



Financial Statements

The National Ballet of Canada

June 30, 2019

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Report of the Independent auditor on the Summary Financial Statements

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To the Members of
The National Ballet of Canada

Opinion

The summary financial statements, which comprise the summary statement of financial position as at June 30, 2019, and the summary statements of operations and changes in fund balances for the year then ended, and related notes are derived from the audited financial statements of The National Ballet of Canada for the year ended June 30, 2019.

In our opinion, the accompanying summary financial statements are a fair summary of the audited financial statements, on the basis described in Note 1.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by Canadian accounting standards for not-for-profit organizations. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified opinion on the audited financial statements in our report dated September 19, 2019.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements on the basis described in Note 1.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are a fair summary of the audited financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, *Engagements to Report on Summary Financial Statements*.



Toronto, Canada
October 10, 2019

Chartered Professional Accountants
Licensed Public Accountants

The National Ballet of Canada

Statement of Financial Position

(Dollars in thousands)

June 30

	2019			2018	
	Operating Fund	Restricted Funds		Total	Total
		Gretchen Ross Production Centre	Walter Carsen Centre		
Assets					
Current					
Cash and cash equivalents (note 13)	\$ 3,067	\$ -	\$ -	\$ 3,067	\$ 5,242
Accounts receivable (note 7)	2,333	-	-	2,333	1,991
Prepaid expenses (note 3)	547	-	14	561	457
	5,947	-	14	5,961	7,690
Investments (note 4)	-	-	2,447	2,447	2,498
Employee future benefit asset (note 15)	3,570	-	-	3,570	4,578
Capital assets (note 5)	173	3,105	209	3,487	3,566
Assets under capital leases (note 6)	43	-	-	43	78
	<u>\$ 9,733</u>	<u>\$ 3,105</u>	<u>\$ 2,670</u>	<u>\$ 15,508</u>	<u>\$ 18,410</u>
Liabilities					
Current					
Accounts payable and accrued liabilities (note 7)	\$ 3,344	\$ -	\$ 4	\$ 3,348	\$ 2,471
Deferred revenue (note 9)	5,306	-	-	5,306	7,684
Current portion of obligations under capital lease (note 8)	36	-	-	36	34
Inter-fund (receivable) payable	(123)	109	14	-	-
	8,563	109	18	8,690	10,189
Long term					
Deferred revenue (note 9)	50	-	-	50	100
Obligations under capital lease (note 8)	-	-	-	-	36
Long-term loan (note 7)	-	-	-	-	1,500
	8,613	109	18	8,740	11,825
Fund balances					
Unrestricted funds	1,002	-	-	1,002	736
Internally restricted funds	118	-	-	118	118
Externally restricted funds	-	2,996	2,652	5,648	5,731
	<u>1,120</u>	<u>2,996</u>	<u>2,652</u>	<u>6,768</u>	<u>6,585</u>
	<u>\$ 9,733</u>	<u>\$ 3,105</u>	<u>\$ 2,670</u>	<u>\$ 15,508</u>	<u>\$ 18,410</u>

Commitments and Contingencies (note 16 and 17)

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

	2019				2018
	Operating Fund	Restricted Funds		Total	Total
		Gretchen Ross Production Centre	Walter Carsen Centre		
Revenue					
Box office					
Four Seasons Centre	\$ 12,795	\$ -	\$ -	\$ 12,795	\$ 12,267
Touring	745	-	-	745	690
Fundraising (note 10)	12,758	-	-	12,758	12,399
Grants (note 11)	6,998	-	-	6,998	6,814
Donations from:					
The National Ballet of Canada, Endowment Foundation	3,172	-	-	3,172	3,180
Erik Bruhn Prize Trust	70	-	-	70	-
Other income (note 12)	878	-	-	878	812
Unrealized gain on investments	-	-	85	85	113
Investment income	33	-	47	80	55
	<u>37,449</u>	<u>-</u>	<u>132</u>	<u>37,581</u>	<u>36,330</u>
Expenditures					
Performance					
Artistic	12,925	-	-	12,925	12,956
Production and technical	8,413	-	-	8,413	8,742
Marketing and publicity	4,081	-	-	4,081	3,828
General administration	3,597	-	74	3,671	3,598
Fundraising and development	3,031	-	-	3,031	3,257
Sets, costumes and creative costs	1,745	-	-	1,745	1,443
Facilities	986	109	32	1,127	1,060
Education and community outreach	600	-	-	600	586
Donation to The National Ballet of Canada, Endowment Foundation (note 7)	579	-	-	579	-
	<u>35,957</u>	<u>109</u>	<u>106</u>	<u>36,172</u>	<u>35,470</u>
Excess (deficiency) of revenue over expenditures	\$ <u>1,492</u>	\$ <u>(109)</u>	\$ <u>26</u>	\$ <u>1,409</u>	\$ <u>860</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>2019</u>				<u>2018</u>
	<u>Operating Fund</u>	<u>Restricted Funds</u>		<u>Total</u>	<u>Total</u>
		<u>Gretchen Ross Production Centre</u>	<u>Walter Carsen Centre</u>		
Fund balances, beginning of year	\$ 854	\$ 3,105	\$ 2,626	\$ 6,585	\$ 5,609
Excess (deficiency) of revenue over expenditures	1,492	(109)	26	1,409	860
Pension re-measurements (note 15)	<u>(1,226)</u>	<u>-</u>	<u>-</u>	<u>(1,226)</u>	<u>116</u>
Fund balances, end of year	<u>\$ 1,120</u>	<u>\$ 2,996</u>	<u>\$ 2,652</u>	<u>\$ 6,768</u>	<u>\$ 6,585</u>

