

SweetWater Music Festival Treasurer's Report for the 12 months ending November 30, 2019

Draft financial statements are appended.

SweetWater financial operations have been Reviewed by a firm of licensed public accountants who have expressed the opinion that the fund balances and the operations and cash flows for the year ended November 30, 2019 are free from material misstatement and in accordance with Canadian accounting standards for not for profit organizations.

Statement of Financial Position

Assets, liabilities and unrestricted net assets are largely unchanged from 2019. Accounts receivable were unusually high at the end of 2018 and HST receivable unusually high at the end of 2019. All amounts owed to SweetWater were collected shortly after the year-end.

Accounts payable and are down from 2018, reflecting the decrease in the accrued Review engagement fee in 2019 over 2018.

The Legacy Fund and the Sustainability Fund are held by Ontario Arts Fund who are the Trustees. As a result, we do not see either of these amounts reflected in the SweetWater assets and liabilities. Referring to Notes 2 (c) and 5 in the financial statement notes will provide information on how these Trusts interact with SweetWater.

Statement of Operations and Changes in Fund Balances

Highlights:	2019	2018
Total Revenue	\$111,633	\$103,550
Artistic Director cost	10,946	7,796
Costs of festival & jazz	61,170	60,345
Administration	33,255	32,420
Marketing, fundraising, community	4,465	2,557
Net surplus	\$1,797	\$ 432

Here are the key factors and differences that result in an increase to the operating surplus of \$1,797, an increase of about 3% over 2018. In large measure we can look to the sale of program ads, the hard work by the fundraising committee in securing sponsorships and the tough stance taken in managing costs as reasons why we have had a better financial year than in 2018.

We were faced with the need to recruit and hire a new Artistic Director and part of this planned and well-constructed transition was doubling up with the incumbent and the new AD during the 2019 Festival. SweetWater absorbed this additional cost in 2019 in part due to the increase in earned revenue.

Community outreach was funded through grants, and the Next Wave introduction of emerging musicians was a first-time initiative.

In 2019 for the first time, an amount was budgeted for a reserve for contingencies. Due to an expense reduction from 2018 when we overaccrued the cost of the review engagement, offset by the cost of 12 months of the subcontracted bookkeeper and the write-off of stale CD inventory, this contingency of \$2,000 is largely what gives rise to the surplus figure.

My personal thanks to our Festival Manager for his unstinting work on organizational finance and administration, and to our bookkeeper Catherine Gignac. Both these individuals have contributed to the effective operation of SweetWater during 2019 and have also been of great personal assistance to me while carrying out my role.

SWEETWATER MUSIC FESTIVAL

FINANCIAL STATEMENTS

AS AT NOVEMBER 30, 2019

DRAFT

SWEETWATER MUSIC FESTIVAL

FINANCIAL STATEMENTS

AS AT NOVEMBER 30, 2019

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INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Members of Sweetwater Music Festival

We have reviewed the accompanying financial statements of Sweetwater Music Festival that comprise the statement of financial position as at November 30, 2019, and the statements of operations and changes in fund balances and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Sweetwater Music Festival as at November 30, 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.

SWEETWATER MUSIC FESTIVAL

STATEMENT OF FINANCIAL POSITION

AS AT NOVEMBER 30, 2019

	2019	2018
	\$	\$
<u>ASSETS</u>		
CURRENT		
Cash	14,242	12,763
Accounts receivable	181	3,044
Government receivable	2,089	973
Prepaid expense	1,733	1,209
	<u>18,245</u>	<u>17,989</u>
	<u>18,245</u>	<u>17,989</u>
<u>LIABILITIES</u>		
CURRENT		
Accounts payable	127	1,215
Accrued charges	1,900	2,853
Deferred contribution Note (3)	2,000	1,500
	<u>4,027</u>	<u>5,568</u>
<u>NET ASSETS</u>		
UNRESTRICTED	<u>14,218</u>	<u>12,421</u>
	<u>18,245</u>	<u>17,989</u>

Approved:

_____ Director

_____ Director

SWEETWATER MUSIC FESTIVAL
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED NOVEMBER 30, 2019

	2019	2018
	\$	\$
REVENUE		
Earned revenue	34,472	28,800
Private funding	53,204	52,676
Public funding Note (6)	23,963	22,074
	<u>111,639</u>	<u>103,550</u>
EXPENDITURES		
Artistic	47,743	46,031
Internet presence & outreach	79	129
Event marketing & production	33,314	35,089
Education and community outreach	2,876	1,510
Fundraising	10,451	14,133
Administration	15,379	6,226
	<u>109,842</u>	<u>103,118</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>1,797</u>	432
NET ASSETS, END OF YEAR	<u><u>14,218</u></u>	<u><u>12,421</u></u>

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SWEETWATER MUSIC FESTIVAL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED NOVEMBER 30, 2019

	2019 \$	2018 \$
OPERATING ACTIVITIES		
Excess of revenue over expenditures	1,797	432
Cash provided by operations	1,797	432
Change in non-cash working capital items		
(Increase) decrease in accounts receivable	2,863	(1,768)
(Increase) decrease in prepaid expense	(524)	150
(Increase) decrease in government receivable	(1,116)	1,319
Increase (decrease) in accounts payable	(1,089)	1,217
Increase (decrease) in accrued charges	(952)	352
Increase in deferred contribution	500	1,500
INCREASED CASH PROVIDED BY OPERATING ACTIVITIES	1,479	3,202
CASH POSITION, beginning of year	12,763	9,561
CASH POSITION, end of year	14,242	12,763
Cash position is comprised of:		
Cash	14,242	12,763

