

PACIFIC OPERA VICTORIA ASSOCIATION
Financial Statements
Year Ended June 30, 2018

PACIFIC OPERA VICTORIA ASSOCIATION
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Year Ended June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Pacific Opera Victoria Association

We have audited the accompanying financial statements of Pacific Opera Victoria Association, which comprise the statement of financial position as at June 30, 2018 and the statements of changes in net assets, revenues and expenses and cash flows for the year then ended, and 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 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.

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 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 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.

(continues)

Basis for Qualified Opinion

In common with many not-for-profit organizations, Pacific Opera Victoria Association derives revenue from fundraising activities 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 Pacific Opera Victoria Association. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended June 30, 2018, current assets and net assets as at June 30, 2018.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section, the financial statements present fairly, in all material respects, the financial position of Pacific Opera Victoria Association as at June 30, 2018 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.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for non-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Victoria, B.C.
November 22, 2018

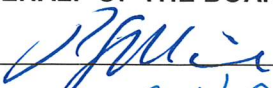
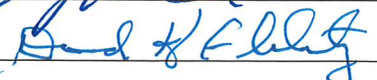
Obane & Company

Chartered Professional Accountants

PACIFIC OPERA VICTORIA ASSOCIATION
Statement of Financial Position
June 30, 2018

	2018	2017
ASSETS		
CURRENT		
Cash (Note 3)	\$ 727,823	\$ -
Accounts and grants receivable	194,871	387,099
Goods and services tax recoverable	3,443	-
Prepaid expenses	28,198	32,540
Pledges receivable	260,785	253,078
Deferred costs (Note 4)	206,583	172,868
	1,421,703	845,585
CAPITAL ASSETS (Note 5)	736,210	886,648
	\$ 2,157,913	\$ 1,732,233
LIABILITIES		
CURRENT		
Bank indebtedness (Note 3)	\$ -	\$ 29,324
Accounts payable	84,638	98,981
Current portion of long term debt (Note 6)	20,000	-
Goods and services tax payable	-	19,307
Deferred revenue (Note 7)	671,207	1,142,299
	775,845	1,289,911
LONG TERM DEBT (Note 6)	20,000	-
PAYABLE TO PACIFIC OPERA VICTORIA FOUNDATION	75,000	75,000
DEFERRED REVENUE - OPERA CENTRE (Note 8)	613,760	725,362
DEFERRED REVENUE - ANNIVERSARY CAMPAIGN (Note 9)	891,265	-
	2,375,870	2,090,273
NET ASSETS		
Unrestricted Fund	(340,407)	(519,326)
Invested in Capital Fund	122,450	161,286
	(217,957)	(358,040)
	\$ 2,157,913	\$ 1,732,233

ON BEHALF OF THE BOARD


 _____ Director

 _____ Director

See notes to financial statements

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 CHARTERED PROFESSIONAL ACCOUNTANTS

PACIFIC OPERA VICTORIA ASSOCIATION
Statement of Changes in Net Assets
Year Ended June 30, 2018

	Unrestricted Fund	Invested in Capital Fund	2018	2017
NET ASSETS - BEGINNING OF YEAR	\$ (519,326)	\$ 161,286	\$ (358,040)	\$ (59,525)
Acquisition of capital assets	(11,555)	11,555	-	-
Amortization	161,993	(161,993)	-	-
Deferred contributions related to capital assets	(111,602)	111,602	-	-
Excess (Deficiency) of revenues over expenses	140,083	-	140,083	(298,515)
NET ASSETS - END OF YEAR	\$ (340,407)	\$ 122,450	\$ (217,957)	\$ (358,040)

See notes to financial statements

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 CHARTERED PROFESSIONAL ACCOUNTANTS

PACIFIC OPERA VICTORIA ASSOCIATION
Statement of Revenues and Expenses
Year Ended June 30, 2018

