

**Manitoba Opera  
Association, Inc.**

**Financial Statements  
May 31, 2017**



August 22, 2017

## **Independent Auditor's Report**

### **To the Members of the Manitoba Opera Association, Inc.**

We have audited the accompanying financial statements of the Manitoba Opera Association, Inc., which comprise the balance sheet as at May 31, 2017 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 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 audit opinion.

#### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Manitoba Opera Association, Inc. as at May 31, 2017 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.

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



**Emphasis of matter**

Without qualifying our opinion, we draw attention to note 3 of the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Manitoba Opera Association, Inc.'s ability to continue as a going concern.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants**

# Manitoba Opera Association, Inc.

## Balance Sheet

As at May 31, 2017

	2017		2016	
	Operating Fund \$	Bruce H. Lang Fund \$	Total \$	Total \$
<b>Assets</b>				
Grants and other receivables (note 5)	80,805	-	80,805	199,984
Prepaid expenses (note 6)	18,645	-	18,645	13,496
Due (to) from Operating Fund	(31,109)	31,109	-	-
Restricted cash	-	-	-	30,909
	<u>68,341</u>	<u>31,109</u>	<u>99,450</u>	<u>244,389</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Bank indebtedness (note 7)	42,063	-	42,063	52,923
Accounts payable and accrued liabilities	230,489	-	230,489	14,296
Deferred revenue (note 8)	257,436	-	257,436	446,425
	<u>529,988</u>	<u>-</u>	<u>529,988</u>	<u>513,644</u>
<b>Fund balances</b>				
Internally restricted	-	31,109	31,109	30,909
Unrestricted	(461,647)	-	(461,647)	(300,164)
	<u>(461,647)</u>	<u>31,109</u>	<u>(430,538)</u>	<u>(269,255)</u>
	<u>68,341</u>	<u>31,109</u>	<u>99,450</u>	<u>244,389</u>

Commitments (note 13)

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, 2017

	2017		2016	
	Operating Fund \$	Bruce H. Lang Fund \$	Total \$	Total \$
<b>Revenue</b>				
<b>Grants</b>				
Canada Council for the Arts	134,900	-	134,900	134,900
Manitoba Arts Council	225,000	-	225,000	395,000
Province of Manitoba	175,000	-	175,000	-
Winnipeg Arts Council	160,000	-	160,000	135,000
Other Grants	874	-	874	20,531
	695,774	-	695,774	685,431
Donations and fundraising	455,740	-	455,740	585,116
Sponsorships	262,870	-	262,870	169,300
Box office	502,797	-	502,797	658,204
Miscellaneous income (note 9)	24,277	-	24,277	33,714
Investment income	-	200	200	306
	1,941,458	200	1,941,658	2,132,071
<b>Expenses</b>				
Administrative, fundraising and education	507,886	-	507,886	634,846
Productions (note 10)	1,220,896	-	1,220,896	1,069,619
Publicity and promotion	374,159	-	374,159	462,663
	2,102,941	-	2,102,941	2,167,128
<b>Excess (deficiency) of revenue over expenses for the year</b>	(161,483)	200	(161,283)	(35,057)
<b>Fund balance - Beginning of year</b>	(300,164)	30,909	(269,255)	(234,198)
<b>Fund balance - End of year</b>	(461,647)	31,109	(430,538)	(269,255)

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

*Chair*  
*Man Opera*

**Manitoba Opera Association, Inc.**  
**Statement of Cash Flows**  
**For the year ended May 31, 2017**

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	2017 \$	2016 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Deficiency of revenue over expenses for the year	(161,283)	(35,057)
Changes in non-cash working capital items	141,234	90,937
	<u>(20,049)</u>	<u>55,880</u>
<b>Investing activities</b>		
Increase in guaranteed investment certificate	(200)	(306)
Proceeds from sale of guaranteed investment certificate	31,109	-
	<u>30,909</u>	<u>(306)</u>
<b>Financing activities</b>		
Repayment on line of credit	<u>(10,000)</u>	<u>(80,000)</u>
<b>Increase (decrease) in cash during the year</b>	860	(24,426)
<b>Cash deficiency - Beginning of year</b>	<u>(42,923)</u>	<u>(18,497)</u>
<b>Cash deficiency - End of year</b>	<u>(42,063)</u>	<u>(42,923)</u>
<b>Cash deficiency includes</b>		
Cheques issued in excess of funds on deposit (note 7)	<u>(42,063)</u>	<u>(42,923)</u>

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

# **Manitoba Opera Association, Inc.**

## **Notes to Financial Statements**

**May 31, 2017**

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### **1 Purpose of the organization**

Manitoba Opera Association, Inc. (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.

