

Festivals & Events Ontario
Financial Statements
For the Year Ended September 30, 2019

**Festivals & Events Ontario
Financial Statements
For the Year Ended September 30, 2019**

Contents

Independent Auditor's Report	1 - 3
Financial Statements	
Statement of Financial Position	4
Statement of Operations and Changes in Net Assets (Deficit)	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 11



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Independent Auditor's Report

To the members of Festivals & Events Ontario

Qualified Opinion

We have audited the financial statements of Festivals & Events Ontario (the Entity), which comprise the statement of financial position as at September 30, 2019, the statements of operations and changes in net assets (deficit) 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 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 September 30, 2019, and its results of 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 Entity derives revenue from conference and sponsorship 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 conference and sponsorship revenues, deficiency of revenue over expenses, and cash flows from operations for the years ended September 30, 2019 and 2018, current assets as at September 30, 2019 and 2018, and net assets as at October 1 and September 30 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended September 30, 2019 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 *Auditor's 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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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.

Chartered Professional Accountants, Licensed Public Accountants

Brantford, Ontario
February 18, 2020

Festivals & Events Ontario Statement of Financial Position

September 30	2019	2018
Assets		
Current		
Cash (Note 2)	\$ 81,401	\$ 145,989
Accounts receivable	4,793	-
Prepaid expenses	8,490	3,664
HST recoverable	1,275	-
Short-term investment (Note 3)	20,338	-
	116,297	149,653
Property, plant and equipment (Note 4)	2,625	2,310
Long-term investment	-	20,088
	\$ 118,922	\$ 172,051
Liabilities and Net Assets (Deficit)		
Current		
Accounts payable and accrued liabilities	\$ 66,456	\$ 19,990
HST payable	-	5,625
Deferred revenue (Note 5)	57,464	61,799
	123,920	87,414
Net Assets (Deficit)		
Unrestricted	(4,998)	84,637
	\$ 118,922	\$ 172,051

On behalf of the Board:

_____ Director

_____ Director

Festivals & Events Ontario Statement of Operations and Changes in Net Assets (Deficit)

For the year ended September 30	2019	2018
Revenue		
Membership	\$ 129,081	\$ 234,901
Conference	139,651	174,566
Advertising	103,888	87,766
Sponsorships	5,000	37,755
Sponsorships - in-kind (Note 6)	52,252	35,547
Government funding	153,595	145,350
	583,467	715,885
Expenses		
Accommodations	14,809	8,920
Advertising	5,299	4,460
Amortization	1,581	2,237
Bad debt expense	30,905	35,502
Bank charges and interest	8,442	8,709
Catering	67,031	74,833
Courier and shipping	31,893	39,054
Equipment, furniture and decor rentals	5,412	17,671
Events guide, design and printing	40,309	85,667
Insurance	354	3,795
Membership fees	1,755	2,855
Office expenses	18,968	20,694
Professional fees	48,996	16,015
Rent	36,460	35,070
Salaries and benefits	269,379	266,230
Show services	78,086	61,874
Speaker fees	1,829	9,932
Telephone	7,791	5,058
Travel	3,803	2,531
	673,102	701,107
Excess (deficiency) of revenues over expenses	(89,635)	14,778
Net assets, beginning of year	84,637	69,859
Net assets (deficit), end of year	\$ (4,998)	\$ 84,637

The accompanying notes are an integral part of these financial statements.

Festivals & Events Ontario Statement of Cash Flows

For the year ended September 30	2019	2018
Cash flows from operating activities		
Excess (deficiency) of revenues over expenses	\$ (89,635)	\$ 14,778
Item not affecting cash:		
Amortization	1,581	2,237
	(88,054)	17,015
Changes in non-cash working capital:		
Accounts receivable	(4,794)	-
Accrued interest on investment	(250)	-
Prepaid expenses	(4,826)	-
Accounts payable and accrued liabilities	46,466	420
HST payable	(6,900)	907
Deferred revenue	(4,334)	3,478
	(62,692)	21,820
Cash flows from investing activities		
Purchase of investment	-	(19,910)
Proceeds on disposal of investments	-	19,180
Acquisition of property and equipment	(1,896)	-
	(1,896)	(730)
Net (decrease) increase in cash	(64,588)	21,090
Cash, beginning of the year	145,989	124,899
Cash, end of the year	\$ 81,401	\$ 145,989

The accompanying notes are an integral part of these financial statements.

