

Consolidated financial statements

**Canadian Opera Company**

June 30, 2016



Building a better  
working world

## Independent auditors' report

To the Members of  
**Canadian Opera Company**

### Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of **Canadian Opera Company**, which comprise the consolidated balance sheet as at June 30, 2016, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of **Canadian Opera Company** 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 Corporations Act (Ontario), we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Toronto, Canada  
October 6, 2016

*Ernst + Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants



A member firm of Ernst & Young Global Limited

# Canadian Opera Company

## Consolidated balance sheet

As at June 30

	2016	2015
	\$	\$
	[000's]	
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents <i>[note 5]</i>	189	15
Accounts receivable <i>[note 3]</i>	3,868	3,561
Due from Canadian Opera Foundation <i>[notes 13[b] and [e]]</i>	206	98
Other <i>[note 4]</i>	590	1,269
<b>Total current assets</b>	<b>4,853</b>	<b>4,943</b>
Investments <i>[note 5]</i>	4,345	4,279
Capital assets, net <i>[notes 6 and 7]</i>	135,966	139,078
Other <i>[note 4]</i>	1,765	1,605
	<b>146,929</b>	<b>149,905</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current</b>		
Bank indebtedness <i>[note 7]</i>	1,544	971
Accounts payable and accrued liabilities <i>[note 8]</i>	1,411	1,707
Deferred revenue <i>[notes 9 and 13[b]]</i>	7,986	8,189
<b>Total current liabilities</b>	<b>10,941</b>	<b>10,867</b>
Deferred capital contributions <i>[note 10]</i>	107,277	110,359
<b>Total liabilities</b>	<b>118,218</b>	<b>121,226</b>
Commitments and contingency <i>[notes 12 and 16]</i>		
<b>Net assets</b>		
Internally restricted <i>[note 15]</i>	283	329
Operating	28,428	28,350
<b>Total net assets</b>	<b>28,711</b>	<b>28,679</b>
	<b>146,929</b>	<b>149,905</b>

See accompanying notes

On behalf of the Board:



Director



Director

## Canadian Opera Company

### Consolidated statement of operations

Year ended June 30

	2016	2015
	\$	\$
	[000's]	
<b>Revenue</b>		
Box office, tours and concerts	9,968	10,971
Fundraising <i>[note 14]</i>	9,906	10,402
Bar, event, parking and rental	7,990	7,770
Government grants <i>[note 11]</i>	6,023	6,343
Contribution from Canadian Opera Foundation <i>[note 13[c]]</i>	1,365	1,850
Other	1,272	1,235
Amortization of deferred capital contributions		
Four Seasons Centre	3,401	3,401
Other capital assets	385	287
	<b>40,310</b>	<b>42,259</b>
<b>Expenses</b>		
Production	17,079	17,773
Bar, event and parking	4,964	5,249
General and administrative	4,399	4,703
Facilities	3,832	3,797
Communication	2,189	2,253
Development	2,038	2,117
Ensemble studio program	705	731
Education	429	410
Other	658	523
Grants to Canadian Opera Foundation <i>[note 13[d]]</i>	87	866
Amortization of capital assets		
Four Seasons Centre	3,401	3,401
Other capital assets	497	423
	<b>40,278</b>	<b>42,246</b>
<b>Excess of revenue over expenses for the year</b>	<b>32</b>	<b>13</b>

See accompanying notes

Canadian Opera Company

Consolidated statement of changes in net assets

Year ended June 30

	2016			2015		
	Internally restricted \$	Operating \$	Total \$	Internally restricted \$	Operating \$	Total \$
		[000's]			[000's]	
<b>Balance, beginning of year</b>	<b>329</b>	<b>28,350</b>	<b>28,679</b>	444	28,222	28,666
Excess of revenue over expenses for the year	—	32	32	—	13	13
Transfers from internally restricted net assets [note 15]	(46)	46	—	(115)	115	—
<b>Balance, end of year</b>	<b>283</b>	<b>28,428</b>	<b>28,711</b>	329	28,350	28,679

