



Financial Statements

The National Ballet of Canada

June 30, 2020

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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, 2020, 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 National Ballet of Canada as at June 30, 2020, 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 24, 2020

Chartered Professional Accountants
Licensed Public Accountants

The National Ballet of Canada

Statement of Financial Position

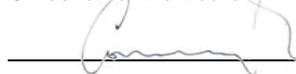
(Dollars in thousands)

June 30

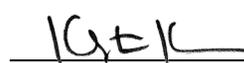
	2020			2019	
	Operating Fund	Restricted Funds		Total	Total
		Gretchen Ross Production Centre	Walter Carsen Centre		
Assets					
Current					
Cash and cash equivalents (note 15)	\$ 3,951	\$ -	\$ 8	\$ 3,959	\$ 3,067
Accounts receivable (note 8)	3,924	-	-	3,924	2,333
Prepaid expenses (note 3)	3,149	-	32	3,181	561
Inter-fund receivable (payable)	123	(123)	-	-	-
	11,147	(123)	40	11,064	5,961
Investments (note 4)	-	-	1,633	1,633	2,447
Employee future benefit asset (note 17)	5,090	-	-	5,090	3,570
Capital assets (note 5)	268	3,008	900	4,176	3,487
Assets under capital leases (note 6)	-	-	-	-	43
	<u>\$ 16,505</u>	<u>\$ 2,885</u>	<u>\$ 2,573</u>	<u>\$ 21,963</u>	<u>\$ 15,508</u>
Liabilities					
Current					
Accounts payable and accrued liabilities (note 7 and 8)	\$ 1,963	\$ -	\$ 3	\$ 1,966	\$ 3,348
Deferred revenue (note 10)	11,791	-	-	11,791	5,306
Current portion of obligations under capital lease (note 9)	-	-	-	-	36
	13,754	-	3	13,757	8,690
Long term					
Deferred revenue (note 10)	187	-	-	187	50
	13,941	-	3	13,944	8,740
Fund balances					
Unrestricted funds	2,499	-	-	2,499	1,002
Internally restricted funds	65	-	-	65	118
Externally restricted funds	-	2,885	2,570	5,455	5,648
	2,564	2,885	2,570	8,019	6,768
	<u>\$ 16,505</u>	<u>\$ 2,885</u>	<u>\$ 2,573</u>	<u>\$ 21,963</u>	<u>\$ 15,508</u>

Commitments and contingencies (note 18 and 19)

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>2020</u>			<u>2019</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>
Revenue					
Box office					
Four Seasons Centre	\$ 8,753	\$ -	\$ -	\$ 8,753	\$ 12,795
Touring	656	-	-	656	745
Fundraising (note 11)	8,739	-	-	8,739	12,758
Grants (note 12)	6,951	-	-	6,951	6,998
Donations from:					
The National Ballet of Canada, Endowment Foundation	3,651	-	-	3,651	3,172
Erik Bruhn Prize Trust	-	-	-	-	70
Other income (note 13)	799	-	-	799	878
COVID-19 support (note 14)	3,260	-	-	3,260	-
Unrealized (loss) gain on investments	-	-	(170)	(170)	85
Investment income	4	-	142	146	80
	<u>32,813</u>	<u>-</u>	<u>(28)</u>	<u>32,785</u>	<u>37,581</u>
Expenditures					
Performance					
Artistic	12,575	-	-	12,575	12,925
Production and technical	7,942	-	-	7,942	8,413
Marketing and publicity	3,488	-	-	3,488	4,081
General administration	3,782	-	36	3,818	3,671
Fundraising and development	2,607	-	-	2,607	3,031
Sets, costumes and creative costs	1,158	-	-	1,158	1,745
Facilities	845	111	18	974	1,127
Education and community outreach	526	-	-	526	600
Donation to The National Ballet of Canada, Endowment Foundation	-	-	-	-	579
	<u>32,923</u>	<u>111</u>	<u>54</u>	<u>33,088</u>	<u>36,172</u>
(Deficiency) excess of revenue over expenditures	<u>\$ (110)</u>	<u>\$ (111)</u>	<u>\$ (82)</u>	<u>\$ (303)</u>	<u>\$ 1,409</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

	2020			2019	
	Operating Fund	Restricted Funds		Total	Total
		Gretchen Ross Production Centre	Walter Carsen Centre		
Fund balances, beginning of year	\$ 1,120	\$ 2,996	\$ 2,652	\$ 6,768	\$ 6,585
(Deficiency) excess of revenue over expenditures	(110)	(111)	(82)	(303)	1,409
Pension re-measurements (note 17)	1,554	-	-	1,554	(1,226)
Fund balances, end of year	\$ 2,564	\$ 2,885	\$ 2,570	\$ 8,019	\$ 6,768

See accompanying notes to the financial statements.