	2018	2017
REVENUES		
Government grants	\$ 1,415,298	\$ 755,512
Donations (Note 10)	983,806	962,667
Ticket sales	960,091	879,346
Foundation income (Note 10)	467,400	470,130
Co-production/rental revenue	332,071	473,654
Sponsorships (Note 10)	138,183	149,689
Opera Centre Naming Campaign	111,602	111,602
Gaming grant	90,000	90,000
Other grants	88,576	-
Fundraising events (Note 11)	86,096	75,989
Pacific Opera Victoria Foundation	31,984	200,000
Revenue from Opera Centre	23,622	13,315
Gain (Loss) on disposal of investments	3,896	(1,501)
	<u>4,732,625</u>	<u>4,180,403</u>
EXPENSES		
Artistic Operations		
Artists	1,083,448	917,853
Co-production/rental expenses	90,274	325,744
Orchestra	298,041	282,966
Sets, costumes and sundry	214,090	275,173
Shop lease and expenses	194,362	200,797
Technical staff	676,208	547,628
Theatre charges	116,525	99,966
	<u>2,672,948</u>	<u>2,650,127</u>
Marketing and Fundraising		
Marketing (Note 12)	236,239	262,892
Fundraising	89,106	111,384
	<u>325,345</u>	<u>374,276</u>
Administration		
Amortization	161,993	157,233
Bad debts	-	8,178
Interest and bank charges	64,748	53,843
Office	97,988	69,339
Opera Centre rent and expenses	112,731	117,143
Postage and courier	7,916	10,683
Professional development	18,439	20,587
Professional fees	16,775	15,650
Telephone	20,352	24,330
	<u>500,942</u>	<u>476,986</u>
Salaries and benefits	<u>1,093,307</u>	<u>977,529</u>
	<u>4,592,542</u>	<u>4,478,918</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ 140,083</u>	<u>\$ (298,515)</u>

See notes to financial statements

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PACIFIC OPERA VICTORIA ASSOCIATION

Statement of Cash Flows

Year Ended June 30, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 140,083	\$ (298,515)
Item not affecting cash:		
Amortization of capital assets	161,993	157,233
	302,076	(141,282)
Changes in non-cash working capital:		
Accounts and grants receivable	192,228	(192,604)
Goods and services tax recoverable	(3,443)	936
Prepaid expenses	4,342	(17,735)
Pledges receivable	(7,707)	52,137
Deferred costs	(33,715)	26,212
Receivable from Pacific Opera Victoria Foundation	-	101,023
Accounts payable	(14,343)	(66,109)
Goods and services tax payable	(19,307)	19,307
Deferred revenue	(471,092)	211,536
Payable to Pacific Opera Victoria Foundation	-	75,000
Deferred revenue - Opera Centre	(111,602)	(111,602)
Deferred revenue - Anniversary Campaign	891,265	-
	426,626	98,101
Cash flow from (used by) operating activities	728,702	(43,181)
INVESTING ACTIVITY		
Purchase of capital assets	(11,555)	(70,997)
FINANCING ACTIVITY		
Proceeds from long term financing	40,000	-
INCREASE (DECREASE) IN CASH FLOW	757,147	(114,178)
Cash (deficiency) - beginning of year	(29,324)	84,854
CASH (DEFICIENCY) - END OF YEAR	\$ 727,823	\$ (29,324)
CASH (DEFICIENCY) CONSISTS OF:		
Cash	\$ 727,823	\$ -
Bank indebtedness	-	(29,324)
	\$ 727,823	\$ (29,324)

See notes to financial statements

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PACIFIC OPERA VICTORIA ASSOCIATION

Notes to Financial Statements

Year Ended June 30, 2018

1. PURPOSE OF THE SOCIETY

Pacific Opera Victoria Association (the "Society"), which was incorporated under the Societies Act of British Columbia in 1975, is committed to professional opera activity of the highest standard possible that engages our community and fosters the development of opera in Canada. The Society is a not-for-profit organization and is a registered charity exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization. Assets donated are recorded at fair value at the date of contribution. Capital assets are amortized over their estimated useful lives on a straight-line basis at the following rates and methods:

Furniture and equipment	5 years	straight-line method
Computers	3 years	straight-line method
Vehicles	3 years	straight-line method
Leasehold improvements	9 and 10 years	straight-line method

The Society regularly reviews its capital assets to eliminate obsolete items.

Revenue recognition

Pacific Opera Victoria Association follows the deferral method of accounting for revenues.

Restricted contributions 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.

Donated services

The Society benefits greatly from donated services, such as time spent by many volunteers on various committees and businesses donating their services for production needs. The value of these donated services are not recognized in these financial statements due to the difficulty in providing a value.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

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PACIFIC OPERA VICTORIA ASSOCIATION
Notes to Financial Statements
Year Ended June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments risks

(a) Liquidity risk

Liquidity risk is the risk that the Society will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Society manages its liquidity risk by monitoring its operating requirements. The Society prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(b) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Society is exposed to credit risk with respect to the accounts receivable. The Society assesses, on a continuous basis, receivables and provides for any amounts that are not collectible in the allowance for doubtful accounts.

(c) Other risks

As at June 30, 2018, it is management's opinion that the Society is not exposed to significant currency, interest rate, market, or other price risk.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Fund accounting

Resources for designated activities are segregated for accounting and reporting purposes into specific funds as follows:

- (i) The Unrestricted Fund represents monies received and expended in the general day-to-day operations of the Society.
- (ii) The Invested in Capital Fund represents the assets, liabilities, revenues and expenses related to the Society's furniture, equipment, computers, vehicles and leasehold improvements.