See accompanying notes

## Canadian Opera Company

### Consolidated statement of cash flows

Year ended June 30

	2016	2015
	\$	\$
	[000's]	
<b>Operating activities</b>		
Excess of revenue over expenses for the year	32	13
Add (deduct) items not involving cash		
Amortization of capital assets		
Four Seasons Centre	3,401	3,401
Capital assets	497	423
Amortization of deferred capital contributions		
Four Seasons Centre	(3,401)	(3,401)
Capital assets	(385)	(287)
	<u>144</u>	<u>149</u>
Changes in non-cash working capital balances related to operations		
Accounts receivable	(307)	(38)
Due from Canadian Opera Foundation	(108)	(24)
Other assets	519	(316)
Accounts payable and accrued liabilities	(296)	(278)
Deferred revenue	(203)	(244)
Amount of deferred capital contributions used in operations	(1)	(54)
<b>Cash used in operating activities</b>	<u>(252)</u>	<u>(805)</u>
<b>Investing activities</b>		
Purchase of capital assets	(786)	(743)
Increase in investments	(66)	(392)
<b>Cash used in investing activities</b>	<u>(852)</u>	<u>(1,135)</u>
<b>Financing activities</b>		
Increase in bank indebtedness	573	971
Restricted contributions received related to Four Seasons Centre	57	213
Restricted ticket surcharge contributions and related interest	703	717
Amount transferred to Canadian Opera Foundation	(55)	(210)
<b>Cash provided by financing activities</b>	<u>1,278</u>	<u>1,691</u>
<b>Net increase (decrease) in cash and cash equivalents during the year</b>	<b>174</b>	<b>(249)</b>
Cash and cash equivalents, beginning of year	<u>15</u>	<u>264</u>
<b>Cash and cash equivalents, end of year</b>	<b><u>189</u></b>	<b><u>15</u></b>

See accompanying notes

# Canadian Opera Company

## Notes to consolidated financial statements

[amounts expressed in thousands]

June 30, 2016

### 1. Description of the organization and income tax status

Canadian Opera Company [the "Company"] is incorporated without share capital under the laws of Ontario. It is a charitable organization registered under the *Income Tax Act (Canada)* [the "Act"] and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

The mission of the Company is to produce opera at the highest level, thus strengthening the art form and building a reputation of excellence in Toronto, across the nation and around the world.

These consolidated financial statements include the accounts of the Canadian Opera House Corporation ["COHC"], a controlled not-for-profit organization that is a corporation without share capital under the laws of Canada and is a charitable organization under the *Income Tax Act (Canada)* and, as such, is exempt from income taxes. The purpose of COHC is to operate the Four Seasons Centre for the Performing Arts. These consolidated financial statements do not include the accounts of Canadian Opera Foundation [the "Foundation"] [note 13] and Canadian Opera Company, Inc. ["COC, Inc."] [note 14], organizations with their own Boards of Directors that are independent of the Company.

### 2. Summary of significant accounting policies

These consolidated financial statements are prepared in accordance with Part III of the Canadian Professional Accountants of Canada ["CPA Canada"] Handbook – *Accounting*, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

#### Controlled not-for-profit organizations

Controlled not-for-profit organizations have been consolidated.

#### Revenue recognition

The Company follows the deferral method of accounting for contributions, which include grants and donations. Grants and donations related to specific events or programs and bequests are recognized in the accounts when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized.

Revenue from box office is recognized in the period in which the performance or service occurs.

Revenue from bar, event, parking and rental is recognized at the date on which the services are provided or goods delivered.

Investment income, which consists of interest, is recorded in deferred capital contributions to the extent that it relates to funds held for unspent contributions, with the balance recorded as revenue in the consolidated statement of operations.

## Canadian Opera Company

### Notes to consolidated financial statements

[amounts expressed in thousands]

June 30, 2016

#### Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with maturities of less than three months from the date of acquisition.

#### Other assets

Costs directly related to the development of future productions are presented as other assets when the Company can reliably demonstrate that there is a future economic benefit associated with these costs. These costs are expensed over their useful life, which is the year in which the production is initially staged. Costs are expensed immediately when they are related to advertising or promotion and when there is insufficient evidence that the costs are recoverable.

#### Capital assets

Purchased capital assets are stated at cost and contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the assets' estimated useful lives as follows:

Four Seasons Centre	40 years
Other buildings	20 years
Other	3 to 10 years

#### Financial instruments

Financial instruments, including accounts receivable, due from the Foundation, and accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

#### Contributed materials and services

The value of contributed materials and services is not reflected in these consolidated financial statements.

#### Foreign currency translation

Revenue and expenses denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction dates. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the yearend date. Exchange gains and losses are included in the consolidated statement of operations.

#### Allocation of expenses

The costs of each function include the costs of personnel and other expenses that are directly related to the function. General support and other costs are not allocated. Costs directly related to individual productions are allocated to the productions and accounted for based on the accounting for other assets.



## Canadian Opera Company

### Notes to consolidated financial statements

[amounts expressed in thousands]

June 30, 2016

#### 3. Accounts receivable

As at June 30, 2016, accounts receivable include pledges receivable of \$1,575 [2015 – \$1,347].

