

# **Vancouver Opera Association**

Financial Statements  
**June 30, 2020**



## *Independent auditor's report*

To the Board of Directors of Vancouver Opera Association

### **Report on the audit of the financial statements**

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#### *Our qualified opinion*

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Vancouver Opera Association (the Association) as at June 30, 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 statement of financial position as at June 30, 2020;
- the statement of revenues and expenses for the year then ended;
- the statement of changes in net assets (deficit) 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 qualified opinion*

In common with many not-for-profit organizations, the Association derives revenues from cash 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 the Association. Therefore, we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses and cash flows from operating activities for the years ended June 30, 2020 and 2019, current assets as at June 30, 2020 and 2019 and net assets (deficit) as at the beginning and the end of the years ended June 30, 2020 and 2019. Our audit opinion on the financial statements for the year ended June 30, 2019 was modified accordingly because of the possible effects of this limitation in scope.

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 qualified opinion.

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



### **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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### *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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Association to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

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## **Report on other legal and regulatory requirements**

As required by the Societies Act of British Columbia, 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.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
September 10, 2020

# Vancouver Opera Association

## Statement of Financial Position

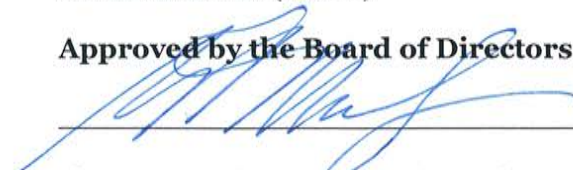
As at June 30, 2020

	2020 \$	2019 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	886,724	2,379
Restricted cash	275,395	90,527
Short-term investments (note 4)	-	120,000
Accounts receivable (notes 5 and 8)	726,384	1,669,116
Prepaid expenses (note 6)	24,351	247,414
	<u>1,912,854</u>	<u>2,129,436</u>
<b>Prepaid expenses</b> (note 6)	2,000	2,000
<b>Other receivables</b> (note 5)	26,351	26,351
<b>Capital assets – net</b> (note 7)	<u>515,875</u>	<u>587,635</u>
	<u>2,457,080</u>	<u>2,745,422</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank indebtedness (note 13)	40,000	634,402
Accounts payable and accrued liabilities (note 8)	464,533	389,084
Co-production loan (note 9)	10,000	20,000
Due to Vancouver Opera Foundation (note 14)	727,944	837,259
Deferred revenue	376,998	661,564
Deferred contributions (note 10)	<u>1,495,930</u>	<u>1,313,337</u>
	3,115,405	3,855,646
<b>Deferred capital contributions</b> (note 11)	<u>257,449</u>	<u>299,662</u>
	<u>3,372,854</u>	<u>4,155,308</u>
<b>Net assets (deficit)</b>		
Net assets invested in capital assets	258,426	287,974
Unrestricted deficit	<u>(1,174,200)</u>	<u>(1,697,860)</u>
	<u>(915,774)</u>	<u>(1,409,886)</u>
	<u>2,457,080</u>	<u>2,745,422</u>

**COVID-19 and liquidity risk** (note 1)

**Commitments** (note 12)

**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, 2020

	2020 \$	2019 \$
<b>Revenues</b>		
Earned revenues		
Mainstage ticket sales	1,635,443	2,456,135
Investment income	2,677	1,354
Other revenue	133,129	82,171
	<u>1,771,249</u>	<u>2,539,660</u>
Private sector fundraising		
Individual donations	1,859,391	1,441,397
Foundations and other (note 14)	497,275	2,888,520
Corporate	385,789	384,875
Lotteries and special events	591,916	996,266
	<u>3,334,371</u>	<u>5,711,058</u>
Public sector grants		
Canada Council – operating	690,000	690,000
Canadian Heritage – capital	19,125	19,125
Canadian Emergency Wage Subsidy (CEWS)	234,366	-
British Columbia Arts Council	529,130	575,317
Other provincial funding	62,000	12,512
Local municipalities	259,028	454,919
	<u>1,793,649</u>	<u>1,751,873</u>
<b>Total revenues</b>	<u>6,899,269</u>	<u>10,002,591</u>
<b>Expenses</b>		
Mainstage productions	3,124,949	4,943,933
Marketing	839,272	1,156,463
General and administrative	870,205	833,703
Fundraising	440,410	541,785
Lotteries and special events	407,979	669,222
Facilities	459,230	452,276
Education and community engagement	167,115	212,855
Amortization of capital assets	95,997	121,199
	<u>6,405,157</u>	<u>8,931,436</u>
<b>Total expenses</b>	<u>6,405,157</u>	<u>8,931,436</u>
<b>Excess of revenues over expenses for the year</b>	<u>494,112</u>	<u>1,071,155</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, 2020

