FOLK MUSIC ONTARIO

FINANCIAL STATEMENTS

MARCH 31, 2015

David Burkes, B. Com, CPA, CA•IFA, CFF

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Chartered Professional Accountant

INDEPENDENT AUDITOR'S REPORT

To the Members of
Folk Music Ontario

I have audited the accompanying financial statements of Folk Music Ontario, which comprise the statement of financial position as at March 31, 2015, the statement of operations, net assets, and cash flows for the year then ended, and a summary of significant Canadian accounting standards applicable for not-for-profit organizations 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 controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian auditing standards for not-for-profit organizations. Those standards require that I 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 controls 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 controls. 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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Basis for Qualified Opinion

Due to the inherent nature of the transactions of the organization, the completeness of membership revenue is not susceptible to satisfactory audit verification. Accordingly, my verification of these amounts was limited to the amounts recorded in the organization's accounting records and I was not able to determine whether any adjustments might be necessary to membership revenue.

Qualified Opinion

In my 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 Folk Music Ontario, as at March 31, 2015, and the results of its operations for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Emphasis of Matter

I draw your attention to Note 1 of the financial statements which describes the conditions under which Folk Music Ontario will be able to continue as a going concern, meaning its ability to continue to operate for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of operations. As disclosed in note 1, the organization's continuance is dependent upon its ability to secure additional funding from other sources and attaining positive results in its operations.

Richmond Hill, Ontario
June 8, 2015

Chartered Professional Accountant
Licensed Public Accountant

FOLK MUSIC ONTARIO

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2015

ASSETS

	2015	2014
CURRENT		
Accounts Receivable (Note 3)	$ 782	$ 7,044
HST Recoverable	2,174	2,611
Grants Receivable	11,000	-
Prepaid Expenses and Deposits (Note 4)	18,385	18,948
	32,341	28,603
CAPITAL ASSETS (Note 5)	4,555	5,520
	$ 36,896	$ 34,123

LIABILITIES AND NET ASSETS

CURRENT		
Bank Indebtedness	$ 23,191	$ 26,333
Accounts Payable and Accrued Liabilities	23,070	39,864
Source Deductions Payable	2,125	3,871
Prepaid Membership and Conferences	12,355	14,102
Deferred Contributions (Note 6)	-	19,000
Loan Payable (Note 7)	32,675	17,700
	93,416	120,870
NET ASSETS		
Invested in Capital Assets	4,555	5,520
Deficit	(61,075)	(92,267)
	(56,520)	(86,747)
	$ 36,896	$ 34,123

APPROVED BY THE BOARD:

Director

Janice Cody Director

(See Accompanying Notes)

FOLK MUSIC ONTARIO

STATEMENT OF NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2015

	Invested in Capital Assets	Unrestricted Operating	2015 Balance	July 1, 2013 to March 31, 2014 Balance (Note 12)
BALANCE, Beginning of Period	$ 5,520	$ (92,267)	$ (86,747)	$ (100,478)
PURCHASE OF CAPITAL ASSETS	560	(560)	-	-
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(1,525)	31,752	30,227	13,731
BALANCE, End of Period	$ 4,555	$ (61,075)	$ (56,520)	$ (86,747)

FOLK MUSIC ONTARIO

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2015

	2015	July 1, 2013 to March 31, 2014 (Note 12)
REVENUE		
Operating Grants	$ 89,550	$ 72,500
Conference Grants and Sponsorships	116,000	58,506
Conference Revenues	107,994	101,622
Memberships	29,574	21,968
Other Income	12,187	4,283
	355,305	258,879
EXPENSES		
Conference Expenses	99,887	80,989
Wages and Benefits	116,451	91,817
Rent and Utilities	38,329	24,518
Professional Fees	14,863	13,763
Interest and Bank Charges	11,117	5,863
Travel	7,558	5,421
Computer Expenses	12,030	5,872
Telecommunications	4,861	3,007
Office and General	11,547	5,568
Amortization	1,525	1,395
Insurance	2,215	1,752
Bad Debt Expense	4,695	5,183
	325,078	245,148
EXCESS OF REVENUE OVER EXPENSES	$ 30,227	$ 13,731

(See Accompanying Notes)

FOLK MUSIC ONTARIO

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2015

	2015	July 1, 2013 to March 31, 2014 (Note 12)
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Excess (Deficiency) of Revenue over Expenses	$ 30,227	$ 13,731
Amortization	1,525	1,395
	31,752	15,126
CHANGES IN NON-CASH WORKING CAPITAL ITEMS		
Accounts Receivable (Note 3)	6,262	12,575
HST Recoverable	437	(2,611)
Grants Receivable	(11,000)	-
Prepaid Expenses and Deposits (Note 4)	563	9,925
Accounts Payable and Accrued Liabilities	(16,794)	(11,631)
Source Deductions Payable	(1,746)	3,871
Prepaid Membership and Conferences	(1,747)	(16,677)
Deferred Contributions (Note 6)	(19,000)	(83,200)
	(43,025)	(87,748)
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		
Purchase of Capital Assets	(560)	-
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Advances of Short-term Debt	14,975	5,500
INCREASE (DECREASE) IN CASH DURING THE YEAR	3,142	(67,122)
CASH (BANK INDEBTEDNESS), Beginning of the Period	(26,333)	40,789
BANK INDEBTEDNESS, End of the Period	$ (23,191)	$ (26,333)

