

Manitoba Opera Association, Inc.

Financial Statements

May 31, 2011

July 6, 2011

Independent Auditor's Report

To the Directors of Manitoba Opera Association, Inc.

We have audited the accompanying financial statements of Manitoba Opera Association, Inc. (the "Association") which comprise the balance sheet as at May 31, 2011, and the statements of operations and fund balances 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 Association'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 Association'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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Association as at May 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 to the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern.

PricewaterhouseCoopers LLP

Chartered Accountants

Manitoba Opera Association, Inc.

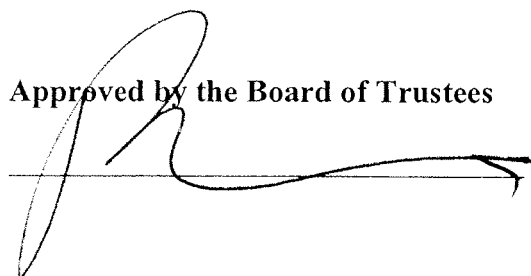
Balance Sheet

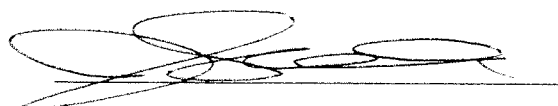
As at May 31, 2011

| | | | 2011 | 2010 |
|---|-------------------------|---|-------------|-------------|
| | Operating Fund \$ | Bruce H. Lang Endowment Fund \$ | Total \$ | Total \$ |
| Assets | | | | |
| Cash | - | - | - | 134,610 |
| Grants and other receivables (note 4) | 183,849 | - | 183,849 | 220,756 |
| Prepaid expenses (note 5) | 44,998 | - | 44,998 | 16,442 |
| Guaranteed investment certificate | - | 29,512 | 29,512 | 29,468 |
| | 228,847 | 29,512 | 258,359 | 401,276 |
| Liabilities and Deficit | | | | |
| Liabilities | | | | |
| Cheques issued in excess of funds on deposit | 17,273 | - | 17,273 | - |
| Accounts payable and accrued liabilities | 16,367 | - | 16,367 | 30,202 |
| Deferred revenue (note 7) | 496,675 | - | 496,675 | 542,434 |
| | 530,315 | - | 530,315 | 572,636 |
| Deficit | | | | |
| Net assets restricted for endowment purposes (note 3) | - | 29,512 | 29,512 | 29,468 |
| Operating Fund | (301,468) | - | (301,468) | (200,828) |
| | (301,468) | 29,512 | (271,956) | (171,360) |
| | 228,847 | 29,512 | 258,359 | 401,276 |

Going concern (note 1)

Approved by the Board of Trustees

 Director

 Director

Manitoba Opera Association, Inc.

Statement of Operations and Fund Balances

For the year ended May 31, 2011

| | Year ended May 31, | | Eleven month period ended |
|--|--------------------|---------------------------------------|------------------------------|
| | 2011 | | May 31, |
| | Operating Fund | Bruce H. Lang Endowment Fund | Total |
| | \$ | \$ | \$ |
| Revenue | | | |
| Grants | | | |
| Canada Council for the Arts | 142,000 | - | 142,000 |
| Manitoba Arts Council | 220,000 | - | 220,000 |
| Winnipeg Arts Council | 92,500 | - | 90,000 |
| | 454,500 | - | 482,780 |
| Donations and fundraising | 489,405 | - | 405,279 |
| Sponsorships | 104,750 | - | 82,700 |
| Box office | 649,889 | - | 657,863 |
| Miscellaneous income | 51,446 | - | 19,707 |
| Investment income | - | 44 | - |
| | 1,749,990 | 44 | 1,648,329 |
| Expenses | | | |
| Administrative and fundraising | 499,962 | - | 439,969 |
| Productions | 1,070,597 | - | 968,115 |
| Publicity and promotion | 280,071 | - | 227,189 |
| | 1,850,630 | - | 1,635,273 |
| Excess (deficiency) of revenue for the year | (100,640) | 44 | 13,056 |
| Fund balance - Beginning of year | (200,828) | 29,468 | (184,416) |
| Fund balance - End of year | (301,468) | 29,512 | (171,360) |

Going concern (note 1)

Manitoba Opera Association, Inc.

