

**Manitoba Opera
Association, Inc.**

Financial Statements
May 31, 2014



August 18, 2014

Independent Auditor's Report

To the Members of the Manitoba Opera Association, Inc.

We have audited the accompanying financial statements of Manitoba Opera Association, Inc. (the "Association") which comprise the balance sheet as at May 31, 2014 and the statements of operations and fund balances and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association'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 Association'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 audit opinion.

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PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Association as at May 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 to the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern.

PricewaterhouseCoopers LLP

Chartered Accountants

Manitoba Opera Association, Inc.

Balance Sheet

As at May 31, 2014

				2014	2013
	Operating Fund \$	Operating Reserve Fund \$	Bruce H. Lang Fund \$	Total \$	Total \$
Assets					
Cash	119,136	-	-	119,136	90,062
Grants and other receivables (note 5)	123,274	-	-	123,274	134,111
Prepaid expenses (note 6)	33,009	-	-	33,009	18,446
Guaranteed investment certificate	-	-	30,285	30,285	29,971
	275,419	-	30,285	305,704	272,590
Liabilities and Fund Balances					
Liabilities					
Accounts payable and accrued liabilities	13,491	-	-	13,491	39,518
Deferred revenue (note 8)	532,278	-	-	532,278	292,135
	545,769	-	-	545,769	331,653
Fund balances					
Internally restricted	-	-	30,285	30,285	189,971
Unrestricted	(270,350)	-	-	(270,350)	(249,034)
	(270,350)	-	30,285	(240,065)	(59,063)
	275,419	-	30,285	305,704	272,590

Going concern (note 1)

Approved by the Members of the Manitoba Opera Association, Inc.

Trustee

Trustee

The accompanying notes are an integral part of these financial statements.

Manitoba Opera Association, Inc.

Statement of Operations and Fund Balances

For the year ended May 31, 2014

				2014	2013
	Operating Fund	Operating Reserve Fund	Bruce H. Lang Fund	Total	Total
	\$	\$	\$	\$	\$
Revenue					
Grants					
Canada Council for the Arts	134,900	-	-	134,900	142,000
Manitoba Arts Council	220,000	-	-	220,000	224,500
Winnipeg Arts Council	100,000	-	-	100,000	100,000
Province of Manitoba	-	-	-	-	285,000
	454,900	-	-	454,900	751,500
Donations and fundraising	455,621	62,574	-	518,195	547,294
Sponsorships	107,200	-	-	107,200	97,200
Box office	527,854	-	-	527,854	592,418
Miscellaneous income (note 9)	27,017	-	-	27,017	55,980
Investment income	-	-	314	314	326
	1,572,592	62,574	314	1,635,480	2,044,718
Expenses					
Administrative, fundraising and education	457,032	-	-	457,032	406,989
Productions (note 10)	1,049,150	-	-	1,049,150	1,158,975
Publicity and promotion	310,300	-	-	310,300	306,713
	1,816,482	-	-	1,816,482	1,872,677
Excess (deficiency) of revenue for the year	(243,890)	62,574	314	(181,002)	172,041
Fund balance - Beginning of year	(249,034)	160,000	29,971	(59,063)	(231,104)
Transfers to Operating Fund (note 11)	222,574	(222,574)	-	-	-
Fund balance - End of year	(270,350)	-	30,285	(240,065)	(59,063)

Going concern (note 1)

The accompanying notes are an integral part of these financial statements.

Manitoba Opera Association, Inc.

Statement of Cash Flows

For the year ended May 31, 2014

	2014 \$	2013 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue for the year	(181,002)	172,041
Net change in non-cash working capital items	210,390	(329,956)
	29,388	(157,915)
Investing activities		
Increase in guaranteed investment certificate	(314)	(326)
Increase (decrease) in cash	29,074	(158,241)
Cash - Beginning of year	90,062	248,303
Cash - End of year	119,136	90,062

The accompanying notes are an integral part of these financial statements.

Manitoba Opera Association, Inc.

