

Financial Statements of

**CANADA'S NATIONAL  
BALLET SCHOOL**

Year ended August 31, 2015



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## INDEPENDENT AUDITORS' REPORT

To the Members of Canada's National Ballet School

We have audited the accompanying financial statements of Canada's National Ballet School, which comprise the balance sheet as at August 31, 2015, the statements of operations and changes in fund balances - Operating Funds and Restricted Funds and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.



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*Basis for Qualified Opinion*

In common with many charitable organizations, Canada's National Ballet School derives revenue from donations, the completeness of which was not susceptible to satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of Canada's National Ballet School. Therefore, we were not able to determine whether, as at and for the year ended August 31, 2014, any adjustments might have been necessary to donations and excess of revenue over expenses (expenses over revenue) reported in the statements of operations and changes in fund balances - Operating Funds and Restricted Funds, excess of expenses over revenue reported in the statement of cash flows and current assets and fund balances reported in the balance sheet. This caused us to qualify our opinion on the financial statements as at and for the year ended August 31, 2014.

Our opinion on the financial statements as at and for the year ended August 31, 2015 is also modified because of the possible effects of this matter on the comparability of the current and prior periods figures.

*Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Canada's National Ballet School as at August 31, 2015, and its results of operations and its changes in fund balances and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that serves as a separator or underline.

Chartered Professional Accountants, Licensed Public Accountants

October 26, 2015  
Toronto, Canada

# CANADA'S NATIONAL BALLET SCHOOL

Balance Sheet  
(In thousands of dollars)

August 31, 2015, with comparative information for 2014

	2015	2014
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 5,174	\$ 5,779
Receivables and prepaid expenses (note 4)	1,056	506
Inventory	602	564
	<u>6,832</u>	<u>6,849</u>
Accrued pension asset (note 5)	1,950	700
Capital assets (note 3)	72,961	75,068
	<u>\$ 81,743</u>	<u>\$ 82,617</u>

## Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,698	\$ 1,076
Deferred revenue	1,572	2,333
Current portion of long-term debt (note 6)	791	756
	<u>4,061</u>	<u>4,165</u>
Long-term debt (note 6)	8,001	8,792
Fund balances:		
Pension remeasurements and other items	1,695	445
Capital Fund	64,839	66,145
Reserve Fund	3,147	3,070
	<u>69,681</u>	<u>69,660</u>
Commitments (note 8)		
	<u>\$ 81,743</u>	<u>\$ 82,617</u>

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# CANADA'S NATIONAL BALLET SCHOOL

Statement of Operations and Changes in Fund Balances - Operating Funds  
(In thousands of dollars)

Year ended August 31, 2015, with comparative information for 2014

	2015			2014		
	Operating Fund	Pension remeasurements and other items	Total	Operating Fund	Pension remeasurements and other items	Total
<b>Revenue:</b>						
Government grants:						
Department of						
Canadian Heritage	\$ 6,000	\$ -	\$ 6,000	\$ 6,000	\$ -	\$ 6,000
Ontario Arts Council	600	-	600	600	-	600
City of Toronto	161	-	161	149	-	149
Other	74	-	74	30	-	30
	6,835	-	6,835	6,779	-	6,779
Self-generated revenue:						
Tuition fees	7,789	-	7,789	7,382	-	7,382
Donations	2,349	-	2,349	2,209	-	2,209
Contribution from related parties (note 4)	2,246	-	2,246	2,155	-	2,155
Retail and ancillary	2,175	-	2,175	2,084	-	2,084
Special projects	103	-	103	-	-	-
Investment	22	-	22	27	-	27
	14,684	-	14,684	13,857	-	13,857
	21,519	-	21,519	20,636	-	20,636
<b>Expenses:</b>						
Salaries and benefits	10,098	-	10,098	9,974	-	9,974
Student assistance	2,904	-	2,904	2,794	-	2,794
Property and operations	1,903	-	1,903	1,784	-	1,784
Administrative	994	-	994	892	-	892
Marketing and development	975	-	975	634	-	634
Pension (note 5)	859	-	859	680	-	680
Retail and ancillary	845	-	845	793	-	793
Residence and food services	587	-	587	553	-	553
Financing costs	442	-	442	476	-	476
Artistic and performance	339	-	339	375	-	375
Special projects	83	-	83	-	-	-
Academic	62	-	62	56	-	56
	20,091	-	20,091	19,011	-	19,011
Excess of revenue over expenses	1,428	-	1,428	1,625	-	1,625
Fund balances, beginning of year	-	445	445	(110)	580	470
Pension remeasurements and other items (note 5)	-	1,250	1,250	-	(135)	(135)
Transfer to Capital Fund	(1,369)	-	(1,369)	(935)	-	(935)
Transfer to Reserve Fund	(59)	-	(59)	(580)	-	(580)
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ 1,695</b>	<b>\$ 1,695</b>	<b>\$ -</b>	<b>\$ 445</b>	<b>\$ 445</b>