	<b>2020</b>		<b>2019</b>	
	<b>Unrestricted deficit</b>	<b>Net assets invested in capital assets</b>	<b>Total</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance – Beginning of year</b>	(1,697,860)	287,974	(1,409,886)	(2,481,041)
Excess of revenues over expenses for the year	590,109	(95,997)	494,112	1,071,155
Purchase of capital assets	(24,236)	24,236	-	-
Amortization of deferred capital contributions	(42,213)	42,213	-	-
<b>Balance – End of year</b>	<b>(1,174,200)</b>	<b>258,426</b>	<b>(915,774)</b>	<b>(1,409,886)</b>

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



# Vancouver Opera Association

## Statement of Cash Flows

For the year ended June 30, 2020

	2020 \$	2019 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenues over expenses for the year	494,112	1,071,155
Items not involving cash		
Amortization of capital assets	95,997	121,199
Amortization of deferred capital contributions (note 11)	(42,213)	(42,213)
	<u>547,896</u>	<u>1,150,141</u>
Changes in non-cash working capital items		
Decrease (increase) in accounts receivable	942,732	(489,744)
Decrease (increase) in prepaid expenses	223,063	(123,716)
Increase in accounts payable and accrued liabilities	75,449	19,569
Decrease in deferred revenue	(284,566)	(108,408)
Increase (decrease) in deferred contributions (note 10)	182,593	(687,180)
	<u>1,139,271</u>	<u>(1,389,479)</u>
	<u>1,687,167</u>	<u>(239,338)</u>
<b>Financing activities</b>		
Repayment of co-production loan	(10,000)	(20,000)
Redemption of short-term investments	120,000	-
Decrease in due to Vancouver Opera Foundation	(109,315)	(109,315)
	<u>685</u>	<u>(129,315)</u>
<b>Investing activities</b>		
Purchase of capital assets	(24,237)	(14,058)
<b>Net change in cash and cash equivalents during the year</b>	<u>1,663,615</u>	<u>(382,711)</u>
<b>Cash and cash equivalents – Beginning of year</b>	<u>(541,496)</u>	<u>(158,785)</u>
<b>Cash and cash equivalents – End of year</b>	<u>1,122,119</u>	<u>(541,496)</u>
<b>Cash and cash equivalents consist of</b>		
Restricted cash	275,395	90,527
Cash and cash equivalents	886,724	2,379
Bank indebtedness	(40,000)	(634,402)
	<u>1,122,119</u>	<u>(541,496)</u>

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



# Vancouver Opera Association

## Notes to Financial Statements

June 30, 2020

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### 1 Purpose of the organization and liquidity risk

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 as such 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 Foundation controls the Vancouver Opera Endowment Trust (VOET), which is a registered charity established in 1967 and provides an annual operating grant to the Association.

These financial statements do not include the assets, liabilities, and results of operations of the Foundation and the VOET.

Since March 2020, the outbreak of the novel strain of coronavirus, specifically identified as COVID-19, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of international travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. These measures have also significantly impacted the entertainment and hospitality sector. During the week of March 16, 2020, the Association's scheduled performances were suspended until further notice due to the impact of the COVID-19 outbreak and the related responses to stem the spread of the virus. As of the date of the approval of these financial statements no performances have been scheduled for the 2020-2021 season.

Management immediately implemented cost-cutting measures to manage cash flows and applied for available government subsidies. The duration and impact of the COVID-19 outbreak is unknown at this time, as are the impact of measures that certain government authorities have put in place. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Association in future periods. If travel and other restrictions limiting the gathering of people in groups and/or the overall economy are impacted for an extended period, the financial results of the Association may be materially affected. This could include impairment charges and/or a change in the Association's ability to maintain liquidity as it has in the past (note 16) and may mean that the use of the going concern assumption may be no longer appropriate.

