

**FOLK MUSIC ONTARIO**  
**FINANCIAL STATEMENTS**  
**MARCH 31, 2021**





**INDEPENDENT AUDITOR'S REPORT**

**To the Members of  
Folk Music Ontario  
Report on the Audit of the Financial Statements**

***Opinion***

**I have audited the financial statements of Folk Music Ontario ("the Organization"), which comprise the statement of financial position as at March 31, 2021, the statement of operations and changes in net assets, and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.**

**In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the accompanying financial statements present fairly, in all material respects, the financial position of Folk Music Ontario as at March 31, 2021, 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.**

***Basis for Qualified Opinion***

**In common with many not-for-profit organizations, the completeness of membership and donation revenues 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.**

**I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Organization in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.**

***Responsibilities of Management and Those Charged with Governance 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.**

**In preparing these financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.**

**Those charged with governance are responsible for overseeing the Organization's financial reporting process.**

## INDEPENDENT AUDITOR'S REPORT (Continued)

### *Auditor's Responsibilities for the Audit of the Financial Statements*

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identified during my audit.

Richmond Hill, Ontario  
June 14, 2021

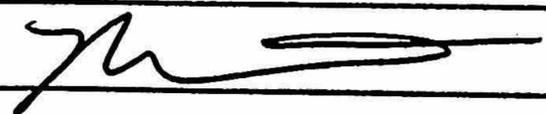
  
Chartered Professional Accountant  
Licensed Public Accountant

**FOLK MUSIC ONTARIO**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2021**

	<u>2021</u>	<u>2020</u>
<b><u>ASSETS</u></b>		
<b><u>CURRENT</u></b>		
Cash	\$ 120,577	\$ 989
Accounts Receivable (Note 4)	10,516	1,405
Grants Receivable	-	15,000
HST Recoverable	1,850	339
Prepaid Expenses and Deposits (Note 6)	<u>11,774</u>	<u>13,746</u>
	144,717	31,479
 <b><u>CAPITAL ASSETS (Note 2)</u></b>	 <u>2,240</u>	 <u>2,397</u>
	<b><u>\$ 146,957</u></b>	<b><u>\$ 33,876</u></b>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>CURRENT</u></b>		
Bank Loan Payable (Note 5)	\$ 40,000	\$ -
Accounts Payable and Accrued Liabilities	12,102	33,488
Source Deductions Payable	1,579	749
Prepaid Membership and Conferences	<u>14,367</u>	<u>12,640</u>
	68,048	46,877
 <b><u>NET ASSETS</u></b>		
Invested in Capital Assets	498	1,503
Unrestricted Operating	<u>78,411</u>	<u>(14,504)</u>
	78,909	(13,001)
	<b><u>\$ 146,957</u></b>	<b><u>\$ 33,876</u></b>

**APPROVED BY THE BOARD:**

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

*(See Accompanying Notes)*

**FOLK MUSIC ONTARIO**

**STATEMENT OF CHANGES IN NET ASSETS**

**FOR THE YEAR ENDED MARCH 31, 2021**

	<b><u>Invested in</u></b> <b><u>Capital Assets</u></b>	<b><u>Unrestricted</u></b> <b><u>Operating</u></b>	<b><u>2021</u></b> <b><u>Balance</u></b>	<b><u>2020</u></b> <b><u>Balance</u></b>
<b><u>BALANCE</u></b> , Beginning of Year	\$ 1,503	\$ (14,504)	\$ (13,001)	\$ (117,783)
<b><u>EXCESS (DEFICIENCY) OF</u></b> <b><u>REVENUE OVER EXPENSES</u></b>	<u>(1,005)</u>	<u>92,915</u>	<u>91,910</u>	<u>104,782</u>
<b><u>BALANCE</u></b> , End of Year	<u>\$ 498</u>	<u>\$ 78,411</u>	<u>\$ 78,909</u>	<u>\$ (13,001)</u>