### **2 Basis of presentation**

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

### **3 Going concern assumption**

These financial statements have been prepared by management using ASNPO on a going concern basis which assumes the continuity of normal operations and that 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 \$430,537 as at May 31, 2017. Operating losses since 1973 have resulted in a deficit in the Operating Fund of \$461,647 as at May 31, 2017. 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. Notwithstanding the above, the Association has demonstrated an ability to secure continued support from its banker, government, individuals and corporations to maintain operations since its establishment in 1969. 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.

### **4 Summary of 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 two funds.

# **Manitoba Opera Association, Inc.**

## **Notes to Financial Statements**

**May 31, 2017**

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### **Operating Fund**

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

### **Bruce H. Lang Fund**

Previously, funds were 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. This requirement is now fulfilled by the acquisition of bond insurance.

The funds from the Bruce H. Lang Fund currently held in the Association's operating account are to be held in that account until such time as the Association becomes eligible for matching contributions from the Endowment Incentive Program at Canadian Heritage or through any other program where existing funds could be matched on a dollar-for-dollar basis.

### **Prepaid expenses**

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

### **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 approximately 1,300 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.



# Manitoba Opera Association, Inc.

## Notes to Financial Statements

May 31, 2017

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### 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 grants and other receivables.

Financial liabilities measured at amortized cost include bank indebtedness, 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.

## 5 Grants and other receivables

	2017 \$	2016 \$
Government remittances	-	4,122
Pledges	74,418	177,533
Other	6,387	18,329
	<u>80,805</u>	<u>199,984</u>

Included in donations and fundraising revenue are pledges totalling \$58,908 (2016 - \$164,862).

## 6 Prepaid expenses

	2017 \$	2016 \$
Administrative	3,933	1,355
Promotion	14,712	12,141
	<u>18,645</u>	<u>13,496</u>

# Manitoba Opera Association, Inc.

## Notes to Financial Statements

May 31, 2017

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### 7 Bank indebtedness

	2017 \$	2016 \$
Cheques issued in excess of funds on deposit	42,063	42,923
Line of credit	-	10,000
	<u>42,063</u>	<u>52,923</u>

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 \$250,000. The line of credit bears interest at the Bank prime rate plus 0.5%. As at May 31, 2017, 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.

### 8 Deferred revenue

	2017 \$	2016 \$
Government grants	-	192,450
Donations	-	2,500
Season tickets	249,572	226,080
Other	7,864	25,395
	<u>257,436</u>	<u>446,425</u>

### 9 Miscellaneous income

Included in miscellaneous income is \$1,797 (2016 - \$21) related to administrative fees earned from the processing of ticket sales for a third party.

### 10 Related party transactions

Included in productions expense is artistic consulting paid to a related company owned by a member of management for \$28,942 (2016 - \$28,099). Included in prepaid expense are design fees paid to a related company owned by a member of the board for \$10,000 (2016 - \$nil). These transactions with related companies are in the normal course of operations and are recorded at the exchange amount, being the amount established and agreed upon by the related companies and the Association.

# Manitoba Opera Association, Inc.

## Notes to Financial Statements

May 31, 2017

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### 11 Non-monetary transactions

The Association, in the normal course of operations, exchanged tickets for its productions in consideration for various supplies and services. These transactions are accounted for at the market value of the tickets provided. During the year, these transactions totaled \$91,089 (2016 - \$146,642).

### 12 The Manitoba Opera Fund

The Winnipeg Foundation (the Foundation) has established The Manitoba Opera Fund (the 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 at May 31, 2017, \$24,588 (2016 - \$19,956) 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 \$42,321 (2016 - \$105,340). As at May 31, 2017, the Opera Fund has a balance of \$266,784 (2016 - \$203,868).

### 13 Commitments

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

	\$
2018	1,292
2019	515

### 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.