See accompanying notes to the financial statements.

The National Ballet of Canada

Statement of Cash Flows

(Dollars in thousands)

Year ended June 30

2019

2018

Cash and cash equivalents provided by (used in):

Operating activities

Excess of revenue over expenditures	\$	1,409	\$	860
Amortization of capital assets and assets under capital leases		336		290
Unrealized gain on investments		(85)		(113)
Realized capital gains on investments		(80)		(45)
Employee future benefits		(218)		(268)
Change in non-cash operating working capital (note 14)		<u>(1,997)</u>		<u>3,341</u>
		<u>(635)</u>		<u>4,065</u>

Investing activities

Investments sold		216		161
Capital assets acquired		<u>(222)</u>		<u>(232)</u>
		<u>(6)</u>		<u>(71)</u>

Financing activities

Repayment of obligations under capital leases		(34)		-
Repayment of long-term loan		<u>(1,500)</u>		<u>(500)</u>
		<u>(1,534)</u>		<u>(500)</u>

Decrease (increase) in cash and cash equivalents		<u>(2,175)</u>		3,494
Cash and cash equivalents, beginning of year		<u>5,242</u>		<u>1,748</u>
Cash and cash equivalents, end of year	\$	<u>3,067</u>	\$	<u>5,242</u>

See accompanying notes to the financial statements.

The National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
June 30, 2019

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. 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. 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, 2019

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:

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.

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, 2019

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, 2019

2. Summary of significant accounting policies (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 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 accounts 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, 2019

3. Prepaid expenses

	<u>2019</u>	<u>2018</u>
Shoe supplies	\$ 182	\$ 161
Subscriptions and other administrative expenses	34	59
Deferred production costs	321	227
Deposits	10	10
Walter Carsen Centre	<u>14</u>	<u>-</u>
	<u>\$ 561</u>	<u>\$ 457</u>

4. Investments, at fair value

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

	<u>2019</u>	<u>2018</u>
Cash and short-term investments	3%	2%
Bonds	30%	32%
Canadian equities	24%	24%
U.S. equities	24%	23%
International equities	19%	19%

5. Capital assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2019 Net Book Value</u>	<u>2018 Net Book Value</u>
Operating fund				
Furniture and equipment	\$ <u>2,795</u>	\$ <u>2,622</u>	\$ <u>173</u>	\$ <u>221</u>
Gretchen Ross Production Centre				
Land	853	-	853	853
Building	3,208	963	2,245	2,353
Equipment	<u>28</u>	<u>21</u>	<u>7</u>	<u>8</u>
	<u>4,089</u>	<u>984</u>	<u>3,105</u>	<u>3,214</u>
Walter Carsen Centre				
Building, improvements and equipment	11,614	11,614	-	-
Furniture and equipment	<u>888</u>	<u>679</u>	<u>209</u>	<u>131</u>
	<u>12,502</u>	<u>12,293</u>	<u>209</u>	<u>131</u>
	<u>\$ 19,386</u>	<u>\$ 15,899</u>	<u>\$ 3,487</u>	<u>\$ 3,566</u>

The National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
June 30, 2019

6. Assets under capital leases

	<u>Cost</u>	<u>Accumulated Amortization</u>	2019 Net Book Value	2018 Net Book Value
Operating fund				
Furniture and equipment	\$ <u>104</u>	\$ <u>61</u>	\$ <u>43</u>	\$ <u>78</u>

Additions to furniture and equipment under capital leases during the year ended June 30, 2019 totalled \$nil (2018 - \$104).

