

The balance sheet of this copy of the financial statements should be signed by the director(s) whose name(s) have been printed on the other copies and this copy should then be returned to Welch LLP for their records.

#15501

FINANCIAL STATEMENTS
For
ONTARIO COUNCIL OF FOLK FESTIVALS
For year ended
JUNE 30, 2012

ONTARIO COUNCIL OF FOLK FESTIVALS
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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INDEPENDENT AUDITOR'S REPORT

To the members of

ONTARIO COUNCIL OF FOLK FESTIVALS

We have audited the accompanying financial statements of Ontario Council of Folk Festivals which comprise of the statement of financial position as at June 30, 2012 and the statement of operations, 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 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.

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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

The Council derives revenues from memberships and donations, 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 Council and were not able to determine whether any adjustments might be necessary to fundraising revenues, donations received, net expense and net deficit.

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 Ontario Council of Folk Festivals as at June 30, 2012 and the results of its operations, the changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



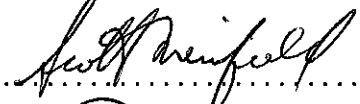
Chartered Accountants
Licensed Public Accountants

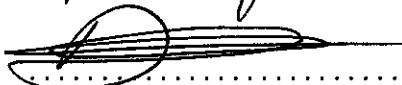
Ottawa, Ontario
September 22, 2012.

ONTARIO COUNCIL OF FOLK FESTIVALS
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 28,387	\$ 29,462
Accounts receivable	16,132	28,560
Prepaid expenses	<u>25,112</u>	<u>20,781</u>
	<u>69,631</u>	<u>78,803</u>
CAPITAL ASSETS (note 6)	<u>7,989</u>	<u>6,004</u>
	<u>\$ 77,620</u>	<u>\$ 84,807</u>
<u>LIABILITIES AND NET DEFICIT</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 22,377	\$ 17,801
Prepaid memberships and conferences	37,134	35,064
Deferred contributions (note 7)	<u>54,500</u>	<u>65,000</u>
	<u>114,011</u>	<u>117,865</u>
NET DEFICIT		
Invested in capital assets	7,989	6,004
Deficit	<u>(44,380)</u>	<u>(39,062)</u>
	<u>(36,391)</u>	<u>(33,058)</u>
	<u>\$ 77,620</u>	<u>\$ 84,807</u>

Approved on behalf of the Board:

 Director

 Director

(See accompanying notes)

Welch LLP

ONTARIO COUNCIL OF FOLK FESTIVALS
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2012

	Invested in capital <u>assets</u>	<u>Unrestricted</u>	Total <u>2012</u>	Total <u>2011</u>
Net assets (liabilities) at beginning of year	\$ 6,004	\$ (39,062)	\$ (33,058)	\$ (30,976)
Net expense	(1,939)	(1,394)	(3,333)	(2,082)
Investment in capital assets	<u>3,924</u>	<u>(3,924)</u>	<u>-</u>	<u>-</u>
Net assets (liabilities) at end of year	\$ <u>7,989</u>	\$ <u>(44,380)</u>	\$ <u>(36,391)</u>	\$ <u>(33,058)</u>

(See accompanying notes)

Welch LLP

ONTARIO COUNCIL OF FOLK FESTIVALS
STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2012

	<u>2012</u>	<u>2011</u>
Revenues		
Foundation grants	\$ 15,500	\$ 13,000
Government grants (note 8)	123,412	125,554
Conference revenues	114,406	130,236
Memberships	30,918	28,637
Sponsorships	65,350	65,750
Folk Prints advertising	<u>4,475</u>	<u>7,425</u>
	<u>354,061</u>	<u>370,602</u>
 Expenses - Administration		
Advertising and promotion	5,868	5,111
Board of directors	10,765	8,893
Amortization	1,939	2,092
Fees and dues	2,456	2,455
Office	12,166	19,557
Office wages and contracts	136,372	152,613
Postage and shipping	834	2,026
Professional fees	15,698	18,623
Rent	28,100	27,600
Telephone	<u>4,588</u>	<u>3,997</u>
	<u>218,786</u>	<u>242,967</u>
 Expenses - Programs		
Conference	126,878	119,782
Brochure	4,841	2,011
Folk Prints	<u>6,889</u>	<u>7,924</u>
	<u>138,608</u>	<u>129,717</u>
 Total expenses	<u>357,394</u>	<u>372,684</u>
 Net expense	<u>\$ (3,333)</u>	<u>\$ (2,082)</u>

(See accompanying notes)

ONTARIO COUNCIL OF FOLK FESTIVALS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net expense	\$ (3,333)	\$ (2,082)
Adjustments for:		
Amortization	<u>1,939</u>	<u>2,092</u>
	(1,394)	10
Changes in non-cash working capital components:		
Accounts receivable	12,428	(12,804)
Prepaid expenses	(4,331)	(545)
Accounts payable and accrued liabilities	4,576	5,146
Prepaid memberships and conferences	2,070	(4,965)
Deferred contributions	<u>(10,500)</u>	<u>17,000</u>
Cash flows from operating activities	<u>2,849</u>	<u>3,842</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal (purchase) of capital assets	<u>(3,924)</u>	<u>392</u>
INCREASE (DECREASE) IN CASH	(1,075)	4,234
CASH AT BEGINNING OF YEAR	<u>29,462</u>	<u>25,228</u>
CASH AT END OF YEAR	<u>\$ 28,387</u>	<u>\$ 29,462</u>

(See accompanying notes)

Welch LLP

ONTARIO COUNCIL OF FOLK FESTIVALS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

1. ORGANIZATION AND PURPOSE

The Ontario Council of Folk Festivals (OCFF) was incorporated November 16, 1987 under the laws of the Province of Ontario as a corporation without share capital. The OCFF serves festivals, organizations and individuals working in the traditional, contemporary and multicultural folk music industry in Ontario. The OCFF's head office is located in Ottawa, Ontario.