# Vancouver Opera Association

## Notes to Financial Statements

June 30, 2020

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### **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 and the VOET. The required disclosure is included in note 17.

### **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 contributions 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 airfare, accommodations, auction package, 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. Gifts-in-kind are recorded as revenues and expenses in the year they are received.

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.



# Vancouver Opera Association

## Notes to Financial Statements

June 30, 2020

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### 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. Financial assets measured at amortized cost are tested for impairment at the end of each reporting period.

### 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 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.

### Newly adopted accounting standards

The Association has applied the following new standards for the first time for its annual reporting period commencing July 1, 2019:

- a) Section 4433, Tangible Capital Assets Held by Not-for-Profit Organizations; and
- b) Section 4434, Intangible Assets Held by Not-for-Profit Organizations.

Sections 4433 and 4434 replace Section 4431, Tangible Capital Assets Held by Not-for-Profit Organizations and Section 4432, Intangible Assets Held by Not-for-Profit Organizations in Part III of the CPA Canada Handbook - Accounting, respectively. These standards have been adopted July 1, 2019, in accordance with the transition provisions set out in the standards. As a result, the standards have been applied prospectively from July 1, 2019, with depreciation from this date determined by allocating the cost to component parts of tangible capital assets based on their relative cost or fair value at the date the assets were acquired.



# Vancouver Opera Association

## Notes to Financial Statements

June 30, 2020

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The determination of cost has not changed as a result of adopting the new guidance. The cost of a contributed tangible capital asset is deemed to be its fair value at the date of contribution plus all costs directly attributable to its acquisition.

The Association is now following guidance included in Section 3061 on amortization and componentization. The amount of amortization that is recognized as an expense in the statement of revenues and expenses is the greater of (1) the cost less salvage value over the useful life of the asset and (2) the cost less residual value over the useful life of the asset. The cost of a tangible capital asset made up of significant separable component parts is allocated to the component parts where practicable and when estimates can be made of the lives of the separate components.

### 4 Short-term investments

Short-term investments are held by the Association for the purpose of securing lottery prizes. During the year ended June 30, 2020, the Association liquidated its short-term investments which consisted of the following:

	2020 \$	2019 \$
Guaranteed investment certificates	-	120,000

### 5 Accounts receivable

	2020 \$	2019 \$
Pledges receivable	86,469	891,122
Reimbursement of expenses – the Foundation (note 14)	10,030	8,976
Grants receivable	448,500	690,000
Other receivables	207,736	105,369
	<u>752,735</u>	<u>1,695,467</u>
Long-term portion	<u>26,351</u>	<u>26,351</u>
Current portion	<u>726,384</u>	<u>1,669,116</u>

### 6 Prepaid expenses

	2020 \$	2019 \$
Production costs	-	241,861
Other	26,351	7,553
	<u>26,351</u>	<u>249,414</u>
Long-term portion	<u>2,000</u>	<u>2,000</u>
Current portion	<u>24,351</u>	<u>247,414</u>

# Vancouver Opera Association

## Notes to Financial Statements

June 30, 2020

### 7 Capital assets

	<b>2020</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>amortization</b>	<b>\$</b>
		<b>\$</b>	
Computer equipment	40,825	29,479	11,346
Computer software	25,713	21,007	4,706
Website	10,068	8,390	1,678
Office furniture and equipment	25,218	24,480	738
Leasehold improvements	966,386	521,307	445,079
Other	52,328	-	52,328
	<b>1,120,538</b>	<b>604,663</b>	<b>515,875</b>
	<b>2019</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>amortization</b>	<b>\$</b>
		<b>\$</b>	
Computer equipment	177,047	165,178	11,869
Computer software	25,713	16,596	9,117
Website	10,068	5,034	5,034
Office furniture and equipment	489,223	480,501	8,722
Leasehold improvements	951,299	451,579	499,720
Other	53,173	-	53,173
	<b>1,706,523</b>	<b>1,118,888</b>	<b>587,635</b>

Other comprises donated works of art, which are not amortized as estimated useful lives of artwork cannot be reasonably determined.

### 8 Government remittances

Government remittances consist of amounts (such as sales taxes, employee payroll withholdings, employee benefit costs, and worker's compensation premiums) required to be paid to or received from government authorities and are recognized when the amounts become due or receivable. At June 30, 2020, \$102,100 (2019 - \$16,132) is included in accounts payable as amounts due to the government of which \$96,037 (2019 - \$nil) relates to government overpayment of the CEWS to the Association during the first eligibility period. Included in accounts receivable is \$72,229 (2019 - \$40,670).

