Grant Thornton

Financial Statements

Opera Hamilton Incorporated

June 30, 2013

Opera Hamilton Incorporated

Contents

Grant Thornton

Independent Auditor's Report

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To the Members of
Opera Hamilton Incorporated

We have audited the accompanying financial statements of Opera Hamilton Incorporated, which comprise the statement of financial position as at June 30, 2013, and the statements of operations and changes in net assets 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 these 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 organization'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 organization'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.

Independent Auditor's Report (continued)

Basis for Qualified Opinion
In common with many charitable organizations, Opera Hamilton Incorporated derives revenue from fundraising activities, 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 the organization and we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenue over expenses, assets or net assets.

Qualified Opinion
In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion Paragraph, these financial statements present fairly, in all material respects, the financial position of Opera Hamilton Incorporated as at June 30, 2013 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.

Comparative Information
Without modifying our opinion, we draw attention to Note 3 to the financial statements which describes that Opera Hamilton Incorporated adopted Canadian accounting standards for not-for-profit organizations on July 1, 2012 with a transition date of July 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial position at June 30, 2012 and July 1, 2011, and the statements of operations and changes in net assets and cash flows for the year ended June 30, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Emphasis of Matter
We draw attention to note 2 to the financial statements which describes the uncertainty of the ability of the organization to continue as a going concern. Our opinion was not qualified in respect of this matter.

Grant Thornton LLP

Hamilton, Canada
November 7, 2013

Chartered Accountants
Licensed Public Accountants

Opera Hamilton Incorporated
Statements of Operations and Changes in Net Assets

Year ended June 30	2013	2012 (unaudited)
Revenue		
Fundraising	$ 434,732	$ 396,844
Government and other grants (Note 12)	401,648	461,040
Production	264,881	309,321
	1,101,261	1,167,205
Expenses		
Production	581,108	618,910
Administration	274,283	271,818
Artistic	124,873	120,490
Publicity and promotion	38,953	41,562
Box office	33,485	35,219
Fundraising	3,228	9,614
	1,055,930	1,097,613
Excess of revenue over expenses	$ 45,331	$ 69,592

Net assets, beginning of year	$ (651,787)	$ (721,379)
Excess of revenue over expenses	45,331	69,592
Change in restricted contributions	(21,692)	-
Net assets, end of year	$ (628,148)	$ (651,787)

See accompanying notes to the financial statements.

Opera Hamilton Incorporated
Statement of Financial Position

June 30	2013	2012 (unaudited)	July 1, 2011 (unaudited)
Assets			
Current			
Cash	$ 1,277	$ 12,731	$ -
Accounts receivable (Notes 5 and 7)	27,351	9,330	15,859
Prepaid expenses and production costs	1,700	-	-
Restricted cash	-	1,000	745
	30,328	23,061	16,604
Property and equipment (Note 6)	19,265	17,710	19,018
	$ 49,593	$ 40,771	$ 35,622
Liabilities			
Current			
Accounts payable and accrued liabilities (Note 7)	$ 306,056	$ 285,306	$ 303,480
Promissory note payable (Note 8)	47,500	50,000	10,000
Loan payable (Note 9)	12,500	49,000	-
Deferred subscriptions and grants (Note 10)	289,993	308,252	401,135
Deferred contributions (Note 11)	21,692	-	-
Current portion of long-term debt	-	-	42,386
	677,741	692,558	757,001
Deficit			
Net assets invested in property and equipment	19,265	17,710	19,018
Unrestricted net assets	(647,413)	(695,266)	(766,166)
Restricted contributions	-	25,769	25,769
	(628,148)	(651,787)	(721,379)
	$ 49,593	$ 40,771	$ 35,622

Going concern (Note 2)

Commitment (Note 14)

On behalf of the board

_______________ Director _______________ Director

See accompanying notes to the financial statements.