**FOLK MUSIC ONTARIO**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED MARCH 31, 2021**

	<u>2021</u>	<u>2020</u>
<b><u>REVENUE</u></b>		
Operating Grants (Note 3)	\$ 177,171	\$ 115,542
Conference Grants and Sponsorships	70,000	179,523
Conference Revenues	9,643	76,997
Memberships	16,056	22,839
Other Income	1,245	2,963
	<u>274,115</u>	<u>397,864</u>
<b><u>GOVERNMENT ASSISTANCE</u></b> (Note 10)	<u>23,356</u>	<u>-</u>
<b><u>EXPENSES</u></b>		
Amortization	1,005	720
Bad Debts	1,219	-
Computer Expenses	2,520	4,639
Conference Expenses	50,989	139,957
Insurance	2,528	2,597
Interest and Bank Charges	1,818	9,575
Office and General	2,495	8,807
Professional Fees	9,632	11,388
Rent and Utilities	20,022	22,249
Telecommunications	1,830	1,885
Travel	-	1,255
Wages and Benefits	111,503	90,010
	<u>205,561</u>	<u>293,082</u>
<b><u>EXCESS OF REVENUE OVER EXPENSES</u></b>	<u>\$ 91,910</u>	<u>\$ 104,782</u>

*(See Accompanying Notes)*

**FOLK MUSIC ONTARIO**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2021**

	<u>2021</u>	<u>2020</u>
<b><u>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</u></b>		
Excess of Revenues over Expenses	\$ 91,910	\$ 104,782
Amortization	1,005	720
	<u>92,915</u>	<u>105,502</u>
<b><u>CHANGES IN NON-CASH WORKING CAPITAL ITEMS</u></b>		
Accounts Receivable	( 9,111 )	7,584
HST Recoverable	( 1,511 )	2,364
Grant Receivable	15,000	( 15,000 )
Prepaid Expenses and Deposits	1,972	13,041
Accounts Payable and Accrued Liabilities	( 21,386 )	( 42,448 )
Source Deductions Payable	830	( 1,121 )
Prepaid Membership and Conferences	1,727	( 14 )
Bank Loan Payable	40,000	-
	<u>27,521</u>	<u>( 35,594 )</u>
<b><u>CASH FLOWS PROVIDED BY INVESTING ACTIVITIES</u></b>		
Purchase of Capital Assets	<u>( 848 )</u>	<u>( 894 )</u>
<b><u>CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</u></b>		
Repayment of Short-term Debt		
- Ottawa Festivals Sustainability program	-	( 30,000 )
	<u>119,588</u>	<u>39,014</u>
<b><u>INCREASE IN CASH DURING THE YEAR</u></b>	<b>119,588</b>	<b>39,014</b>
<b><u>CASH (BANK INDEBTEDNESS), Beginning of the Year</u></b>	<b><u>989</u></b>	<b><u>( 38,025 )</u></b>
<b><u>CASH, End of the Year</u></b>	<b><u>\$ 120,577</u></b>	<b><u>\$ 989</u></b>

*(See Accompanying Notes)*

## FOLK MUSIC ONTARIO

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED MARCH 31, 2021

#### 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.

#### 1. SIGNIFICANT ACCOUNTING POLICIES:

These financial statements have been prepared in accordance with the Canadian accounting standards for not-for-profit organizations. The organization's significant accounting policies are as follows:

##### a) Revenue Recognition

The organization follows the deferral method of accounting for contributions, which include government grants and sponsorships, and are recorded as revenue in the fiscal period in which the associated operating or project expenses are incurred.

Revenue from the sale of goods and services is recorded when goods are delivered and title passes, and the services are rendered.

Donations are recorded as revenues when received.

Memberships fees are deferred and recognized as revenue over the term covered by the fees.

##### 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%

A capital asset is tested 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 as the amount by which the carrying amount of the capital assets exceeds its fair value.

**FOLK MUSIC ONTARIO**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2021**

**1. SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**c) Use of Estimates**

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reported period. Significant items subject to such estimates and assumptions include the useful lives of capital assets, prepaid membership and conferences and year-end accrued liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future.

**d) Income Taxes**

The organization is a not-for-profit organization under the Income Tax Act (Canada) and, as such, is exempt from income taxes.

**e) Financial Instruments**

The organization initially records all financial instruments at fair market value, and subsequently records them at amortized cost.

The organization's financial instruments consist of bank indebtedness, accounts receivable, accounts payable and accrued liabilities.

