

**The Edmonton Folk Music
Festival Society**

Financial Statements
January 31, 2019



Independent auditor's report

To the Members of The Edmonton Folk Music Festival Society

Our qualified opinion

In our opinion, except for the possible effects of the matters 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 Edmonton Folk Music Festival Society (the Society) as at January 31, 2019 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.

What we have audited

The Society's financial statements comprise:

- the statement of financial position as at January 31, 2019;
- the statement of changes in net assets for the year then ended;
- the statement of operations for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for qualified opinion

In common with many not-for-profit organizations, the Society derives revenues from sponsorship and donations 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 Society. In addition, the Society receives sponsorship and donations in kind in the amount of \$496,046 (2018 – \$574,303), which was recorded as sponsorship and donations revenues and expenses, but for which it cannot provide support as to the accuracy of the amount. Therefore, we were not able to determine whether any adjustments might be necessary to sponsorship and donations revenue, expenses, deficiency of revenue over expenses and cash provided by operating activities for the years ended January 31, 2019 and 2018, current assets as at January 31, 2019 and 2018 and net assets as at the beginning and the end of the years ended January 31, 2019 and 2018. Our audit opinion on the financial statements for the year ended January 31, 2018 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Independence

We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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 Society'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 Society'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 Society 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Edmonton, Alberta
April 2, 2019


The Edmonton Folk Music Festival Society

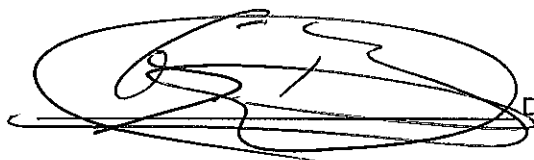
Statement of Financial Position

As at January 31, 2019

	2019 \$	2018 \$
Assets		
Current assets		
Cash	557,612	703,278
Short-term investment (note 3)	400,000	200,000
Accounts receivable (note 4)	124,366	142,608
Inventory	25,014	21,002
Prepaid expenses and deposits	19,249	48,077
	<u>1,126,241</u>	<u>1,114,965</u>
Investment (note 3)	-	200,000
Capital assets (note 5)	<u>515,958</u>	<u>480,119</u>
	<u>1,642,199</u>	<u>1,795,084</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 4)	69,149	17,421
Deferred contributions (note 6)	165	220
	<u>69,314</u>	<u>17,641</u>
Unamortized external capital contributions (note 7)	<u>133,771</u>	<u>121,180</u>
	<u>203,085</u>	<u>138,821</u>
Net Assets		
Investment in capital assets (notes 5 and 8)	382,187	358,939
Internally restricted operating reserve (note 3)	400,000	400,000
Unrestricted	<u>656,927</u>	<u>897,324</u>
	<u>1,439,114</u>	<u>1,656,263</u>
	<u>1,642,199</u>	<u>1,795,084</u>
Commitments (notes 15 and 16)		

Approved by the Board of Directors

 Director

 Director

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

The Edmonton Folk Music Festival Society

Statement of Changes in Net Assets

For the year ended January 31, 2019

	Investment in capital assets \$	Internally restricted operating reserve \$	Unrestricted \$	Total \$
Balance – January 31, 2017	397,108	400,000	939,405	1,736,513
Deficiency of revenue over expenses for the year	-	-	(80,250)	(80,250)
Transfers to internally restricted operating reserve	-	-	-	-
Amortization of internally funded capital assets (i)	(196,641)	-	196,641	-
Capital assets purchased with internal funds (ii)	168,805	-	(168,805)	-
Disposal of internally funded capital assets	(10,333)	-	10,333	-
Balance – January 31, 2018	358,939	400,000	897,324	1,656,263
Deficiency of revenue over expenses for the year	-	-	(217,149)	(217,149)
Amortization of internally funded capital assets (i)	(163,497)	-	163,497	-
Capital assets purchased with internal funds (ii)	186,745	-	(186,745)	-
Balance – January 31, 2019	382,187	400,000	656,927	1,439,114

- i) Represents amortization of capital assets in the amount of \$225,906 (2018 – \$267,725) net of amortization revenue of external capital contributions of \$62,409 (2018 – \$71,084).
- ii) Represents capital assets purchased of \$261,745 (2018 – \$243,805) net of capital assets purchased with external funds of \$75,000 (2018 – \$75,000).