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PACIFIC OPERA VICTORIA ASSOCIATION
Notes to Financial Statements
Year Ended June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Going concern

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Society be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Society's ability to continue as a going concern is dependent upon its ability to generate future net profits and obtain funding. These financial statements do not reflect the adjustments or reclassification of assets and liabilities, which would be necessary if the Society were unable to continue its operations.

3. CASH / BANK INDEBTEDNESS

	2018	2017
Line of credit	\$ -	\$ (148,277)
Operating account and petty cash	637,823	28,953
Gaming account	90,000	90,000
	\$ 727,823	\$ (29,324)

Lines of credit available:

- Island Savings Credit Union with a limit of \$500,000 bearing interest at prime plus 1.5%.
- Royal Bank of Canada with a limit of \$75,000 bearing interest at prime plus 1.5%.

4. DEFERRED COSTS

The expenses incurred have been deferred as performance and fundraising dates are subsequent to year-end. The deferred costs balances are as follows:

	2018	2017
Deferred subscription costs	\$ 42,526	\$ 46,126
Deferred production costs	162,858	126,742
Deferred fundraising event costs	1,199	-
	\$ 206,583	\$ 172,868

PACIFIC OPERA VICTORIA ASSOCIATION
Notes to Financial Statements
Year Ended June 30, 2018

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Furniture and equipment	\$ 263,334	\$ 151,069	\$ 112,265	\$ 149,055
Computers	74,365	64,179	10,186	12,231
Vehicles	9,265	9,265	-	-
Leasehold improvements - Shop	143,462	143,462	-	-
Leasehold improvements - Balmoral	1,014,554	400,795	613,759	725,362
	<u>\$ 1,504,980</u>	<u>\$ 768,770</u>	<u>\$ 736,210</u>	<u>\$ 886,648</u>

Assets acquired during the year are amortized at one-half the normal rate of amortization.

6. LONG TERM DEBT

	2018	2017
Co-production loan bearing interest of 3% per annum	\$ 40,000	\$ -
Amounts payable within one year	(20,000)	-
	<u>\$ 20,000</u>	<u>\$ -</u>

Principal repayment terms are approximately:

2019	\$ 20,000
2020	10,000
2021	10,000
	<u>\$ 40,000</u>

7. DEFERRED REVENUE

Deferred revenue represents amounts received prior to June 30th, which relate specifically to events of the subsequent year. Changes in the deferred balance are as follows:

	2018	2017
Ticket subscriptions for subsequent year	\$ 552,556	\$ 545,220
CRD Arts Development Operating Grant	112,725	110,225
Victoria Academy of Ballet	3,340	-
Gift Certificates	2,586	2,401
Canada Council Grant	-	462,500
The Other Guys Theatre Company (Rattenbury)	-	19,000
Creative BC Society	-	2,848
Inside Opera	-	105
	<u>\$ 671,207</u>	<u>\$ 1,142,299</u>

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PACIFIC OPERA VICTORIA ASSOCIATION

Notes to Financial Statements

Year Ended June 30, 2018

7. DEFERRED REVENUE *(continued)*

	2018	2017
Deferred revenue, beginning of year	\$ 1,142,299	\$ 930,763
Add: amounts received during year	669,596	1,142,194
Less: amounts recognized as revenue	<u>(1,140,688)</u>	<u>(930,658)</u>
Deferred revenue, end of year	<u>\$ 671,207</u>	<u>\$ 1,142,299</u>

8. DEFERRED REVENUE - OPERA CENTRE

The Society conducted a major gift campaign, the Opera Centre Naming Campaign, to raise funds for the following purposes: to carry out renovations on the two-storey Hall of the Church of St. John the Divine in order to create a new Opera Centre; to create a working capital fund; to provide a contingency to maintain the Society's financial stability throughout the Naming Campaign and the Opera Centre project. Donations to the Naming Campaign offered Naming opportunities at a variety of recognition levels, ranging from acknowledgement on the Opera Centre Donor wall to naming of building features and Opera Centre programs and the naming of the Opera Centre itself. This campaign ended June 30, 2015.

The Society was awarded a grant from the Ministry of Canadian Heritage under the Canada Cultural Spaces Fund, designated for the Opera Centre leasehold improvements.

The BC Creative Spaces program awarded a grant for Acoustic Enhancement, including acoustic separation, floor restoration, and an acoustic ceiling canopy that was designed and created by Kwagiulth Artist Carey Newman.

Recognition of monies collected for the Opera Centre are deferred and recognized as revenue on the same basis as the amortization expense related to the leasehold improvements. The policy is to bring into income portions of these campaign funds and grants at the same rate and amounts as the amortization of the assets they have acquired.

