

# **The Edmonton Folk Music Festival Society**

Financial Statements  
**January 31, 2020**



## *Independent auditor's report*

To the Members of The Edmonton Folk Music Festival Society

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### *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, 2020 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, 2020;
- 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.

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### *Basis for qualified opinion*

In common with many not-for-profit organizations, the Society derives revenues from sponsorships and donations in kind and in cash, 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, there are sponsorships and donations in kind recorded in the amount of \$656,279 (2019 – \$496,046), which was recorded as sponsorship and donations revenues and expenses but for which the Society 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, excess (deficiency) of revenue over expenses and cash provided by operating activities for the years ended January 31, 2020 and 2019, current assets as at January 31, 2020 and 2019 and net assets as at the beginning and the end of the years ended January 31, 2020 and 2019. Our audit opinion on the financial statements for the year ended January 31, 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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*PricewaterhouseCoopers LLP*  
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## **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.

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## *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.

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## *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 7, 2020

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# The Edmonton Folk Music Festival Society

## Statement of Financial Position

As at January 31, 2020

	2020 \$	2019 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	516,461	557,612
Short-term investment (note 3)	400,000	400,000
Accounts receivable (note 4)	161,521	124,366
Inventory	51,751	25,014
Prepaid expenses and deposits	33,385	19,249
	1,163,118	1,126,241
<b>Capital assets</b> (note 5)	551,974	515,958
	1,715,092	1,642,199
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 4)	18,714	69,149
Deferred contributions (note 6)	430	165
	19,144	69,314
<b>Unamortized external capital contributions</b> (note 7)	148,385	133,771
	167,529	203,085
<b>Net Assets</b>		
<b>Investment in capital assets</b> (notes 5 and 8)	403,589	382,187
<b>Internally restricted operating reserve</b> (note 3)	400,000	400,000
<b>Unrestricted</b>	743,974	656,927
	1,547,563	1,439,114
	1,715,092	1,642,199
<b>Commitments</b> (notes 15 and 16)		

### Approved by the Board of Directors

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*Carol Jones*

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Director

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*Gerrit Bjalek*

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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, 2020

	Investment in capital assets \$	Internally restricted operating reserve \$	Unrestricted \$	Total \$
<b>Balance – January 31, 2018</b>	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)	-
<b>Balance – January 31, 2019</b>	382,187	400,000	656,927	1,439,114
Excess of revenue over expenses for the year	-	-	108,449	108,449
Amortization of internally funded capital assets (i)	(194,428)	-	194,428	-
Capital assets purchased with internal funds (ii)	215,830	-	(215,830)	-
<b>Balance – January 31, 2020</b>	403,589	400,000	743,974	1,547,563

- i) Represents amortization of capital assets in the amount of \$254,814 (2019 – \$225,906) net of amortization revenue of external capital contributions of \$60,386 (2019 – \$62,409).
- ii) Represents capital assets purchased of \$290,830 (2019 – \$261,745) net of capital assets purchased with external funds of \$75,000 (2019 – \$75,000).

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

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# The Edmonton Folk Music Festival Society

## Statement of Operations

For the year ended January 31, 2020

	2020 \$	2019 \$
<b>Revenue</b>		
Ticket sales	2,679,832	2,306,933
Grants (note 12)	1,037,485	886,182
Site retail operations	921,655	728,983
Donations (note 9)	559,725	383,098
Sponsorship (note 9)	293,833	312,901
Gaming	105,176	23,596
Amortization of external capital contributions (note 7)	60,386	62,409
Equipment rental	51,186	56,397
Interest	13,421	13,454
Other	12,128	43,423
	5,734,827	4,817,376
<b>Expenses</b>		
Artistic fees	1,687,260	1,575,778
Production	1,402,305	1,070,462
Professional and contract fees (note 15)	466,414	399,292
Salaries and benefits	423,522	447,797
Volunteers	412,051	453,010
Site retail operations	379,033	318,431
Amortization	254,814	225,906
Advertising/public relations	219,939	196,120
Tickets	132,321	123,214
Administration	106,085	121,738
Equipment rental	41,016	40,644
Gaming	37,130	35,693
Other	34,597	2,600
Building	17,332	17,165
Edmonton Community Foundation (note 11)	12,559	6,675
	5,626,378	5,034,525
<b>Excess (deficiency) of revenue over expenses for the year</b>	108,449	(217,149)

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

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# The Edmonton Folk Music Festival Society

## Statement of Cash Flows

For the year ended January 31, 2020

	2020 \$	2019 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses for the year	108,449	(217,149)
Adjustment for		
Amortization of capital assets internally funded	194,428	163,497
Amortization of capital assets externally funded	60,386	62,409
Amortization of external capital contributions	(60,386)	(62,409)
	<u>302,877</u>	<u>(53,652)</u>
Net change in non-cash working capital items (note 13)	(128,198)	94,731
	174,679	41,079
<b>Investing activities</b>		
Purchase of capital assets	(290,830)	(261,745)
<b>Financing activities</b>		
Amounts received in external capital contributions (note 7)	<u>75,000</u>	<u>75,000</u>
<b>Decrease in cash during the year</b>	(41,151)	(145,666)
<b>Cash – Beginning of year</b>	<u>557,612</u>	<u>703,278</u>
<b>Cash – End of year</b>	<u>516,461</u>	<u>557,612</u>

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

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# The Edmonton Folk Music Festival Society

## Notes to Financial Statements

January 31, 2020

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### 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.

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# The Edmonton Folk Music Festival Society

## Notes to Financial Statements

January 31, 2020

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### 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.

