>\$ 13,146</u> | <u>\$ 2,991</u> | <u>\$ 2,518</u> | <u>\$ 18,655</u> | <u>\$ 22,909</u> |

Commitments (note 15)

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

| | <u>2022</u> | | | <u>2021</u> | |
|--------------------------------|-------------------------|-------------------|-----------------|---------------|-----------------|
| | <u>Restricted Funds</u> | | | | |
| | <u>Operating</u> | <u>Gretchen</u> | <u>Walter</u> | | |
| | <u>Fund</u> | <u>Ross</u> | <u>Carsen</u> | <u>Total</u> | <u>Total</u> |
| | | <u>Production</u> | <u>Centre</u> | | |
| | | <u>Centre</u> | <u>Centre</u> | | |
| Revenue | | | | | |
| Box office | | | | | |
| Four Seasons Centre (note 19) | \$ 9,570 | \$ - | \$ - | \$ 9,570 | \$ 173 |
| Touring | 24 | - | - | 24 | - |
| Fundraising (note 8) | 12,309 | 328 | - | 12,637 | 8,196 |
| Grants (note 9) | 7,101 | - | - | 7,101 | 6,940 |
| Donation from | | | | | |
| The National Ballet of | | | | | |
| Canada, Endowment | | | | | |
| Foundation | 4,748 | - | - | 4,748 | 2,684 |
| Other income (note 10) | 393 | - | - | 393 | 243 |
| COVID-19 support (note 11) | 3,135 | - | - | 3,135 | 5,237 |
| Unrealized gain (loss) on | | | | | |
| investments | | - | (174) | (174) | 347 |
| Investment income | <u>8</u> | <u>-</u> | <u>8</u> | <u>16</u> | <u>8</u> |
| | <u>37,288</u> | <u>328</u> | <u>(166)</u> | <u>37,450</u> | <u>23,828</u> |
| Expenditures | | | | | |
| Performance | | | | | |
| Artistic | 12,289 | - | - | 12,289 | 9,432 |
| Production and technical | 9,051 | - | - | 9,051 | 4,213 |
| General administration | 3,856 | - | 23 | 3,879 | 3,335 |
| Fundraising and development | 2,616 | - | - | 2,616 | 1,753 |
| Marketing and publicity | 3,370 | - | - | 3,370 | 1,678 |
| Facilities | 820 | 111 | 83 | 1,014 | 1,041 |
| Education and community | | | | | |
| outreach | 385 | - | - | 385 | 262 |
| Sets, costumes and creative | | | | | |
| costs | <u>4,445</u> | <u>-</u> | <u>-</u> | <u>4,445</u> | <u>114</u> |
| | <u>36,832</u> | <u>111</u> | <u>106</u> | <u>37,049</u> | <u>21,828</u> |
| Excess (deficiency) of revenue | | | | | |
| over expenditures | <u>\$ 456</u> | <u>\$ 217</u> | <u>\$ (272)</u> | <u>\$ 401</u> | <u>\$ 2,000</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

| | <u>2022</u> | | | | <u>2021</u> |
|--|-----------------------|--|-----------------------------|-----------------|-----------------|
| | | <u>Restricted Funds</u> | | | |
| | <u>Operating Fund</u> | <u>Gretchen Ross Production Centre</u> | <u>Walter Carsen Centre</u> | <u>Total</u> | <u>Total</u> |
| Fund balances, beginning of year | \$ 3,465 | \$ 2,774 | \$ 2,785 | \$ 9,024 | \$ 7,184 |
| Excess (deficiency) of revenue over expenditures | 456 | 217 | (272) | 401 | 2,000 |
| Pension re-measurements (note 14) | <u>(2,937)</u> | <u>-</u> | <u>-</u> | <u>(2,937)</u> | <u>(160)</u> |
| Fund balances, end of year | <u>\$ 984</u> | <u>\$ 2,991</u> | <u>\$ 2,513</u> | <u>\$ 6,488</u> | <u>\$ 9,024</u> |

See accompanying notes to the financial statements.

The National Ballet of Canada

Statement of Cash Flows

(Dollars in thousands)

| Year ended June 30 | 2022 | 2021 |
|---|-----------------|-----------------|
| Operating activities | | |
| Excess of revenue over expenditures | \$ 401 | \$ 2,000 |
| Amortization of capital assets and assets under capital lease | 272 | 285 |
| Unrealized (gain) loss on investments | 174 | (347) |
| Realized capital gains on investments | (8) | (6) |
| Employee future benefits | (46) | 35 |
| Change in non-cash operating working capital (note 14) | <u>(2,816)</u> | <u>1,549</u> |
| | <u>(2,023)</u> | <u>3,516</u> |
| Investing activities | | |
| Investments sold | 26 | 20 |
| Capital assets acquired | <u>(57)</u> | <u>(162)</u> |
| | <u>(31)</u> | <u>(142)</u> |
| Increase in cash and cash equivalents | (2,054) | 3,374 |
| Cash, beginning of year | <u>7,333</u> | <u>3,959</u> |
| Cash, end of year | <u>\$ 5,279</u> | <u>\$ 7,333</u> |

See accompanying notes to the financial statements.