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

The Edmonton Folk Music Festival Society

Statement of Operations

For the year ended January 31, 2019

	2019	2018
	\$	\$
Revenue		
Ticket sales	2,306,933	2,430,874
Grants (note 12)	886,182	739,171
Site retail operations	728,983	856,573
Donations (note 9)	383,098	474,336
Sponsorship (note 9)	312,901	277,147
Amortization of external capital contributions (note 7)	62,409	71,084
Equipment rental	56,397	46,607
Other (note 14)	43,423	13,375
Gaming	23,596	112,571
Interest	13,454	5,553
Concerts	-	(1,499)
	<u>4,817,376</u>	<u>5,025,792</u>
Expenses		
Artistic fees	1,575,778	1,570,795
Production	1,070,462	998,997
Volunteers	453,010	438,785
Salaries and benefits	447,797	521,679
Professional and contract fees (note 15)	399,292	354,874
Site retail operations	318,431	356,556
Amortization	225,906	267,725
Advertising/public relations	196,120	224,956
Tickets	123,214	125,597
Administration	121,738	108,908
Equipment rental	40,644	26,311
Gaming	35,693	31,898
Building	17,165	16,877
Edmonton Community Foundation (note 11)	6,675	11,845
Other (note 14)	2,600	49,574
Concerts	-	665
	<u>5,034,525</u>	<u>5,106,042</u>
Deficiency of revenue over expenses for the year	<u>(217,149)</u>	<u>(80,250)</u>

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

The Edmonton Folk Music Festival Society

Statement of Cash Flows

For the year ended January 31, 2019

	2019 \$	2018 \$
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenses for the year	(217,149)	(80,250)
Adjustment for		
Amortization of capital assets internally funded	163,497	196,641
Amortization of capital assets externally funded	62,409	71,084
Amortization of external capital contributions	(62,409)	(71,084)
Gain on sale of capital assets	-	(3,667)
	(53,652)	112,724
Net change in non-cash working capital items (note 13)	94,731	(119,973)
	41,079	(7,249)
Investing activities		
Purchase of capital assets	(261,745)	(243,805)
Proceeds on sale of capital assets	-	14,000
	(261,745)	(229,805)
Financing activities		
Amounts received in external capital contributions (note 7)	75,000	75,000
Decrease in cash during the year	(145,666)	(162,054)
Cash – Beginning of year	703,278	865,332
Cash – End of year	557,612	703,278

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

The Edmonton Folk Music Festival Society

Notes to Financial Statements

January 31, 2019

1 Purpose of organization

The Edmonton Folk Music Festival Society (the Society) is a charitable society registered under the Societies Act of Alberta and is dedicated to presenting and promoting folk music in all its diversity in Edmonton and Alberta.

The Society is a registered charitable organization and is exempt from income taxes.

2 Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The preparation of financial statements necessarily includes the use of estimates and approximations, which have been made using careful judgment. Actual results could differ from those estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Revenue recognition

- Revenue from ticket sales is recognized when the services are provided.
- Revenue from site retail operations is recognized when the goods are sold.
- Unrestricted operating grants and other contributions are recognized as revenue in the year when receivable.
- Externally restricted non-capital contributions are deferred and recognized as revenue in the year when related expenses are incurred.
- Externally restricted capital contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to unamortized external capital contributions. Unamortized external capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.
- Restricted contributions for the purchase of capital assets, which will not be amortized, are recorded as direct increases to net assets.

Internally restricted operating reserve

These funds are restricted in use by the Society's board of directors and cannot be accessed by management without approval of the Board.

Cash

Cash consists of cash on hand and deposits with banks.

The Edmonton Folk Music Festival Society

Notes to Financial Statements

January 31, 2019

Short-term investment

The short-term investment is comprised of a guaranteed investment certificate with a maturity of greater than 90 days at acquisition and less than one year.

Investment

The investment is comprised of a guaranteed investment certificate with a maturity of greater than one year.

Inventory

Inventory is recorded at the lower of cost and net realizable value.

Capital assets

Capital assets are recorded at cost and amortization is recorded using the straight-line method at the following annual rates:

Building	4%
Computer hardware and software	33%
All other capital assets	20%

Impairment of capital assets

When a capital asset no longer contributes to the Society's ability to provide services, its carrying amount is written down to residual value, if any. When a capital asset's carrying amount is written down, a corresponding amount of any unamortized deferred capital asset contributions related to the capital asset is recognized as revenue, provided all restrictions have been complied with.

