

**Manitoba Opera
Association, Inc.**

Financial Statements
May 31, 2019



Independent auditor's report

To the Members of Manitoba Opera Association, Inc.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Manitoba Opera Association, Inc. (the Association) as at May 31, 2019 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.

What we have audited

The Association's financial statements comprise:

- the balance sheet as at May 31, 2019;
- the statement of operations and fund balances for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

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



In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Winnipeg, Manitoba
July 8, 2019

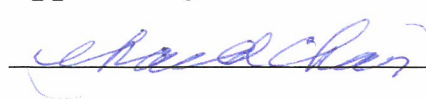
Manitoba Opera Association, Inc.

Balance Sheet

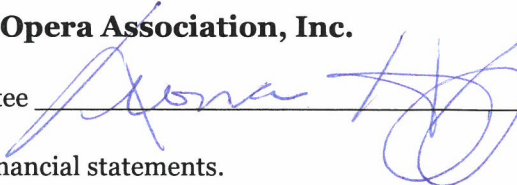
As at May 31, 2019

	2019			2018
	Operating Fund \$	Operating Reserve Fund \$	Bruce H. Lang Fund \$	Total \$
Assets				
Current assets				
Cash	116,272	-	-	116,272
Grants and other receivables (note 4)	265,183	-	-	265,183
Prepaid expenses and deposits (note 5)	15,768	-	-	15,768
	397,223	-	-	397,223
Due (to) from Operating Fund	(52,814)	10,415	42,399	-
Other assets	9,500	-	-	9,500
	353,909	10,415	42,399	406,723
Liabilities and Fund Balances				
Current liabilities				
Accounts payable and accrued liabilities	38,441	-	-	38,441
Current portion of term loan (note 8)	10,000	-	-	10,000
Deferred revenue (note 7)	295,468	-	-	295,468
	343,909	-	-	343,909
Term loan (note 8)	10,000	-	-	10,000
	353,909	-	-	353,909
Fund balances				
Internally restricted	-	10,415	42,399	52,814
Unrestricted	-	-	-	-
	-	10,415	42,399	52,814
	353,909	10,415	42,399	406,723
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, 2019

	2019			2018
	Operating Fund \$	Operating Reserve Fund \$	Bruce H. Lang Fund \$	Total \$
Revenue				
Grants				
Canada Council for the Arts	240,000	-	-	240,000
Manitoba Arts Council	220,000	-	-	220,000
Province of Manitoba	175,000	-	-	175,000
Winnipeg Arts Council	135,000	-	-	135,000
Other grants	-	-	-	13,975
	770,000	-	-	758,975
Donations and fundraising (note 10)	862,395	-	2,225	530,363
Sponsorships	371,872	-	-	384,054
Box office (note 10)	641,184	-	-	666,131
Miscellaneous income	16,019	-	-	20,940
Investment income	10,807	-	-	6,754
	2,672,277	-	2,225	2,367,217
Expenses				
Administrative, fundraising and education	794,086	-	-	534,364
Productions (note 10)	1,280,075	-	-	1,308,908
Publicity and promotions (note 10)	511,804	-	-	503,885
	2,585,965	-	-	2,347,157
Excess of revenue over expenses for the year before impact of deficit reduction campaign	86,312	-	2,225	20,060
Deficit reduction campaign	374,755	-	-	-
Excess of revenue over expenses for the year	461,067	-	2,225	20,060
Fund balance – Beginning of year	(450,652)	-	40,174	(430,538)
Allocation to Operating Reserve Fund	(10,415)	10,415	-	-
Fund balance – End of year	-	10,415	42,399	(410,478)

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, 2019

	2019 \$	2018 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	463,292	20,060
Depreciation of other assets	7,000	-
Changes in non-cash working capital items	(384,011)	48,494
	<u>86,281</u>	<u>68,554</u>
Investing activities		
Investment in other assets	-	(16,500)
Financing activities		
Repayment of term loan	(20,000)	(10,000)
Issuance of term loan	-	50,000
	<u>(20,000)</u>	<u>40,000</u>
Increase in cash during the year	66,281	92,054
Cash excess (deficiency) – Beginning of year	49,991	(42,063)
Cash excess (deficiency) – End of year	<u>116,272</u>	<u>49,991</u>
Cash excess (deficiency) includes		
Cash deposited in bank	145,847	77,998
Outstanding cheques issued	(29,575)	(28,007)
	<u>116,272</u>	<u>49,991</u>

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

Manitoba Opera Association, Inc.

Notes to Financial Statements

May 31, 2019

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 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.

Operating Reserve Fund

The Operating Reserve Fund has been established for the purposes 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

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.

Manitoba Opera Association, Inc.

Notes to Financial Statements

May 31, 2019

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, fundraising deposits, 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 donations 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.

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, 2019

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.

4 Grants and other receivables

	2019 \$	2018 \$
Winnipeg Arts Council grant	94,500	-
GST receivable	235	7,153
Pledges	166,721	70,446
Other	3,727	1,230
	<u>265,183</u>	<u>78,829</u>

Included in donations and fundraising revenue are pledges totaling \$149,681 (2018 – \$60,964).

5 Prepaid expenses and deposits

	2019 \$	2018 \$
Office and travel	9,970	6,090
Promotion	5,394	540
Production	404	719
Fundraising deposits	-	33,292
	<u>15,768</u>	<u>40,641</u>

6 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, 2019, 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.

Manitoba Opera Association, Inc.

Notes to Financial Statements

May 31, 2019

7 Deferred revenue

	2019 \$	2018 \$
Season tickets subscriptions	240,027	258,868
Fundraising deposits for future periods	43,250	77,383
Grants for future periods	5,000	-
Other	7,191	7,901
	<u>295,468</u>	<u>344,152</u>

8 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, 2019, the Association still owes \$20,000 in principal payments, to be paid on the following dates:

- October 31, 2019
- September 30, 2020

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, 2019, 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.

9 Related party transactions

Included in productions expense is artistic consulting paid to a related company owned by a member of management for \$37,043 (2018 – \$34,497). Included in publicity and promotion expenses are web troubleshooting fees to a related company owned by a member of the board for \$630 (2018 – \$39,875). 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.

10 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 \$83,735 (2018 – \$63,422) and such amount is included as box office revenue and production expenses and publicity and promotion expenses.

Manitoba Opera Association, Inc.

Notes to Financial Statements

May 31, 2019

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 \$217,372 (2018 – \$217,054) and such amount is included in donations and fundraising revenue and production and publicity and promotion expenses.

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.

During the year, total contributions to the Opera Fund either made through the Association or contributed directly to the Foundation were \$2,571 (2018 – \$36,567). As at May 31, 2019, the Opera Fund has a balance of \$301,942 (2018 – \$306,374).

12 Commitments

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

	\$
2020	3,200
2021	3,200
2022	3,200

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.