

**FINANCIAL STATEMENTS**  
**For**  
**ONTARIO COUNCIL OF FOLK FESTIVALS**  
**For year ended**  
**JUNE 30, 2011**

**ONTARIO COUNCIL OF FOLK FESTIVALS**  
**AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

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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, 2011 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.

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, 2011 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 24, 2011.

**ONTARIO COUNCIL OF FOLK FESTIVALS**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2011**

	<u>2011</u>	<u>2010</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 29,462	\$ 25,228
Accounts receivable	28,560	15,756
Prepaid expenses	<u>20,781</u>	<u>20,236</u>
	<u>78,803</u>	<u>61,220</u>
<b>CAPITAL ASSETS</b> (note 6)	<u>6,004</u>	<u>8,488</u>
	<u>\$ 84,807</u>	<u>\$ 69,708</u>
<b><u>LIABILITIES AND NET DEFICIT</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 17,801	\$ 12,655
Prepaid memberships and conferences	35,064	40,029
Deferred contributions (note 7)	<u>65,000</u>	<u>48,000</u>
	<u>117,865</u>	<u>100,684</u>
<b>NET DEFICIT</b>		
Invested in capital assets	6,004	8,488
Deficit	<u>(39,062)</u>	<u>(39,464)</u>
	<u>(33,058)</u>	<u>(30,976)</u>
	<u>\$ 84,807</u>	<u>\$ 69,708</u>

Approved on behalf of the Board:

..... Director

..... Director

(See accompanying notes)

**ONTARIO COUNCIL OF FOLK FESTIVALS**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2011**

	<u>Invested in capital assets</u>	<u>Unrestricted</u>	<u>Total 2011</u>	<u>Total 2010</u>
<b>Net assets (liabilities), beginning of year</b>	\$ 8,488	\$ (39,464)	\$ (30,976)	\$ (10,395)
<b>Net revenue (expense)</b>	(2,092)	10	(2,082)	(20,581)
<b>Investment in capital assets</b>	<u>(392)</u>	<u>392</u>	<u>-</u>	<u>-</u>
<b>Net assets (liabilities), end of year</b>	<u>\$ 6,004</u>	<u>\$ (39,062)</u>	<u>\$ (33,058)</u>	<u>\$ (30,976)</u>

(See accompanying notes)

**ONTARIO COUNCIL OF FOLK FESTIVALS**  
**STATEMENT OF OPERATIONS**  
**YEAR ENDED JUNE 30, 2011**

	<u>2011</u>	<u>2010</u>
<b>Revenues</b>		
Foundation grants	\$ 13,000	\$ 5,551
Government grants (note 8)	125,554	164,303
Conference revenues	130,236	132,728
Memberships	28,637	34,001
Sponsorships	65,750	69,900
Folk Prints advertising	<u>7,425</u>	<u>7,881</u>
	<u>370,602</u>	<u>414,364</u>
<b>Expenses - Administration</b>		
Advertising and promotion	5,111	15,036
Board of directors	8,893	17,110
Amortization	2,092	3,203
Fees and dues	2,455	2,309
Office	19,557	14,475
Office wages and contracts	152,613	164,022
Postage and shipping	2,026	1,803
Professional fees	18,623	15,880
Rent	27,600	27,600
Telephone	<u>3,997</u>	<u>6,778</u>
	<u>242,967</u>	<u>268,216</u>
<b>Expenses - Programs</b>		
Conference	119,782	157,162
Brochure	2,011	5,611
Folk Prints	<u>7,924</u>	<u>3,956</u>
	<u>129,717</u>	<u>166,729</u>
<b>Total expenses</b>	<u>372,684</u>	<u>434,945</u>
<b>Net expense</b>	<u>\$ (2,082)</u>	<u>\$ (20,581)</u>

(See accompanying notes)

