

**Manitoba Opera  
Association, Inc.**

Financial Statements  
**May 31, 2020**



## *Independent auditor's report*

To the Members of Manitoba Opera Association, Inc.

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### *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, 2020 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, 2020;
- 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.

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### *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.

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### *Other information*

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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



In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### *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.

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.

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### *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 14, 2020


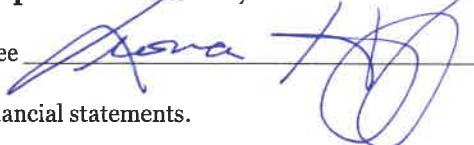
# Manitoba Opera Association, Inc.

## Balance Sheet

As at May 31, 2020

				2020	2019
	Operating Fund \$	Operating Reserve Fund \$	Bruce H. Lang Fund \$	Total \$	Total \$
<b>Assets</b>					
<b>Current assets</b>					
Cash	305,706	-	-	305,706	116,272
Grants and other receivables (note 4)	86,695	-	-	86,695	265,183
Prepaid expenses and deposits (note 5)	117,355	-	-	117,355	15,768
	509,756	-	-	509,756	397,223
<b>Due (to) from Operating Fund</b>	(11,785)	11,785	-	-	-
<b>Other assets</b>	9,500	-	-	9,500	9,500
	507,471	11,785	-	519,256	406,723
<b>Liabilities and Fund Balances</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities	13,823	-	-	13,823	38,441
Current portion of term loan (note 8)	10,000	-	-	10,000	10,000
Deferred revenue (note 7)	483,648	-	-	483,648	295,468
	507,471	-	-	507,471	343,909
<b>Term loan (note 8)</b>	-	-	-	-	10,000
	507,471	-	-	507,471	353,909
<b>Fund balances</b>					
Internally restricted	-	11,785	-	11,785	52,814
Unrestricted	-	-	-	-	-
	-	11,785	-	11,785	52,814
	507,471	11,785	-	519,256	406,723
<b>Commitments (note 12)</b>					

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, 2020

	2020			2019	
	Operating Fund \$	Operating Reserve Fund \$	Bruce H. Lang Fund \$	Total \$	Total \$
<b>Revenue</b>					
Grants					
Canada Council for the Arts	240,000	-	-	240,000	240,000
Manitoba Arts Council	220,000	-	-	220,000	220,000
Province of Manitoba	175,000	-	-	175,000	175,000
Winnipeg Arts Council	121,500	-	-	121,500	135,000
Other grants	94,065	-	-	94,065	-
	850,565	-	-	850,565	770,000
Donations and fundraising (note 10)	614,715	-	-	614,715	864,620
Sponsorships	254,287	-	-	254,287	371,872
Box office (note 10)	215,679	-	-	215,679	641,184
Miscellaneous income	8,737	-	-	8,737	16,019
Investment income	28,514	-	-	28,514	10,807
	1,972,497	-	-	1,972,497	2,674,502
<b>Expenses</b>					
Administrative, fundraising and education (note 10)	513,569	-	-	513,569	794,086
Productions (note 10)	1,027,135	-	-	1,027,135	1,280,075
Publicity and promotions (note 10)	430,423	-	-	430,423	511,804
	1,971,127	-	-	1,971,127	2,585,965
<b>Excess of revenue over expenses for the year before impact of deficit reduction campaign</b>	1,370	-	-	1,370	88,537
<b>Deficit reduction campaign</b>	-	-	-	-	374,755
<b>Excess of revenue over expenses for the year</b>	1,370	-	-	1,370	463,292
<b>Fund balance – Beginning of year</b>	-	10,415	42,399	52,814	(410,478)
<b>Transfer to the Opera Fund (note 11)</b>	-	-	(42,399)	(42,399)	-
<b>Allocation to Operating Reserve Fund</b>	(1,370)	1,370	-	-	-
<b>Fund balance – End of year</b>	-	11,785	-	11,785	52,814

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, 2020

	2020	2019
	\$	\$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenses for the year	1,370	463,292
Write down of other assets	-	7,000
Changes in non-cash working capital items	240,463	(384,011)
	<u>241,833</u>	<u>86,281</u>
<b>Investing activities</b>		
Transfer to the Opera fund (note 11)	(42,399)	-
<b>Financing activities</b>		
Repayment of term loan	(10,000)	(20,000)
	<u>189,434</u>	<u>66,281</u>
<b>Increase in cash during the year</b>	<u>189,434</u>	<u>66,281</u>
<b>Cash excess – Beginning of year</b>	<u>116,272</u>	<u>49,991</u>
<b>Cash excess – End of year</b>	<u>305,706</u>	<u>116,272</u>
<b>Cash excess includes</b>		
Cash deposited in bank	350,718	145,847
Outstanding cheques issued	(45,012)	(29,575)
	<u>305,706</u>	<u>116,272</u>

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

# **Manitoba Opera Association, Inc.**

## Notes to Financial Statements

May 31, 2020

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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 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 Bruce H. Lang Fund held certain funds until such a time that the Association became 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. During the year, the Association became eligible for the Endowment Incentive Program and thus the Bruce H. Lang Fund was dissolved with all amounts held within the fund transferred to the Manitoba Opera Fund held with The Winnipeg Foundation (note 11).

