

Vancouver Opera Association

Financial Statements
June 30, 2016



September 17, 2016

Independent Auditor's Report

To the Board of Directors of Vancouver Opera Association

We have audited the accompanying financial statements of Vancouver Opera Association, which comprise the statement of financial position as at June 30, 2016 and the statements of revenues and expenses, changes in (deficit) net assets 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 qualified audit opinion.

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**Basis for qualified opinion**

In common with many not-for-profit organizations, Vancouver Opera Association derives revenues from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Vancouver Opera Association. Therefore, we were not able to determine whether any adjustments might be necessary to individual donations and lotteries and special events, excess (deficiency) of revenues over expenses and cash flows from operations for the years ended June 30, 2016 and June 30, 2015, current assets as at June 30, 2016 and June 30, 2015 and net assets as at July 1 and June 30 for the years ended June 30, 2016 and June 30, 2015. Our audit opinion on the financial statements for the year ended June 30, 2015 was modified accordingly because of the possible effects of this limitation in scope.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Vancouver Opera Association as at June 30, 2016 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.

Report on other legal and regulatory requirements

As required by the Society Act of British Columbia, we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver Opera Association

Statement of Financial Position

As at June 30, 2016

	2016 \$	2015 \$
Assets		
Current assets		
Cash and cash equivalents	389,975	1,079,222
Short-term investments (note 4)	120,000	175,412
Accounts receivable (note 5)	994,256	791,250
Prepaid expenses (note 6)	247,968	196,315
	<u>1,752,199</u>	<u>2,242,199</u>
Capital assets - net (note 7)	<u>1,002,140</u>	<u>1,232,897</u>
	<u>2,754,339</u>	<u>3,475,096</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	434,132	385,658
Deferred revenue	547,647	1,159,488
Deferred contributions (note 9)	1,977,072	2,209,456
	<u>2,958,851</u>	<u>3,754,602</u>
Deferred capital contributions (note 10)	<u>452,754</u>	<u>512,423</u>
	<u>3,411,605</u>	<u>4,267,025</u>
Net assets (deficit)		
Net assets invested in capital assets	549,387	720,475
Unrestricted deficit	(1,206,653)	(1,512,404)
	<u>(657,266)</u>	<u>(791,929)</u>
	<u>2,754,339</u>	<u>3,475,096</u>
Commitments (note 11)		

Approved by the Board of Directors



Director



Director

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

Vancouver Opera Association

Statement of Revenues and Expenses

For the year ended June 30, 2016

	2016 \$	2015 \$
Revenues		
Earned revenues		
Mainstage ticket sales	3,745,607	3,266,032
Investment income	1,354	1,265
Other revenue	122,227	135,095
	<u>3,869,188</u>	<u>3,402,392</u>
Private sector fundraising		
Individual donations	1,485,619	2,012,298
Foundations and other	875,782	1,198,418
Corporate	505,226	793,913
Lotteries and special events	1,297,583	739,018
	<u>4,164,210</u>	<u>4,743,647</u>
Public sector grants		
Canada Council - operating	690,000	690,000
Canadian Heritage - capital	36,581	38,673
British Columbia Arts Council	509,130	509,130
Other provincial funding	200,000	406,800
City of Vancouver	435,466	435,134
Metro Vancouver	5,000	5,000
	<u>1,876,177</u>	<u>2,084,737</u>
Total revenues	<u>9,909,575</u>	<u>10,230,776</u>
Expenses		
Mainstage productions	4,665,053	5,748,789
Marketing	1,486,823	1,677,832
General and administrative	848,432	823,877
Fundraising	684,127	759,849
Lotteries and special events	1,050,424	425,562
Facilities	398,150	403,720
Education and community engagement	396,035	154,619
Amortization (note 7)	245,868	229,585
	<u>9,774,912</u>	<u>10,223,833</u>
Total expenses	<u>9,774,912</u>	<u>10,223,833</u>
Excess of revenues over expenses for the year	<u>134,663</u>	<u>6,943</u>

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

Vancouver Opera Association
Statement of Changes in Net Assets (Deficit)
For the year ended June 30, 2016

			<u>2016</u>	<u>2015</u>
	Unrestricted deficit \$	Net assets invested in capital assets \$	Total deficit \$	Total \$
Balance - Beginning of year	(1,512,404)	720,475	(791,929)	(798,872)
Excess (deficiency) of revenues over expenses for the year	380,531	(245,868)	134,663	6,943
Purchase of capital assets	(15,111)	15,111	-	-
Amortization of deferred capital contributions	(59,669)	59,669	-	-
Balance - End of year	<u>(1,206,653)</u>	<u>549,387</u>	<u>(657,266)</u>	<u>(791,929)</u>