### 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, or the value of future economic benefits or service potential associated with the asset is less than its net carrying amount, its carrying amount is written down to the asset's fair value or replacement cost. 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. The use of management's estimate could result in measurement uncertainty of these amounts. 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, 2020

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### Financial instruments

The Society's financial assets include cash, short-term investment and accounts receivable. Cash, short-term 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.

### Change in accounting policy

The Society has adopted Section 4433, Tangible Capital Assets Held by Not-for-Profit Organizations, effective February 1, 2019 and was adopted prospectively in which the Society applied the requirements for componentization to tangible capital assets held at February 1, 2019. Management reviewed this new standard and determined there is no impact on the Society's financial statements.

The new accounting standard includes guidance on componentization of tangible capital assets, in which the cost of a tangible capital asset made up of significant separable component parts is allocated to the component parts when practicable and when estimates can be made of the lives of the separate components. Each component is then amortized based on the greater of cost less salvage or residual value over the useful life of the asset. The standard also requires consideration of partial impairments on tangible capital assets and intangible assets, not only full impairments.

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

The internally restricted operating reserve and the restricted short-term investment are comprised of two guaranteed investment certificates with a fair value of \$400,000 (2019 – \$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 \$15,126 is included in accounts receivable as at January 31, 2020 (2019 – \$12,628). Government remittances of \$8,257 are included in accounts payable and accrued liabilities as at January 31, 2020 (2019 – \$8,577).

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# The Edmonton Folk Music Festival Society

## Notes to Financial Statements

January 31, 2020

### 5 Capital assets

			<u>2020</u>	<u>2019</u>
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Tents and stages	1,363,438	1,075,871	287,567	270,703
Office furniture and equipment	715,613	571,090	144,523	176,278
Vehicles and mobile kitchen	500,679	423,325	77,354	14,318
Building	354,677	320,767	33,910	48,097
Computer hardware	51,368	42,748	8,620	4,559
Computer software	25,317	25,317	-	2,003
	<u>3,011,092</u>	<u>2,459,118</u>	<u>551,974</u>	<u>515,958</u>

Capital assets have been funded from the following sources:

	<u>2020</u>	<u>2019</u>
	\$	\$
Externally funded (note 7)	148,385	133,771
Internally funded (note 8)	403,589	382,187
	<u>551,974</u>	<u>515,958</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.

	<u>2020</u>	<u>2019</u>
	\$	\$
Balance – Beginning of year	165	220
Amounts received	430	165
Amounts recognized as revenue	(165)	(220)
	<u>430</u>	<u>165</u>

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# The Edmonton Folk Music Festival Society

## Notes to Financial Statements

January 31, 2020

### 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.

	2020 \$	2019 \$
Balance – Beginning of year	133,771	121,180
Add: Amounts received in external capital contributions	75,000	75,000
Less: Amortization recognized as revenue	(60,386)	(62,409)
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Balance – End of year	148,385	133,771
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### 8 Invested in capital assets

	2020 \$	2019 \$
Capital assets – net (note 5)	551,974	515,958
Less: Unamortized external capital contributions (note 7)	(148,385)	(133,771)
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	403,589	382,187
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### 9 Donated goods and services

During the year, the Society received donated goods and services with a value of \$548,571 (2019 – \$372,695). The Society also received non-cash sponsorship revenue totalling \$107,708 (2019 – \$123,351) 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 2020, \$111,291 (2019 – \$116,718) of the accumulated contributed amount was disbursed to the Society as a foundation grant and a further \$12,559 (2019 – \$6,675) was contributed to the funds by the Society.

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# The Edmonton Folk Music Festival Society

## Notes to Financial Statements

January 31, 2020

### 12 Grants

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

	2020 \$	2019 \$
Alberta Foundation for the Arts (MAP)	360,176	335,971
City of Edmonton	320,000	300,000
Edmonton Community Foundation	111,291	116,718
Arts Presentation Canada Program (Heritage)	100,000	100,000
Arts Presentation Canada Program (Supplementary)	100,000	-
EFDEP Grant	17,598	14,429
Canadian Summer Jobs Program (Box office)	14,089	7,315
Canadian Summer Jobs Program (Site office)	9,281	7,314
The SOCAN Foundation	4,000	3,500
S.T.E.P. Program	1,050	935
	1,037,485	886,182

### 13 Net change in non-cash working capital items

	2020 \$	2019 \$
Accounts receivable	(37,155)	18,242
Inventory	(26,737)	(4,012)
Prepaid expenses and deposits	(14,136)	28,828
Accounts payable and accrued liabilities	(50,435)	51,728
Deferred contributions	265	(55)
	(128,198)	94,731

### 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. See note 17 regarding the impact of subsequent events on liquidity.

#### 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 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 and short-term investment by placing these financial instruments with a high credit quality financial institution.

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# The Edmonton Folk Music Festival Society

## Notes to Financial Statements

January 31, 2020

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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, 2020, the Society has a cash balance denominated in US dollars of \$48,406 (2019 – \$8,451), 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 2020 fiscal year was \$5,409 (2019 – loss of \$nil). The gain on foreign exchange during the 2020 fiscal year was \$6,891 (2019 – gain of \$40,650).

### 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, 2020 under this contract was \$186,866 (2019 – \$177,675). 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:

	\$
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 \$408,855 for the festival scheduled in August 2020.

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:

	\$
2021	134,353
2022	91,436

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# The Edmonton Folk Music Festival Society

## Notes to Financial Statements

January 31, 2020

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### 17 Subsequent event

Subsequent to year-end significant uncertainty regarding the hosting of the Society's 2020 festival has occurred for various reasons linked to the Coronavirus pandemic. This creates uncertainty regarding future revenues, expenditures and liquidity of the Society. Accordingly, management will continue to work on revisions to the Society's forecasts and development plans in light of the current conditions.



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