

**Festival of the Sound
Financial Statements
For the year ended November 30, 2021**

**Festival of the Sound
Financial Statements
For the year ended November 30, 2021**

Contents

Independent Auditors' Report	2
Financial Statements	
Balance Sheet	4
Statement of Changes in Fund Balances	5
Statement of Operations	6
Statement of Cash Flows	7
Notes to Financial Statements	8

GINGRICH HARRIS COPELAND Chartered Professional Accountants

1-7 William Street
Parry Sound ON
P2A 1V2

STEPHEN L. GINGRICH, CPA, CFP
BRANDY L. HARRIS-GREEN, CPA
CHANTELLE A. COPELAND, CPA

TELEPHONE: (705) 746-5828
FAX: (705) 746-9693
E-MAIL: ghccpa@vianet.ca
WEBSITE: www.ghccpa.ca

Independent Auditors' Report

To the Directors of Festival of the Sound

Qualified Opinion

We have audited the accompanying financial statements of Festival of the Sound (the "entity"), which comprise the balance sheet as at November 30, 2021 and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the entity as at November 30, 2021, and its financial performance 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 entity derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the entity. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended November 30, 2021 and November 30, 2020, current assets as at November 30, 2021 and November 30, 2020, and net assets as at December 1 and November 30 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended November 30, 2020 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our **qualified** audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the financial statements, management is responsible for assessing the entity'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 entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our 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 auditors' report that includes our 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 entity'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 entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the entity 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.

We communicate 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 we identify during our audit.



Parry Sound, Ontario
May 9, 2022

Chartered Professional Accountants,
Licensed Public Accountants

Festival of the Sound Balance Sheet

November 30	2021	2020
Assets		
Current		
Cash	\$ 50,532	\$ 55,151
Short-term investments - internally restricted	54,717	443,429
Accounts receivable	-	1,988
Grants receivable	13,104	-
HST receivable	3,264	3,310
Inventories	6,134	7,482
Prepaid expenses	1,129	1,191
	128,880	512,551
Capital assets (Note 2)	67,883	72,352
Long-term investments - internally restricted	165,746	58,672
	\$ 362,509	\$ 643,575

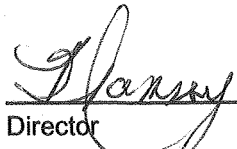
Liabilities and Fund Balances

Current		
Accounts payable and accrued liabilities (Note 4)	\$ 48,803	\$ 33,740
Deferred contributions (Note 8)	-	162,698
Funds held for transfer to Ontario Arts Foundation (Note 10)	-	157,500
	48,803	353,938
Long-term debt (Note 6)	30,000	30,000
	78,803	383,938
Fund balances:		
Invested in capital assets	67,883	72,352
Bequest reserve fund	182,500	182,500
Stocky endowment reserve	40,073	40,073
Youth music education reserve	50,098	50,098
Unrestricted	(56,848)	(85,386)
	283,706	259,637
	\$ 362,509	\$ 643,575

On behalf of the Board:



Director



Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**Festival of the Sound
Statement of Changes in Fund Balances**

For the year ended November 30	Invested In Capital Assets	Bequest Reserve Fund	Stockey Endowment Reserve	Youth Music Education Reserve	Unrestricted	2021	2020
Fund Balances, beginning of year	\$ 72,352	\$ 182,500	\$ 40,073	\$ 50,098	\$ (85,386)	\$ 259,637	\$ 181,867
Excess (deficiency) of revenue over expenses	\$ (4,469)	-	-	-	28,538	24,069	77,770
Fund Balances, end of year	\$ 67,883	\$ 182,500	\$ 40,073	\$ 50,098	\$ (56,848)	\$ 283,706	\$ 259,637

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Festival of the Sound Statement of Operations

For the year ended November 30	Budget (Unaudited)	2021	2020
Revenues			
Ticket sales - concert hall and boat cruise	\$ 20,000	\$ 51,098	\$ 14,246
Grants (Note 5)	195,958	322,662	120,981
Donations - individual	150,000	116,554	187,688
- foundations and corporations	20,000	18,626	25,053
- municipalities	7,000	4,500	4,000
- Baldwin piano	-	-	20,950
Merchandise	4,000	5,879	8,564
Special events	2,000	3,764	5,037
Advertising	10,000	-	12,898
Interest & service charges	19,500	18,759	19,878
Misc. Income	-	2,791	127
Insurance claim	100,000	-	-
	528,458	544,633	419,422
Expenses			
Artists' accommodation	20,000	16,917	1,922
Artists' fees and travel	80,000	88,731	19,221
Artistic director fee	47,000	47,000	44,500
Artistic director expenses	-	494	-
Box office system	4,000	8,662	9,019
Boat cruise - charter	15,000	8,000	-
Hall rental	22,000	22,155	832
Licence and artistic	7,000	2,000	2,003
Piano tuning and moving	10,000	6,431	1,825
Receptions	-	-	84
Music scores program	12,000	2,250	2,250
Brochure	2,300	6,643	20,199
Fundraising	1,000	547	148
Graphic design	26,000	20,839	18,135
Merchandise	2,500	3,899	5,564
Programme book	4,000	7,262	-
Publicity media	25,000	7,230	8,494
Special events	-	966	277
Insurance	5,000	4,892	2,495
Professional fees	11,500	11,738	8,000
Bank charges and interest	5,000	5,116	4,317
Amortization of capital assets	4,000	4,469	4,254
Office & postage	3,400	4,055	2,751
Rent & utilities	14,000	12,342	12,237
Staff and board	2,000	1,553	629
Telephone	3,500	3,424	3,549
Technical services	7,500	7,837	10,351
Salaries and wages	163,400	159,505	141,402
Employee benefits	16,000	17,378	17,194
Production	20,000	38,229	-
	533,100	520,564	341,652
Excess of revenues over expenses	\$ (4,642)	\$ 24,069	\$ 77,770