The National Ballet of Canada

Statement of Cash Flows

(Dollars in thousands)

Year ended June 30

	2020	2019
Operating activities		
(Deficiency) excess of revenue over expenditures	\$ (303)	\$ 1,409
Amortization of capital assets and assets under capital lease	277	336
Unrealized loss (gain) on investments	170	(85)
Realized capital gains on investments	(146)	(80)
Employee future benefits	34	(218)
Change in non-cash operating working capital (note 16)	<u>1,029</u>	<u>(1,997)</u>
	<u>1,061</u>	<u>(635)</u>
Investing activities		
Investments sold	790	216
Capital assets acquired	<u>(923)</u>	<u>(222)</u>
	<u>(133)</u>	<u>(6)</u>
Financing activities		
Repayment of obligations under capital lease	(36)	(34)
Repayment of long-term loan	<u>-</u>	<u>(1,500)</u>
	<u>(36)</u>	<u>(1,534)</u>
Increase (decrease) in cash and cash equivalents	892	(2,175)
Cash and cash equivalents, beginning of year	<u>3,067</u>	<u>5,242</u>
Cash and cash equivalents, end of year	<u>\$ 3,959</u>	<u>\$ 3,067</u>

See accompanying notes to the financial statements.

The National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
June 30, 2020

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 Creative Capital 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, 2020

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, 2020

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.

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.

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. 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

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, 2020

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), 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 and cash equivalents, 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 and capital assets.

The National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
June 30, 2020

2. Summary of significant accounting policies (continued)

Adoption of new accounting standards

On July 1, 2019, the Company adopted new accounting standards Section 4433 Tangible capital assets held by not-for-profit organizations and Section 4434 Intangible assets held by not-for-profit organizations (the "standards"). The most significant requirements include:

- tangible capital assets must be separated into their component parts, when practicable, and when estimates can be made of the lives of the separate components;
- tangible capital assets and intangible assets are written down to fair value or replacement cost to reflect partial impairments when conditions indicate that the assets no longer contribute to an organization's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the tangible capital assets are less than their net carrying amounts; and
- additional disclosures when an impairment has occurred.

The adoption of the new accounting standards was applied prospectively. The adoption of these standards did not have any impact on the statement of financial position or statement of operations as at June 1 or June 30, 2020.

3. Prepaid expenses

	<u>2020</u>	<u>2019</u>
Shoe supplies	\$ 198	\$ 182
Subscriptions and other administrative expenses	31	34
Deferred production costs	2,910	321
Deposits	10	10
Walter Carsen Centre	<u>32</u>	<u>14</u>
	<u>\$ 3,181</u>	<u>\$ 561</u>

4. Investments, at fair value

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

	<u>2020</u>	<u>2019</u>
Cash and short-term investments	3%	3%
Bonds	31%	30%
Canadian equities	21%	24%
U.S. equities	24%	24%
International equities	21%	19%

The National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
June 30, 2020

5. Capital assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2020 Net Book Value</u>	<u>2019 Net Book Value</u>
Operating Fund				
Furniture and equipment	\$ 3,080	\$ 2,812	\$ 268	\$ 173
Gretchen Ross Production Centre				
Land	853	-	853	853
Building	3,208	1,069	2,139	2,245
Equipment	41	25	16	7
	<u>4,102</u>	<u>1,094</u>	<u>3,008</u>	<u>3,105</u>
Walter Carsen Centre				
Building, improvements and equipment	12,313	11,617	696	-
Furniture and equipment	915	711	204	209
	<u>13,228</u>	<u>12,328</u>	<u>900</u>	<u>209</u>
	<u>\$ 20,410</u>	<u>\$ 16,234</u>	<u>\$ 4,176</u>	<u>\$ 3,487</u>

Building, improvements and equipment within the Walter Carsen Centre includes \$542 (2019-\$nil) of assets that were under construction and not being amortized at June 30, 2020.

6. Assets under capital lease

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2020 Net Book Value</u>	<u>2019 Net Book Value</u>
Operating Fund				
Furniture and equipment	\$ -	\$ -	\$ -	\$ 43

Additions to furniture and equipment under capital leases during the year ended June 30, 2020 totalled \$nil (2019 - \$nil).

7. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances of \$31 (2019 - \$6).

The National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
June 30, 2020

8. Related party transactions

Accounts receivable include amounts owing from the Eric Bruhn Prize Trust of \$6 (2019 - \$3). Accounts payable include amounts owing to The National Ballet of Canada, Endowment Foundation of \$nil (2019 - \$579) 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.

9. Obligations under capital lease

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

10. Deferred revenue

	<u>2020</u>	<u>2019</u>
Box office	\$ 5,174	\$ 3,893
New production and other sponsorships	3,811	1,255
Operating grants	<u>2,993</u>	<u>208</u>
	11,978	5,356
Less: current portion	<u>11,791</u>	<u>5,306</u>
	<u>\$ 187</u>	<u>\$ 50</u>

11. Fundraising

	<u>2020</u>	<u>2019</u>
Individuals	\$ 6,207	\$ 7,597
New production sponsorships	1,500	2,978
Special events	106	1,238
Corporate	609	675
American Friends of the National Ballet of Canada (note 20)	133	-
Creative Capital Fund	<u>184</u>	<u>270</u>
	<u>\$ 8,739</u>	<u>\$ 12,758</u>