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

Vancouver Opera Association

Statement of Cash Flows

For the year ended June 30, 2016

	2016 \$	2015 \$
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses for the year	134,663	6,943
Items not involving cash		
Amortization of capital assets	245,868	229,585
Amortization of deferred capital contributions	(59,669)	(57,778)
Amortization of deferred contributions	(2,202,400)	(2,136,631)
	<u>(1,881,538)</u>	<u>(1,957,881)</u>
Changes in non-cash working capital items		
Increase in accounts receivable	648,119	685,081
(Increase) decrease in prepaid expenses	(51,653)	20,010
Increase (decrease) in accounts payable and accrued liabilities	48,474	(46,061)
(Decrease) increase in deferred revenue	(611,841)	11,337
	<u>33,099</u>	<u>670,367</u>
	<u>(1,848,439)</u>	<u>(1,287,514)</u>
Investing activities		
Purchase of capital assets	(15,111)	(244,138)
Purchase of short-term investments	55,412	(92,410)
Deferred contributions received	1,118,891	1,572,696
Deferred capital contributions received	-	106,498
	<u>1,159,192</u>	<u>1,342,646</u>
Net change in cash and cash equivalents during the year	(689,247)	55,132
Cash and cash equivalents - Beginning of year	<u>1,079,222</u>	<u>1,024,090</u>
Cash and cash equivalents - End of year	<u>389,975</u>	<u>1,079,222</u>

Supplementary information

Of the \$1,118,891 (2015 - \$1,572,696) deferred contributions received, \$nil (2015 - \$34,493) was transferred to deferred capital contributions.

Refer to note 12 for details on non-cash transaction with the Vancouver Opera Foundation.

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

Vancouver Opera Association

Notes to Financial Statements

June 30, 2016

1 Purpose of the organization

The Vancouver Opera Association (the Association) was incorporated under the British Columbia Society Act on October 31, 1958 to produce professional presentations of opera at a high musical and theatrical standard for as wide an audience as possible and to develop the interest and involvement of this audience in all aspects of the art form. The Association is a registered charity under the Income Tax Act and has no liability for income taxes.

The Vancouver Opera Foundation (the Foundation), an entity related to the Association, was incorporated under the British Columbia Society Act on October 31, 2013. The primary objective of the Foundation is to solicit, hold and administer funds for the benefit of the Association. The Foundation contains endowment funds with capital restricted in perpetuity, which allows income to be distributed and used for specific purposes. The Foundation is incorporated under the Canada Corporations Act and is a registered charity under the Income Tax Act. The Association controls the Foundation by virtue of its ability to appoint its Board members. The Association and the Foundation also have some common Board of Directors members. The Association has a continuing right of support from the Foundation through the constitution of the Foundation.

2 Basis of preparation and adoption of accounting standards for not-for-profit organizations

Effective July 1, 2012, the Association elected to adopt Canadian accounting standards for not-for-profit organizations (ASNPO) as issued by the Canadian Accounting Standards Board.

In accordance with Chartered Professional Accountants of Canada (CPA Canada) Handbook Section 4450, the Association has elected not to consolidate the Foundation. The required disclosure is included in note 16.

3 Significant accounting policies

Revenue recognition

The Association follows the deferral method of accounting for contributions. Contributions are recognized as revenue when received or receivable except when the donor has specified that they are intended for a specific use or use in a future period, in which case they are recorded as deferred income and recognized as revenue in the year in which the related expenses are incurred. Contributions, including pledges, are recorded as receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. The Association does not record pledges due more than one year from the statement of financial position date.

Earned income, primarily ticket sales and related revenue, is recognized as revenue in the year in which the related production takes place. Payments received in advance for tickets in the future season are recorded as deferred revenues.

Gifts-in-kind, which include furnishings, equipment, books, manuscripts, artwork and artifacts are recorded at fair market value if they would have otherwise been purchased and when fair value can be reasonably established.

Vancouver Opera Association

Notes to Financial Statements

June 30, 2016

Donations of securities are sold by the securities broker and the Association receives the net proceeds, at which time revenue is recognized.

Scenery and costumes

The costs of scenery and costumes related to future years' productions are recorded as prepaid expenses. They are normally recognized as an expense in the year in which they are first used in a production. However, in certain circumstances, management may determine that there is future value to the Association through the rental of specific scenery and costumes to other opera companies. In these cases, the cost is transferred to capital assets and amortized accordingly.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with banks and highly liquid short-term investments with maturity dates of less than 90 days from the date of purchase. Investments of this nature are measured at fair value.