Festivals & Events Ontario

Notes to Financial Statements

September 30, 2019

1. Significant Accounting Policies

Nature of Operations	Festivals & Events Ontario is a corporation without share capital which is a non-profit organization and therefore not subject to income taxes. The corporation promotes tourism in the advocacy, education and marketing of the festivals and events industry in Ontario.															
Basis of Accounting	These financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.															
Revenue Recognition	<p>Fees for service are recognized as revenue when the service is rendered.</p> <p>The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expense is 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.</p>															
Property, Plant and Equipment	<p>Property, plant and equipment are stated at cost less accumulated amortization. Amortization is provided at the following rates and methods:</p> <table><thead><tr><th></th><th style="text-align: left;">Method</th><th style="text-align: left;">Rate</th></tr></thead><tbody><tr><td>Computer equipment</td><td>Declining balance</td><td>55%</td></tr><tr><td>Computer software</td><td>Declining balance</td><td>55%</td></tr><tr><td>Office equipment</td><td>Declining balance</td><td>20%</td></tr><tr><td>Leasehold improvements</td><td>Straight line</td><td>5 years</td></tr></tbody></table>		Method	Rate	Computer equipment	Declining balance	55%	Computer software	Declining balance	55%	Office equipment	Declining balance	20%	Leasehold improvements	Straight line	5 years
	Method	Rate														
Computer equipment	Declining balance	55%														
Computer software	Declining balance	55%														
Office equipment	Declining balance	20%														
Leasehold improvements	Straight line	5 years														
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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from management's best estimates as additional information becomes available in the future.															

Festivals & Events Ontario

Notes to Financial Statements

September 30, 2019

1. Significant Accounting Policies (continued)

Financial Instruments Financial instruments are recorded at fair value at initial recognition.

In subsequent periods, equities traded in an active market, derivatives, and guaranteed investment certificates are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.

Related Parties Parties are considered related to the organization if the organization has the ability to, directly or indirectly, control the party or exercise significant influence over the party in making financial and operating decisions or vice versa, or where the organization and the party are subject to common control or common significant influence. Related parties may be other entities or individuals. Related party transactions in the normal course of business are recorded at the exchange amount. Transactions not in the normal course of business are recorded at the carrying amount.

Contributed Materials and Services Contributed materials and services which are used in the normal course of the organization's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

Festivals & Events Ontario Notes to Financial Statements

September 30, 2019

2. Cash and Bank

The organization's bank account is held at one chartered bank. The bank account earns interest at a nominal rate.

3. Investment

This investment consist of a guaranteed investment certificate with a cost of \$19,910 (2018 - \$19,910), a fair value of \$20,338 (2018 - \$20,088) and an effective interest rate of 1.25% (2018 - 1.25%). This investment will mature in January 2020.

4. Property, Plant and Equipment

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 31,874	\$ 29,799	\$ 29,978	\$ 28,420
Office equipment	3,244	2,762	3,244	2,642
Leasehold improvements	5,803	5,803	5,803	5,803
Computer software	1,070	1,002	1,070	920
	41,991	39,366	40,095	37,785
		\$ 2,625		\$ 2,310

5. Deferred Revenue

Deferred revenue represents prepaid memberships and ministry funding that relates to a subsequent fiscal year.

Festivals & Events Ontario Notes to Financial Statements

September 30, 2019

6. Sponsorships In-Kind

Festivals & Events Ontario received various goods and services in exchange for partial or no consideration in some cases. These transactions are accounted for at the fair value at the date of contribution of the goods and services received net of the goods and services given up. During the year, these transactions totaled \$68,782 (2018 - \$88,818) in goods and services received which generated sponsorships in-kind of \$52,252 (2018 - \$35,547). This amount is included in the statement of operations.

7. Related Party Transactions

A member of the Festivals & Events Ontario's board of directors is also a principal of one of its suppliers.

During the year, Festivals & Events Ontario received services of approximately \$27,832 (2018 - \$32,670) from this supplier for which it provided goods and services of approximately \$27,832 (2018 - \$17,670) resulting in an in-kind contribution to Festivals & Events Ontario of \$nil (2018 - \$15,000), see note 6.

All of these transactions were carried out in the normal course of operations and are recorded at the exchange value. This value corresponds to the consideration agreed upon by the parties.

8. Commitments

The organization's total obligations, under various operating leases for occupied premises, inclusive of estimated realty taxes and other occupancy charges, are as follows:

2020	\$	31,969
2021		33,243
2022		33,998
2023		34,695
Thereafter		<u>2,896</u>
	\$	<u>136,801</u>

Festivals & Events Ontario

Notes to Financial Statements

September 30, 2019

9. Financial Instruments

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The organization's financial instruments that are exposed to concentrations of credit risk relate primarily to its cash and investments. Management considers its exposure to credit risk over cash and investments to be remote as the organization holds cash and investments at one major Canadian bank.

There have not been any changes in the risk from the prior year

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk arising from fluctuations in interest rates depending on prevailing rates at renewal of investments. To manage interest rate exposure, the organization invests in fixed income vehicles backed by a chartered bank.

There have not been any changes in the risk from the prior year.

Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The organization is exposed to this risk mainly in respect of its accounts payable.

The organization's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions. The organization maintains a portion of its invested assets in liquid securities.

There have not been any changes in the risk from the prior year.