# Vancouver Opera Association

## Notes to Financial Statements

June 30, 2020

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### 9 Co-production loan

In November 2017, the Association entered into a co-production agreement with Edmonton Opera Association, Pacific Opera Association, Manitoba Opera Association Inc. and Opera de Montreal (jointly the Parties). As part of the co-production agreement, the Parties entered into a loan agreement with Opera.ca to advance \$250,000 to Manitoba Opera Association Inc. for the construction of sets and sceneries for the co-production. Each of the Parties' agreed portion of the loan is \$50,000. The loan is unsecured and bears interest at 3% per annum. As of June 30, 2020, the Association had repaid \$40,000 plus interest as stated per the agreement with Opera.ca. The remaining agreed repayment schedule for each Party, including interest is as follows:

	<b>Repayment required by the Association \$</b>
<b>Repayment date</b>	
September 30, 2020	<u>10,331</u>

The \$250,000 loan is joint and several among the Parties. Only the Association's portion of the loan has been recorded in these financial statements.

### 10 Deferred contributions

Deferred contributions mainly comprise deferred grants and donations.

	<b>2020 \$</b>	<b>2019 \$</b>
Balance – Beginning of year	1,313,337	1,310,517
Amounts pledged or received <sup>1</sup>	1,495,930	2,055,547
Amounts recorded as revenues	<u>(1,313,337)</u>	<u>(2,052,727)</u>
Balance – End of year	<u>1,495,930</u>	<u>1,313,337</u>

<sup>1</sup> Amounts pledged include \$448,500 of Canada Council operating grant (2019 – \$690,000) in accounts receivable.



# Vancouver Opera Association

## Notes to Financial Statements

June 30, 2020

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### 11 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'Brian Centre. Revenues are recognized at a rate consistent with the amortization of the related capital asset.

	2020 \$	2019 \$
Balance – Beginning of year	299,662	341,875
Amounts recorded as revenues	(42,213)	(42,213)
Balance – End of year	<u>257,449</u>	<u>299,662</u>

### 12 Commitments

#### Operating leases and contractual obligations

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

Due to COVID-19, there were no contracts signed for the 2020-021 season and, therefore, the Association does not have any contracted performers for the 2020-2021 season. Other contractual obligations at June 30, 2020 are \$nil (2019 – \$194,260) for future productions and co-productions, and \$nil for professional fees (2019 – \$22,000).

Total payments required under the leases and contractual obligations are:

	\$
2021	397,193
2022	67,144
2023 and thereafter	-
	<u>464,337</u>

# Vancouver Opera Association

## Notes to Financial Statements

June 30, 2020

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### 13 Bank indebtedness

The Association's bank has issued an irrevocable letter of credit of \$80,000 (2019 – \$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%. The bank indebtedness at June 30 was \$nil (2019 – \$634,402). 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 applied for and received a \$40,000 unsecured loan from CIBC under the Canadian Emergency Business Account program. The loan is interest free and \$10,000 of the loan is eligible for loan forgiveness if \$30,000 is repaid on or before December 31, 2022. The Association commenced repayment of the loan on a voluntary basis in July 2020 at the rate of \$1,000 per month.

The Association has available a corporate credit card with a limit of \$75,000. As at year-end, \$3,170 (2019 – \$9,802) was outstanding on the credit card which was included in accounts payable and accrued liabilities.

### 14 Related parties

#### Vancouver Opera Foundation

The Association controls the Foundation by virtue of its ability to appoint its Board members and that the Foundation's membership is restricted to directors of the Association. The Association has a continuing right of support from the Foundation through the constitution of the Foundation.

The Association received operating grants of \$200,000 (2019 – \$503,426) and special grants of \$nil (2019 – \$800,000) during the year from the Foundation. The Association paid expenses of \$9,742 (2019 – \$8,501) on behalf of the Foundation, of which \$10,030 (2019 – \$8,976) is included in accounts receivable at year-end.

In May 2017, the Association received a demand loan of \$400,000 from the Foundation. The loan is unsecured, non-interest bearing and does not have a specific repayment date or schedule of future payments. The demand loan is recorded as a current liability.