Statement of Cash Flows

For the year ended May 31, 2011

| | Year ended May 31, 2011 \$ | Eleven month period ended May 31, 2010 \$ |
|--|-------------------------------------|---|
| Cash provided by (used in) | | |
| Operating activities | | |
| Excess (deficiency) of revenue for the year | (100,596) | 13,056 |
| Net change in non-cash working capital items | (51,243) | 311,565 |
| | (151,839) | 324,621 |
| Investing activities | | |
| Increase in guaranteed investment certificate | (44) | - |
| Financing activities | | |
| Decrease in bank indebtedness | - | (165,000) |
| Increase (decrease) in cash | (151,883) | 159,621 |
| Cash (cheques issued in excess of funds on deposit) - Beginning of year | 134,610 | (25,011) |
| Cash (cheques issued in excess of funds on deposit) - End of year | (17,273) | 134,610 |

Manitoba Opera Association, Inc.

Notes to Financial Statements

May 31, 2011

1 Going concern assumption

These financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern which assumes that the Manitoba Opera Association (the "Association") will be able to realize its assets and discharge its liabilities in the ordinary course of business for the foreseeable future.

The Association's current liabilities exceed current assets as at May 31, 2011. Operating losses have resulted in an operating deficit of \$301,468 as at May 31, 2011. As a result, there is significant doubt as to the Association's ability to meet its objectives as they come due and hence ultimately the appropriateness of the use of accounting principles applicable to a going concern.

The Association's ability to maintain operations is dependent on box office success, expense control and continued support from its banker, governments, individuals and corporations. Should that support not continue, the Association may not be able to meet its obligations. Although these financial statements are prepared on the basis that this support will continue, there is no certainty that this support and other initiatives undertaken by management will be successful or sufficient. These financial statements do not reflect adjustments to the carrying value of assets and liabilities, the reported revenues and expenses and balance sheet classifications that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

2 Purpose of the organization

The Association is a not-for-profit organization, which produces and presents operas primarily within the Province of Manitoba. It is tax exempt under the provisions of the Income Tax Act of Canada.

3 Significant accounting policies

Revenue recognition

The Association follows the deferral method of accounting for revenue. Season ticket subscriptions, sponsorships, grants and donations received for the following production season are deferred to the fiscal year to which they relate.

Restricted donations are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Pledges are recognized as revenue in the year of pledge. A provision of doubtful collections, where necessary, is recorded to reflect collection risks.

Restricted investment income earned on the Bruce H. Lang Endowment Fund is recognized on the accrual basis as an increase in net assets of the endowment fund.

Manitoba Opera Association, Inc.

Notes to Financial Statements

May 31, 2011

Contributed services

In the normal course of business, the Association enters into non-monetary transactions to obtain donated advertising, marketing and consulting services. These services are recorded at their fair value.

Volunteers contribute about 3,600 hours per year to assist the Association in its programs and activities. Because of the difficulty of determining their fair value, contributed volunteer hours are not recognized in the financial statements.

Net assets restricted for endowment purposes

In 1992, at the time of Mr. Lang's retirement, the Association established the Bruce H. Lang Endowment Fund in recognition of his contributions toward bringing opera of the highest calibre to Manitoba. The balance in the Fund at May 31, 2011 represents all unused contributions. The income generated by this Fund will be used to provide assistance to Manitobans wishing to pursue a professional career in opera, to further educational programs undertaken by the Association, and to promote and execute other declared objectives of the Association as the Board deems appropriate.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

Financial instruments

Fair values

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Association's designation of such instruments.

Classification

| | |
|---|-----------------------|
| Cash/cheques issued in excess of funds on deposit | Held for trading |
| Guaranteed investment certificate | Held for trading |
| Grants and other receivables | Loans and receivables |
| Accounts payable and accrued liabilities | Other liabilities |

Manitoba Opera Association, Inc.

Notes to Financial Statements

May 31, 2011

Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

Loans and receivables

Financial assets designated as loans and receivables are recorded at amortized cost using the effective interest method. Given the nature of these assets the carrying value approximates fair value.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities the carrying value approximates fair value.

Future accounting changes

Accounting standards for not for profits ("NPOs")

The Accounting Standards Board issued a comprehensive set of accounting standards and guidelines applicable to not-for-profit organizations. A not-for-profit organization whose financial statements comply with the revised Canadian Institute of Chartered Accountants handbook will state that its financial statements are in compliance Canadian generally accepted accounting principles for not-for-profits. The standards and guidelines will apply for fiscal years beginning on or after January 1, 2012 and will require retroactive application, except for certain exemptions and exceptions contained within the standards. Early adoption of the standards is permitted. The Association is currently considering the impact of the adoption of such standards and guidelines.

