Vancouver Opera Association

Financial Statements
June 30, 2012

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August 23, 2012

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, 2012 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 generally accepted accounting principles, 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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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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Basis for qualified opinion

In common with many charitable organizations, Vancouver Opera Association derives revenues from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our 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 private sector fundraising, excess (deficiency) of revenues over expenses and cash flows from operations for years ended June 30, 2012 and June 30, 2011, current assets as at June 30, 2012 and June 30, 2011 and net assets at both the beginning and end of the June 30, 2012 and June 30, 2011. Our audit opinion on the financial statements for the year ended June 30, 2011 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, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Vancouver Opera Association

Statement of Financial Position

As at June 30, 2012

	2012 $	2011 $
Assets		
Current assets		
Cash and cash equivalents	1,899,653	654,401
Short-term investments (note 3)	80,000	112,748
Accounts receivable (note 4)	872,252	1,023,311
Prepaid expenses - current (note 5)	207,768	226,960
	3,059,673	2,017,420
Capital assets - net (note 6)	780,231	698,757
Prepaid expenses - non-current (note 5)	51,515	215,414
	3,891,419	2,931,591
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	796,461	461,970
Deferred revenue	1,586,317	1,835,153
Deferred contributions (note 7)	1,694,770	1,008,734
	4,077,548	3,305,857
Deferred contributions - non-current (note 7)	5,000	457,000
Deferred capital contributions (note 8)	75,000	-
	4,157,548	3,762,857
Deficit		
Net assets invested in capital assets (note 6)	780,231	698,757
Unrestricted net deficit	(1,046,360)	(1,530,023)
	(266,129)	(831,266)
	3,891,419	2,931,591

Commitments (note 9)

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, 2012

	2012 $	2011 $
Revenues		
Earned revenues		
Mainstage ticket sales	4,451,533	3,104,236
Ensemble program fees	62,976	80,735
Investment income	668	4,720
Other revenue	169,666	45,867
	4,684,843	3,235,558
Private sector fundraising		
Individual donations	2,119,722	1,905,880
Lotteries and special events	1,859,690	975,174
Foundations and other	347,245	616,358
Corporate	702,892	529,710
	5,029,549	4,027,122
Public sector grants		
Canada Council - operating	692,500	695,428
British Columbia Arts Council	489,500	470,600
Ministry of Sports, Community, Culture	250,000	-
City of Vancouver	423,265	452,535
Metro Vancouver	5,000	12,500
	1,860,265	1,631,063
Total revenues	11,574,657	8,893,743
Expenses		
Mainstage productions	5,361,637	5,064,493
Marketing	1,876,808	1,520,044
Lotteries and special events	1,099,678	518,472
General and administrative	952,838	981,546
Fundraising	628,307	737,503
Facilities	327,941	508,807
Education and community engagement	325,244	367,342
Amortization (note 6)	270,314	590,498
Moving	166,753	42,408
Total expenses	11,009,520	10,331,113
Excess (deficiency) of revenues over expenses for the year	565,137	(1,437,370)

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

Vancouver Opera Association

Statement of Changes in (Deficit) Net Assets

For the year ended June 30, 2012

			2012	2011
	Unrestricted (deficit) net assets $	**Net assets invested in capital assets** $	**Total (deficit) net assets** $	**Total net assets (deficit)** $
Balance - Beginning of year	(1,530,023)	698,757	(831,266)	606,104
Excess (deficiency) of revenues over expenses for the year	835,451	(270,314)	565,137	(1,437,370)
Purchase of capital assets	(371,788)	371,788	-	-
Sale of capital assets	20,000	(20,000)	-	-
Balance - End of year	(1,046,360)	780,231	(266,129)	(831,266)