Financial instruments

All financial assets and liabilities are measured at fair market value with the exceptions of investments held-to-maturity, accounts receivable and accounts payable and accrued liabilities which are measured at amortized cost using the effective interest rate method.

Capital assets

Capital assets are recorded at cost. Amortization is calculated based on the following estimated useful lives on a straight-line basis:

Computer equipment	3 years
Computer software	3 - 15 years
Website	3 years
Office furniture and equipment	5 years
Scenery and costumes	3 years
Leasehold improvements	over the remaining term of the lease

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates as additional information becomes available in the future.

Vancouver Opera Association

Notes to Financial Statements

June 30, 2016

4 Short-term investments

Short-term investments are held by the Association for the purpose of securing lottery prizes. Short-term investments consist of the following:

	2016 \$	2015 \$
Guaranteed Investment Certificates	120,000	175,412

5 Accounts receivable

	2016 \$	2015 \$
Pledges receivable	615,051	296,483
Reimbursement of expenses - the Foundation (note 12)	12,877	100,792
Other grants receivable	345,000	345,000
Other receivables	21,328	48,975
	<u>994,256</u>	<u>791,250</u>

6 Prepaid expenses

	2016 \$	2015 \$
Production costs	210,761	153,711
Administration and general	37,207	42,604
	<u>247,968</u>	<u>196,315</u>

7 Capital assets

	2016		
	Cost \$	Accumulated amortization \$	Net \$
Computer equipment	147,743	128,827	18,916
Computer software	473,448	447,795	25,653
Website	157,264	108,974	48,290
Office furniture and equipment	517,985	366,033	151,952
Leasehold improvements	951,299	242,394	708,905
Other	48,424	-	48,424
	<u>2,296,163</u>	<u>1,294,023</u>	<u>1,002,140</u>

Vancouver Opera Association

Notes to Financial Statements

June 30, 2016

	2015		
	Cost	Accumulated	Net
	\$	amortization	\$
	\$	\$	\$
Computer equipment	147,872	106,826	41,046
Computer software	473,448	422,143	51,305
Website	157,264	60,554	96,710
Office furniture and equipment	589,579	372,507	217,072
Scenery and costumes	222,000	222,000	-
Leasehold improvements	951,299	172,959	778,340
Other	48,424	-	48,424
	<u>2,589,886</u>	<u>1,356,989</u>	<u>1,232,897</u>

Other comprises donated works of art which are not amortized as estimated useful lives of artwork cannot be reasonably determined. During the year, management reviewed assets and any fully depreciated assets no longer in use were removed.

8 Government remittances

Government remittances consist of amounts (such as sales taxes, employee payroll withholdings, employee benefit costs, worker's compensation premiums, etc.) required to be paid to or received from government authorities and are recognized when the amounts become due or receivable. At June 30, 2016, \$6,170 (2015 - \$nil) is included in accounts payable as amounts due to the government and \$3,092 is included in accounts receivable as amounts due from the government (2015 - \$10,197).

9 Deferred contributions

Deferred contributions mainly comprise of deferred grants and donations.

	2016	2015
	\$	\$
Balance - Beginning of year	2,209,456	2,269,453
Amounts pledged or received ¹	1,970,016	2,111,127
Amounts recorded as revenues	(2,202,400)	(2,136,631)
Grants transferred to deferred capital contributions	-	(34,493)
Balance - End of year	<u>1,977,072</u>	<u>2,209,456</u>

¹ Amounts pledged include \$851,125 (2015 - \$538,432) in accounts receivable.

Vancouver Opera Association

Notes to Financial Statements

June 30, 2016

10 Deferred capital contributions

Deferred capital contributions consist of grants received from the City of Vancouver Infrastructure program and the Minister of Canadian Heritage for leasehold improvements at the O'Brien Centre. Amounts received are recorded in deferred contributions until spent. Revenues will be recognized at a rate consistent with the amortization of the related capital asset.

	2016	2015
	\$	\$
Balance - Beginning of year	512,423	429,210
Grants transferred from deferred contributions	-	34,493
Grants received	-	106,498
Amounts recorded as revenues	(59,669)	(57,778)
	<hr/>	<hr/>
Balance - End of year	452,754	512,423
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11 Commitments

Operating leases and contractual obligations

The Association has entered into operating leases for the O'Brien Centre and certain office equipment.

