

**Manitoba Opera
Association, Inc.**

Financial Statements
May 31, 2018

July 3, 2018

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, 2018 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.

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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 Manitoba Opera Association, Inc. as at May 31, 2018 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 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, 2018

			2018	2017
	Operating Fund	Bruce H. Lang Fund	Total	Total
	\$	\$	\$	\$
Assets				
Current assets				
Cash	49,991	-	49,991	-
Grants and other receivables (note 5)	78,829	-	78,829	80,805
Prepaid expenses and deposits (note 6)	40,641	-	40,641	18,645
	169,461	-	169,461	99,450
Due (to) from Operating Fund	(40,174)	40,174	-	-
Other assets	16,500	-	16,500	-
	145,787	40,174	185,961	99,450
Liabilities and Fund Balances				
Current liabilities				
Bank indebtedness (note 7)	-	-	-	42,063
Accounts payable and accrued liabilities	212,287	-	212,287	230,489
Current portion of term loan (note 9)	20,000	-	20,000	-
Deferred revenue (note 8)	344,152	-	344,152	257,436
	576,439	-	576,439	529,988
Term loan (note 9)	20,000	-	20,000	-
	596,439	-	596,439	529,988
Fund balances				
Internally restricted	-	40,174	40,174	31,109
Unrestricted	(450,652)	-	(450,652)	(461,647)
	(450,652)	40,174	(410,478)	(430,538)
	145,787	40,174	185,961	99,450
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, 2018

			2018	2017
	Operating Fund	Bruce H. Lang Fund	Total	Total
	\$	\$	\$	\$
Revenue				
Grants				
Canada Council for the Arts	240,000	-	240,000	134,900
Manitoba Arts Council	220,000	-	220,000	225,000
Province of Manitoba	150,000	-	150,000	175,000
Winnipeg Arts Council	135,000	-	135,000	160,000
Other grants	13,975	-	13,975	874
	758,975	-	758,975	695,774
Donations and fundraising	521,298	9,065	530,363	455,740
Sponsorships	384,054	-	384,054	262,870
Box office	666,131	-	666,131	502,797
Miscellaneous income	20,940	-	20,940	24,277
Investment income	6,754	-	6,754	200
	2,358,152	9,065	2,367,217	1,941,658
Expenses				
Administrative, fundraising and education	534,364	-	534,364	507,886
Productions (note 10)	1,308,908	-	1,308,908	1,220,896
Publicity and promotion	503,885	-	503,885	374,159
	2,347,157	-	2,347,157	2,102,941
Excess (deficiency) of revenue over expenses for the year	10,995	9,065	20,060	(161,283)
Fund balance - Beginning of year	(461,647)	31,109	(430,538)	(269,255)
Fund balance - End of year	(450,652)	40,174	(410,478)	(430,538)

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, 2018

	2018	2017
	\$	\$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	20,060	(161,283)
Changes in non-cash working capital items	48,494	141,234
	<u>68,554</u>	<u>(20,049)</u>
Investing activities		
Increase in guaranteed investment certificate	-	(200)
Proceeds from sale of guaranteed investment certificate	-	31,109
Investment in other assets	(16,500)	-
	<u>(16,500)</u>	<u>30,909</u>
Financing activities		
Repayment on line of credit	-	(10,000)
Issuance of long-term debt	40,000	-
	<u>40,000</u>	<u>(10,000)</u>
Increase in cash during the year	92,054	860
Cash deficiency - Beginning of year	<u>(42,063)</u>	<u>(42,923)</u>
Cash excess (deficiency) - End of year	<u>49,991</u>	<u>(42,063)</u>
Cash excess (deficiency) includes		
Cash deposited in bank	77,998	57,703
Outstanding cheques issued	(28,007)	(99,766)
	<u>49,991</u>	<u>(42,063)</u>

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

Manitoba Opera Association, Inc.

Notes to Financial Statements

May 31, 2018

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 liabilities exceed total assets by \$450,652 as at May 31, 2018. Operating losses since 1973 have resulted in a deficit in the Operating Fund of \$450,652 as at May 31, 2018. 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, 2018

Operating Fund

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

Bruce H. Lang Fund

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.

Other assets

Other assets represent the Association's portion of sets and costumes owned by a joint venture with four other Opera Associations. In the future, the joint venture intends to rent the sets and costumes and the Association will recognize its share of the net rental income at that time.

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, 2018

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

	2018	2017
	\$	\$
GST receivable	7,153	-
Pledges	70,446	74,418
Other	1,230	6,387
	<hr/> 78,829	<hr/> 80,805

Included in donations and fundraising revenue are pledges totaling \$60,964 (2017 - \$58,908).

Manitoba Opera Association, Inc.

Notes to Financial Statements

May 31, 2018

6 Prepaid expenses and deposits

	2018	2017
	\$	\$
Office and travel	6,090	3,933
Promotion	540	14,712
Production	719	-
Fundraising deposits	33,292	-
	<hr/>	<hr/>
	40,641	18,645

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 \$250,000. The line of credit bears interest at the Bank prime rate plus 0.5%. As at May 31, 2018, 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

	2018	2017
	\$	\$
Season tickets	258,868	249,572
Fundraising deposits	77,383	-
Other	7,901	7,864
	<hr/>	<hr/>
	344,152	257,436

9 Term loan

The Association obtained a term loan facility of \$250,000 from Professional Opera Companies of Canada in connection with the Co-Production Agreement for La Traviata entered into by the Association and four other operas. The Association is required to pay one-fifth of the loan, or \$50,000, over five equal payments of \$10,000 beginning April 30, 2018. The loan bears interest at 3% per annum. At May 31, 2018, the Association still owes \$40,000 in principal payments, to be paid on the following dates:

- October 31, 2018
- February 28, 2019
- October 31, 2019
- September 30, 2020

Manitoba Opera Association, Inc.

Notes to Financial Statements

May 31, 2018

The obligation to repay the loan is joint and several with the four other Opera Associations. If one opera defaults on its principal payments the remaining operas must pay an equal portion of the principal payment and interest of the defaulting opera. At May 31, 2018, there are no indicators that would suggest the four other Opera Associations would not be able to make their scheduled principal payments. As such, no liability has been recorded to reflect this contingent obligation.

10 Related party transactions

Included in productions expense is artistic consulting paid to a related company owned by a member of management for \$34,497 (2017 - \$28,942). Included in publicity and promotion expenses are design fees paid to a related company owned by a member of the board for \$39,875 (2017 - \$10,000). 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.

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 \$63,422 (2017 - \$91,089) and such amount is included as box office revenue and production expenses.

The Association also, in the normal course of operations, received donations by way of services received but not charged. These transactions are accounted for at the market value of the services provided. During the year, these transactions totaled \$217,054 (2017 - \$141,570) and such amount is included in donations and fundraising revenue and production and publicity and promotion expenses.

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, 2018, \$31,342 (2017 - \$24,588) has been received by the Association since the inception of the Opera Fund.

During the year, total contributions to the Opera Fund either made through the Association or contributed directly to the Foundation were \$36,567 (2017 - \$42,321). As at May 31, 2018, the Opera Fund has a balance of \$306,374 (2017 - \$266,784).

Manitoba Opera Association, Inc.

Notes to Financial Statements

May 31, 2018

13 Commitments

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

	\$
2019	3,107
2020	2,592
2021	2,592

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.