The National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
June 30, 2022

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 (the "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 and under separate control. 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. The Company aims to create an environment within which artists and staff realize the fullest extent of their talents and to delight and challenge its audiences, motivating 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.

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

(a) Operating Fund

The Operating Fund reports unrestricted resources and restricted operating grants.

The National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
June 30, 2022

2. Summary of significant accounting policies (continued)

Fund accounting (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:

The Company follows the restricted fund method of accounting, whereby:

- (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 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.

- (iii) Investment income 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 and losses 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, 2022

2. Summary of significant accounting policies (continued)

Contributed services

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

Prepaid expenses

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

Capital assets

Capital assets are recorded at cost less accumulated amortization and separated into their component parts when estimates can be made of the lives of the separate components. 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 | 10 - 20 years |
| Furniture and equipment | 3 - 10 years |

Capital assets are tested for impairment when events or changes in circumstances indicate that an asset might be impaired. The assets are tested for impairment by comparing the net carrying value to their fair value or replacement cost. If the asset's fair value or replacement cost is determined to be less than its net carrying value, the resulting impairment is reported in the statement of operations. Any impairment recognized is not reversed.

Employee future benefits

Pension plans

The Company maintains a pension plan for its permanent administrative employees, who participate in either a defined benefit component or a 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 an actuarial valuation prepared for funding purposes to measure the defined benefit obligation of its defined benefit plan and an actuarial valuation prepared for accounting purposes to measure the defined benefit obligation of its supplemental defined benefit plan. The total defined benefit obligation for its defined benefit plan and its supplemental plan reflects the aggregate of the components that make up the valuations, including any required provision for adverse deviations.

The National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
June 30, 2022

2. Summary of significant accounting policies (continued)

Employee future benefits (continued)

Pension plans (continued)

The current service 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.

The cost of the defined contribution component is based on required employer contributions and are expensed in the statement of operations each period.

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), except that 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, accounts receivable and accounts payable.

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 accounts receivables, employee future benefits, capital assets, and accrued liabilities.

The National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
June 30, 2022

3. Prepaid expenses

| | <u>2022</u> | <u>2021</u> |
|---|-----------------|-----------------|
| Deferred production costs | \$ 3,125 | \$ 3,827 |
| Four Seasons Centre digital contribution | 220 | 220 |
| Shoe supplies | 158 | 220 |
| Subscriptions and other administrative expenses | 19 | 23 |
| Deposits | 10 | 10 |
| | <u>\$ 3,532</u> | <u>\$ 4,300</u> |

4. Investments, at fair value

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

| | <u>2022</u> | <u>2021</u> |
|---------------------------------|-------------|-------------|
| Cash and short-term investments | 0% | 2% |
| Bonds | 30% | 28% |
| Canadian equities | 25% | 25% |
| U.S. equities | 24% | 24% |
| International equities | 21% | 21% |

5. Capital assets

| | <u>2022</u> | <u>2021</u> | | |
|---|------------------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Operating Fund | | | | |
| Furniture and equipment | \$ 3,148 | \$ 2,990 | \$ 158 | \$ 169 |
| Gretchen Ross Production Centre | | | | |
| Land | 853 | - | 853 | 853 |
| Building | 3,208 | 1,283 | 1,925 | 2,032 |
| Equipment | 41 | 34 | 7 | 12 |
| | <u>4,102</u> | <u>1,317</u> | <u>2,785</u> | <u>2,897</u> |
| Walter Carsen Centre | | | | |
| Building, improvements and equipment | 12,305 | 11,689 | 616 | 662 |
| Furniture and equipment | 1,076 | 797 | 279 | 325 |
| | <u>13,381</u> | <u>12,486</u> | <u>895</u> | <u>987</u> |
| | <u>\$ 20,631</u> | <u>\$ 16,793</u> | <u>\$ 3,838</u> | <u>\$ 4,053</u> |

The National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
June 30, 2022

6. Related party balances

Accounts receivable include amounts owing from the Eric Bruhn Prize Trust of \$12 (2021 - \$9).

The National Ballet of Canada, Endowment Foundation and the Eric Bruhn Prize Trust are related by virtue of common management.

7. Deferred revenue

| | <u>2022</u> | <u>2021</u> |
|---------------------------------------|---------------|---------------|
| Box office | \$ 4,324 | \$ 4,396 |
| New production and other sponsorships | 1,703 | 4,476 |
| Operating grants | <u>2,753</u> | <u>2,753</u> |
| | 8,780 | 11,625 |
| Less: current portion | <u>8,602</u> | <u>11,537</u> |
| | <u>\$ 178</u> | <u>\$ 88</u> |

8. Fundraising

| | <u>2022</u> | <u>2021</u> |
|---|------------------|-----------------|
| Individuals | \$ 6,313 | \$ 7,663 |
| New production sponsorships | 3,719 | - |
| Special events | 1,527 | - |
| Corporate | 788 | 533 |
| American Friends of the National Ballet of Canada (note 17) | <u>290</u> | <u>-</u> |
| | <u>\$ 12,637</u> | <u>\$ 8,196</u> |