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

Vancouver Opera Association

Statement of Cash Flows

For the year ended June 30, 2012

	2012 $	2011 $
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenses for the year	565,137	(1,437,370)
Items not involving cash		
Amortization	270,314	590,498
Loss on sale of capital asset	193	-
	835,644	(846,872)
Changes in non-cash working capital items		
Decrease (increase) in accounts receivable	151,059	(271,179)
Decrease in prepaid expenses	183,091	362,406
Increase in accounts payable and accrued liabilities	334,491	136,753
Increase (decrease) in deferred contributions	234,036	(150,615)
(Decrease) increase in deferred revenue	(248,836)	155,712
	653,841	233,077
	1,489,485	(613,795)
Investing activities		
Proceeds on sale of capital asset	19,807	-
Purchase of capital assets	(371,788)	(762,796)
Purchase of short-term investments	32,748	930,001
Deferred capital contributions received	75,000	-
	(244,233)	167,205
Net change in cash and cash equivalents during the year	1,245,252	(446,590)
Cash and cash equivalents - Beginning of year	654,401	1,100,991
Cash and cash equivalents - End of year	1,899,653	654,401
Interest received	2,408	7,022
Interest paid	1,329	-

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

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.

2 Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

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 reporting 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 at the date of acquisition.

Donations of securities are sold by the securities broker and the Association receives the net proceeds, at which 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 over the lesser of three years and the anticipated period in which rentals will be received.

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 that are measured at amortized cost using the effective interest rate method.

The Association has measured cash and cash equivalents and short-term investments at fair value and accounts receivable and accounts payable and accrued liabilities 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

Change in accounting estimate

The Association uses a customized software system which was in the ninth year of its estimated useful life of 10 years. During the year, the estimated useful life of this software system has been extended to 15 years as the asset is still in use and the Association plans to continually upgrade and support the system for the next five years. These changes were accounted for prospectively as a change in accounting estimates and as a result, amortization expense in the current year has been decreased by $48,324.

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.

Future accounting pronouncements

In December 2010, the Canadian Institute of Chartered Accountants (CICA) in conjunction with the Accounting Standards Board (AcSB) issued new accounting standards for not-for-profit organizations. Going forward, private sector not-for-profit organizations will be required to adopt either Part I of the CICA Handbook - International Financial Reporting Standards (IFRS) or Part III of the CICA Handbook - Accounting Standards for Not-for-Profit Organizations.

The Association will be adopting Part III of the CICA Handbook - Accounting Standards for Not-for-Profit Organizations for its fiscal year ending June 30, 2013. The financial reporting impact of the transition is currently under review.

3 Short-term investments

Short-term investments consist of the following:

	2012 $	2011 $
Guaranteed Investment Certificates	80,000	112,748

4 Accounts receivable

	2012 $	2011 $
Pledges receivable	492,824	285,262
Grant receivable - the Foundation	19,187	21,217
Other grants receivable	345,000	690,000
Other receivables	15,241	26,832
	872,252	1,023,311

These financial statements exclude pledges due to the Association between years 2014 - 2019, of $1,007,500.

5 Prepaid expenses

	2012 $	2011 $
Production costs - 2013 - 2014 season	51,515	337,979
Production cost - 2012 - 2013 season	158,411	-
Administration and general	49,357	104,395
	259,283	442,374
Less: Current portion	(207,768)	(226,960)
	51,515	215,414

6 Capital assets

	2012			2011
	Cost $	**Accumulated amortization** $	**Net** $	**Net** $
Computer equipment	55,159	19,423	35,736	22,757
Computer software	470,430	348,621	121,809	146,971
Website	35,000	23,333	11,667	23,333
Office furniture and equipment	267,471	175,841	91,630	93,611
Scenery and costumes	222,000	222,000	-	168,000
Leasehold improvements	284,394	24,394	260,000	214,085
Construction in progress	229,389	-	229,389	-
Other	30,000	-	30,000	30,000
	1,593,843	813,612	780,231	698,757

Construction in progress comprises ongoing leasehold improvements and is not amortized until the construction is complete and ready for use. Other comprises donated works of art and are not amortized as estimated useful lives of artwork cannot be reasonably determined.