**ONTARIO COUNCIL OF FOLK FESTIVALS**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2011**

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net expense	\$ (2,082)	\$ (20,581)
Adjustments for:		
Amortization	<u>2,092</u>	<u>3,203</u>
	10	(17,378)
Changes in non-cash working capital components:		
Accounts receivable	(12,804)	(10,237)
Prepaid expenses	(545)	(14,243)
Accounts payable and accrued liabilities	5,146	(19,115)
Prepaid memberships and conferences	(4,965)	(5,897)
Deferred contributions	<u>17,000</u>	<u>19,497</u>
<b>Cash flows from operating activities</b>	<u>3,842</u>	<u>(47,373)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Disposal (Purchase) of capital assets	392	(1,166)
Proceeds from maturity of investments	<u>-</u>	<u>41,400</u>
<b>Cash flows from investing activities</b>	<u>392</u>	<u>40,234</u>
<b>INCREASE (DECREASE) IN CASH</b>	4,234	(7,139)
<b>CASH, BEGINNING OF YEAR</b>	<u>25,228</u>	<u>32,367</u>
<b>CASH, END OF YEAR</b>	<u>\$ 29,462</u>	<u>\$ 25,228</u>

(See accompanying notes)



**ONTARIO COUNCIL OF FOLK FESTIVALS**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

**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.

*Investments*

OCFF classifies its investments as available for sale and records them at fair value. The purchase and sale of investments are accounted for using settlement date accounting. Transaction costs associated with the acquisition and disposal of investments are expensed as incurred.

*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%

*Contributed services*

Contributed services are in the form of volunteer time by members, businesses and others. OCFF records these services at market values which are reasonably estimated based on perceived values.

*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, 2011**

**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 and the organization is permitted to adopt these standards earlier, if desired. 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.

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	\$ 4,528
30 - 60 days past the billing date	5,469
61 - 90 days past the billing date	4,600
Greater than 90 days past the billing date	<u>13,963</u>
	<u>\$ 28,560</u>

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, 2011**

**6. CAPITAL ASSETS**

Capital assets consist of the following:

	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Equipment	\$ 13,805	\$ 10,512	\$ 13,555	\$ 9,720
Computer equipment	<u>16,120</u>	<u>13,409</u>	<u>16,762</u>	<u>12,109</u>
	29,925	<u>\$ 23,921</u>	30,317	<u>\$ 21,829</u>
Less accumulated amortization	<u>23,921</u>		<u>21,829</u>	
Net book value	<u>\$ 6,004</u>		<u>\$ 8,488</u>	

**7. DEFERRED CONTRIBUTIONS**

	Balance at June 30, <u>2010</u>	Received in <u>year</u>	Recognized as revenue in year	Balance at June 30, <u>2011</u>
Radio Starmaker Fund	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Canadian Heritage - CAPF	23,000	56,900	42,400	37,500
Taylor Mitchell Grant	<u>-</u>	<u>3,000</u>	<u>500</u>	<u>2,500</u>
	<u>\$ 48,000</u>	<u>\$ 84,900</u>	<u>\$ 66,900</u>	<u>\$ 65,000</u>

**8. GOVERNMENT GRANTS**

The OCFF receives government funding through contribution agreements for specific projects and general operating expenses.

	<u>2011</u>	<u>2010</u>
Ontario Arts Council	\$ 68,554	\$ 47,500
Canadian Heritage - CAPF	47,000	63,300
Ontario Media Development Corporation	10,000	-
Ontario Trillium Foundation	<u>-</u>	<u>53,503</u>
	<u>\$ 125,554</u>	<u>\$ 164,303</u>

**9. SPONSORSHIP REVENUE**

A commitment was received from a sponsor to contribute \$25,000 annually to OCFF for a period of six years, commencing in 2007.

**ONTARIO COUNCIL OF FOLK FESTIVALS**  
**NOTES TO FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED JUNE 30, 2011**

**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:

2012	\$ 28,000
2013	28,800
2014	<u>19,200</u>
Total	<u>\$ 76,000</u>