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Festival of the Sound Statement of Cash Flows

<u>For the year ended November 30</u>	<u>2021</u>	<u>2020</u>
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses	\$ 24,069	\$ 77,770
Items not involving cash		
Amortization of capital assets	4,469	4,254
Contributed capital asset	-	(20,950)
	<u>28,538</u>	<u>61,074</u>
Changes in non-cash working capital balances:		
Grants receivable	(13,104)	-
Accounts receivable	2,034	3,808
Inventories	1,348	(821)
Prepaid expenses	62	1,690
Accounts payable and accrued liabilities	15,063	(22,936)
Deferred revenue	(162,698)	162,698
Funds held for transfer	(157,500)	157,500
	<u>(286,257)</u>	<u>363,013</u>
Investing activities		
Long term investments - internally restricted	(107,074)	2,431
	<u>(107,074)</u>	<u>2,431</u>
Financing activities		
Increase (decrease) in Scotiabank line of credit	-	(36,000)
Proceeds of CEBA loan	-	30,000
	<u>-</u>	<u>(6,000)</u>
Increase (decrease) in cash during the year	(393,331)	359,444
Cash, beginning of year	498,580	139,136
Cash, end of year	\$ 105,249	\$ 498,580
Represented by		
Cash	\$ 50,532	\$ 55,151
Short-term investments - internally restricted	54,717	443,429
	<u>\$ 105,249</u>	<u>\$ 498,580</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Festival of the Sound Notes to Financial Statements

November 30, 2021

1. Significant Accounting Policies

Nature and purpose of organization

Festival of the Sound (the "Organization") is a not-for-profit corporation without share capital under the laws of Ontario. The Organization operates a music festival in the summer months in the Town of Parry Sound. The corporation is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

Basis of accounting

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

Revenue recognition

The Organization 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.

Internally restricted net assets

The internally restricted net assets are funded pursuant to Directors' resolutions by transfers from the unrestricted net assets. These funds are designated for specified programs and uses.

Fund accounting

Revenues and expenses for service delivery activities and administration are reported in the unrestricted fund.

Contributions for the Bequest, Stockey Endowment, and Youth Music Education funds are realized as revenue within their respective restricted funds. These funds are set aside to be used against future expenditures and capital purchases.

Increases and decreases to and/or from internally restricted amounts are adjusted when approved. All other revenues for operating activity are realized as revenue in the period within the unrestricted fund in which the operating expenses occur.

Endowment contributions are recognized as a direct increase to net assets in the year received.

Festival of the Sound Notes to Financial Statements

November 30, 2021

Deferred revenue	Certain amounts are received from donors to be used for services rendered in the future. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.								
Cash and cash equivalents	The entity's policy is to disclose bank balances under cash and cash equivalents.								
Budget figures	<p>Budget figures have been provided for comparison purposes and have been derived from the budget provided by the Organization. The Board approves the budget annually. The approved budget for 2020-2021 is reflected on the statement of operations and was approved by the Board of Directors on February 16, 2021. A revised budget was prepared and approved May 2021.</p> <p>Budget figures have not been audited and are presented for information purposes only.</p>								
Capital assets	<p>Capital assets are stated at cost less accumulated amortization. Amortization is provided using the following basis and annual rates:</p> <table><tr><td>Furniture and equipment</td><td>- 10 % diminishing balance basis</td></tr><tr><td>Computer equipment</td><td>- 10 % diminishing balance basis</td></tr><tr><td>Computer software</td><td>- 10 % diminishing balance basis</td></tr><tr><td>Piano</td><td>- 5 % diminishing balance basis</td></tr></table> <p>Amortization is taken at 50% of the above rate in the year of acquisition.</p> <p>The carrying amount of an item of capital assets is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount is not recoverable and exceeds its fair value.</p>	Furniture and equipment	- 10 % diminishing balance basis	Computer equipment	- 10 % diminishing balance basis	Computer software	- 10 % diminishing balance basis	Piano	- 5 % diminishing balance basis
Furniture and equipment	- 10 % diminishing balance basis								
Computer equipment	- 10 % diminishing balance basis								
Computer software	- 10 % diminishing balance basis								
Piano	- 5 % diminishing balance basis								
Donated services	The work of the Board of Directors is dependent on the voluntary services of members of the Organization. Since these services are not normally purchased by the Organization and because of the difficulty of determining their fair value, donated services are not recognized in these statements.								