Donated goods and services

Donated goods and services are recorded at estimated fair value when received, provided fair value can be reasonably estimated and the materials or services would otherwise have been purchased. Volunteers contributed numerous hours in carrying out the activities of the Society. Because of the difficulty in determining their fair value, contributed volunteer services are not recognized in the financial statements.

Foreign exchange translation

Foreign currency transactions are translated into Canadian dollars at the exchange rate in effect on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect as at the year-end. Any resulting foreign currency translation gains or losses are recorded in the statement of operations.

The Edmonton Folk Music Festival Society

Notes to Financial Statements

January 31, 2019

Financial instruments

The Society's financial assets include cash, short-term investment, investment and accounts receivable. Cash, short-term investment, investment and accounts receivable are accounted for at amortized cost using the effective interest rate method. Financial assets are initially recorded at fair value.

The Society's financial liabilities include accounts payable and accrued liabilities. All financial liabilities are accounted for at amortized cost using the effective interest rate method. Financial liabilities are initially measured at fair value.

The fair value of a financial instrument on initial recognition is normally the transaction price, which is the fair value of the consideration given or received. Transaction costs on financial instruments measured at fair value are expensed when incurred. Purchases and sales of financial assets are accounted for at the trade dates.

All derivative instruments, including embedded derivatives, are recorded at fair value unless exempted from derivative treatment as a normal purchase and sale. The Society has determined it does not have any derivatives, embedded or otherwise.

3 Internally restricted operating reserve, restricted short-term investment and investment

The internally restricted operating reserve, the restricted short-term investment and investment are comprised of two guaranteed investment certificates with a fair value of \$400,000 (2018 – \$400,000). The board of directors has restricted these funds to be used as an operating reserve to fund emergency expenses of the Society.

4 Government receivables and remittances

Goods and services tax receivable of \$12,628 is included in accounts receivable as at January 31, 2019 (2018 – \$8,023). Government remittances of \$8,577 are included in accounts payable and accrued liabilities as at January 31, 2019 (2018 – \$9,872).

5 Capital assets

	2019		2018	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Tents and stages	1,203,853	933,150	270,703	265,235
Office furniture and equipment	684,637	508,359	176,278	119,572
Vehicles and mobile kitchen	415,336	401,018	14,318	26,456
Building	354,677	306,580	48,097	62,284
Computer hardware	50,048	45,489	4,559	2,079
Computer software	25,317	23,314	2,003	4,493
	<u>2,733,868</u>	<u>2,217,910</u>	<u>515,958</u>	<u>480,119</u>

The Edmonton Folk Music Festival Society

Notes to Financial Statements

January 31, 2019

Capital assets have been funded from the following sources:

	2019 \$	2018 \$
Externally funded (note 7)	133,771	121,180
Internally funded (note 8)	382,187	358,939
	<u>515,958</u>	<u>480,119</u>

6 Deferred contributions

The balance of deferred contributions at the end of the year represents externally restricted non-capital contributions that will be recognized as revenue in the subsequent year when the related expenses are incurred.

	2019 \$	2018 \$
Balance – Beginning of year	220	270
Amounts received	165	220
Amounts recognized as revenue	(220)	(270)
Balance – End of year	<u>165</u>	<u>220</u>

7 Unamortized external capital contributions

Unamortized external capital contributions reflect transactions accounted for in accordance with the accounting policy described in note 2. The balance at the end of the year represents the unamortized external capital contributions that will be recognized as revenue in future years.

	2019 \$	2018 \$
Balance – Beginning of year	121,180	117,264
Add: Amounts received in external capital contributions	75,000	75,000
Less: Amortization recognized as revenue	(62,409)	(71,084)
Balance – End of year	<u>133,771</u>	<u>121,180</u>

8 Invested in capital assets

	2019 \$	2018 \$
Capital assets – net (note 5)	515,958	480,119
Less: Unamortized external capital contributions (note 7)	(133,771)	(121,180)
	<u>382,187</u>	<u>358,939</u>

The Edmonton Folk Music Festival Society

Notes to Financial Statements

January 31, 2019

9 Donated goods and services

During the year, the Society received donated goods and services with a value of \$372,695 (2018 – \$460,171). The Society also received non-cash sponsorship revenue totalling \$123,351 (2018 – \$114,132) for the year.

