

FOLK MUSIC ONTARIO
FINANCIAL STATEMENTS
MARCH 31, 2016





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, 2016, 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

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, 2016, 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 15, 2016

Chartered Professional Accountant
Licensed Public Accountant



FOLK MUSIC ONTARIO

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2016


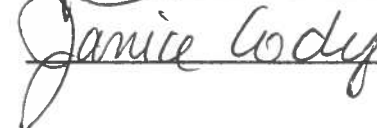
ASSETS

	<u>2016</u>	<u>2015</u>
<u>CURRENT</u>		
Accounts Receivable (Note 3)	\$ 3,558	\$ 782
HST Recoverable	1,540	2,174
Grants Receivable	18,000	11,000
Prepaid Expenses and Deposits (Note 4)	20,416	18,385
	<u>43,514</u>	<u>32,341</u>
 <u>CAPITAL ASSETS</u> (Note 5)	 <u>3,360</u>	 <u>4,555</u>
	<u>\$ 46,874</u>	<u>\$ 36,896</u>

LIABILITIES AND NET ASSETS

<u>CURRENT</u>		
Bank Indebtedness	\$ 28,011	\$ 23,191
Accounts Payable and Accrued Liabilities	29,150	23,070
Source Deductions Payable	6,332	2,125
Prepaid Membership and Conferences	14,326	12,355
Loan Payable (Note 6)	34,000	32,675
	<u>111,819</u>	<u>93,416</u>
 <u>NET ASSETS</u>		
Invested in Capital Assets	3,360	4,555
Deficit	(68,305)	(61,075)
	<u>(64,945)</u>	<u>(56,520)</u>
	<u>\$ 46,874</u>	<u>\$ 36,896</u>

APPROVED BY THE BOARD:

 Director, *Chair*
 Director, *Treasurer*

(See Accompanying Notes)

FOLK MUSIC ONTARIO

STATEMENT OF NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2016

	<u>Invested in</u> <u>Capital Assets</u>	<u>Unrestricted</u> <u>Operating</u>	<u>2016</u> <u>Balance</u>	<u>2015</u> <u>Balance</u>
<u>BALANCE,</u>				
Beginning of Period	\$ 4,555	\$ (61,075)	\$ (56,520)	\$ (86,747)
<u>PURCHASE OF</u>				
<u>CAPITAL ASSETS</u>	-	-	-	-
<u>EXCESS (DEFICIENCY)</u>				
<u>OF REVENUE</u>				
<u>OVER EXPENSES</u>	<u>(1,195)</u>	<u>(7,230)</u>	<u>(8,425)</u>	<u>30,227</u>
<u>BALANCE, End of Period</u>	<u>\$ 3,360</u>	<u>\$ (68,305)</u>	<u>\$ (64,945)</u>	<u>\$ (56,520)</u>

FOLK MUSIC ONTARIO
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
<u>REVENUE</u>		
Operating Grants (Note 7)	\$ 84,125	\$ 89,550
Conference Grants and Sponsorships	115,400	116,000
Conference Revenues	108,116	111,694
Memberships	26,058	29,574
Other Income	6,412	8,487
	<u>340,111</u>	<u>355,305</u>
<u>EXPENSES</u>		
Conference Expenses	119,008	99,887
Wages and Benefits	117,975	116,451
Rent and Utilities	37,669	38,329
Professional Fees	13,177	14,863
Interest and Bank Charges	8,600	11,117
Travel	6,575	7,558
Computer Expenses	14,194	12,030
Telecommunications	5,393	4,861
Office and General	22,197	11,547
Amortization	1,195	1,525
Insurance	2,201	2,215
Bad Debt Expense	352	4,695
	<u>348,536</u>	<u>325,078</u>
<u>EXCESS OF REVENUE OVER EXPENSES</u>		
<u>(EXPENSES OVER REVENUE)</u>	<u>\$ (8,425)</u>	<u>\$ 30,227</u>

(See Accompanying Notes)



FOLK MUSIC ONTARIO

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
<u>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</u>		
Excess (Deficiency) of Revenue over Expenses	\$ (8,425)	\$ 30,227
Amortization	1,195	1,525
	<u>(7,230)</u>	<u>31,752</u>
<u>CHANGES IN NON-CASH WORKING CAPITAL ITEMS</u>		
Accounts Receivable (Note 3)	(2,776)	6,262
HST Recoverable	634	437
Grants Receivable	(7,000)	(11,000)
Prepaid Expenses and Deposits (Note 4)	(2,031)	563
Accounts Payable and Accrued Liabilities	6,080	(16,794)
Source Deductions Payable	4,207	(1,746)
Prepaid Membership and Conferences	1,971	(1,747)
Deferred Contributions	-	(19,000)
	<u>1,085</u>	<u>(43,025)</u>
<u>CASH FLOWS PROVIDED BY INVESTING ACTIVITIES</u>		
Purchase of Capital Assets	-	(560)
<u>CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</u>		
Advances of Short-term Debt	1,325	14,975
<u>INCREASE (DECREASE) IN CASH DURING THE YEAR</u>		
	(4,820)	3,142
<u>BANK INDEBTEDNESS</u> , Beginning of the Period	<u>(23,191)</u>	<u>(26,333)</u>
<u>BANK INDEBTEDNESS</u> , End of the Period	<u>\$ (28,011)</u>	<u>\$ (23,191)</u>

(See Accompanying Notes)



FOLK MUSIC ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

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.

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.

FOLK MUSIC ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

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 \$1,635 (2015 - \$1,577).

4. PREPAID EXPENSES AND DEPOSITS:

Prepaid expenses and deposits includes a deposit with Ottawa Festivals of approximately \$16,477. 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 6)

5. CAPITAL:

	<u>2016</u>			<u>2015</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer Equipment	\$ 21,417	\$ 19,432	\$ 1,985	\$ 2,836
Equipment	14,255	12,880	1,375	1,719
	<u>\$ 35,672</u>	<u>\$ 32,312</u>	<u>\$ 3,360</u>	<u>\$ 4,555</u>

6. LOAN PAYABLE:

In January 2015, FMO obtained financing from the Ottawa Festivals' Sustainability and Emergency Funding Program. The total loan amount of \$20,000 carries an interest rate of 6%. 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 \$14,000 from five FMO Board of Directors. The notes carry interest rates of 1% and matures on August 1, 2016.

FOLK MUSIC ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

7. OPERATING GRANTS:

Operating Grant revenue is summarized as follows:

Ontario Arts Council	\$ 45,125	\$ 47,500
Canadian Heritage - Canada Arts Presentation Fund		
- Total Grant - \$60,000 (2015 - \$60,000)	35,000	35,000
Ticketpro	3,500	3,500
SOCAN	500	3,000
Other	-	550
	<u>\$ 84,125</u>	<u>\$ 89,550</u>

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:

2017	\$ 35,000
2018	\$ 37,200
2019	\$ 34,100

FOLK MUSIC ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

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 rates.

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.