At June 30, 2016, the Association had contracted certain performers for 2016 - 2017 and subsequent seasons. The total amount payable under these contractual obligations at June 30, 2016 is \$374,200 (2015 - \$411,961). Other contractual obligations at June 30, 2016 are \$132,012 (2015 - \$141,637) for future production, \$nil (2015 - \$12,490) for marketing consulting and advertising services and \$15,000 for development consulting (2015 - \$nil).

Total payments required under these leases and contractual obligations are:

	\$
2017	840,612
2018	490,502
2019	408,024
2020	392,544
2021 and after	437,787
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	2,569,469
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Vancouver Opera Association

Notes to Financial Statements

June 30, 2016

Banking commitments

The Association's bank has issued an irrevocable letter of credit of \$80,000 (2015 - \$80,000) in favour of the Canadian Actors' Equity Association which secures a performance guarantee.

The Association has available an operating line of credit of \$500,000 at prime rate plus 0.75%. As at year-end, no amount was outstanding on the operating line of credit. The operating line of credit is secured by all present and after acquired property of the Association. The Foundation, has guaranteed up to \$500,000 on the operating line of credit.

The Association has available a corporate credit card with a limit of \$50,000. As at year-end, no amount was outstanding on the credit card.

12 Related parties

Vancouver Opera Foundation

During the year, in order to better support its purpose, the Foundation passed a resolution to dissolve the Foundation with the intention of reconstituting the Foundation. Upon dissolution, the Association received the proceeds of the Foundation as a result of its voluntary windup and designated the entirety of this gift through an Irrevocable Direction to Pay to the newly constituted Foundation on December 30, 2015. The fair value of the gift on December 30, 2015 was \$12,914,047.

The Association received an operating grant of \$621,296 (2015 - 926,181) of which \$12,877 (2015 - \$100,792) is included in accounts receivable at year-end. The Association paid expenses of \$79,370 (2015 - \$66,231) on behalf of the Foundation of which \$nil was included in accounts payable at year-end (2015 - \$nil).

13 Gifts-in-kind

In 2016, gifts-in-kind of \$865,563 (2015 - \$754,720), which include furnishings, equipment, books, manuscripts, artwork, artifacts, advertising and theatre usages were recorded at fair market value at the date of acquisition.

14 Employee benefits

The Association has provided a senior employee with a defined contribution Individual Pension Plan. The current service contribution paid by the Association to this plan in 2016 was \$41,659 (2015 - \$40,390).

Vancouver Opera Association

Notes to Financial Statements

June 30, 2016

15 Financial instruments

a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Association is not exposed to significant currency risk.

b) Interest rate risk

Interest rate risk is the risk that the Association's investments will change in fair value due to future fluctuations in market interest rates. The Association is not exposed to significant interest rate risk.

c) Market and other price risk

Market and other price risk is the risk that the fair value of an investment will fluctuate due to changes in market conditions. Fair value risk is the potential for loss from an adverse movement in the value of a financial instrument. The Association is not exposed to significant market and other price risk.

d) Credit risk

Credit risk is the risk of loss resulting from failure of an individual or group to honour their financial obligations. The Association's accounts receivable are considered fully collectible and, as such, the Association is not subject to significant credit risk. As disclosed in note 5, the Association's risk is not significantly concentrated with any party.

e) Liquidity risk

Liquidity risk is the risk that the Association will not be able to meet its financial obligations as they fall due. The Association's approach to managing liquidity risk is to ensure that it will have sufficient working capital and cash flows from ticket and subscription sales, private fundraising and public grants to fund operations and settle liabilities when due. The Association is not exposed to significant liquidity risk.

There have been no significant changes in risk exposure from prior years.

Vancouver Opera Association

Notes to Financial Statements

June 30, 2016

16 Controlled entity

The Foundation has not been consolidated into the Association's financial statements. A financial summary of the Foundation at December 31, 2015 and for the period from October 31, 2013 to December 31, 2015 is as follows:

	\$
Statement of financial position	
Total assets	<u>12,810,803</u>
Total liabilities	4,161,616
Total fund balances	<u>8,649,187</u>
	<u>12,810,803</u>
Statement of revenues and expenses	
Total revenues	1,461,453
Total expenses	41,214
Changes in fair value of investments	<u>(129,921)</u>
Excess of revenues over expenses	<u>1,290,318</u>
Statement of cash flows	
Cash flows from operating activities	26,677
Cash used in investing activities	(26,677)

Foundation's fund balances are comprised of unrestricted funds of \$1,088,911, internally restricted funds of \$201,407 and endowment funds held in trust of \$7,358,869.