9. Grants

| | <u>2022</u> | <u>2021</u> |
|----------------------|-----------------|-----------------|
| Operating: | | |
| Canada Council | \$ 3,160 | \$ 3,160 |
| Ontario Arts Council | 2,243 | 2,243 |
| Toronto Arts Council | 1,390 | 1,390 |
| Other: | | |
| Special projects | <u>309</u> | <u>147</u> |
| | <u>\$ 7,101</u> | <u>\$ 6,940</u> |

10. Other income

| | <u>2022</u> | <u>2021</u> |
|---------------------------------------|---------------|---------------|
| Education, outreach and dance classes | \$ 223 | \$ 220 |
| Rental of sets and costumes | 145 | 1 |
| Miscellaneous | <u>25</u> | <u>22</u> |
| | <u>\$ 393</u> | <u>\$ 243</u> |

The National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
June 30, 2022

11. COVID-19 support

| | <u>2022</u> | <u>2021</u> |
|---|-----------------|-----------------|
| Canada Emergency Wage and Tourism and Hospitality Recovery Program | \$ 2,418 | \$ 3,560 |
| Canada Emergency Rent Subsidy | 85 | 505 |
| Canada Council COVID-19 Emergency Support | 632 | - |
| Performance Disruption Insurance | <u>-</u> | <u>1,172</u> |
| | <u>\$ 3,135</u> | <u>\$ 5,237</u> |

During the year the Company received \$nil (2021 - \$1,982) of special one-time funding from Ontario Arts Council to assist with covering losses incurred as a result of the pandemic, this amount has been deferred at year end.

Under a performance disruption policy issued by the Chubb Insurance Company of Canada (the "insurer"), the Company was covered for lost business income and extra expenses resulting from the cancellation of performances due to COVID-19 commencing March 13, 2020. As at year end, the Company recognized a payment of \$nil (2021 - \$1,127) from the insurer.

12. Credit facility

The Company has provided letters of credit of \$150 (2021 - \$120) under the terms of certain agreements. The Company has pledged \$150 (2021 - \$120) of its cash as collateral for the letters of credit.

13. Supplementary cash flow information

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|-----------------|
| Change in non-cash operating working capital | | |
| Accounts receivable | \$ (1,866) | \$ 2,727 |
| Prepaid expenses | 768 | (1,119) |
| Accounts payable and accrued liabilities | 1,127 | 294 |
| Deferred revenue | <u>(2,845)</u> | <u>(353)</u> |
| | <u>\$ (2,816)</u> | <u>\$ 1,549</u> |

The National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
June 30, 2022

14. 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 December 31, 2019, membership data from which valuation results were rolled forward to June 30, 2022.

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

| | <u>2022</u> | <u>2021</u> |
|---|-------------------|-------------------|
| Fair value of plan assets | \$ 8,717 | \$ 12,500 |
| Accrued benefit obligation | <u>9,886</u> | <u>8,440</u> |
| Funded status, employee future benefit asset | \$ <u>1,169</u> | \$ <u>4,060</u> |
| Net benefit expense for the pension plan | \$ <u>47</u> | \$ <u>96</u> |
| Pension re-measurement | \$ (2,937) | \$ (160) |
| Prior period adjustment related to accounting policy change | <u> </u> | <u> </u> |
| Benefits paid | \$ <u>202</u> | \$ <u>-122</u> |

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

| | | |
|--------------------|-------|-------|
| Employees | \$ - | \$ - |
| Employer - regular | \$ 60 | \$ 60 |
| Employer - special | \$ - | \$ - |

15. Commitments

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

| | |
|------|-----------------|
| 2023 | \$ 1,551 |
| 2024 | 1,606 |
| 2025 | 1,695 |
| 2026 | <u>1,729</u> |
| | <u>\$ 6,581</u> |

The premises lease annual payments are subject to a Consumer Price Index adjustment.

16. 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. Donations of \$290 (2021 - \$nil) were received from American Friends of the National Ballet of Canada, Inc.

The National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
June 30, 2022

17. 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 of the National Ballet of Canada can accept donations, gifts, legacies and bequests and issue U.K. charitable donation receipts. There have been no donations received from UK Friends of the National Ballet of Canada.

18. 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.

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 Company 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 other 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. Currency risk

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. The Company manages this risk by using a professional portfolio manager and maintaining a diversified portfolio.

The National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
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18. Financial instrument risk (continued)

Liquidity risk

The Company manages its liquidity risk by forecasting cash flows from operations, investing and financing activities to ensure that it has sufficient funds available to meet current and foreseeable financial obligations. As a result, it is management's opinion that the Company is not exposed to significant liquidity risk arising from its financial instruments.

19. COVID-19

Since January 1, 2020, the spread of COVID-19 has severely impacted many local economies around the globe. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures or capacity restrictions of non-essential services caused significant disruptions to many organizations. These measures were moderated throughout the year and were effectively lifted by June 30, 2022.

The impact of these measures on the statement of operations for the past year includes a reduction in box office and touring revenue. Government support was available to certain organizations severely impacted by these restrictions through May of 2022 and is recognized in the COVID-19 support item.