Total campaign and grant revenues received:

Campaign Donations	\$ 1,033,521
Canadian Cultural Spaces Grant	281,476
BC Arts Council Creative Spaces Grant	<u>40,000</u>
Subtotal	1,354,997
Accumulated amortization	(400,794)
Operating expenses related to Opera Centre	(165,646)
Transfer to working capital	<u>(174,797)</u>
	<u>\$ 613,760</u>

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PACIFIC OPERA VICTORIA ASSOCIATION
Notes to Financial Statements
Year Ended June 30, 2018

9. DEFERRED REVENUE - ANNIVERSARY CAMPAIGN

Contributions received during the 40th Anniversary Campaign will be deferred and recognized as revenue in the same periods as the related expenses are recognized. Changes in the deferred balance are as follows:

	2018
Deferred revenue, beginning of year	\$ -
Add: amounts received during year	1,091,265
Less: amounts recognized as revenue	(200,000)
	\$ 891,265

10. PLEDGE REVENUE

Pledge revenue has been recognized in the following revenue sources:

	2018	2017
Donations	\$ 108,576	\$ 253,108
Foundation income	35,000	-
Sponsorships	82,500	-
	\$ 226,076	\$ 253,108

11. FUNDRAISING EVENTS

Fundraising events represents the revenues recognized net of direct expenses from the fundraising events held during the fiscal year.

	2018	2017
Revenues	\$ 157,160	\$ 124,010
Expenses	(71,064)	(48,021)
	\$ 86,096	\$ 75,989

12. MARKETING

Marketing represents the net expenses incurred promoting the operas held during the fiscal year.

	2018	2017
Expenses	\$ 255,544	\$ 279,282
Expenses recovered	(19,305)	(16,390)
	\$ 236,239	\$ 262,892

PACIFIC OPERA VICTORIA ASSOCIATION

Notes to Financial Statements

Year Ended June 30, 2018

13. CONTRACTUAL OBLIGATIONS

The premise lease for production facilities was renewed on March 1, 2016 for 5 years. Basic monthly rent payments, not including GST are \$8,679. Additional common costs are approximately \$4,437 per month.

The Society's premise and parking lease agreement with St. John's Court Society is for a 5 year term commencing December 15, 2013 and ending November 30, 2018. Monthly parking fees are \$675 and basic monthly rent payments are \$4,840 with an annual adjustment November 1st, determined by the increase in the Canada All Items Consumer Price Index in the preceding year.

After June 30, 2018 the Society agreed to a new 5 year premises and parking lease agreement with St. John's Court Society ending November 30, 2023, with an option to renew for an additional 5 year term. Monthly parking fees are \$825 and basic monthly rent payments are \$5,508 with an annual adjustment December 1st.

The Society has a 5 year office equipment lease which will be complete May 18, 2022. The quarterly payments are \$469 plus applicable taxes.

The minimum lease obligations over the next five years are as follows:

2019	\$ 232,059
2020	238,418
2021	188,206
2022	82,809
2023	81,402
Thereafter	<u>33,918</u>
	<u>\$ 856,812</u>

14. ASSETS HELD BY THE VICTORIA FOUNDATION

The Victoria Foundation holds funds in trust, in perpetuity, while the Society retains the right to income in perpetuity, from the funds and additions thereto. Since the Society only receives income and has restrictions to access the capital balance of these funds, the endowment funds are not shown on these statements. The Society has established the following endowment funds with the Victoria Foundation:

The Pacific Opera Victoria Arts Renaissance Fund was established in December 2005. The fair market value of the endowment fund as of June 30, 2018 is \$2,933,229 (2017 - \$2,854,486).

The David Spencer Memorial Fund for Pacific Opera Victoria Fund was established in November 2008. The fair market value of the endowment fund as of June 30, 2018 is \$1,152,725 (2017 - \$1,121,764).

The Egon Baumann Music Fund for Pacific Opera Victoria Fund was established in November 2014. The Egon Baumann Music Foundation donated \$250,000 in fiscal 2015 to establish the fund and based on this contribution, the Department of Canadian Heritage provided a 97% match of \$243,014 into this fund as well. The fair market value of the endowment fund as of June 30, 2018 is \$548,436 (2017 - \$531,964).

PACIFIC OPERA VICTORIA ASSOCIATION

Notes to Financial Statements

Year Ended June 30, 2018

15. REMUNERATION

The Societies Act (British Columbia) requires a note disclosing remuneration paid to its directors and its highest paid (\$75,000 and above) employees/contractors on its financial statements prepared after November 28, 2016. Accordingly, there were three employees and two contractors paid for a total of \$524,196 in the fiscal year ending June 30, 2018.

16. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.
