

Festival of the Sound
Financial Statements
For the year ended November 30, 2022

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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, 2022 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, 2022, 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, 2022 and November 30, 2021, current assets as at November 30, 2022 and November 30, 2021, and net assets as at December 1 and November 30 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended November 30, 2021 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.

Singair Harris Copeland

Parry Sound, Ontario
April 27, 2023

Chartered Professional Accountants,
Licensed Public Accountants

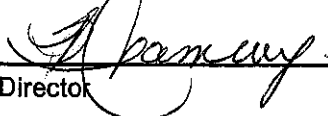
Festival of the Sound Balance Sheet

November 30	2022	2021
Assets		
Current		
Cash	\$ 102,907	\$ 50,532
Short-term investments G.I.C.s - internally restricted	133,107	54,717
Accounts receivable	25,440	-
Grants receivable	33,704	13,104
HST receivable	7,171	3,264
Inventories	2,384	6,134
Prepaid expenses	184	1,129
	304,897	128,880
Capital assets (Note 2)	65,783	67,883
Long-term investments G.I.C.s - internally restricted	136,715	165,746
	\$ 507,395	\$ 362,509

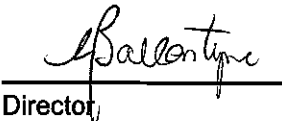
Liabilities and Fund Balances

Current		
Accounts payable and accrued liabilities (Note 4)	\$ 79,316	\$ 48,803
	79,316	48,803
Long-term debt (Note 6)	30,000	30,000
	109,316	78,803
Fund balances:		
Invested in capital assets	65,783	67,883
Bequest reserve fund	182,500	182,500
Stockey endowment reserve	40,073	40,073
Youth music education reserve	50,098	50,098
Unrestricted	59,625	(56,848)
	398,079	283,706
	\$ 507,395	\$ 362,509

On behalf of the Board:



Director



Director

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	2022	2021
Fund Balances, beginning of year	\$ 67,883	\$ 182,500	\$ 40,073	\$ 50,098	\$ (56,848)	\$ 283,706	\$ 259,637
Invested in capital assets	\$ 12,018	-	-	-	(12,018)	-	-
Excess (deficiency) of revenue over expenses	\$ (14,118)	-	-	-	128,491	114,373	24,069
Fund Balances, end of year	\$ 65,783	\$ 182,500	\$ 40,073	\$ 50,098	\$ 59,625	\$ 398,079	\$ 283,706

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)	2022	2021
Revenues			
Ticket sales - concert hall and boat cruise	\$ 264,900	\$ 226,561	\$ 53,698
Grants (Note 5)	361,000	452,514	322,662
Donations - individual	129,000	148,333	116,554
- foundations and corporations	25,000	27,701	18,626
- municipalities	8,000	7,450	4,500
Merchandise	17,000	10,071	5,879
Special events	15,000	3,673	3,764
Advertising	15,200	14,061	-
Interest & service charges	36,100	40,336	18,759
Misc. Income	-	355	191
Sounding Thunder	-	33,088	-
	871,200	964,143	544,633
Expenses			
Artists' accommodation	27,000	20,165	16,917
Artists' fees and travel	208,000	157,925	88,731
Artistic director fee	50,000	50,000	47,000
Artistic director expenses	2,500	487	494
Box office system	10,000	9,056	8,662
Boat cruise - charter	15,000	15,700	8,000
Hall rental	25,000	20,228	22,155
Licence and artistic	8,000	2,000	2,000
Piano tuning and moving	13,000	3,500	6,431
Receptions	5,000	4,254	-
Stockey centre capital building	8,100	6,280	-
Music scores program	17,000	35,500	2,250
Brochure	20,000	14,920	6,643
Fundraising	5,300	1,135	547
Graphic design	34,000	31,058	20,839
Merchandise	9,600	5,969	3,899
Programme book	12,000	2,575	7,262
Publicity media	32,500	54,075	7,230
Special events	12,000	2,826	966
Insurance	6,000	6,824	4,892
Professional fees	11,000	6,371	11,738
Bank charges and interest	10,000	12,838	5,116
Amortization of capital assets	4,500	7,800	4,469
Office & postage	5,500	11,231	4,055
Rent & utilities	17,000	13,067	12,342
Staff and board	4,500	5,762	1,553
Telephone	3,000	2,779	3,424
Technical services	-	11,112	7,837
Salaries and wages	186,000	178,336	159,505
Employee benefits	21,182	20,375	17,378
Memberships	1,000	-	-
Production	53,500	65,609	38,229
Sounding Thunder	-	63,695	-
Loss on disposal of capital assets	-	6,318	-
	837,182	849,770	520,564
Excess of revenues over expenses	\$ 34,018	\$ 114,373	\$ 24,069