Festival of the Sound Notes to Financial Statements

November 30, 2021

Inventories

Inventories are measured at the lower of cost and net realizable value. Cost includes purchase, conversion and other costs incurred in bringing the inventories to their present location and condition. The costs are assigned using the first-in, first-out cost formula.

Financial instruments

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

Use of estimates

The preparation of the financial statements in conformity 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

**Festival of the Sound
Notes to Financial Statements**

November 30, 2021

2. Capital Assets

	2021		2020	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	\$ 16,129	\$ 10,327	\$ 5,802	\$ 6,446
Piano	80,181	27,643	52,538	55,303
Computer equipment	21,133	13,806	7,327	8,141
Computer software	17,976	15,760	2,216	2,462
	\$ 135,419	\$ 67,536	\$ 67,883	\$ 72,352

3. Bank Indebtedness

The business Visa line of credit bears interest at the rate of prime plus 1.5% calculated and payable monthly. The total authorized credit limit is \$100,000. It is secured by non-redeemable GIC investments.

4. Accounts Payable and Accrued Liabilities

	2021		2020	
Trade accounts payable	\$ 14,880	\$	\$ 3,719	\$
Accrued liabilities	33,923		30,021	
	\$ 48,803	\$	\$ 33,740	\$

**Festival of the Sound
Notes to Financial Statements**

November 30, 2021

5. Grants

	<u>2021</u>	<u>2020</u>
Canada Arts Presentation Fund	168,000	22,000
Federal wage subsidies	66,543	54,074
Ontario Arts Council	71,937	23,979
Northern Ontario Heritage Fund	3,078	10,928
Other Grants	13,104	10,000
	<u>322,662</u>	<u>120,981</u>

6. Long-term debt

	<u>2021</u>	<u>2020</u>
Scotiabank Canada Emergency Business Account loan	\$ 30,000	\$ 30,000

Principal repayments for the next five years and thereafter are as follows:

2024	\$ <u>30,000</u>
------	------------------

The organization received a \$40,000 Canada Emergency Business Account loan. This loan is interest free with no principal payments until December 31, 2023. 25% of the loan is forgivable if repaid in full by December 31, 2023. The forgivable portion of \$10,000 has been recognized as revenue in the previous year. If any part of the balance is not paid by December 31, 2023, the remaining balance will be converted into a 3-year term loan at 5% annual interest, paid monthly, effective January 1, 2024.

7. Economic Dependence

Approximately 59% of the Festival's revenue was received by way of grants from various governments and agencies in 2021 (2020 - 29%). The continuation of the Organization is dependent on this funding.

Festival of the Sound Notes to Financial Statements

November 30, 2021

8. Deferred Operating Contributions

Deferred contributions represent externally restricted unspent resources for future operating expenditures. They resulted from the cancellation of the main summer Festival of the Sound due to COVID 19.

Changes in the deferred contributions balance are as follows:

	2021	2020
Beginning balance	\$ 162,698	\$ -
Ontario Arts Council	(47,958)	47,958
Individual donations for 2021 Festival	(26,740)	26,740
Canadian Heritage Fund	(88,000)	88,000
	<u>\$ -</u>	<u>\$ 162,698</u>

9. Financial Instruments

a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect to the accounts receivable. The Organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

b) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

c) Interest rate risk:

The Organization is exposed to interest rate risk on its fixed interest rate financial instruments. Fixed-rate instruments subject the Festival to a fair value risk. The weighted average interest rate on term deposits at year end was 0.96% and maturities range from 1 year to 3 years.

Festival of the Sound Notes to Financial Statements

November 30, 2021

10. Festival of the Sound Trust Funds

These financial statements do not include the accounts of the Festival of the Sound Arts Endowment Fund that was established in March 1999, the Festival of the Sound Fund that was initiated in November 2016 and the Canadian Heritage Fund opened in March 2017 with government matching funds. The Funds are controlled by the Ontario Arts Foundation. The Festival received an income payment of \$14,089 from the Funds in 2021 (2020 - \$15,693) that is reported as interest in the statement of operations. The Funds are not audited by the Festival auditors. The market values of the Endowment Fund, Festival of the Sound Fund and Canadian Heritage Fund were \$524,883, \$415,026, and \$124,995 on November 30, 2021 (2020 - \$353,918, \$34,732, and \$31,392). During the year, the Festival transferred \$123,490 to the Festival of the Sound Arts endowment fund and \$346,650 to the Festival of the Sound Fund (2020 - \$120,552; \$0).
