

Vancouver Opera Foundation

Financial Statements

June 30, 2011

October 3, 2011

Independent Auditor's Report

To the Directors of Vancouver Opera Foundation

We have audited the accompanying financial statements of Vancouver Opera Foundation, which comprise the statement of financial position as at June 30, 2011 and the statements of changes in fund balances, revenues and expenditures and cash flows for the year then ended, and the related notes including a summary of significant accounting policies.

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.



Basis for qualified opinion

In common with many charitable organizations, Vancouver Opera Foundation derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recoded in the records of Vancouver Opera Foundation and we were not able to determine whether any adjustments might be necessary to donations revenue, excess of revenues over expenditures and fund balances.

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 Foundation as at June 30, 2011 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

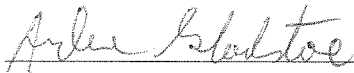
Vancouver Opera Foundation

Statement of Financial Position

As at June 30, 2011

	2011	2010
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	400,091	27,238
Investments (note 3)	9,139,913	7,482,118
	<u>9,540,004</u>	<u>7,509,356</u>
Liabilities		
Current liabilities		
Due to Vancouver Opera Association (note 7)	21,217	18,998
Accounts payable and accrued liabilities	10,000	9,800
	<u>31,217</u>	<u>28,798</u>
Fund balances (note 5)		
Endowment funds held in trust	9,040,612	6,826,498
Restricted funds	468,175	654,060
	<u>9,508,787</u>	<u>7,480,558</u>
	<u>9,540,004</u>	<u>7,509,356</u>
Commitment (note 6)		

Approved by the Directors



Director



Director

Vancouver Opera Foundation
Statement of Changes in Fund Balances
For the year ended June 30, 2011

			<u>2011</u>	<u>2010</u>
	Endowment funds held in trust \$	Restricted funds \$	Total \$	Total \$
Balance - Beginning of year	6,826,498	654,060	7,480,558	6,796,868
Excess (deficiency) of revenues over expenditures for the year Operating income (loss)	6,289	(232,333)	(226,044)	(142,470)
Change in unrealized fair value of investments	489,546	46,448	535,994	289,558
	495,835	(185,885)	309,950	147,088
External contributions to endowments (note 5)	1,718,279	-	1,718,279	536,602
Balance - End of year	9,040,612	468,175	9,508,787	7,480,558

Vancouver Opera Foundation
Statement of Revenues and Expenditures
For the year ended June 30, 2011

	2011	2010
	\$	\$
Revenues		
Donations and grants	3,500	293,788
Interest and dividends	280,406	268,013
Gain (loss) on sale of investments	6,886	(238,303)
	<hr/>	<hr/>
	290,792	323,498
Expenditures		
Disbursements for the benefit of the Vancouver Opera Association	423,000	390,000
Investment management	34,768	29,725
Miscellaneous	32,841	36,443
Audit and legal	16,227	4,800
Scholarship and bursary awards	10,000	5,000
	<hr/>	<hr/>
	516,836	465,968
Operating loss	(226,044)	(142,470)
Change in unrealized fair value of investments	<hr/>	<hr/>
	535,994	289,558
Excess of revenues over expenditures for the year	<hr/>	<hr/>
	309,950	147,088

Vancouver Opera Foundation

Statement of Cash Flows

For the year ended June 30, 2011

	2011 \$	2010 \$
Cash flows provided by (used in)		
Operating activities		
Excess of revenues over expenditures for the year	309,950	147,088
Items not affecting cash		
(Gain) loss on sale of investments	(6,886)	238,303
Change in unrealized fair value of investments	(535,994)	(289,558)
	<u>(232,930)</u>	<u>95,833</u>
Changes in non-cash working capital balances		
Increase (decrease) in due to Vancouver Opera Association	2,219	(51,282)
Increase in accounts payable and accrued liabilities	200	100
	<u>2,419</u>	<u>(51,182)</u>
	<u>(230,511)</u>	<u>44,651</u>
Investing activities		
Proceeds from sale of investments	14,866,017	2,358,510
Purchase of investments	(15,980,932)	(2,955,423)
Contributions to endowment funds	1,718,279	536,602
	<u>603,364</u>	<u>(60,311)</u>
Net change in cash and cash equivalents during the year	<u>372,853</u>	<u>(15,660)</u>
Cash and cash equivalents - Beginning of year	<u>27,238</u>	<u>42,898</u>
Cash and cash equivalents - End of year	<u>400,091</u>	<u>27,238</u>

