

Festival of the Sound
Financial Statements
For the year ended November 30, 2023

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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, 2023 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, 2023, 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, 2023 and November 30, 2022, current assets as at November 30, 2023 and November 30, 2022, and net assets as at December 1 and November 30 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended November 30, 2022 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
April 15, 2024

Dorinda Harris-Copeland

Chartered Professional Accountants,
Licensed Public Accountants

Festival of the Sound Balance Sheet

November 30	2023	2022
Assets		
Current		
Cash	\$ 27,063	\$ 102,907
Short-term investments G.I.C.s - internally restricted	144,778	133,107
Accounts receivable	10,678	25,440
Grants receivable	52,447	33,704
HST receivable	12,526	7,171
Inventories	2,917	2,384
Prepaid expenses	-	184
	250,409	304,897
Capital assets (Note 2)	60,765	64,010
Intangible assets (Note 3)	19,715	1,773
Long-term investments G.I.C.s - internally restricted	125,954	136,715
	\$ 456,843	\$ 507,395

Liabilities and Fund Balances

Current		
Accounts payable and accrued liabilities (Note 5)	\$ 43,660	\$ 79,316
Current portion of long-term debt (Note 7)	30,000	-
	73,660	79,316
Long-term debt (Note 7)	-	30,000
	73,660	109,316
Fund balances:		
Invested in capital assets	80,480	65,783
Bequest reserve fund	182,500	182,500
Stocky endowment reserve	40,073	40,073
Youth music education reserve	50,098	50,098
Unrestricted	30,032	59,625
	383,183	398,079
	\$ 456,843	\$ 507,395

On behalf of the Board:

Jeri Ryder
 Director

G. Branson
 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	2023	2022
Fund Balances, beginning of year	\$ 65,783	\$ 182,500	\$ 40,073	\$ 50,098	\$ 59,625	\$ 398,079	\$ 283,706
Invested in capital assets	\$ 24,368	-	-	-	(24,368)	-	-
Excess (deficiency) of revenue over expenses	\$ (9,671)	-	-	-	(5,225)	(14,896)	114,373
Fund Balances, end of year	\$ 80,480	\$ 182,500	\$ 40,073	\$ 50,098	\$ 30,032	\$ 383,183	\$ 398,079

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	2023	2022
	(Unaudited)		
Revenues			
Ticket sales - concert hall and boat cruise	\$ 256,000	\$ 294,625	\$ 226,561
Grants (Note 6)	369,825	307,075	452,514
Donations - individual	165,000	158,051	148,333
- foundations and corporations	22,000	54,407	27,701
- municipalities	8,000	2,950	7,450
Merchandise	19,000	9,467	10,071
Special events	17,000	17,270	3,673
Advertising	30,000	14,700	14,061
Interest & service charges	46,000	41,068	40,336
Misc. Income	-	230	355
Silent auction	-	17,642	-
Sounding Thunder	-	-	33,088
	932,825	917,485	964,143
Expenses			
Artists' accommodation	26,500	41,648	20,165
Artists' fees and travel	221,000	204,009	157,925
Artistic director fee	55,000	55,000	50,000
Artistic director expenses	1,000	839	487
Box office system	11,000	8,484	9,056
Boat cruise - charter	18,000	16,110	15,700
Hall rental	28,000	26,761	20,228
Licence and artistic	14,000	2,000	2,000
Piano tuning and moving	13,000	3,500	3,500
Photography	5,000	3,490	4,254
Stockey centre capital building	8,000	7,864	6,280
Music scores program	60,000	44,779	35,500
Brochure	18,000	31,054	14,920
Fundraising	7,400	692	1,135
Graphic design	34,000	29,382	31,058
Merchandise	10,500	4,584	5,969
Programme book	10,000	7,914	2,575
Publicity media	55,750	63,393	54,075
Special events	16,200	15,664	2,826
Insurance	7,000	6,803	6,824
Professional fees	8,500	10,600	6,371
Bank charges and interest	15,000	16,733	12,838
Amortization of capital assets	4,500	9,671	7,800
Office & postage	6,500	13,986	11,231
Rent & utilities	15,200	13,965	13,067
Staff and board	11,500	10,140	5,762
Telephone	3,000	2,360	2,779
Salaries and wages	163,017	173,979	178,336
Employee benefits	18,151	24,646	20,375
Memberships	850	-	-
Technical and production services	42,200	82,331	76,721
Sounding Thunder	-	-	63,695
Loss on disposal of capital assets	-	-	6,318
	907,768	932,381	849,770
Excess (deficiency) of revenues over expenses	\$ 25,057	\$ (14,896)	\$ 114,373