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

For the year ended November 30	2022	2021
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses	\$ 114,373	\$ 24,069
Items not involving cash		
Amortization of capital assets	7,800	4,469
Loss on disposal of assets	6,318	-
	128,491	28,538
Changes in non-cash working capital balances:		
Grants receivable	(20,600)	(13,104)
Accounts receivable	(29,347)	2,034
Inventories	3,750	1,348
Prepaid expenses	945	62
Accounts payable and accrued liabilities	30,513	15,063
Deferred revenue	-	(162,698)
Funds held for transfer	-	(157,500)
	113,752	(286,257)
Investing activities		
Purchase of capital assets	(12,018)	-
Long term investments - internally restricted	29,031	(107,074)
	17,013	(107,074)
Financing activities		
Increase (decrease) in cash during the year	130,765	(393,331)
Cash, beginning of year	105,249	498,580
Cash, end of year	\$ 236,014	\$ 105,249
Represented by		
Cash	\$ 102,907	\$ 50,532
Short-term investments - internally restricted	133,107	54,717
	\$ 236,014	\$ 105,249

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, 2022

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, 2022

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 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 2021-2022 is reflected on the statement of operations and was approved by the Board of Directors on November 15, 2021.

Budget figures have not been audited and are presented for information purposes only.

Capital assets Capital assets are stated at cost less accumulated amortization. Amortization is provided using the following basis and annual rates:

Furniture and equipment	- 20 % diminishing balance basis
Computer equipment	- 3 years straight-line basis
Computer software	- 20 % diminishing balance basis
Piano	- 5 % diminishing balance basis

Amortization is taken at 50% of the above rate in the year of acquisition.

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.

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, 2022

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, 2022

2. Capital Assets

	2022		2021	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	\$ 13,734	\$ 7,650	\$ 6,084	\$ 5,802
Piano	80,181	30,270	49,911	52,538
Computer equipment	12,266	4,251	8,015	7,327
Computer software	17,976	16,203	1,773	2,216
	\$ 124,157	\$ 58,374	\$ 65,783	\$ 67,883

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. As at November 30, 2022, the amount being drawn on this line of credit was \$NIL (2021-\$NIL).

4. Accounts Payable and Accrued Liabilities

	2022		2021	
Trade accounts payable	\$ 43,771	\$	14,880	\$
Accrued liabilities	35,545	\$	33,923	\$
	\$ 79,316	\$	48,803	\$

Festival of the Sound Notes to Financial Statements

November 30, 2022

5. Grants

	2022	2021
Canada Arts Presentation Fund	151,000	168,000
Federal wage subsidies	-	66,543
Ontario Arts Council	47,958	71,937
Northern Ontario Heritage Fund	46,808	3,078
ReConnect	161,659	-
Other Grants	45,089	13,104
	452,514	322,662

6. Long-term debt

	2022	2021
Scotiabank Canada Emergency Business Account loan	\$ 30,000	\$ 30,000
	\$ 30,000	\$ 30,000

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

2024	\$ 30,000
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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 a prior 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 44% of the Festival's revenue was received by way of grants from various governments and agencies in 2022 (2021 - 59%). The continuation of the Organization is dependent on this funding.

Festival of the Sound Notes to Financial Statements

November 30, 2022

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:

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ -	\$ 162,698
Ontario Arts Council	-	(47,958)
Individual donations for 2021 Festival	-	(26,740)
Canadian Heritage Fund	-	(88,000)
	<u>\$ -</u>	<u>\$ -</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 2.06% and maturities range from 1 year to 5 years.

Festival of the Sound Notes to Financial Statements

November 30, 2022

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 \$24,436 from the Funds in 2022 (2021 - \$14,089) 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 \$487,304, \$390,781, and \$179,964 on November 30, 2022 (2021 - \$524,883, \$415,026, and \$124,995). During the year, the Festival transferred \$6,527 to the Festival of the Sound Arts endowment fund and \$0 to the Festival of the Sound Fund (2021 - \$123,490; \$346,650).

11. Change in accounting estimates

The Organization updated its capital asset amortization rates for the year ended November 30, 2022 and future years to reflect expected consumption of the future economic benefits of the assets. Furniture and equipment and computer software were increased from 10% to 20% diminishing balance basis. Computer equipment was changed from 10% diminishing balance basis to three-year straight line basis.

12. Directors' remuneration

The Festival of the Sound contracted with Jodi Contin, a director of the Festival, for services provided to the Festival. Total remuneration for the year ended November 30, 2022 was \$3,500 (2021 - \$500). These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties).