Notes to Financial Statements

May 31, 2014

1 Going concern assumption

These financial statements have been prepared by management using Canadian accounting standards applicable for not-for-profit organizations on a going concern basis which assumes the continuity of normal operations and that the Manitoba Opera Association (the "Association") will be able to realize its assets and discharge its liabilities in the ordinary course of operations.

The Association's total current liabilities exceed total current assets by \$240,065 as at May 31, 2014. Operating losses have resulted in a deficit in the Operating Fund of \$243,890 as at May 31, 2014. As a result, there is significant uncertainty as to the Association's ability to meet its obligations as they come due and hence ultimately the appropriateness of the use of accounting principles applicable to a going concern.

Consistent with other performing arts not-for-profit organizations, the Association's ability to maintain operations is dependent on box office success, expense control and continued support from its banker, governments, individuals and corporations. Should these conditions and support not continue, the Association may not be able to meet its obligations. Although these financial statements are prepared on the basis that this support will continue, there is no certainty that this support and other initiatives undertaken by management will be successful or sufficient. These financial statements do not reflect adjustments to the carrying value of assets and liabilities, the reported revenues and expenses and balance sheet classifications that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

2 Purpose of the organization

The Association is a not-for-profit organization, which produces and presents operas primarily within the Province of Manitoba. It is tax exempt under the provisions of the Income Tax Act of Canada.

3 Basis of presentation

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

Manitoba Opera Association, Inc.

Notes to Financial Statements

May 31, 2014

4 Significant accounting policies

Fund accounting

The accounts of the Association are maintained in accordance with the principles of fund accounting. Fund accounting is a procedure whereby a self-balancing group of accounts is provided for each accounting fund established by the Association. For financial reporting purposes, the accounts have been classified into three funds.

Operating Fund

The Operating Fund accounts for the Association's general and administrative operating activities.

Operating Reserve Fund

The Operating Reserve Fund has been established for the purpose of augmenting the Operating Fund in order to fulfill operating obligations and/or address financial obligations that may arise in the case of an emergency. Transfers or disbursements are approved by the Board of Trustees as required.

Bruce H. Lang Fund

Funds are restricted to enable the Association to obtain security for the engagement of artists by the Association in accordance with the agreement with the Canadian Actors' Equity Association.

The Association is authorized to pledge or otherwise use as collateral, monies on deposit in the Bruce H. Lang Fund to obtain from a bank or credit union a security deposit in the form of a bond, security agreement letter of guarantee or letter of credit as satisfactory security for the engagement of artists by the Association in accordance with the agreement with the Canadian Actors' Equity Association.

The Association is authorized to deposit additional funds in the Bruce H. Lang Fund as, and when necessary, to maintain satisfactory security for the engagement of artists. Capital of the Bruce H. Lang Fund shall not be encroached upon by the Association without prior resolution of the Board of Trustees.

Cash

Cash consists of cash on hand and cash held at banking institutions.

Prepaid expenses

Prepaid expenses represent disbursements that are related to the future performance season.

Manitoba Opera Association, Inc.

Notes to Financial Statements

May 31, 2014

Revenue recognition

The Association follows the deferral method of accounting for revenue. Season ticket subscriptions, sponsorships, grants and donations received for the following production season are recorded as deferred revenue on the balance sheet and recognized as revenue in fiscal year to which they relate.

Restricted donations are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Pledges are recognized as revenue in the year of pledge. A provision of doubtful collections, where necessary, is recorded to reflect collection risks.

Restricted investment income earned on the Bruce H. Lang Fund is recognized on the accrual basis.

Contributed services

In the normal course of business, the Association receives in-kind contributions related to donated advertising, marketing and consulting services. These services are recorded at their fair value.

Volunteers contribute about 3,600 hours per year to assist the Association in its programs and activities. Because of the difficulty of determining their fair value, contributed volunteer hours are not recognized in the financial statements.

Use of estimates

The preparation of financial statements in conformity with Canadian ASNPO 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 revenues and expenses during the reporting period. Actual results could differ from those estimated.

Financial instruments

The Association initially measures its financial assets and financial liabilities at fair value and subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, grants and other receivables and guaranteed investment certificates.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Financial assets are tested for impairment at the end of each reporting period when there are indicators that the assets may be impaired.