(See Accompanying Notes)

FOLK MUSIC ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

NATURE OF OPERATIONS:

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

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

1. GOING CONCERN:

These financial statements have been prepared on the assumption that the entity is a going concern, meaning it will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. There is doubt as to the appropriateness of this assumption given the organization's current deficit and the deficiency in working capital. The organization's ability to continue as a going concern is dependent on its ability to obtain additional financing to meet its current working capital needs and attain profitable operations generating sufficient funds there from to meet current and future obligations.

The organization adopted and implemented a deficit elimination plan during the fiscal 2014 year. Management has been able attain other sources of funding and has reduced expenses significantly through staff reduction and other cost cutting measures. Management has been successful in eliminating its annual operating deficit for the past two fiscal years and intends to continue their long-term deficit elimination plan.

2. SIGNIFICANT ACCOUNTING POLICIES:

The not-for-profit organization follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

a) Revenue

Revenue and Expenses are recorded on an accrual basis. The organization follows the deferral method of accounting for grant contributions, and membership fees.

Sales of services and products are recorded as revenue at the date the title passes and the date the service is rendered.

Donations are recorded as received.

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

b) Capital Assets

Capital assets are recorded at their historical cost. Amortization is provided on the declining balance basis and at the annual rates indicated as follows:

Equipment	20%
Computer Hardware	30%
Computer Software	100%

Amortization for one-half of the year is provided on assets acquired during the year.

3. ACCOUNTS RECEIVABLE:

Accounts receivable reported is net of an allowance of $1,577 (2014 - $1,577).

4. PREPAID EXPENSES AND DEPOSITS:

Prepaid expenses and deposits includes a deposit with Ottawa Festivals of approximately $13,043. This balance represents the organization's contribution plus accrued interest towards Ottawa Festivals Sustainability and Emergency funds. The funds are administered by Ottawa Festivals and the organization has no control over the use of the funds. From time to time, the organization is entitled to borrow against its balance in the funds. (See Note 7)

5. CAPITAL:

	2015			2014
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer Equipme	$ 21,417	$ 18,581	$ 2,836	$ 3,371
Equipment	14,255	12,536	1,719	2,149
	$ 35,672	$ 31,117	$ 4,555	$ 5,520

6. DEFERRED CONTRIBUTIONS:

	2015	2014
Radio Starmaker Fund	$ -	$ 15,000
Toronto Convention & Visitors Association	-	4,000
	$ -	$ 19,000

7. LOAN PAYABLE:

In January 2015, FMO obtained financing from the Ottawa Festivals' Sustainability and Emergency Funding Program. The total loan amount of $15,000 carries an interest rate of 6% and is due in July 2015. The loan is secured by a general security over FMO's assets.

In February and March 2015, FMO agreed to enter into five short-term promissory notes totalling $17,500 from five FMO Board of Directors. The notes carry interest rates between 0% and 1% and matures on August 1, 2015.

8. CAPITAL MANAGEMENT AND ECONOMIC DEPENDENCE:

The organization includes cash, receivables, deferred contributions, accounts payable, and net assets in its capital management consideration. The organization's objectives when managing capital are to safeguard its ability to continue as a going concern and continue to execute its mandate.

The organization monitors these items to assess its ability to fulfil its ongoing financial obligations. The organization relies primarily on grants to fund its operations and makes adjustments to its budgeted expenditures in light of changes. The organization is not subject to externally imposed capital requirements.

9. USE OF ESTIMATES:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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 management's best estimates as additional information becomes available in the future.

10. LEASE COMMITMENTS:

The organization extended its head office lease agreement to February 2019 under a lease extension and amending agreement dated November 29, 2013.

The net annual minimum rent payments in the following fiscal years are as follows:

2016	$	34,800
2017	$	35,000
2018	$	37,200
2019	$	34,100

11. FINANCIAL INSTRUMENTS - RISK MANAGEMENT:

a) Interest Rate Risk

Interest rate risk is the risk of potential financial loss caused by fluctuations in their fair value of future cash flow of financial instruments due to changes in market interest

b) Credit Risk

Credit risk is the potential for financial loss should a counter-party in a transaction fail to meet its obligations.

c) Currency Risk

Currency risk is the risk of potential change in price of one currency against another currency.

The organization's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, credit or currency risks. The fair value of these financial instruments approximates their carrying values.

12. CHANGE IN FISCAL YEAR:

During Fiscal 2014 (July 1, 2013 to March 31, 2014), the Board changed the organization's fiscal year from June 30 to March 31. For this reason, prior period's statement of operations, net assets, and cash flows will report the activity of the nine-month period from July 1, 2013 to March 31, 2014.