See accompanying notes to financial statements.

# CANADA'S NATIONAL BALLET SCHOOL

Statement of Operations and Changes in Fund Balances - Restricted Funds  
(In thousands of dollars)

Year ended August 31, 2015, with comparative information for 2014

	2015			2014		
	Capital Fund	Reserve Fund	Total	Capital Fund	Reserve Fund	Total
<b>Revenue:</b>						
Donations	\$ 11	\$ –	\$ 11	\$ 39	\$ –	\$ 39
Government grants	80	–	80	–	–	–
Investment	–	18	18	–	25	25
	91	18	109	39	25	64
<b>Expenses:</b>						
Amortization of capital assets	2,761	–	2,761	2,729	–	2,729
Project Grand Jeté	1	–	1	2	–	2
Other	4	–	4	28	–	28
	2,766	–	2,766	2,759	–	2,759
Excess of revenue over expenses (expenses over revenue)	(2,675)	18	(2,657)	(2,720)	25	(2,695)
Fund balances, beginning of year	66,145	3,070	69,215	67,930	2,465	70,395
Transfer from Operating Fund	1,369	–	1,369	935	–	935
Transfer from Operating Fund	–	59	59	–	580	580
Fund balances, end of year	\$ 64,839	\$ 3,147	\$ 67,986	\$ 66,145	\$ 3,070	\$ 69,215

See accompanying notes to financial statements.

# CANADA'S NATIONAL BALLET SCHOOL

Statement of Cash Flows  
(In thousands of dollars)

Year ended August 31, 2015, with comparative information for 2014

	2015	2014
Cash flows from (used in) operating activities:		
Excess of expenses over revenue	\$ (1,229)	\$ (1,070)
Items not involving cash:		
Amortization of capital assets	2,761	2,729
Employer defined benefit pension plan contributions	(850)	(795)
Defined benefit pension plan expense	850	680
Change in non-cash operating working capital:		
Receivables and prepaid expenses	(550)	(23)
Inventory	(38)	(99)
Deferred revenue	(761)	778
Accounts payable and accrued liabilities	622	(661)
	805	1,539
Cash flows used in financing activities:		
Repayment of long-term debt	(756)	(723)
Cash flows used in investing activities:		
Purchases of capital assets	(654)	(136)
Increase (decrease) in cash and cash equivalents	(605)	680
Cash and cash equivalents, beginning of year	5,779	5,099
Cash and cash equivalents, end of year	\$ 5,174	\$ 5,779

See accompanying notes to financial statements.

# CANADA'S NATIONAL BALLET SCHOOL

Notes to Financial Statements  
(In thousands of dollars)

Year ended August 31, 2015

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The mission of Canada's National Ballet School ("NBS") is Moving the World through innovating new approaches and movement techniques, educating students through the distinctive NBS philosophy, showing leadership in the international dance community, inspiring broad participation and engaging local, national and international communities to rediscover the joy of dance and movement in daily life. Funding for these initiatives is provided by grants from the public sector, donations from the private sector and tuition fees. NBS is incorporated without share capital under the laws of the Province of Ontario. NBS is a registered charitable organization under the Income Tax Act (Canada) and, as such, is exempt from income taxes.

## 1. Basis of presentation:

NBS follows the restricted fund method of accounting for contributions and related investment income.

The Operating Fund reflects NBS' program delivery and administrative activities. This fund reports unrestricted resources and restricted operating contributions.

The Capital Fund reflects the transactions associated with acquisition, construction, disposal and improvement of capital assets owned by NBS, including repayment of associated long-term debt.

The Reserve Fund is an internally restricted fund, the purpose of which is to provide funds that can be used to stabilize activity in the Operating Fund and to provide a source of funds that the Board of Directors may choose to draw upon for any other reason.