Vancouver Opera Foundation

Notes to Financial Statements

June 30, 2011

1 Purpose of the organization

The Vancouver Opera Foundation (the Foundation) was incorporated at the behest of the Vancouver Opera Association (the VOA) under the British Columbia Society Act on September 2, 1987. The primary objective of the Foundation is to solicit, hold and administer funds for the benefit of the VOA.

On September 15, 2008, the VOF amended its bylaws so that the VOA no longer had the right to appoint the majority of the directors of the Foundation. After that date, the VOA has the right to appoint three directors of the Foundation and the balance of the directors are elected by the Members of the Foundation.

The VOA 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 Foundation 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.

Fund accounting

The Foundation reports revenue, expenditures and fund balances in accordance with the restrictions set by the Foundation's Constitution and By-laws, external donors and the directors. Contributions with a restriction that the principal of the gift be maintained in perpetuity and only the income be distributed for use are reported in the endowment funds. Investment income earned on endowment fund investments may be transferred to the restricted funds depending on the specific restrictions of each endowment.

Revenue recognition

The Foundation follows the deferral method of accounting for contributions in the restricted fund. Contributions are recorded as receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions received for endowment purposes are recorded as direct increases in net assets. Given that the Foundation's primary objective is to solicit, hold and administer funds for the benefit of the VOA, all unrestricted donations are effectively internally restricted for the benefit of the VOA.

Investment income

Investment income includes interest and dividends. Transaction costs are expensed as incurred. Income earned on investments is allocated amongst the individual funds on a proportional basis, based on the previous year's closing balance.

Vancouver Opera Foundation

Notes to Financial Statements

June 30, 2011

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with banks and highly liquid short-term investments. Investments of this nature are measured at fair value.

Financial instruments

All financial assets and liabilities are measured at fair market value except investments held-to-maturity and current liabilities that are measured at amortized cost using the effective interest rate method.

The Foundation has measured cash and cash equivalents at fair value and due to the VOA and accounts payable and accrued liabilities at amortized cost using the effective interest rate method. Investments are measured at their fair values and have been designated as held-for-trading with unrealized gains and losses recognized in the statement of revenues and expenditures. Investments consist of units in various Genus Funds. Fair values of the funds are determined by the prices quoted by the fund manager, which are based on the fair values of the underlying assets held by the funds.

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 expenditures during the year. Actual results could differ from those estimates as additional information becomes available in the future.

Vancouver Opera Foundation

Notes to Financial Statements

June 30, 2011

3 Investments

	2011		2010	
	Cost \$	Fair value \$	Cost \$	Fair value \$
Units in Genus Funds				
Canadian asset-backed	92,830	85,052	99,715	73,367
Canadian bond	1,837,767	1,835,647	1,075,211	1,110,810
Canadian equity	1,003,819	959,736	302,727	295,391
Dividend equity	-	-	3,451,033	2,427,709
Canadian 130-30 Equity	-	-	164,939	157,639
Global bond	918,171	919,236	687,993	725,809
Global equity	3,288,447	2,817,240	200,000	182,206
Emerging Markets	-	-	235,000	208,894
Market neutral	344,860	308,817	413,883	358,034
Money market	125,755	125,755	382,654	382,654
Short-term corporate bond	930,336	922,168	1,086,473	1,085,472
Supervised assets annuity	250,000	250,000	250,000	250,000
US equity	919,444	916,262	240,000	224,133
	9,711,429	9,139,913	8,589,628	7,482,118

4 Funds

The Foundation has reclassified the reporting of its funds in the current fiscal year to better capture the intent of the funds.