In December 2017, the Association received two new loans from the Foundation totalling \$546,574. The loans are unsecured, non-interest bearing, and are repayable in equal payments over five years. The balance outstanding at June 30, 2020 was \$327,944 (2019 – 437,259). Notwithstanding the repayment terms, the Foundation has the right to demand repayment for the entire outstanding balance at any time with a 30-day notice. The loans are recorded as current liabilities.

# Vancouver Opera Association

## Notes to Financial Statements

June 30, 2020

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### Vancouver Opera Endowment Trust

The Foundation is the sole trustee of the VOET and exercises control over the VOET as it determines the VOET's strategic operating, financing and investing policies. The VOET was established in 1961 by a deed of trust resulting from a major contribution from a single patron and his family and became a registered charity in 1967. Provided it meets certain criteria, the Association receives an annual operating grant from the VOET. In the current year, the Association received a special grant of \$nil (2019 – \$1,475,500) from the VOET.

### 15 Gifts-in-kind

In 2020, gifts-in-kind of \$163,189 (2019 – \$337,928), which include airfare, wine, accommodations, catering, advertising, artwork and theatre usages, was recorded at fair market value at the date of receipt.

### 16 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 generally considered fully collectible and, as such, the Association is not subject to significant credit risk with respect to accounts receivable. As disclosed in note 5, the Association's risk is not significantly concentrated with any party. As disclosed in note 9, if one or more of the Parties in the co-production agreement fails to meet their loan repayment obligations, the obligation then becomes joint and several among the Parties. There is currently no information that indicates significant credit risk in this area.



# Vancouver Opera Association

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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 (note 1).

### 17 Controlled entities

The net assets, revenues and expenses of the Foundation and the VOET have not been consolidated into the Association's financial statements. A financial summary of the Foundation and the VOET at December 31, 2019 and for the year then ended is as follows:

#### Vancouver Opera Foundation

	2019 \$	2018 \$
<b>Statement of financial position</b>		
Total assets	14,187,758	13,448,775
Total liabilities	1,451,401	1,524,207
Total fund balances	12,736,357	11,924,568
	<u>14,187,758</u>	<u>13,448,775</u>
<b>Statement of revenues and expenses</b>		
Total revenues	799,227	715,444
Total expenses	893,253	601,843
Changes in fair value of investments	24,251	(50,928)
(Deficiency) excess of revenues over expenses	<u>(69,775)</u>	<u>62,673</u>
<b>Statement of cash flows</b>		
Cash flows used in operating activities	(390,877)	(26,273)
Cash flows from (used in) investing activities	482,595	(6,063)

The Foundation's fund balances comprise unrestricted funds of \$39,387 in 2019 (2018 – \$119,205), internally restricted funds of \$162,168 in 2019 (2018 – \$146,175) and endowment funds held in trust of \$12,534,802 in 2019 (2018 – \$11,659,188).

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### Vancouver Opera Endowment Trust

	2019 \$	2018 \$
<b>Statement of financial position</b>		
Total assets	9,907	959,320
Total liabilities	-	(945,590)
Net assets	9,907	13,730
<b>Statement of revenues and expenses</b>		
Total revenues	(13,598)	85,110
Total expenses	(419)	1,513,215
Deficiency of revenues over expenses	(14,017)	(1,428,105)
<b>Statement of cash flows</b>		
Cash flows used in operating activities	(419)	(565,215)
Cash flows from investing activities	269	38,110

## 18 British Columbia Societies Act disclosures

In accordance with the new Societies Act of British Columbia and its accompanying regulations, the following disclosures are required:

### a) Remuneration paid to directors

The directors of the Association receive no compensation as a result of their board positions. From time to time, the Association carries out business transactions with suppliers of goods and services whose officers are also directors of the Association. During the year, these transactions amount to \$nil (2019 – \$nil). These transactions are conducted in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties and which, in management's opinion, is comparable to amounts that would have been paid to non-related parties. These transactions are subject to regular review process.

### b) Remuneration paid to employees and contractors

For the fiscal year ended June 30, 2020, the Association paid total remuneration of \$844,184 (2019 – \$829,486) to the top seven (2019 – six) employees or contractors for services, each of whom received total annual remuneration of \$75,000 or greater.

## 19 Comparative figures

Certain prior year comparative figures have been reclassified to conform to the current year's presentation.