**2. CAPITAL ASSETS:**

	<u>Cost</u>	<u>2021 Accumulated Amortization</u>	<u>Net Book Value</u>	<u>2020 Net Book Value</u>
Computer				
Equipment	\$ 24,479	\$ 22,640	\$ 1,839	\$ 1,896
Equipment	14,255	13,854	401	501
	\$ 38,734	\$ 36,494	\$ 2,240	\$ 2,397

**FOLK MUSIC ONTARIO**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2021**

**3. OPERATING GRANTS:**

Operating Grant revenue is summarized as follows:

	<u>2021</u>	<u>2020</u>
Ontario Arts Council - Operating	\$ 44,042	\$ 44,042
Canadian Heritage - Canada Arts Presentation Fund		
- Total Grant - \$156,250 (2020 - \$115,000)	111,250	70,000
Ticketpro	-	500
SGB Productions	-	1,000
FACTOR	13,114	-
Other	8,765	-
	<u>\$ 177,171</u>	<u>\$ 115,542</u>

**4. ACCOUNTS RECEIVABLE:**

Accounts receivable is reported net of a bad debt provision of \$500 (2020 - \$500).

**5. BANK LOAN PAYABLE:**

During the 2021 fiscal year, the Organization applied for and received the Canada Emergency Business Account (CEBA) loan made available by the Federal government in response to COVID-19. The purpose of the loan is to assist the Organization in financing its non-deferrable expenses with a forgiveness option available if 75% of the outstanding balance is repaid by December 31, 2022. The initial term of the loan is from June 2020 to December 31, 2022 with an annual interest rate of 0% and no terms of repayment. Subsequent to December 31, 2022, any unpaid balance will be converted into a term-loan with a maturity date of December 31, 2025 and a fixed annual interest rate of 5%.

During the 2021, the Organization received \$60,000 under the CEBA loan program of which \$20,000 has been recognized as income in the 2021 fiscal year.

**6. PREPAID EXPENSES AND DEPOSITS:**

Prepaid expenses and deposits includes a deposit with Ottawa Festivals of approximately \$7,366 (2020 - \$7,366). 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.

**FOLK MUSIC ONTARIO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2021**

**7. CAPITAL MANAGEMENT AND ECONOMIC DEPENDENCE:**

The organization includes cash, accounts receivables, grants receivable, accounts payable and accrued liabilities, 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.

**8. LEASE COMMITMENTS:**

The organization has a three year lease commitment ending on January 31, 2022.

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

2022	\$	19,093
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**9. FINANCIAL INSTRUMENTS - RISK MANAGEMENT:**

**a) Interest Rate Risk**

Interest rate risk is the risk of potential financial loss caused by fluctuations in fair value of future cash flow of financial instruments due to changes in market interest rates. The Organization is exposed to this risk through its outstanding short-term loans and line of credit. The Organization manages this risk through borrowing in short-term fixed-rate loans.

**b) Credit Risk**

Credit risk is the potential for financial loss should a counter-party in a transaction fail to meet its obligations. Due to the nature of the contributions and general operations, the Organization does not face any significant concentration of credit risk.

**FOLK MUSIC ONTARIO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2021**

**9. FINANCIAL INSTRUMENTS - RISK MANAGEMENT: (Continued)**

**c) Liquidity Risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization manages this risk by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

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

The extent of the Organization's exposure to the above risks did not change during 2021 fiscal year.

**10. GOVERNMENT ASSISTANCE:**

During the 2021 fiscal year, the Organization applied for and received the Canada Emergency Wage Subsidy (CEWS) made available by the Federal government in response to COVID-19. The CEWS was made available to eligible employers who experienced a significant decline in revenues as a result of the COVID-19 impact on operations and served as an incentive to retain employees. During the 2021 fiscal year, the Organization received \$3,356 from the CEWS program and is recognized as revenue in the Statement of Operations. The Organization has met all the terms and conditions to be eligible for CEWS.

In 2021, Government Assistance income is analyzed as follows:

CEBA Program	\$ 20,000
CEWS Program	<u>3,356</u>
	<u><u>\$ 23,356</u></u>

**11. LINE OF CREDIT:**

Folk Music Ontario has access to a line of credit through the Royal Bank of Canada to a maximum of \$25,000 bearing interest at 5.35%. As at March 31, 2021, the balance in the line of credit was nil (2020 - nil).