Restricted funds

Vancouver Real Property Fund and VOA Capital Fund

The VOA Real Property Fund and VOA Capital Fund, which are internally restricted funds, have been reclassified from unrestricted to restricted funds. They are reported as the VOA Real Property and Capital Fund in the fund balances table in note 5. The funds provide grants to the VOA for general purposes including the acquisition of real property, fixtures, furniture and capital.

Vancouver Opera Foundation

Notes to Financial Statements

June 30, 2011

Vancouver Opera Orchestra Fund

The Vancouver Opera Orchestra Fund is designated to hold funds and property the Foundation designates or directs shall be placed in the fund and to hold donations, gifts, funds and property received by the Foundation subject to a designation, trust or direction from the donor to transfer them to the Vancouver Opera Orchestra Fund. The fund is to be further used to the musical interests of the VOA.

Scholarship and bursary funds

The scholarship and bursary funds are designated to hold funds and property the Foundation designates or directs shall be placed in the individual fund and to hold donations, gifts, funds and property received by the Foundation subject to a designation, trust or direction from the donor to transfer them to the individual fund. The intended purpose of each fund is as follows:

Barbara Sharp Scholarship Fund

The fund is to be used for scholarships to BC opera singing students.

Brian McMaster Opera Bursary Fund

The fund is to be used for bursaries to individuals studying or improving their opera skills, whether as performing artists or as participants in productions.

Joe Boxer Memorial Fund

The fund is to be used for bursaries to BC opera singing students.

Kurt Sickert Scholarship Memorial Fund

The fund is to be used for bursaries to developing young BC opera singers.

Toni Cavelti Trust Fund

The fund is to be used for bursaries to BC opera singing students.

Endowment funds

BC Arts Renaissance Fund Endowment Program

The BC Arts Renaissance Fund is an endowment and development fund established by a grant from the Province of British Columbia to support arts and culture organizations across British Columbia. The BC Arts Renaissance Fund's endowment program will assist British Columbia's non-profit arts and culture organizations to build permanent endowment funds by providing matching grants. Income generated from the capital of the funds established by arts and culture organizations will provide annual revenues to ensure long-term financial stability and enable new opportunities for growth.

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The BC Arts Renaissance matching program is fully expended and it is uncertain if the Province of British Columbia will reinvest in the program in the future.

Canadian Arts and Heritage Grant

The Canadian Arts and Heritage Sustainability Program (the Program) was established to develop the long-term financial and organizational stability and viability of arts and heritage organizations.

A Canadian Arts and Heritage Grant was awarded to the Foundation by the Program. The grant and matching sums raised from private donors must be capitalized in perpetuity.

David Spencer Memorial Endowment Fund

The David Spencer Memorial Fund was established to serve a new generation of musicians in the spirit of support Mr. Spencer demonstrated during his lifetime. The fund is to be used to support young artist training activities such as the Vancouver Opera's Young Artists Coaching Intensive (YACIN).

VOA Endowment Fund

The VOA Endowment Fund is designated to hold funds and property the Foundation designates or directs shall be placed in the fund and to hold donations, gifts, funds and property received by the Foundation subject to a designation, trust or direction from the donor to transfer them to the VOA Endowment Fund.

The capital of the VOA Endowment Fund and all capital accretions thereto cannot be distributed under any circumstances other than upon the winding-up and dissolution of the Foundation. The income earned on the fund in any fiscal year may be paid out to the VOA, with any undisbursed balance becoming part of the capital of the fund.

Vancouver Opera Chorus Endowment (VOCE) Fund

The VOCE Fund was established in memory of Chorus past, in support of Chorus present, in preparation for Chorus future. Each year the VOCE grants panel explores activities for VOCE sponsorship to further develop the Vancouver Opera Chorus.

Yulanda M. Faris Endowment for Young Artists Training Program

In the current fiscal year, the Foundation received a one million dollar donation to create the Yulanda M. Faris Endowment for Young Artists Training Program. This Fund is to be used to annually support a young artists training program at VOA.