Opera Hamilton Incorporated
Statement of Cash Flows

Year ended June 30	2013	2012 (unaudited)
Increase (decrease) in cash and cash equivalents		
Operating		
Excess of revenue over expenses	**$ 45,331**	$ 69,592
Amortization	**844**	1,308
Forgiveness of promissory note payable	**(2,500)**	-
	43,675	70,900
Change in non-cash working capital items		
Accounts receivable	**(18,021)**	6,529
Prepaid expenses and production costs	**(1,700)**	-
Accounts payable and accrued liabilities	**20,750**	(18,174)
Deferred subscriptions and grants	**(18,259)**	(92,883)
	26,445	(33,628)
Financing		
Loan payable	**(36,500)**	49,000
Proceeds of promissory note	**-**	50,000
Repayment of promissory note	**-**	(10,000)
Repayment of long-term debt	**-**	(42,386)
	(36,500)	46,614
Investing		
Additions to property and equipment	**(2,399)**	-
(Decrease) increase in cash	**(12,454)**	12,986
Cash		
Beginning of year	**13,731**	745
End of year	**$ 1,277**	$ 13,731

Cash consists of:		
Cash	**$ 1,277**	$ 12,731
Restricted cash	**-**	1,000
	$ 1,277	$ 13,731

See accompanying notes to the financial statements.

Opera Hamilton Incorporated
Notes to the Financial Statements

June 30, 2013

1. Nature of operations

Opera Hamilton Incorporated is incorporated under the laws of the Province of Ontario as a corporation without share capital and is a registered charitable organization exempt from the provisions of the Income Tax Act. Its principal function is to produce and present grand opera.

2. 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 organization 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.

As at June 30, 2013, the organization had a deficiency of unrestricted net assets of $647,000 and a deficiency of working capital of $647,000. The organization's ability to continue as a going concern is dependent upon its ability to reduce its deficit, to attain profitable operations and to generate funds to meet current and future obligations. It is not possible to predict whether these efforts will be successful or if the organization will be able to sustain profitable levels of operations.

3. First-time adoption of Canadian accounting standards for not-for-profit organizations

These financial statements are the first financial statements for which the organization has applied Canadian accounting standards for not-for-profit organizations hereafter referred to as "ASNPO". Comparative period information was prepared in accordance with ASNPO and the provisions set out in Section 1501 of the CICA Handbook - First-time adoption by not-for-profit organizations.

The date of transition to ASNPO is July 1, 2011. The Organization’s transition from Canadian Generally Accepted Accounting Principles (“previous GAAP”) to ASNPO has had no impact on the opening net assets as at July 1, 2011 or the statements of operations or cash flows for the year ended June 30, 2012.

Although the statement of financial position at July 1, 2011 has been provided, the reconciliations and disclosures required by Section 1501, First-time Adoption by Not-for-Profit Organizations, for net assets at the transition date, the comparative period excess of revenue over expenses, and the cash flow statement are not necessary and have not been presented in these financial statement notes.

Opera Hamilton Incorporated
Notes to the Financial Statements

June 30, 2013

4. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

Financial instruments

The organization initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The organization subsequently measures all of its financial assets and financial liabilities at amortized cost.

Financial assets and liabilities measured at amortized cost include cash, accounts receivable, accounts payable and accrued liabilities, loan payable and promissory note payable.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in the statement of operations.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization. The organization provides for amortization using the following method at rates designed to amortize the cost of the property and equipment over their estimated useful lives. The annual amortization rates and methods are as follows:

Production property	3 years Straight-line
Computer software	3 years Straight-line
Computer hardware	3 years Straight-line

The estimated useful lives of property and equipment are reviewed by management and adjusted if necessary.

The organization tests property and equipment for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured at the amount by which the carrying amount of the long-lived asset exceeds its fair value.

Opera Hamilton Incorporated
Notes to the Financial Statements

June 30, 2013

4. Significant accounting policies (continued)

Revenue recognition

Proceeds from ticket sales, season subscription sales and project grants specifically intended for future periods are initially deferred and taken into revenue as performances are presented.

The organization follows the deferral method of accounting for contributions (including donations in-kind) and pledges. 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.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Contributed materials and services

Contributions of materials and services used in the normal course of operations are recorded at fair market value.

Management estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. By their nature, these estimates are subject to measurement uncertainty. These estimates are reviewed periodically and adjustments are made to income in the year in which they become known.