Interfund transfers are subject to Board of Directors' approval. Internally restricted amounts are not available for unrestricted purposes without the approval of the Board of Directors.



# CANADA'S NATIONAL BALLET SCHOOL

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended August 31, 2015

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## 2. Significant accounting policies:

The following financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations:

### (a) Revenue recognition:

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. Contributions restricted for capital purposes are recognized as revenue in the Capital Fund. Restricted contributions for which a separate restricted fund has not been established are deferred in the Operating Fund and recognized as revenue in the Operating Fund in the same year as the related expenses are recognized.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Tuition fee revenue is recognized in the Operating Fund on an accrual basis in the year relating to the educational year of NBS.

For the Restricted Funds, where the investment income has been externally restricted for a specific purpose, the income is recognized as revenue of either the Operating Fund or appropriate Restricted Fund, depending on the purpose. Unrestricted investment income is recognized as revenue of the Operating Fund when earned.

Revenue from retail and ancillary operations is recognized as revenue of the Operating Fund at point of sale.

### (b) Cash and cash equivalents:

Cash and cash equivalents are defined as cash and short-term investments with maturity dates of less than 90 days.

### (c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. NBS has not elected to carry any such financial instruments at fair value.

# CANADA'S NATIONAL BALLET SCHOOL

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended August 31, 2015

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## 2. Significant accounting policies (continued):

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, NBS determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount NBS expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

Unless otherwise noted, it is management's opinion that the NBS is not exposed to significant interest, currency, market or credit risks arising from financial instruments.

### (d) Inventory:

The Shoe Room® inventory of pointe shoes, dancewear and dance-related items is recorded at the lower of actual cost and replacement cost.

### (e) Capital assets:

Purchased and constructed capital assets are recorded in the Capital Fund at cost. Donated capital assets are recorded in the Capital Fund at the fair value at the date of contribution. Any capitalized purchases which are financed by operating cash are funded by a transfer from the Operating Fund to the Capital Fund. Amortization is recorded as an expense in the Capital Fund and is recorded on a straight-line basis over the assets' estimated useful lives as follows:

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Buildings	25 - 40 years
Building improvements	20 - 25 years
Furniture and equipment	2 - 10 years

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# CANADA'S NATIONAL BALLET SCHOOL

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended August 31, 2015

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## 2. Significant accounting policies (continued):

(f) Deferred revenue:

Tuition fees and grants received prior to August 31 in respect of the following school year are deferred for inclusion in revenue in the subsequent year.

(g) Donated materials and services:

Certain donated goods and services of \$246 (2014 - \$132) are recorded in these financial statements as both a revenue and an expense item at the fair value of the item at the time of receipt. A number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Included in donations in the statement of operations and changes in fund balances - Operating Funds is \$193 (2014 - \$119) of donated shares.

(h) Employee future benefits:

NBS has a defined benefit pension plan ("NBS Plan") covering its employees. The benefits are based on years of service and final average salary. Effective September 30, 2013, the defined benefit plan is closed to new employees and a defined contribution plan was established effective October 1, 2014. New employees are eligible to join the defined contribution plan after one year of service.

The actuarial determination of the accrued benefit obligation for the defined benefit plan is based on the January 1, 2015 accounting valuation. The measurement date of the plan assets and accrued benefit obligation coincides with NBS's fiscal year.

NBS accrues its obligations under the defined benefit plan as the employees render the services necessary to earn the pension. The actuarial determination of the accrued benefit obligations for the pension uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors).

# CANADA'S NATIONAL BALLET SCHOOL

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended August 31, 2015

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## 2. Significant accounting policies (continued):

Actuarial gains (losses) on plan assets, which arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period, are immediately recognized in the statement of operations and changes in fund balances. For the purpose of calculating the expected return on plan assets, the assets are valued at fair value. Actuarial gains (losses) on the accrued benefit obligation, which arise from differences between actual and expected experience and from the changes in the actuarial assumptions used to determine the accrued benefit obligation, are immediately recognized in the statement of operations and changes in fund balances. Past service costs arising from plan amendments are recognized immediately in the statement of changes in fund balances.

### (i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, accrued liabilities and accrued pension asset. Actual results could differ from those estimates.