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SWEETWATER MUSIC FESTIVAL
NOTES TO THE FINANCIAL STATEMENTS
AS AT NOVEMBER 30, 2019

1. PURPOSE OF THE ORGANIZATION

The Sweetwater Music Festival (the "Festival"), is incorporated without share capital under the Corporations Act of Ontario. The Festival showcases the best musicians from across Canada and around the world performing classical, jazz and contemporary music in Owen Sound and Meaford, Ontario

The Festival is a registered charity and, as such, is exempt from income tax and may issue official receipts for tax purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements have been prepared using the Canadian accounting standards for not-for-profit organizations.

(b) Financial Instruments

The Festival's financial instruments consist of cash, investor account, receivables, accrued charges, and government remittances. Financial instruments are recorded at fair value when acquired or issued and are subsequently reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate declines in values.

(c) Revenue Recognition

The Festival follows the deferral method of accounting for contributions. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recorded as revenue when received. Distributions from the Trust Funds held at the Ontario Arts Foundation (Note 5) are recognized in the year in which they are received.

Ticket sales and advertising revenues are recognized in the fiscal period when the related performance occurs provided the amount of revenue can be reasonably estimated and collection is reasonably assured. Fundraising revenue is included in revenue at the time received.

(d) Contributed Services

Volunteers contribute services each year to assist the Festival in carrying out its activities. Contributed services are not recognized in the financial statements due to the difficulty in determining their fair value.

(e) 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates as additional information becomes available in the future and adjustments, if any, are recorded as that information becomes known.

SWEETWATER MUSIC FESTIVAL
NOTES TO THE FINANCIAL STATEMENTS
AS AT NOVEMBER 30, 2019

3. DEFERRED CONTRIBUTION

During 2019 the Community Foundation Grey Bruce (CFGB) donated \$2,000 to provide outreach related to the Access Music Project. This was deferred to 2020 for Access Music 3.

The following shows the activity in this deferred contribution during 2019:

Opening balance	\$	1,500
Advances		2,000
Expenditures		<u>(1,500)</u>
Closing balance	\$	<u>2,000</u>

4. FINANCIAL INSTRUMENTS

The Festival is exposed to interest rate, market, currency and other price risks related to its financial instruments. It is exposed to liquidity risk.

Interest 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 Festival is exposed to interest rate risk arising from changes in interest rates affecting the value of their endowment fund.

Liquidity risk is the risk that the Festival will encounter difficulty in meeting obligations associated with financial liabilities that arise mainly in respect to obligations incurred to operate the music festival. The Festival expects to meet these obligations as they come due by management of its working capital provided by government funding, ticket sales, donations and fundraising.

SWEETWATER MUSIC FESTIVAL
NOTES TO THE FINANCIAL STATEMENTS
AS AT NOVEMBER 30, 2019

5. FUNDS IN TRUST WITH ONTARIO ARTS FOUNDATION (OAF)

The Festival initiated the Mark Fewer Legacy Fund Trust (MFLF) and the Sweetwater Operating Fund Trust (SWOF) in June, 2019. The investment income earned in any year in the funds will be distributed by OAF. The percentage rate their Board determines is set to provide stable funding over the long term to arts organizations.

The capital in the MFLF is held in perpetuity. The capital in the SWOF may be encroached upon as the Festival Board of Directors may determine.

The Ontario Arts Foundation ("The Foundation") was provincially incorporated in 1991 as a corporation without share capital and is a registered charity. The Foundation is a public foundation to encourage and facilitate private giving to the arts in Ontario. They are a non-governmental foundation focusing on investments to support the arts in Ontario or elsewhere over the long-term. The Foundation has the following charitable objects.

- a) To receive and maintain a fund or funds to apply all or part of the principal and income therefrom to charitable organizations, which are also registered charities under the Income Tax Act (Canada)
- b) To provide scholarships for study or research in the arts in Ontario or elsewhere
- c) To make awards to persons for outstanding accomplishments in the arts in Ontario or elsewhere

As a co-applicant with OAF, the Festival may apply for funds equal to up to 100% of the donations received to the MFLF in any year through the Cultural Incentives Branch of the Government of Canada. Subsequent to the year end, the Festival received notification from OAF that matching funds totaling \$2,680 will be added to the capital of the MFLF for the year ended November 30, 2019. The SWOF donations are not eligible for these matching funds.

At year end the MFLF contained capital of \$4,065 (2018 - \$0) and the SWOF, \$1,002 (2018 - \$0). Being an inaugural year, no distributions from OAF were received in respect of the year ended November 30, 2019.

6. PUBLIC SECTOR GRANTS

	2019	2018
Ontario Arts Council	\$ 11,111	\$ 10,324
Canadian Heritage	11,002	10,000
Municipality of Meaford	1,850	1,750
	\$ 23,963	\$ 22,074

7. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the presentation of the current year's financial statement.