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	2023	2022
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenses	\$ (14,896)	\$ 114,373
Items not involving cash		
Amortization of capital assets	9,671	7,800
Loss on disposal of assets	-	6,318
	(5,225)	128,491
Changes in non-cash working capital balances:		
Grants receivable	(18,743)	(20,600)
Accounts receivable	9,407	(29,347)
Inventories	(533)	3,750
Prepaid expenses	184	945
Accounts payable and accrued liabilities	(35,656)	30,513
	(50,566)	113,752
Investing activities		
Purchase of property, plant and equipment	(4,408)	(12,018)
Purchase of intangible assets	(19,960)	-
Long term investments - internally restricted	10,761	29,031
	(13,607)	17,013
Increase (decrease) in cash during the year	(64,173)	130,765
Cash, beginning of year	236,014	105,249
Cash, end of year	\$ 171,841	\$ 236,014
Represented by		
Cash	\$ 27,063	\$ 102,907
Short-term investments - internally restricted	144,778	133,107
	\$ 171,841	\$ 236,014

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, 2023

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.

Revenues from memberships, concert admissions, and other activities are recognized when the related payment has been received.

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, 2023

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.

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 2022-2023 is reflected on the statement of operations and was approved by the Board of Directors on December 19, 2022.

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
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.

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

Computer software	- 20 % diminishing balance basis
Website	- 6 years straight-line basis

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

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, 2023

Cash and cash equivalents The entity's policy is to disclose bank balances under cash and cash equivalents.

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, 2023

2. Capital Assets

	2023		2022	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	\$ 13,734	\$ 8,867	\$ 4,867	\$ 6,084
Piano	80,181	32,766	47,415	49,911
Computer equipment	16,675	8,192	8,483	8,015
	\$ 110,590	\$ 49,825	\$ 60,765	\$ 64,010

3. Intangible Assets

	2023		2022	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer software	\$ 17,976	\$ 16,558	\$ 1,418	\$ 1,773
Website	19,960	1,663	18,297	-
	\$ 37,936	\$ 18,221	\$ 19,715	\$ 1,773

4. 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, 2023, the amount being drawn on this line of credit was \$NIL (2022-\$NIL).

Festival of the Sound Notes to Financial Statements

November 30, 2023

5. Accounts Payable and Accrued Liabilities

	2023	2022
Trade accounts payable	\$ 2,262	\$ 43,771
Accrued liabilities	41,398	35,545
	\$ 43,660	\$ 79,316

6. Grants

	2023	2022
Canada Arts Presentation Fund	66,000	151,000
Ontario Arts Council	47,958	47,958
Northern Ontario Heritage Fund	-	46,808
ReConnect	174,825	161,659
Other Grants	18,292	45,089
	307,075	452,514

7. Long-term debt

	2023	2022
Scotiabank Canada Emergency Business Account loan	\$ 30,000	\$ 30,000
Less amounts due within one year included in current liabilities	30,000	-
	\$ -	\$ 30,000

The organization received a \$40,000 Canada Emergency Business Account loan. This loan is interest free with no principal payments until January 18, 2024. 25% of the loan is forgivable if repaid in full by January 18, 2024. 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 January 18, 2024, the remaining balance will be converted into a 3-year term loan at 5% annual interest, paid monthly, effective January 19, 2024.

Festival of the Sound

Notes to Financial Statements

November 30, 2023

8. Economic Dependence

Approximately 34% of the Festival's revenue was received by way of grants from various governments and agencies in 2023 (2022 - 44%). The continuation of the Organization is dependent on this funding.

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 2.50% and maturities range from 1 year to 5 years.

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 \$16,097 from the Funds in 2023 (2022 - \$24,436) 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 \$516,038, \$427,588, and \$201,638 on November 30, 2023 (2022 - \$487,304, \$390,781, and \$179,964). During the year, the Festival transferred \$0 to the Festival of the Sound Arts endowment fund and \$0 to the Festival of the Sound Fund (2022 - \$6,527; \$0).

Festival of the Sound Notes to Financial Statements

November 30, 2023

11. 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, 2023 was \$2,500 (2022 - \$3,500).

The Festival of the Sound contracted with an individual related to director Lily Harmer and an individual related to director Karen Liang for services provided to the Festival. Total remuneration for the year ended November 30, 2023 was \$550 to each related individual (2022 - \$NIL).

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).