#### 4. Other assets

Other assets consist of the following:

	2016	2015
	\$	\$
Current		
Production costs for subsequent season	428	1,096
Prepaid expenses and inventory	162	173
	<u>590</u>	<u>1,269</u>
Long-term		
Production costs for future seasons	<u>1,765</u>	<u>1,605</u>

#### 5. Investments

Investments consist of the following:

	2016	2015
	\$	\$
Investments held related to unspent deferred capital contributions:		
Cash	4,207	4,097
Investments held related to certain internally restricted net assets:		
Cash	138	182
<b>Total investments</b>	<u>4,345</u>	<u>4,279</u>

Cash is classified as long-term investments to the extent required for the balance to equal the unspent deferred capital contributions [note 10[c]] and certain internally restricted net assets.

## Canadian Opera Company

### Notes to consolidated financial statements

[amounts expressed in thousands]

June 30, 2016

#### 6. Capital assets

Capital assets consist of the following:

	2016		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	32,402	—	32,402
Four Seasons Centre	136,025	34,007	102,018
Other buildings	11,085	11,085	—
Other	4,827	3,281	1,546
	<b>184,339</b>	<b>48,373</b>	<b>135,966</b>

  

	2015		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	32,402	—	32,402
Four Seasons Centre	136,025	30,607	105,418
Other buildings	11,085	11,085	—
Other	4,041	2,783	1,258
	<b>183,553</b>	<b>44,475</b>	<b>139,078</b>

#### 7. Bank indebtedness

The Company has an operating line of credit of \$2,500 and any drawings on this line bear interest at the bank's prime lending rate plus 1% [June 30, 2016 – 2.70%]. As at June 30, 2016, the Company had used \$1,544 of the line of credit [2015 – \$971].

Certain buildings have been pledged as collateral.

#### 8. Government remittances payable

As at June 30, 2016, accounts payable and accrued liabilities include government remittances payable of \$187 [2015 – \$197].

## Canadian Opera Company

### Notes to consolidated financial statements

[amounts expressed in thousands]

June 30, 2016

#### 9. Deferred revenue

Deferred revenue consists of the following:

	2016	2015
	\$	\$
Box office	5,569	5,834
Sponsorships and fundraising	280	478
Grants	1,988	1,779
Funds held and administered by the Foundation <i>[note 13[b]]</i>	100	98
Other	49	—
	<b>7,986</b>	<b>8,189</b>

Deferred box office represents proceeds from the sale of subscriptions and single tickets for the subsequent season.

Deferred sponsorships and fundraising represent funds received for a specific future production or future activity.

Deferred grants represent funding received by the Company in respect of operations for the subsequent season.

Other includes rental deposits received from third parties for the subsequent season.

#### 10. Deferred capital contributions

[a] Deferred capital contributions consist of the following:

	2016	2015
	\$	\$
Deferred capital contributions related to the Four Seasons Centre <i>[note 10[b]]</i>	102,018	105,418
Deferred capital contributions related to ticket surcharges <i>[note 10[c]]</i>	5,259	4,941
	<b>107,277</b>	<b>110,359</b>

[b] Deferred capital contributions related to the Four Seasons Centre represent restricted contributions received and used for purposes of funding the construction and the related financing and fundraising activities of the Four Seasons Centre. Such restricted contributions are recognized as revenue in the year in which the related expenses are recognized.

## Canadian Opera Company

### Notes to consolidated financial statements

[amounts expressed in thousands]

June 30, 2016

Changes in the deferred capital contributions balance related to the Four Seasons Centre during the year are as follows:

	2016	2015
	\$	\$
<b>Balance, beginning of year</b>	<b>105,418</b>	108,819
Restricted contributions received for capital purposes	57	213
Amount recognized as revenue		
Amortization of deferred capital contributions	(3,401)	(3,401)
Other	(1)	(3)
Amount transferred to the Canadian Opera Foundation [note 13[d]]	(55)	(210)
<b>Balance, end of year</b>	<b>102,018</b>	105,418

Amortization of deferred capital contributions represents the amortization of funding received related to the costs of the Four Seasons Centre. Other amounts have been recognized as revenue equal to fundraising expenses related to the campaign to raise funds for the construction of the Four Seasons Centre.

- [c] Deferred capital contributions related to ticket surcharges represent the unamortized amount of the funds received from each ticket sold to any event in the Four Seasons Centre. The amount is restricted for the purchase of capital assets, including repairs and improvements to the building.

Changes in the deferred capital contributions balance related to ticket surcharges during the year are as follows:

	2016	2015
	\$	\$
<b>Balance, beginning of year</b>	<b>4,941</b>	4,562
Contributions received during the year	665	676
Interest	38	41
Amounts used in operations	—	(51)
Amortization of deferred capital contributions related to purchase of capital assets	(385)	(287)
<b>Balance, end of year</b>	<b>5,259</b>	4,941

The balance of deferred capital contributions includes \$4,207 [2015 – \$4,097] that is unspent on capital purchases.

