

Vancouver Opera Association

Financial Statements
June 30, 2011

August 25, 2011

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, 2011 and the statements of changes in net assets, 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 in our audit 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 Association derives revenue from private sector donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Vancouver Opera Association and we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenditures and net assets.

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, 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 Association

Statement of Financial Position

As at June 30, 2011

	2011 \$	2010 \$
Assets		
Current assets		
Cash and cash equivalents	654,401	1,100,991
Short-term investments (note 3)	112,748	1,042,748
Accounts receivable (note 4)	1,023,311	752,132
Prepaid expenses - current (note 5)	226,960	631,454
	<u>2,017,420</u>	<u>3,527,325</u>
Capital assets - net (note 6)	698,757	526,459
Prepaid expenses - non-current (note 5)	215,414	173,326
	<u>2,931,591</u>	<u>4,227,110</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	328,634	283,329
Deferred income - current (note 7)	2,977,223	3,321,177
	<u>3,305,857</u>	<u>3,604,506</u>
Deferred income - non-current (note 7)	457,000	16,500
	<u>3,762,857</u>	<u>3,621,006</u>
Net assets		
Net assets invested in capital assets (note 6)	698,757	526,459
Unrestricted net (deficit) assets	(1,530,023)	79,645
	<u>(831,266)</u>	<u>606,104</u>
	<u>2,931,591</u>	<u>4,227,110</u>
Commitments (note 8)		

Approved by the Board of Directors



Director



Director

Vancouver Opera Association

Statement of Changes in Net Assets

For the year ended June 30, 2011

			2011	2010
	Unrestricted net assets \$	Net assets invested in capital assets \$	Total net (deficit) assets \$	Total net assets \$
Balance - Beginning of year	79,645	526,459	606,104	546,796
(Deficiency) excess of revenues over expenditures for the year	(846,872)	(590,498)	(1,437,370)	59,308
Purchase of capital assets	(762,796)	762,796	-	-
Balance - End of year	<u>(1,530,023)</u>	<u>698,757</u>	<u>(831,266)</u>	<u>606,104</u>

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

	2011 \$	2010 \$
Revenues		
Earned revenues		
Mainstage ticket sales	3,105,458	3,827,580
Ensemble program fees	80,735	30,965
Investment income	4,720	7,874
Other revenue	44,645	129,923
	<u>3,235,558</u>	<u>3,996,342</u>
Private sector fundraising		
Individual donations	1,905,880	1,736,974
Lotteries and special events	975,174	1,071,332
Foundations and other	616,358	452,610
Corporate	529,710	606,992
	<u>4,027,122</u>	<u>3,867,908</u>
Public sector grants		
Canada Council - operating	695,428	681,830
British Columbia Arts Council	470,600	565,600
City of Vancouver	452,535	417,010
Greater Vancouver Regional District	12,500	12,500
	<u>1,631,063</u>	<u>1,676,940</u>
Total revenues	<u>8,893,743</u>	<u>9,541,190</u>
Expenditures		
Mainstage productions	5,064,493	4,814,434
Marketing	1,520,044	1,520,623
General and administrative	981,546	819,843
Fundraising	737,503	824,904
Lotteries and special events	518,472	516,854
Amortization (note 6)	590,498	276,718
Education and community engagement	367,342	252,786
Facilities	551,215	455,720
	<u>10,331,113</u>	<u>9,481,882</u>
Total expenditures	<u>10,331,113</u>	<u>9,481,882</u>
(Deficiency) excess of revenues over expenditures for the year	<u>(1,437,370)</u>	<u>59,308</u>

Vancouver Opera Association

Statement of Cash Flows

For the year ended June 30, 2011

	2011	2010
	\$	\$
Cash provided by (used in)		
Operating activities		
(Deficiency) excess of revenues over expenditures for the year	(1,437,370)	59,308
Item not involving cash - amortization	590,498	276,718
	<u>(846,872)</u>	<u>336,026</u>
Changes in non-cash working capital items		
(Increase) decrease in accounts receivable	(271,179)	60,919
Increase (decrease) in prepaid expenses	362,406	(259,082)
Increase in accounts payable and accrued liabilities	45,305	180,122
Increase in deferred income	96,546	174,527
	<u>233,078</u>	<u>156,486</u>
	<u>(613,794)</u>	<u>492,512</u>
Investing activities		
Purchase of capital assets	(762,796)	(276,982)
Proceeds on redemption of (purchase of) short-term investments	930,000	(1,042,748)
	<u>167,204</u>	<u>(1,319,730)</u>
Net change in cash and cash equivalents during the year	<u>(446,590)</u>	<u>(827,218)</u>
Cash and cash equivalents - Beginning of year	<u>1,100,991</u>	<u>1,928,209</u>
Cash and cash equivalents - End of year	<u>654,401</u>	<u>1,100,991</u>
Interest received	<u>7,022</u>	<u>7,874</u>

Vancouver Opera Association

Notes to Financial Statements

June 30, 2011

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.