The National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
June 30, 2020

12. Grants

	<u>2020</u>	<u>2019</u>
Operating:		
Canada Council	\$ 3,110	\$ 3,110
Ontario Arts Council	2,243	2,438
City of Toronto	1,390	1,390
Touring:		
Canada Council	-	35
Ontario Arts Council	-	25
Other:		
Digital projects	<u>208</u>	<u>-</u>
	<u>\$ 6,951</u>	<u>\$ 6,998</u>

13. Other income

	<u>2020</u>	<u>2019</u>
Education, outreach and dance classes	\$ 571	\$ 513
Rental of sets and costumes	131	163
Miscellaneous	<u>97</u>	<u>202</u>
	<u>\$ 799</u>	<u>\$ 878</u>

14. COVID-19 support

	<u>2020</u>	<u>2019</u>
Canada Emergency Wage Subsidy	\$ 1,428	\$ -
COVID-19 Emergency Support	832	-
Performance Disruption Insurance	<u>1,000</u>	<u>-</u>
	<u>\$ 3,260</u>	<u>\$ -</u>

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 \$1,000 advance from the insurer. The final settlement is expected to be in excess of this amount, but as the final amount is not yet determinable, only the \$1,000 advance was recognized at year end.

The National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
June 30, 2020

15. Credit facility

The Company has provided letters of credit of \$120 (2019 - \$195) under the terms of certain agreements. The Company has pledged \$120 (2019 - \$195) of its cash and cash equivalents as collateral for the letters of credit.

16. Supplementary cash flow information

	<u>2020</u>	<u>2019</u>
Change in non-cash operating working capital		
Accounts receivable	\$ (1,591)	\$ (342)
Prepaid expenses	(2,620)	(104)
Accounts payable and accrued liabilities	(1,382)	877
Deferred revenue	<u>6,622</u>	<u>(2,428)</u>
	<u>\$ 1,029</u>	<u>\$ (1,997)</u>

17. 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, 2020.

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

	<u>2020</u>	<u>2019</u>
Fair value of plan assets	\$ 12,203	\$ 10,608
Accrued benefit obligation	<u>7,113</u>	<u>7,038</u>
Funded status, employee future benefit asset	<u>5,090</u>	<u>3,570</u>
Net benefit expense for the pension plan	<u>203</u>	<u>96</u>
Pension re-measurement	<u>1,554</u>	<u>(1,226)</u>
Benefits paid	<u>\$ 87</u>	<u>\$ 307</u>

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

Employees	\$ 28	\$ 72
Employer - regular	\$ 170	\$ 314
Employer - special	\$ -	\$ -

The National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
June 30, 2020

18. Commitments

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

2021	\$	1,428
2022		1,428
2023		1,424
2024		1,403
2025		1,452
Thereafter		<u>1,452</u>
	\$	<u>8,587</u>

After 2020, the premises lease agreement annual payments are subject to an adjustment based on the Consumer Price Index.

19. Contingencies

On June 8, 2020, the National Ballet of Canada reached a settlement agreement with a party regarding the repair of the roof membrane of the Walter Carsen Centre. The results of the settlement have been accrued in the financial statements under the Walter Carsen Fund.

20. 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. There was \$133 (2019 - \$nil) of donations received from American Friends of the National Ballet of Canada, Inc.

21. 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. There have been no donations received from UK Friends of the National Ballet of Canada.

The National Ballet of Canada

Notes to the Financial Statements

(Dollars in thousands)
June 30, 2020

22. 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.

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22. Financial instrument risk (continued)

Market risk (continued)

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.

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.

23. COVID-19

Since January 1, 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, organizations and businesses have been forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to organizations worldwide, resulting in an economic slowdown. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. Global equity markets have experienced significant volatility.

The Company's primary concern is the health and safety of its artists, staff, patrons and community as the company monitors the COVID-19 situation. Due to these unprecedented circumstances, on March 13, 2020 The National Ballet of Canada announced the cancellation of the balance of the run of Romeo and Juliet and on April 2, 2020 it announced the cancellation of the new Swan Lake scheduled for June. Additionally, all in-person events and public classes were cancelled for the remainder of the fiscal year. On August 12, 2020 the National Ballet of Canada announced the cancellation of the first half of the 2020-21 season, up to and including performances of The Nutcracker. Furthermore, the start date for the 2021 Ballet season cannot be ascertained at this time. The duration and impact of the COVID-19 outbreak is still unknown. Accordingly, the Ballet is monitoring the situation closely and has taken certain measures to contain operating costs in the near term. The Ballet is preparing for multiple scenarios that involve having a shortened season in 2020-2021 or, in the worst case, the complete cancellation of the 2020-2021 season. There is no impact to financial position and results of operations as of and for the year ended June 30, 2020 other than the immediate financial implications of the cancellation of the above productions and events.

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23. COVID-19 (continued)

The Company has determined that the future ongoing impacts of COVID-19 are a non-adjusting subsequent event. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear currently. Accordingly, it is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

24. Comparative figures

Comparative figures have been adjusted to conform to changes in the current year presentation.