The OCFF is a not-for-profit organization within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

OCFF follows the deferral method of accounting for contributions. 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.

Donations are recorded at fair value as received.

Operating grants are amortized to revenue in accordance with the dates and terms of the respective grant agreement.

Capital assets

Capital assets are stated at acquisition cost. Amortization is provided on the declining balance basis at the following annual rates:

Equipment	- 20%
Computer hardware	- 30%
Computer software	- 50%

Additions in the year are amortized at one half of these rates.

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 these estimates.

ONTARIO COUNCIL OF FOLK FESTIVALS
NOTES TO FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED JUNE 30, 2012

3. FUTURE ACCOUNTING STANDARDS FOR THE NOT-FOR-PROFIT SECTOR

The Accounting Standards Board of the Canadian Institute of Chartered Accountants recently approved a financial reporting framework designed specifically to meet the needs of users of financial statements prepared by not-for-profit organizations. Not-for-profit organizations are also given the option to adopt International Financial Reporting Standards (IFRS) instead of the new not-for-profit accounting standards. One of these new frameworks must be applied by the organization by its March 31, 2013 fiscal year-end. Management is currently evaluating the impact of these new reporting frameworks on their financial statements.

4. FINANCIAL INSTRUMENTS

OCFF's financial assets and liabilities consist of cash, accounts receivable and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the OCFF is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of the OCFF's financial assets and liabilities approximate their carrying value due to their short term nature.

Credit Risk

The OCFF is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The OCFF's maximum exposure to credit risk represents the sum of the carrying value of its cash and accounts receivable. The OCFF's cash is deposited with a Canadian chartered bank and as a result, management believes the risk of loss on this item to be remote. The OCFF manages the credit risk of its accounts receivable by reviewing accounts receivable aging monthly and following up on outstanding amounts. The following table presents an analysis of the age of accounts receivable:

Current	\$ 5,537
30 - 60 days past the billing date	714
Greater than 90 days past the billing date	<u>9,881</u>
	<u>\$ 16,132</u>

Liquidity risk

The OCFF is also exposed to liquidity risk which is the risk that the OCFF may encounter difficulties in meeting obligations associated with financial liabilities and commitments. The OCFF manages liquidity risk through its cash flow budgeting process.

5. CAPITAL DISCLOSURES

The OCFF defines its capital as its externally restricted contributions which are classified as deferred contributions in the statement of financial position. The OCFF's objectives with respect to managing capital are to comply with externally imposed restrictions and hold sufficient unrestricted net assets to fund ongoing operations. The OCFF monitors its capital requirements and objectives through its budgeting process, its financial statement review process and reviews of the terms and conditions contained in its funding agreements. The external restrictions imposed on these contributions are disclosed in note 7. Management believes that the OCFF has adhered to all externally imposed restrictions.

ONTARIO COUNCIL OF FOLK FESTIVALS
NOTES TO FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED JUNE 30, 2012

6. CAPITAL ASSETS

Capital assets consist of the following:

	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Equipment	\$ 13,805	\$ 11,050	\$ 13,805	\$ 10,512
Computer equipment	<u>20,044</u>	<u>14,810</u>	<u>16,120</u>	<u>13,409</u>
	33,849	<u>\$ 25,860</u>	29,925	<u>\$ 23,921</u>
Less accumulated amortization	<u>25,860</u>		<u>23,921</u>	
Net book value	<u>\$ 7,989</u>		<u>\$ 6,004</u>	

7. DEFERRED CONTRIBUTIONS

	<u>Balance at June 30, 2011</u>	<u>Received in year</u>	<u>Recognized as revenue in year</u>	<u>Balance at June 30, 2012</u>
Radio Starmaker Fund	\$ 25,000	\$ 15,000	\$ 25,000	\$ 15,000
Department of Canadian Heritage - CAPF	37,500	50,000	50,000	37,500
Taylor Mitchell Grant	<u>2,500</u>	<u>540</u>	<u>1,040</u>	<u>2,000</u>
	<u>\$ 65,000</u>	<u>\$ 65,540</u>	<u>\$ 76,040</u>	<u>\$ 54,500</u>

8. GOVERNMENT GRANTS

The OCFF receives government funding through contribution agreements for specific projects and general operating expenses. Funding in the year came from the following organizations.

	<u>2012</u>	<u>2011</u>
Ontario Arts Council	\$ 63,412	\$ 68,554
Department of Canadian Heritage - CAPF	50,000	47,000
Ontario Media Development Corporation	<u>10,000</u>	<u>10,000</u>
	<u>\$ 123,412</u>	<u>\$ 125,554</u>

9. SPONSORSHIP REVENUE

During the year, OCFF's three year sponsorship agreement with Radio Starmaker ended. The annual amount had been \$25,000. A new agreement was entered into with the two parties for an annual amount of \$15,000 which expires in 2015.

ONTARIO COUNCIL OF FOLK FESTIVALS
NOTES TO FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED JUNE 30, 2012

10. LINE OF CREDIT

The OCFF has an authorized line of credit of \$25,000 that bears interest at prime plus 2.90% and is secured by a general security agreement. None of the line of credit was utilized at year-end.

11. COMMITMENTS

OCFF is committed under an operating lease for office premises to February 2014. The minimum payments under the lease until maturity are as follows:

2013	\$ 28,800
2014	<u>19,200</u>
Total	<u>\$ 48,000</u>