7 Deferred contributions

	2012 $	**2011** $
Grants and donations	1,651,966	1,413,400
Other	47,804	52,334
	1,699,770	1,465,734
Less: Current portion	(1,694,770)	(1,008,734)
	5,000	457,000

	2012 $	**2011** $
Balance - Beginning of year	1,465,734	1,616,351
Amounts pledged or received	1,192,135	1,347,537
Amounts recorded as revenues	(958,099)	(1,498,154)
Balance - End of year	1,699,770	1,465,734

8 Deferred capital contributions

Deferred capital contributions consist of a grant received from the City of Vancouver Infrastructure program for leasehold improvements at the O'Brian Centre. Revenues will be recognized at a rate consistent with the amortization of the related capital asset.

9 Commitments

Operating leases

The Association has entered into operating leases for its head office location and certain office equipment. Total payments required under these leases are as follows:

	$
2013	300,360
2014	316,389
2015	341,396
2016	336,850
2017 and after	1,669,898
	2,964,893

Contractual obligations

At June 30, 2012, the Association had contracted certain performers for 2012 - 2013 and subsequent seasons. The total amount payable under these contractual obligations at June 30, 2012 is $1,042,320 (2011 - $1,599,722). Other contractual obligations at June 30, 2012 are $40,102 (2011 - $30,000) for future production sets, $26,657 (2011 - $nil) for leasehold improvements and $28,387 (2011 - $nil) for marketing consulting services.

Banking commitments

The Association's bank has issued an irrevocable letter of credit of $80,000 (2011 - $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. Vancouver Opera Foundation (the Foundation), a related party, has a guarantee of 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.

10 Related parties

Vancouver Opera Foundation

The Foundation was established to raise funds for the use of the Association. The Foundation contains endowment funds with capital restricted in perpetuity, which allows only 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 previously exercised significant influence over the Foundation by virtue of its ability to appoint the majority of the Foundation's trustees. While this right to appoint the majority of trustees no longer exists, the Association has a continuing right of support from the Foundation through the bylaws of the Foundation.

The Association received an annual operating grant of $196,570 (2011 - $423,000) from the Foundation, of which $19,187 (2011 - $21,217) is included in accounts receivable at year-end. The Association paid expenses for office supplies and programs of $27,094 (2011 - $40,215) on behalf of the Foundation.

Vancouver Opera Endowment Trust

The Vancouver Opera Endowment Trust (the VOET) was established in 1961 by a deed of trust as a result of a major contribution from a single patron and his family and became a registered charity in 1967. The Association, provided it meets certain criteria, receives the residual income earned by the VOET. The deed of trust was varied during the year and establishes that the Foundation is the sole trustee of the VOET and determines the strategic operating, financing and investing policies of VOET. The varied deed permits the distribution of capital in order to meet its disbursement quota obligation pursuant to the Income Tax Act.

The Association received $43,992 (2011 - $43,992) from the VOET in the current year and from the amounts received, contributed $23,994 (2011 - $31,992) to the Foundation.

11 Employee benefits

The Association has provided a senior employee with a defined contribution Individual Pension Plan. The current service contributions paid by the Association to this plan in 2012 were $35,928 (2011 - $44,766).

12 Financial instruments

Price risk

There are three types of price risk: currency risk, interest rate risk and market risk:

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 risk

Market 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 risk.

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.

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.

Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. The Association is not exposed to significant cash flow risk.

13 Capital disclosures

The Association defines its capital as the amounts included in its net asset balances and deferred income. The Association's objective when managing its capital is to safeguard its ability to continue as a going concern so that it can continue to fulfill its mission as described in note 1. The Association does not have external restrictions on its net assets. However, the Association also holds significant deferred income which represents external subscriptions and contributions received for future years' operations or for a specific purpose. The Association has internal control processes to ensure that these restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the year.

14 Corresponding figures

Certain corresponding figures have been reclassified to conform with the current year presentation.