7. Related party transactions

Accounts receivable include amounts owing from The National Ballet of Canada, Endowment Foundation of \$nil (2018 - \$273) and amounts owing from the Eric Bruhn Prize Trust of \$3 (2018 - \$nil). Accounts payable include amounts owing to The National Ballet of Canada, Endowment Foundation of \$579 (2018 - \$nil) related to unsolicited gifts designated as endowment gifts by the Board of Directors.

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

The long-term loan was an amount payable to a related party. The loan was unsecured, non-interest bearing and was repaid in full during 2019.

8. Obligations under capital lease

	<u>2019</u>	<u>2018</u>
Obligations under capital lease for furniture and equipment, with interest at a rate of 2.52%, maturing on June 30, 2020	\$ 36	\$ 70
Less: current portion	<u>36</u>	<u>34</u>
	\$ -	\$ 36

The National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
June 30, 2019

9. Deferred revenue

	<u>2019</u>	<u>2018</u>
Box office	\$ 3,680	\$ 3,587
New production and other sponsorships	1,468	2,302
Operating grants	<u>208</u>	<u>1,895</u>
	5,356	7,784
Less: current portion	<u>5,306</u>	<u>7,684</u>
	\$ <u>50</u>	\$ <u>100</u>

10. Fundraising

	<u>2019</u>	<u>2018</u>
Individuals	\$ 7,597	\$ 7,798
New production sponsorships	2,978	2,330
Special events	1,238	1,257
Corporate	675	744
Creative Capital fund	<u>270</u>	<u>270</u>
	\$ <u>12,758</u>	\$ <u>12,399</u>

11. Grants

	<u>2019</u>	<u>2018</u>
Operating:		
Canada Council	\$ 3,110	\$ 3,038
Ontario Arts Council	2,438	2,233
City of Toronto	1,390	1,355
Touring:		
Canada Council	35	126
Ontario Arts Council	25	56
Other:		
Miscellaneous	<u>-</u>	<u>6</u>
	\$ <u>6,998</u>	\$ <u>6,814</u>

12. Other income

	<u>2019</u>	<u>2018</u>
Education, outreach and dance classes	\$ 513	\$ 507
Rental of sets and costumes	163	87
Miscellaneous	<u>202</u>	<u>218</u>
	\$ <u>878</u>	\$ <u>812</u>

The National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
June 30, 2019

13. Credit facility

The Company has provided letters of credit for \$195 (2018 - \$185) under the terms of certain agreements. The Company has pledged \$195 (2018 - \$185) of its cash and cash equivalents as collateral for the letters of credit.

14. Supplementary cash flow information

	<u>2019</u>	<u>2018</u>
Change in non-cash operating working capital		
Accounts receivable	\$ (342)	\$ 2,422
Prepaid expenses	(104)	(16)
Accounts payable and accrued liabilities	877	210
Deferred revenue	<u>(2,428)</u>	<u>725</u>
	\$ <u>(1,997)</u>	\$ <u>3,341</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, 2019.

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

	<u>2019</u>	<u>2018</u>
Fair value of plan assets	\$ 10,608	\$ 15,658
Accrued benefit obligation	<u>7,038</u>	<u>11,080</u>
Funded status, employee future benefit asset	<u>3,570</u>	<u>4,578</u>
Net benefit expense for pension plan	<u>96</u>	<u>171</u>
Pension re-measurement	<u>(1,226)</u>	<u>116</u>
Benefits paid	\$ <u>307</u>	\$ <u>414</u>

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

Employees	\$ 72	\$ 69
Employer - regular	\$ 314	\$ 293
Employer - special	\$ -	\$ 146

The National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
June 30, 2019

16. Commitments

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

2020	\$	1,489
2021		1,428
2022		1,428
2023		1,424
2024		1,403
Thereafter		<u>2,904</u>
	\$	<u>10,076</u>

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

17. Contingencies

The Company is currently in dispute with a party regarding the responsibility to repair the roof membrane of the Walter Carson Centre. As the outcome of this dispute is currently unknown and the amount of the future repair is uncertain, no amounts have been accrued in these financial statements related to this matter.

18. 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.

19. 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.

The National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
June 30, 2019

20. 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 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 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 National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
June 30, 2019

20. Financial instrument risk (continued)

Liquidity risk

The National Ballet of Canada 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 National Ballet of Canada is not exposed to significant liquidity risk arising from its financial instruments.

21. Comparative information

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