

**MUSIC INDUSTRY ASSOCIATION OF NEWFOUNDLAND AND
LABRADOR INC.**
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020



**MUSIC INDUSTRY ASSOCIATION OF NEWFOUNDLAND AND
LABRADOR INC.
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INDEPENDENT AUDITOR'S REPORT

To the Members of Music Industry Association of Newfoundland and Labrador Inc.

Opinion

I have audited the financial statements of Music Industry Association of Newfoundland and Labrador Inc., which comprise the statement of financial position as at March 31, 2020, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with the Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the organization in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 the 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 organization'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 organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

INDEPENDENT AUDITOR'S REPORT, continued

- 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 my 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 organization'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 organization's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the organization 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the organization to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I 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 I identify during my audit.

St. John's, NL, Canada
July 21, 2020



DOUGLAS M. KIRBY
CHARTERED PROFESSIONAL
ACCOUNTANT

**MUSIC INDUSTRY ASSOCIATION OF NEWFOUNDLAND AND
LABRADOR INC.**

**STATEMENT OF OPERATIONS
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2020**

	2020	2019
REVENUES		
Grants - Provincial government	\$ 338,627	\$ 423,732
Grants - FACTOR	55,023	103,836
Grants - Atlantic Canada Opportunities Agency	-	68,022
Sponsorships	25,523	43,818
Membership Fees	18,053	22,403
Rental revenue	10,200	8,400
Music NL Conference Registration	2,365	10,039
In-Kind sponsorship	-	10,000
	449,791	690,250
EXPENDITURES		
Advertising and promotion	64	3,224
Artist, Professional Development, Market Access Programs	154,554	175,916
Computer and website expense	22,009	30,741
Interest and bank charges	4,973	6,840
Memberships	1,988	1,500
Miscellaneous	-	804
Music NL conference	22,257	189,519
Office supplies and expenses	9,385	9,187
Professional fees	26,640	9,822
Programming costs	38,791	68,322
Rent and occupancy	35,596	35,057
Salaries and benefits	79,952	137,652
Telecommunications	6,709	9,233
Travel	4,971	59,996
	407,889	737,813
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	41,902	(47,563)
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	(192,252)	(144,689)
UNRESTRICTED NET ASSETS, END OF YEAR	\$ (150,350)	\$ (192,252)

See accompanying notes to the financial statements

**MUSIC INDUSTRY ASSOCIATION OF NEWFOUNDLAND AND
LABRADOR INC.**

**STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2020**

	2020	2019
<u>ASSETS</u>		
CURRENT		
Cash	\$ 9,363	\$ -
Accounts receivable	25,135	93,675
HST receivable	10,482	22,273
	\$ 44,980	\$ 115,948
<u>LIABILITIES</u>		
CURRENT		
Bank indebtedness	\$ -	\$ 16,275
Bank operating loan - note 3	-	70,000
Accounts payable and accrued liabilities	49,871	89,401
Government remittances payable	969	15,051
Deferred revenue - note 4	144,490	117,473
	195,330	308,200
UNRESTRICTED NET ASSETS	(150,350)	(192,252)
	\$ 44,980	\$ 115,948

APPROVED ON BEHALF OF THE BOARD

_____ Director

_____ Director

_____ Date

See accompanying notes to the financial statements

**MUSIC INDUSTRY ASSOCIATION OF NEWFOUNDLAND AND
LABRADOR INC.**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2020**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	\$ 41,902	\$ (47,563)
Changes in non-cash working capital		
Decrease (increase) in accounts receivable	68,540	(16,838)
Decrease (increase) in HST receivable	11,791	(2,438)
(Decrease) increase in accounts payable and accrued liabilities	(39,530)	24,476
(Decrease) increase in Government remittances payable	(14,082)	5,772
Increase in deferred revenue	27,017	1,473
DECREASE (INCREASE) IN BANK INDEBTEDNESS	95,638	(35,118)
BANK INDEBTEDNESS, BEGINNING OF YEAR	(86,275)	(51,157)
CASH (BANK INDEBTEDNESS), END OF YEAR	\$ 9,363	\$ (86,275)
CASH (BANK INDEBTEDNESS) CONSISTS OF:		
Cash	\$ 9,363	\$ -
Bank indebtedness	-	(16,275)
Bank operating loan	-	(70,000)
	\$ 9,363	\$ (86,275)

See accompanying notes to the financial statements

MUSIC INDUSTRY ASSOCIATION OF NEWFOUNDLAND AND LABRADOR INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

1. NATURE OF OPERATIONS

Music Industry Association of Newfoundland and Labrador Inc. was incorporated without share capital under the laws of the Province of Newfoundland and Labrador on June 12, 1992. As a not-for-profit organization the organization is not subject to Part I tax under the Income Tax Act. The mission of the Music Industry Association of Newfoundland and Labrador Inc. is to increase awareness locally, nationally, and internationally of provincially-produced music as an art form, and as a viable industry with significant impact on the economy; and, to create and encourage opportunities which will stimulate the growth of the industry.