Earned income, primarily ticket sales and related revenue, is recognized as revenue in the year in which the related production takes place.

Gifts-in-kind, which include securities, furnishings, equipment, books, manuscripts, artwork and artifacts, are recorded at fair market value at the date of acquisition.

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 after year-end. Investments of this nature are measured at fair value.

Vancouver Opera Association

Notes to Financial Statements

June 30, 2011

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	10 years
Website	3 years
Office furniture and equipment	5 years
Scenery and costumes	3 years
Leasehold improvements	15 years

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.

3 Short-term investments

Short-term investments consist of the following:

	2011	2010
	\$	\$
Term deposits	-	850,000
Guaranteed Investment Certificates	112,748	192,748
	<u>112,748</u>	<u>1,042,748</u>

Vancouver Opera Association

Notes to Financial Statements

June 30, 2011

4 Accounts receivable

	2011	2010
	\$	\$
Pledges receivable	975,262	715,031
Grant receivable - the Foundation	21,217	18,997
Other receivables	26,832	18,104
	<u>1,023,311</u>	<u>752,132</u>

5 Prepaid expenses

	2011	2010
	\$	\$
Future production costs	337,979	436,187
Production cost - Lillian Alling	-	288,871
Administration and general	104,395	79,722
	<u>442,374</u>	<u>804,780</u>
Less: Current portion	<u>(226,960)</u>	<u>(631,454)</u>
	<u>215,414</u>	<u>173,326</u>

Prepaid expenses comprise expenses for future years' general operating costs and for productions to be held in future periods.

6 Capital assets

	<u>2011</u>		<u>2010</u>	
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Computer equipment	54,433	31,676	22,757	20,441
Computer software	470,430	323,459	146,971	125,660
Website	35,000	11,667	23,333	
Office furniture and equipment	226,966	133,355	93,611	99,692
Scenery and costumes	756,941	588,941	168,000	247,000
Leasehold improvements	239,799	25,714	214,085	3,666
Other	30,000	-	30,000	30,000
	<u>1,813,569</u>	<u>1,114,812</u>	<u>698,757</u>	<u>526,459</u>

Vancouver Opera Association

Notes to Financial Statements

June 30, 2011

Writedowns of \$504,941 relating to sets, costumes and props are included in the accumulated amortization as at June 30, 2011 (2010 - \$154,599).

7 Deferred income

	2011	2010
	\$	\$
Subscription sales	2,075,823	1,775,823
Grants and donations	1,358,400	1,561,854
	<hr/>	<hr/>
	3,434,223	3,337,677
Less: Current portion	(2,977,223)	(3,321,177)
	<hr/>	<hr/>
	457,000	16,500

8 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:

	\$
2012	332,884
2013	275,447
2014	301,076
2015	326,084
2016 and after	1,951,577
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	3,187,068

Contractual obligations

At June 30, 2011, the Association had contracted certain performers for 2011-2012 and subsequent seasons. The total amount payable under these contractual obligations at June 30, 2011 is \$1,599,722 (2010 - \$837,000). Contractual obligations for production sets at June 30, 2011 are US\$30,000 (2010 - \$154,010).

Vancouver Opera Association

Notes to Financial Statements

June 30, 2011

Banking commitments

The Association's bank has issued an irrevocable letter of credit of \$80,000 (2010 - \$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. As at year-end, no amount was outstanding on the operating line.

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.

9 Related parties

Vancouver Opera Foundation

The 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 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 \$423,000 (2010 - \$390,000) from the Foundation, of which \$21,217 (2010 - \$18,997) is included in accounts receivable at year-end. The Association paid expenses for office supplies and programs of \$40,215 (2010 - \$29,755) 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. The Association, provided it meets certain criteria, receives the residual income earned by the VOET. Although the Association may appoint the majority of trustees, the power of these trustees to determine the strategic operating, financing and investing policies is limited by the trust deed. Therefore, the Association does not control or exercise significant influence over the VOET.

The Association receives \$12,000 (2010 - \$12,000) annually from the VOET.

Vancouver Opera Association

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10 Employee benefits

The Association has provided a senior employee with an Individual Pension Plan. The current service contributions paid by the Association to this plan in 2011 were \$44,766 (2010 - \$42,237).

11 Interest rate and currency risk management

Interest rate risk

The Association is not exposed to significant interest rate risk.

Foreign exchange risk

The Association is not exposed to significant foreign exchange risk as revenues and expenditures in foreign currencies are nominal.

12 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.

13 Comparative figures

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