Manitoba Opera Association, Inc.

Notes to Financial Statements

May 31, 2011

4 Grants and other receivables

Grants and other receivables consist of:

| | 2011 | 2010 |
|--|----------------|----------------|
| | \$ | \$ |
| Deficit reduction grant - Province of Manitoba | 106,022 | 141,322 |
| Pledges | 74,495 | 70,982 |
| Other | 3,332 | 8,452 |
| | <u>183,849</u> | <u>220,756</u> |

On June 28, 2006, the Association entered into an Accumulated Deficit Reduction Agreement (the "Agreement") with the Province of Manitoba (the "Province"). Under the Agreement, the Province will:

- a) contribute to the reduction of the Association's accumulated deficit by matching the Association's private and public sector deficit reduction fundraising achievements; and
- b) continue its guarantee of the Association's operating line with the Royal Bank of Canada, provided that the \$285,000 guarantee will be permanently reduced by the amount of the contributions by the Province under (a). In prior years, the Association accrued contributions from the Province totalling \$285,000, thereby effectively reducing the guarantee amount to nil. Actual contributions received from the Province to May 31, 2011 have amounted to \$193,978, resulting in an actual remaining guarantee of \$103,380.

In prior years, a continuation agreement was signed by the Association and the Province of Manitoba whereby the Province agreed to pay the amount due to the Association by March 31, 2014.

5 Prepaid expenses

Prepaid expenses represent disbursements that are related to the future performance season.

| | 2011 | 2010 |
|----------------|---------------|---------------|
| | \$ | \$ |
| Administrative | 3,578 | 10,326 |
| Production | 33,167 | - |
| Promotion | 8,253 | 6,116 |
| | <u>44,998</u> | <u>16,442</u> |

Manitoba Opera Association, Inc.

Notes to Financial Statements

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6 Bank indebtedness

The Association has an operating line of credit with the Royal Bank of Canada (the "Bank"), due on demand, which the Association can draw upon to a maximum of \$353,400. The line of credit bears interest at bank prime rate plus .5%. As of May 31, 2011, the Association has not drawn on this facility.

As collateral for the bank indebtedness, the Association has provided the lender a general security agreement. The City of Winnipeg has guaranteed the bank indebtedness to a maximum of \$250,000. The Province of Manitoba has provided a further guarantee as described in note 4.

In addition, the Association has provided a supplier with a letter of credit amounting to approximately \$30,402.

7 Deferred revenue

Deferred revenue represents government funding, donations and season ticket subscriptions received in the current year that are related to the following year. Details of these balances are as follows:

| | 2011 \$ | 2010 \$ |
|----------------------------------|---------------|---------------|
| Government and foundation grants | 171,000 | 171,000 |
| Donations | 83,011 | 85,057 |
| Season tickets | 242,664 | 286,377 |
| | <hr/> 496,675 | <hr/> 542,434 |

8 Capital disclosure

Capital is managed in accordance with policies established by the Board of Trustees. The Association's objectives when managing its capital are to maintain its not-for-profit status and to safeguard its ability to continue as a going concern. There are no externally imposed capital requirements.

Manitoba Opera Association, Inc.

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9 The Manitoba Opera Fund

The Winnipeg Foundation (the "Foundation") has established The Manitoba Opera Fund ("Opera Fund"), whose purpose is to grow over the years and provide support for the Association. The Association is the beneficiary of the net income earned by the Opera Fund which is maintained and administered by the Foundation.

During the year, \$17,604 (2010 - \$50) was contributed to the Foundation, who in turn allocated these amounts to the Opera Fund. At May 31, 2011, the Opera Fund contained a balance of \$17,654 (2010 - \$50)

10 Lease commitments

The Association has entered into an agreement to lease premises and equipment. Minimum rent payable for premises and equipment for the next three years is as follows:

| | \$ |
|------|--------|
| 2012 | 18,251 |
| 2013 | 4,004 |
| 2014 | 2,002 |

11 Comparative figures

Certain comparative amounts have been reclassified to conform with the current year's financial statement presentation.