#### **Prepaid expenses**

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



# **Manitoba Opera Association, Inc.**

## **Notes to Financial Statements**

**May 31, 2020**

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### **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.

Government grants are recorded as revenue in the year in which the funds are received.

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

### **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 determined by the more reliably measurable of the fair value of the asset given up and the fair value of the asset received.

Volunteers contribute approximately 4,712 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, 2020

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The global economy has been negatively impacted by a novel coronavirus (COVID-19), which was declared a pandemic by the World Health Organization in March 2020. The continued spread of COVID-19 and the actions being taken to limit its spread have and may continue to have an impact on the Association's operations. This impact includes, but is not limited to, the cancellation or postponement of performances and fundraising events as a result of social distancing measures and the Association's ability to generate donations going forward as a result of a general downturn in the economy. There is also increased uncertainty around certain estimates including forecasting future cash flows and assessing the collectability of subscription receivables. The Association has applied for government funding, including the Canadian Emergency Wage Subsidy, to help offset the impacts of COVID-19 on operations.

### 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 prepaid expenses and deposits.

Financial liabilities measured at amortized cost, accounts payable and accrued liabilities and deferred revenue.

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

	2020	2019
	\$	\$
Canadian Emergency Wage Subsidy	19,355	-
Winnipeg Arts Council grant	-	94,500
GST receivable	4,894	235
Pledges and subscriptions	57,528	166,721
Other	4,918	3,727
	<u>86,695</u>	<u>265,183</u>

Included in donations and fundraising revenue are pledges totaling \$47,940 (2019 – \$149,681).

# Manitoba Opera Association, Inc.

## Notes to Financial Statements

May 31, 2020

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### 5 Prepaid expenses and deposits

	2020 \$	2019 \$
Office and travel	9,659	9,970
Promotion	2,222	5,394
Production	97,035	404
Fundraising deposits	8,439	-
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	117,355	15,768

### 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, 2020, 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.

### 7 Deferred revenue

	2020 \$	2019 \$
Season and single tickets	157,478	240,027
Fundraising deposits for future periods	94,657	43,250
Grants for future periods	221,811	5,000
Other	9,702	7,191
	<hr/>	<hr/>
	483,648	295,468

### 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, 2020, the Association still owes \$10,000 in principal payments, to be paid on 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, 2020, 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.

# Manitoba Opera Association, Inc.

## Notes to Financial Statements

May 31, 2020

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### 9 Related party transactions

Included in productions expense is artistic consulting paid to a related company owned by a member of management for \$38,636 (2019 – \$37,043). Included in publicity and promotion expenses are web troubleshooting fees to a related company owned by a member of the board for \$nil (2019 – \$630). 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 transaction

In the normal course of operations, the Association exchanges tickets for its productions in consideration for various supplies and services. These transactions are accounted for at the fair value of the tickets provided. During the year, these transactions totaled \$28,649 (2019 – \$83,735) and such amount is included as box office revenue and administrative, fundraising and education expenses, production expenses and publicity and promotion expenses.

The Association also, in the normal course of operations, receives donations by way of services received but not charged. These transactions are accounted for at the fair value of the services provided. During the year, these transactions totaled \$107,287 (2019 – \$217,372) and such amount is included in sponsorships 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 \$150,262 (2019 – \$2,571). As at May 31, 2020, the Opera Fund has a balance of \$450,303 (2019 – \$301,942).

### 12 Commitments

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

	\$
2021	3,209
2022	3,209
2023	1,925

# **Manitoba Opera Association, Inc.**

## Notes to Financial Statements

**May 31, 2020**

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### **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 Subsequent event**

On June 29, 2020, the Association announced the cancellation of the upcoming fall performance of *Sweeney Todd* due to the continued uncertainty regarding government regulations on large gatherings. The Association continues to explore opportunities to share the opera with its patrons, some of which include live-streamed concerts, live concerts, and garden tours. There is currently \$157,478 of deferred revenue recorded on the balance sheet related to the upcoming season, which includes pre-purchased tickets for *Sweeney Todd*. Some of these are subject to refunds at the request of the ticket holder.