2. SIGNIFICANT ACCOUNTING POLICIES

The organization applies the Canadian accounting standards for not-for-profit organizations.

(a) Accounting 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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

(b) Financial instruments

The organization's financial instruments consist of accounts receivable, HST receivable, bank indebtedness, bank operating loan, accounts payable and accrued liabilities, government remittances payable, and deferred revenue. Unless otherwise noted it is management's opinion that the organization is not exposed to significant interest, currency or credit risks.

(c) Property, plant and equipment

Capital assets are recorded at cost and expensed in the year of purchase. Capital assets expensed during the year is \$ Nil (2019 - \$ Nil).

(d) Donated material and services

Volunteers contribute many hours to assist the Music Industry Association of Newfoundland and Labrador Inc. in the governance of its operations and programs. Because of the difficulty in assessing the number of hours and their fair value, contributed services are not recognized in the financial statements. Donated materials are not recorded because the fair market value is not readily determinable and such materials are not significant.

MUSIC INDUSTRY ASSOCIATION OF NEWFOUNDLAND AND LABRADOR INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES, *continued*

(e) 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. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Externally restricted contributions for the purchase of property, plant and equipment that will be amortized are recorded as deferred capital contributions and recognized as revenue on the same basis as the amortization expense related to the acquired property, plant and equipment. Externally restricted contributions for the purchase of property, plant and equipment that will not be amortized are recognized as direct increases in net assets to the Investment in Capital Assets balance.

3. BANK OPERATING LOAN

A bank operating loan has been authorized by the Royal Bank of Canada to a maximum of \$105,000 and bears interest at the bank's prime lending rate plus 3.96%. A general security agreement covering all assets of the Association has been pledged as security. The bank operating loan was repaid and closed in July 2019.

4. DEFERRED REVENUE

	2020	2019
Grants - Provincial government	\$ 109,028	\$ 83,350
Grants - FACTOR	19,572	19,572
Grants - Atlantic Canada Opportunities Agency	14,551	14,551
Bell Aliant sponsorship - Songwriting Challenge	1,339	-
	<hr/> \$ 144,490	<hr/> \$ 117,473

The Provincial Government grant is a grant received during the year from the Department of Tourism, Culture, Industry and Innovation for the delivery of the following funding programs: Artist Development Program, Professional Development Program and Market Access Program. These grants have been approved and awarded to members but have not been paid out to the members until the approved projects have been completed and documentation submitted by the members. The grant is recognized as revenue as the projects are completed and expenses incurred.

MUSIC INDUSTRY ASSOCIATION OF NEWFOUNDLAND AND LABRADOR INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

4. DEFERRED REVENUE, continued

The FACTOR grant will be used for the Export Development Program in the March 31, 2021 fiscal year.

The ACOA grant will be used for the Press On Program in the March 31, 2021 fiscal year.

The Bell Aliant sponsorship will be used for the Songwriting Challenge in the March 31, 2021 fiscal year.

5. LEASE COMMITMENTS

The Association currently leases office space under the terms of an operating lease. Future committed payments are as follows:

2021	\$ 30,647
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6. CONTINGENCIES

The Association derives revenues from government grants and contracts with certain terms and conditions that may require that advances be repaid if the terms and conditions are not fulfilled.

7. ECONOMIC DEPENDENCE

Approximately 75% of the organization's revenue are from government grants. Therefore the organization is economically dependent on government grants to continue operations.

8. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Liquidity risk

The organization does have a liquidity risk in the current liabilities of \$195,330 (2019 - \$308,200). Liquidity risk is the risk that the organization cannot repay its obligations when they become due to its creditors. The organization reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; maintains an adequate line of credit to repay trade creditors as they become due. In the opinion of management the liquidity risk exposure to the organization is low and is not material.

MUSIC INDUSTRY ASSOCIATION OF NEWFOUNDLAND AND LABRADOR INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

9. COVID-19

On March 11, 2020, the World Health Organization assessed the coronavirus outbreak (COVID-19) as a pandemic. The outbreak has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The extent to which Covid-19 impacts the future financial results of Music NL will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and actions taken to contain the virus or its impact, among others.