10 Fundraising

The Society does not remunerate employees, other individuals, or a fundraising business for soliciting funds from the public or whose duties involve fundraising.

11 Edmonton Community Foundation

Endowment funds have been established at the Edmonton Community Foundation on behalf of the Society. The funds are open-ended to which the Society and others may make contributions. The assets of the funds are not included in the net assets of the Society as they are a permanent endowment under the direct control and management of the Edmonton Community Foundation. The net income of the funds will be disbursed annually by the Edmonton Community Foundation board to the Society as a grant based on the accumulated balance at the end of the previous calendar year. In fiscal year 2019, \$116,718 (2018 – \$106,687) of the accumulated contributed amount was disbursed to the Society as a foundation grant and a further \$6,675 (2018 – \$11,845) was contributed to the funds by the Society.

12 Grants

The Society receives various grants in order to fund operations. Grants received are as follows:

	2019	2018
	\$	\$
Alberta Foundation for the Arts (MAP)		
City of Edmonton	335,971	293,901
Edmonton Community Foundation	300,000	211,000
Arts Presentation Canada Program (Heritage)	116,718	106,687
EFDEP Grant	100,000	100,000
Canadian Summer Jobs Program (Box office)	14,429	6,925
Canadian Summer Jobs Program (Site office)	7,315	9,833
The SOCAN Foundation	7,314	9,825
S.T.E.P. Program	3,500	1,000
	935	-
	<u>886,182</u>	<u>739,171</u>

The Edmonton Folk Music Festival Society
Notes to Financial Statements
January 31, 2019

13 Net change in non-cash working capital items

	2019	2018
	\$	\$
Accounts receivable	18,242	(99,845)
Inventory	(4,012)	3,168
Prepaid expenses and deposits	28,828	(25,003)
Accounts payable and accrued liabilities	51,728	1,757
Deferred contributions	(55)	(50)
	<u>94,731</u>	<u>(119,973)</u>

14 Financial risk management

Liquidity risk

The Society is able to meet all financial liabilities with the current capital position and has no outstanding loans.

Credit risk

The Society does not sell items to consumers on terms of credit. The Society is exposed to credit risk only through its cash, short-term investment, investment and accounts receivable. The maximum amount of credit risk exposure is limited to the value of the balances as disclosed in these financial statements.

The Society manages its exposure to credit risk on cash, short-term investment and investment by placing these financial instruments with a high credit quality financial institution.

The credit risk exposure through accounts receivable is minimized because the majority of the receivables comprise grants and other amounts due from government agencies.

Foreign currency risk

The Society is exposed to foreign exchange risk, principally to the US dollar, through contracts with performing artists.

As at January 31, 2019, the Society has a cash balance denominated in US dollars of \$8,451 (2018 – \$419,533), which is subject to foreign exchange risk. The Society manages this risk by monitoring changes to foreign exchange rates. The loss on foreign exchange during the 2019 fiscal year was \$nil (2018 – loss of \$16,695). The gain on foreign exchange during the 2019 fiscal year was \$40,650 (2018 – gain of \$50).

The Edmonton Folk Music Festival Society

Notes to Financial Statements

January 31, 2019

15 Related party transactions, balances and obligations

The Society renewed its contract for consulting services effective February 1, 2019 with a company controlled by a member of management of the Society. The total amount expensed and included in professional and contract fees for the year ended January 31, 2019 under this contract was \$177,675 (2018 – \$183,200). The amounts are recorded at the exchange amount established and agreed to by both parties. The future minimum payments associated with this contractual obligation are as follows:

	\$
2020	177,966
2021	177,966
2022	177,966

16 Commitments

The Society has entered into a lease agreement with Jerry Forbes Centre Foundation, which is a not-for-profit organization. The term of the lease commences September 1, 2018 to August 31, 2058. The base rent is \$nil plus operating costs based on actual expenditures.

The Society has committed to performer fees of \$492,350 for the festival scheduled in August 2019.

The Society has entered into agreements to commit to a number of guest accommodation rooms during the festival with a local hotel. The committed fees are as follows:

	\$
2020	54,447
2021	89,569
2022	91,436