Significant estimates include collectibility of accounts receivable, accrued liabilities and useful lives of property and equipment.

5. Accounts receivable

Included in accounts receivable are potentially impaired balances totaling $9,000 (2012 - $nil; 2011 - $nil). These accounts receivable are presented net of allowance for doubtful accounts of $nil (2012 - $nil; 2011 - $nil)

Opera Hamilton Incorporated
Notes to the Financial Statements

June 30, 2013

6. Property and equipment

			2013	2012 (unaudited)	July 1, 2011 (unaudited)
	Cost	Accumulated Amortization	**Net Book Value**	Net Book Value	Net Book Value
Production property	$ 18,286	$ -	**$ 18,286**	$ 17,000	$ 17,000
Computer software	20,057	19,396	**661**	408	1,265
Computer hardware	8,572	8,254	**318**	302	753
	$ 46,915	$ 27,650	**$ 19,265**	$ 17,710	$ 19,018

7. Government remittances

Government remittances included in accounts receivable total $5,071 (2012 - $7,039; July 1, 2011 - $2,427).

Government remittances included in accounts payable and accrued liabilities total $104,239 (2012 - $54,968; July 1, 2011 - $7,182).

8. Promissory note payable

The promissory note payable is due to a director of the organization, is non-interest bearing and due on demand. During the year, a portion of the note in the amount of $2,500 was forgiven and recorded as fundraising revenue by the organization. It is anticipated that it will be repaid in fiscal 2014.

9. Loan payable

In 2012 the organization secured a declining line of credit in the amount of $50,000 with terms as described below.

	2013	2012 (unaudited)	July 1, 2011 (unaudited)
Unsecured line of credit bearing interest at 5% with monthly interest payments, repayable in principal instalments of $12,500 due August 2012, November 2012, January 2013 and July 2013	**$ 12,500**	$ 49,000	$ -

Opera Hamilton Incorporated
Notes to the Financial Statements

June 30, 2013

10. Deferred subscriptions and grants	**2013**	2012 (unaudited)	July 1, 2011 (unaudited)
Deferred subscriptions and grants is comprised of the following:			
Canada Council for the Arts grant	**$ 54,040**	$ 42,540	$ 111,000
Deferred subscriptions	**156,085**	187,288	204,671
City of Hamilton grant	**63,424**	63,424	63,464
Deferred performance sponsorship grants	**16,444**	15,000	15,000
Ontario Trillium Foundation grant	**-**	-	7,000
	$ 289,993	$ 308,252	$ 401,135

11. Deferred contributions	**2013**
Deferred contributions is comprised of the following:	
Sheila Zack Memorial Trust Fund	**$ 6,962**
Sheila Zack Memorial Concert Fund	**7,206**
Christine Stanton Memorial Trust Fund	**7,524**
	$ 21,692

The Sheila Zack Memorial Trust Fund is restricted to support educational activity; the Sheila Zack Memorial Concert Fund is restricted to support public performances related to educational activity; and the Christine Stanton Memorial Trust Fund is restricted to support, based on the directions of the trustees, a chorus member seeking education to pursue a professional career.

12. Government and other grants

The following amounts are included in government and other grants:

	2013	2012 (unaudited)
Canada Council for the Arts	**$ 170,000**	$ 191,137
Ontario Arts Council	**104,721**	135,976
City of Hamilton	**126,927**	126,927
Ontario Trillium Foundation	**-**	7,000
	$ 401,648	$ 461,040

Opera Hamilton Incorporated
Notes to the Financial Statements

June 30, 2013

13. Financial instruments

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposures and concentrations at June 30, 2013:

Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with its financial liabilities. The organization is exposed to this risk mainly in respect of its promissory note payable, loan payable and accounts payable and accrued liabilities. There has been no significant change in exposure from the prior year.

Credit risk

The organization is subject to credit risk through its accounts receivable. Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. There has been no significant change in exposure from the prior year.

14. Commitment

In July 2012, the organization entered into an operating lease commitment with respect to premises. The organization committed to the following annual operating lease payments:

2014	$ **18,000**

15. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year excess of revenue over expenses.