

**Manitoba Opera
Association, Inc.**

Financial Statements
May 31, 2015



July 8, 2015

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, 2015 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, 2015 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.

PricewaterhouseCoopers LLP

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Manitoba Opera Association, Inc.

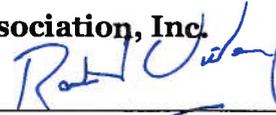
Balance Sheet

As at May 31, 2015

			2015	2014
	Operating Fund \$	Bruce H. Lang Fund \$	Total \$	Total \$
Assets				
Cash	-	-	-	119,136
Grants and other receivables (note 5)	332,399	-	332,399	123,274
Prepaid expenses (note 6)	17,381	-	17,381	33,009
Restricted cash	-	30,603	30,603	30,285
	<u>349,780</u>	<u>30,603</u>	<u>380,383</u>	<u>305,704</u>
Liabilities and Fund Balances				
Liabilities				
Bank indebtedness (note 7)	108,497	-	108,497	-
Accounts payable and accrued liabilities	31,248	-	31,248	13,491
Deferred revenue (note 8)	474,836	-	474,836	532,278
	<u>614,581</u>	<u>-</u>	<u>614,581</u>	<u>545,769</u>
Fund balances				
Internally restricted	-	30,603	30,603	30,285
Unrestricted	(264,801)	-	(264,801)	(270,350)
	<u>(264,801)</u>	<u>30,603</u>	<u>(234,198)</u>	<u>(240,065)</u>
	<u>349,780</u>	<u>30,603</u>	<u>380,383</u>	<u>305,704</u>

Commitments (note 12)

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, 2015

	2015		2014	
	Operating Fund \$	Bruce H. Lang Fund \$	Total \$	Total \$
Revenue				
Grants				
Canada Council for the Arts	134,900	-	134,900	134,900
Manitoba Arts Council	420,000	-	420,000	220,000
Winnipeg Arts Council	110,000	-	110,000	100,000
	664,900	-	664,900	454,900
Donations and fundraising	605,587	-	605,587	518,195
Sponsorships	130,800	-	130,800	107,200
Box office	575,138	-	575,138	527,854
Miscellaneous income (note 9)	44,175	-	44,175	27,017
Investment income	-	318	318	314
	2,020,600	318	2,020,918	1,635,480
Expenses				
Administrative, fundraising and education	503,817	-	503,817	457,032
Productions (note 10)	1,176,529	-	1,176,529	1,049,150
Publicity and promotion	334,705	-	334,705	310,300
	2,015,051	-	2,015,051	1,816,482
Excess (deficiency) of revenue over expenses for the year	5,549	318	5,867	(181,002)
Fund balance - Beginning of year	(270,350)	30,285	(240,065)	(59,063)
Fund balance - End of year	(264,801)	30,603	(234,198)	(240,065)

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, 2015

	2015 \$	2014 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	5,867	(181,002)
Changes in non-cash working capital items	(233,182)	210,390
	(227,315)	29,388
Investing activities		
Increase in guaranteed investment certificate	(318)	(314)
Financing activities		
Advances on line of credit	90,000	-
Increase (decrease) in cash during the year	(137,633)	29,074
Cash - Beginning of year	119,136	90,062
Cash (deficiency) - End of year	(18,497)	119,136
Cash (deficiency) includes		
Cash	-	119,136
Cheques issued in excess of funds on deposit (note 7)	(18,497)	-
	(18,497)	119,136

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

Manitoba Opera Association, Inc.

Notes to Financial Statements

May 31, 2015

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 Liquidity risk

Liquidity risk is the risk the Association may have difficulty meeting its financial obligations associated with financial liabilities in full. The Association is exposed to this risk mainly in respect to its accounts payable and accrued liabilities, commitments and bank indebtedness. The Association's total current liabilities exceed total current assets by \$234,198 as at May 31, 2015. Operating losses since 1973 have resulted in a deficit in the Operating Fund of \$264,801 as at May 31, 2015. The Association manages its liquidity risk by constantly monitoring forecasted liabilities. The Association also prepares budget and cash forecasts to ensure that it has sufficient funds to fulfill its obligations.

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.

Manitoba Opera Association, Inc.

Notes to Financial Statements

May 31, 2015

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 three funds.

Operating Fund

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

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.

Restricted cash

Restricted cash consists of guaranteed investment certificates.

Manitoba Opera Association, Inc.

Notes to Financial Statements

May 31, 2015

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 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.

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.

Manitoba Opera Association, Inc.

Notes to Financial Statements

May 31, 2015

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.

5 Grants and other receivables

	2015 \$	2014 \$
Manitoba Arts Council - Special Grant	200,000	-
Government remittances	5,752	2,442
Pledges	109,509	97,070
Other	17,138	23,762
	<u>332,399</u>	<u>123,274</u>

Included in donations and fundraising revenue are pledges totalling \$109,509 (2014 - \$75,000).

6 Prepaid expenses

	2015 \$	2014 \$
Administrative	1,800	11,820
Production	-	6,889
Promotion	15,581	14,300
	<u>17,381</u>	<u>33,009</u>

Manitoba Opera Association, Inc.

Notes to Financial Statements

May 31, 2015

7 Bank indebtedness

	2015 \$	2014 \$
Cheques issued in excess of funds on deposit	18,497	-
Line of credit	90,000	-
	<hr/> 108,497	<hr/> -

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 .5%. As at May 31, 2015, the Association has drawn \$90,000 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 \$30,603.

8 Deferred revenue

	2015 \$	2014 \$
Government grants	217,450	217,450
Donations	5,500	32,996
Season tickets	235,216	268,560
Other	16,670	13,272
	<hr/> 474,836	<hr/> 532,278

9 Miscellaneous income

Included in miscellaneous income is \$5,330 (2014 - \$2,727) 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 \$28,099 (2014 - \$24,803). 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.

Manitoba Opera Association, Inc.

Notes to Financial Statements

May 31, 2015

11 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 of May 31, 2015, \$17,561 (2014 - \$15,961) 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 \$13,610 (2014 - \$12,777). At May 31, 2015, the Opera Fund has a balance of \$99,848 (2014 - \$78,933).

12 Commitments

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

	\$
2016	3,108
2017	3,108
2018	1,292
2019	515

13 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.

14 Comparative figures

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