Manitoba Opera Association, Inc.

Notes to Financial Statements

May 31, 2014

5 Grants and other receivables

	2014	2013
	\$	\$
Deficit reduction grant - Province of Manitoba ^(a)	-	35,022
Government remittances	2,442	26,660
Pledges	97,070	58,629
Other	23,762	13,800
	<u>123,274</u>	<u>134,111</u>

(a) On June 28, 2006, the Association entered into an Accumulated Deficit Reduction Agreement (the "Agreement") with the Province of Manitoba. As of May 31, 2014, all terms and conditions of the Agreement have been met by both parties and the Agreement has been concluded.

Included in donations and fundraising revenue are pledges totalling \$75,000 (2013 - \$58,630).

6 Prepaid expenses

	2014	2013
	\$	\$
Administrative	11,820	6,173
Production	6,889	1,075
Promotion	14,300	11,198
	<u>33,009</u>	<u>18,446</u>

7 Bank indebtedness

The Association has an operating line of credit with the Royal Bank of Canada (the "Bank"), due on demand, which the Association can draw upon to a maximum of \$282,400. The line of credit bears interest at bank prime rate plus .5%. As at May 31, 2014, the Association has not drawn on this facility.

As collateral for the bank indebtedness, the Association has provided the lender a general security agreement. The City of Winnipeg has guaranteed the bank indebtedness to a maximum of \$250,000.

In addition, the Association has provided a supplier with a letter of credit amounting to approximately \$30,402.

Manitoba Opera Association, Inc.

Notes to Financial Statements

May 31, 2014

8 Deferred revenue

	2014	2013
	\$	\$
Government grants	217,450	-
Donations	46,268	39,245
Season tickets	268,560	252,890
	<u>532,278</u>	<u>292,135</u>

9 Miscellaneous income

Included in miscellaneous income is \$2,727 (2013 - \$4,910) related to administrative fees earned from the processing of ticket sales for a third party.

10 Related party transactions

Included in productions expense was artistic consulting paid to a related company for \$24,803 (2013 - \$36,400). The transactions with the related party were in the normal course of operations and are recorded at the exchange amount, being the amount established and agreed upon by the two parties.

11 Interfund transfers

The Board of Trustees has approved transfers totalling \$222,574 from the Operating Reserve Fund to the Operating Fund.

12 The Manitoba Opera Fund

The Winnipeg Foundation (the "Foundation") has established The Manitoba Opera Fund ("Opera Fund"), whose purpose is to grow over the years and provide support for the Association. The Association is the beneficiary of the net income earned by the Opera Fund which is maintained and administered by the Foundation. As of May 31, 2014, \$15,961 (2013 - \$10,480) has been received by the Association since the inception of the Opera Fund and forwarded to the Foundation.

During the year, total contributions to the Opera Fund either made through the Association or contributed directly to the Foundation were \$12,777 (2013 - \$8,850). At May 31, 2014, the Opera Fund has a balance of \$78,933 (2013 - \$57,041).

Manitoba Opera Association, Inc.

Notes to Financial Statements

May 31, 2014

13 Commitments

The Association has entered into an agreement to lease a premise and equipment. Minimum payments are as follows:

	\$
2015	32,727
2016	35,807
2017	37,432
2018	37,116
2019	3,477

14 Financial instruments

Interest rate risk

Interest rate risk is the risk that arises from fluctuations in interest rates, and the degree of volatility of those rates. The Association is exposed to interest rate risk on the operating line of credit.

Credit risk

The Association, in the normal course of operations is exposed to credit risk from donors. The Association's financial assets that are exposed to credit risk consist primarily of pledges and other receivables. These receivables are short-term in nature and to a broad base of individuals and organizations whom the Association has dealt with for numerous years.

Liquidity risk

Liquidity risk is the risk the Association cannot meet its financial obligations associated with financial liabilities in full as described in note 1. The Association is exposed to this risk mainly in respect to its accounts payable and accrued liabilities, commitments and bank indebtedness.

15 Comparative figures

Certain figures have been reclassified to conform to the current year's presentation.