## Canadian Opera Company

### Notes to consolidated financial statements

[amounts expressed in thousands]

June 30, 2016

#### 11. Government grants

During the year ended June 30, 2016, the Company received government grants of \$6,023 [2015 – \$6,343] which consisted of the following:

	2016	2015
	\$	\$
Canada Council	2,335	2,410
Ontario Arts Council	2,165	2,331
Ontario Cultural Attractions Fund	—	80
City of Toronto	1,523	1,522
	<u>6,023</u>	<u>6,343</u>

#### 12. Commitments

[a] The Company has entered into various agreements with performance artists for services to be performed in future years with minimum payments as follows:

	\$
2017	9,710
2018	1,638
2019	1,264
2020	376
2021	27
	<u>          </u>

[b] The Company has entered into various long-term operating leases and obligations. The Company has committed to the following future minimum annual payments:

	\$
2017	152
2018	140
	<u>          </u>

#### 13. Canadian Opera Foundation

[a] The Foundation is a separate corporation without share capital and with its own Board of Directors. It is registered as a charitable organization under the Act.

## Canadian Opera Company

### Notes to consolidated financial statements

[amounts expressed in thousands]

June 30, 2016

The Foundation acquires, holds in trust and applies funds to assist in the development of opera for the benefit of the Company. The unaudited fund balances held by the Foundation as at June 30, 2016 totalled \$37,521 [2015 – \$36,652] consisting of the following:

	2016 \$	2015 \$
	<i>[unaudited]</i>	
Capital Fund – this fund is available for distribution to the Company at the discretion of the Directors of the Foundation	2,764	2,712
Endowment funds – the income earned on these funds is available for distribution to the Company and individuals on a basis that the Directors of the Foundation determine to be reasonably prudent in accordance with its policies and the terms of each individual endowment fund	34,757	33,940
	<b>37,521</b>	<b>36,652</b>

[b] The Foundation administers certain funds on behalf of the Company that are included in due from the Foundation and deferred revenue [June 30, 2016 – \$100; June 30, 2015 – \$98] *[note 9]*.

[c] During the year, the Foundation granted \$1,365 to the Company [2015 – \$1,850]. Of this amount, \$1,365 [2015 – \$1,050] was from earnings on endowment and the balance of nil [2015 – \$800] was from unrestricted funds in support of new productions.

[d] During the year, the Company granted and paid to the Foundation \$87 [2015 – \$866] of unrestricted bequests and donations to be used for the future support of the Company.

The Company also transferred restricted donations of \$55 [2015 – \$210] to the Foundation based on the direction of a donor *[note 10[b]]*.

In addition, there were donations of \$1 [2015 – \$61] received by the Company restricted for endowment purposes to be held by the Foundation that were transferred to the Foundation and have not been recorded as revenue and expenses in the consolidated statement of operations.

[e] Related party transactions are recorded at the exchange amount established and agreed to by the related parties. Amounts due from the Foundation are non-interest bearing and due on demand.

## Canadian Opera Company

### Notes to consolidated financial statements

[amounts expressed in thousands]

June 30, 2016

#### 14. Canadian Opera Company, Inc.

Canadian Opera Company, Inc. [COC, Inc.]" is a separate corporation without share capital and with its own Board of Directors. Its purpose is to foster and support operatic endeavours in the U.S. and in Canada. It is able to accept donations, gifts, legacies and bequests and issue U.S. charitable donation receipts. COC, Inc. is exempt from U.S. federal and state income taxes. During the year ended June 30, 2016, the Company received grants of \$65 [2015 – \$30] from COC, Inc., which are included in fundraising revenue. As at December 31, 2015, COC, Inc. had assets of \$58 [2014 – \$30] held for future distribution to the Company.

#### 15. Internally restricted net assets

Internally restricted net assets consist of amounts set aside for future projects. During the year ended June 30, 2016, there was a transfer of \$46 [2015 – \$115] from internally restricted net assets to operating net assets.

#### 16. Contingency

In the normal course of operations, the Company is subject to claims or potential claims. Management records its best estimate of the potential liability related to these claims where potential liability is likely and able to be estimated. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims would be recorded in the year during which the amount of the liability is able to be estimated or adjustments to the amounts recorded are determined to be required.

#### 17. Financial instruments

The Company is exposed to financial risk through financial instrument transactions.

##### Credit risk

The Company is exposed to credit risk in connection with its accounts receivable because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation.

##### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate price risk with respect to its operating line of credit, which is linked to the bank's prime rate which changes from time to time.