Vancouver Opera Foundation

Notes to Financial Statements

June 30, 2011

5 Fund balances

	Fund balance - June 30, 2010 \$	Cash contributions \$	Realized/ unrealized capital gains \$	Interest/ dividend income earned on Fund capital \$	VOF expenses incurred and paid \$	Disbursements of income earned on Fund \$	Fund balance - June 30, 2011 \$
Endowment funds							
BC Arts Renaissance Fund Endowment Program	1,164,137	-	84,484	43,637	(12,987)	(30,650)	1,248,621
Canadian Arts and Heritage Grant	2,223,085	342,888	159,818	82,548	(24,567)	(57,981)	2,725,791
David Spencer Memorial Endowment Fund	225,169	50,000	16,341	8,440	(2,512)	(5,928)	291,510
VOA Endowment Fund	3,160,466	319,591	229,361	118,469	(35,257)	(83,212)	3,709,418
VOCE Fund	53,641	5,800	5,831	3,012	(1,283)	(1,729)	65,272
Yulanda M. Faris Endowment	-	1,000,000	-	-	-	-	1,000,000
	6,826,498	1,718,279	495,835	256,106	(76,606)	(179,500)	9,040,612
Restricted funds							
Barbara Sharp Scholarship Fund	9,225	-	669	346	(103)	(243)	9,894
Brian McMaster Opera Bursary Fund	16,056	-	1,165	602	(179)	(423)	17,221
Joe Boxer Memorial Fund	12,390	-	899	464	(138)	(326)	13,289
Kurt Sickert Scholarship Memorial Fund	23,658	-	1,717	887	(264)	(623)	25,375
Toni Cavelti Trust Fund	33,802	3,000	2,453	1,267	(377)	(890)	39,255
Vancouver Opera Orchestra Fund	34,385	500	2,496	1,289	(384)	(905)	37,381
VOA Real Property and Capital Fund	524,544	-	37,646	19,445	(5,785)	(250,090)	325,760
	654,060	3,500	47,045	24,300	(7,230)	(253,500)	468,175
Total Funds balance	7,480,558	1,721,779	542,880	280,406	(83,836)	(433,000)	9,508,787

As described in note 4, certain comparative fund balance figures have been reclassified, through inter-fund transfers, to conform with the current year presentation.

6 Commitment

The Foundation has guaranteed a line of credit in the amount of \$500,000 with the CIBC on behalf of the VOA. As at the year-end, there is no amount outstanding on this operating line.

7 Related parties

Vancouver Opera Endowment Trust

The Foundation has a related party relationship with the Vancouver Opera Endowment Trust (the VOET). 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. The majority of the VOET directors are also directors of the Foundation. Under the terms of the trust, the Foundation received \$32,000 (2010 - \$32,000) from the VOET. Balances and transactions with VOET have been recorded at the exchange amount.

Vancouver Opera Foundation

Notes to Financial Statements

June 30, 2011

Vancouver Opera Association

The VOA previously exercised significant influence over the Foundation by virtue of its ability to appoint the majority of the Foundation's directors. While this right to appoint the majority of directors no longer exists, the VOA has a continuing right of support from the Foundation through the bylaws of the Foundation.

The Foundation provided an annual operating grant of \$423,000 (2010 - \$390,000) to the VOA. As at June 30, 2011, \$21,217 (2010 - \$18,998) of the operating grant is owed to the VOA. The VOA paid for expenses for office supplies and programs of \$40,215 (2010 - \$29,755) and provides administration and accounting services without charge on behalf of the Foundation. Balances and transactions with the VOA have been recorded at the exchange amount.

8 Credit, interest rate, and currency risk management

Market and credit risk

The investment portfolio is exposed to market and credit risk due to changing market conditions for short-term notes, bonds and debentures, marketable equity securities, and asset-backed commercial papers. These market and credit risks are managed by establishing and monitoring asset allocation strategies, and by diversifying investments within the various asset pools held by the Foundation.

Interest rate risk

The Foundation is not exposed to significant interest rate risk.

Foreign exchange risk

The Foundation is exposed to foreign exchange risk through its investment in global markets.

9 Managing capital

The Foundation defines its capital as the amounts included in its net asset balances. The Foundation'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 of providing financial support to the VOA. A significant portion of its capital is restricted as described in note 4. The Foundation has internal control processes to ensure that the restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the year.