## 3. Capital assets:

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,425	\$ –	\$ 1,425	\$ 1,425
Buildings	94,153	24,104	70,049	72,608
Building improvements	11,727	10,567	1,160	892
Furniture and equipment	4,765	4,438	327	143
	<u>\$ 112,070</u>	<u>\$ 39,109</u>	<u>\$ 72,961</u>	<u>\$ 75,068</u>

# CANADA'S NATIONAL BALLET SCHOOL

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended August 31, 2015

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## 4. Related party transactions:

### (a) Canada's National Ballet School Foundation:

Canada's National Ballet School Foundation (the "Foundation") was incorporated in 1999 under the Canada Corporations Act and in 2012 received its certificate of continuance under the Canada Not-for-profit Corporations Act. The Foundation is a registered charity under the Income Tax Act (Canada). These financial statements do not include the fund balances and income for the year of the Foundation, as the Foundation is a separate legal entity with its own Board of Directors. Its purpose is to receive, maintain, manage, invest and apply funds and the income earned on those funds for the benefit of NBS.

The fund balances of the Foundation as at August 31, 2015 were \$51,720 (2014 - \$54,239).

During the year, the Foundation made contributions to NBS' Operating Fund in the amount of \$2,177 (2014 - \$2,125) from net investment income earned on endowed funds held by the Foundation. Included in receivables is \$569 (2014 - \$212) due from the Foundation.

NBS invoices the Foundation for certain services rendered by NBS personnel. These services are measured at the exchange amount and totalled \$100 for 2015 (2014 - \$100).

### (b) Friends of Canada's National Ballet School:

The Friends of Canada's National Ballet School (the "Friends") was incorporated in 2005 under the Commonwealth of Virginia laws and in 2006 under the Corporations Act (Ontario). These financial statements do not include the fund balances and income for the year of the Friends, as the Friends is a separate legal entity with its own Board of Directors. Its purpose is to receive U.S. dollar donations to support the general charitable purposes carried out by NBS and the Foundation.

The fund balance of the Friends as at August 31, 2015, expressed in U.S. dollars, was (\$2) (2014 - \$2).

During the year, the Friends made contributions to NBS' Operating Fund in the amount of \$69 (2014 - \$30) from donations received.

# CANADA'S NATIONAL BALLET SCHOOL

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended August 31, 2015

## 5. Employee future benefits:

The accrued pension asset is as follows:

	2015	2014
Accrued benefit obligation	\$ 21,230	\$ 20,570
Fair value of plan assets	23,180	21,270
	<u>\$ 1,950</u>	<u>\$ 700</u>

Continuity of the accrued pension asset is as follows:

	2015	2014
Balance, beginning of year	\$ 700	\$ 720
Benefit expense	(850)	(680)
Employer contributions	850	795
Pension remeasurements and other items	1,250	(135)
Balance, end of year	<u>\$ 1,950</u>	<u>\$ 700</u>

Employee future benefit costs recognized during the year are as follows:

	2015	2014
Defined benefit plan	\$ 850	\$ 680
Defined contribution plan	9	–
	<u>\$ 859</u>	<u>\$ 680</u>

# CANADA'S NATIONAL BALLET SCHOOL

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended August 31, 2015

## 6. Long-term debt:

	2015	2014
Debenture with bi-annual payments, maturing April 15, 2030, bearing interest at 5.18%	\$ 5,956	\$ 6,214
Debenture with bi-annual payments, maturing April 15, 2020, bearing interest at 4.25%	2,836	3,334
	8,792	9,548
Less amount due within one year	791	756
	\$ 8,001	\$ 8,792

Principal repayments are as follows:

2016	\$ 791
2017	828
2018	866
2019	907
2020	948
Thereafter	4,452
	\$ 8,792

## 7. Credit facilities:

NBS has access to credit facilities for operations for up to \$2,000. The credit facilities bear interest at the bank's prime rate plus 0.5% and are repayable upon demand. This line is secured by specific properties owned by NBS.

At year end, NBS had not drawn on these lines of credit (2014 - nil), other than to issue standby letters of credit in the amount of \$93 (2014 - \$143).

# CANADA'S NATIONAL BALLET SCHOOL

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended August 31, 2015

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## 8. Commitments:

NBS is committed to operating leases for office equipment. The future minimum payments are as follows:

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2016	\$	74
2017		74
2018		62
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	\$	210

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