

**POP MONTRÉAL INTERNATIONAL MUSIC FESTIVAL
FESTIVAL INTERNATIONAL DE MUSIQUE POP MONTRÉAL**

FINANCIAL STATEMENTS

NOVEMBER 30, 2022

**POP MONTRÉAL INTERNATIONAL MUSIC FESTIVAL
FESTIVAL INTERNATIONAL DE MUSIQUE POP MONTRÉAL**

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Société de comptables professionnels agréés
Partnership of chartered professional accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
POP MONTRÉAL INTERNATIONAL MUSIC FESTIVAL
FESTIVAL INTERNATIONAL DE MUSIQUE POP MONTRÉAL

Opinion

We have audited the accompanying financial statements of **POP MONTRÉAL INTERNATIONAL MUSIC FESTIVAL** which comprise the balance sheet as at **November 30, 2022**, and the statements of changes in net assets, revenues and expenses, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **POP MONTRÉAL INTERNATIONAL MUSIC FESTIVAL** as at **November 30, 2022**, 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.

Basis for Opinion

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 **POP MONTRÉAL INTERNATIONAL MUSIC FESTIVAL** 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 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 **POP MONTRÉAL INTERNATIONAL MUSIC FESTIVAL'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 **POP MONTRÉAL INTERNATIONAL MUSIC FESTIVAL** or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing **POP MONTRÉAL INTERNATIONAL MUSIC FESTIVAL's** financial reporting process.

1.

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 **POP MONTRÉAL INTERNATIONAL MUSIC FESTIVAL'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 **POP MONTRÉAL INTERNATIONAL MUSIC FESTIVAL'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 **POP MONTRÉAL INTERNATIONAL MUSIC FESTIVAL** 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.

HHL, S.E.N.C.R.L.¹

Montreal, March 29, 2023

¹Julie Larsen, CPA auditor

**POP MONTRÉAL INTERNATIONAL MUSIC FESTIVAL
FESTIVAL INTERNATIONAL DE MUSIQUE POP MONTRÉAL**

BALANCE SHEET

AS AT NOVEMBER 30	2022	2021
ASSETS		
Current		
Cash	\$ 226,677	\$ 173,584
Short-term investment	10,000	---
Accounts receivable (note 3)	416,918	289,610
Prepaid expenses and deposits	13,121	521
	<hr/> 666,716	<hr/> 463,715
Capital assets (note 4)	<hr/> 36,992	<hr/> 68,838
	<hr/> \$ 703,708	<hr/> \$ 532,553
LIABILITIES		
Current		
Bank loan payable (note 5)	\$ ---	\$ 40,000
Accounts payable and accrued liabilities (note 6)	103,979	78,445
Deferred revenue (note 2a)	382,422	148,590
	<hr/> 486,401	<hr/> 267,035
NET ASSETS		
Net assets	<hr/> 217,307	<hr/> 265,518
	<hr/> \$ 703,708	<hr/> \$ 532,553

On behalf of the board:

_____ **Director**

_____ **Director**

_____ **Director**

See notes to financial statements

3.

**POP MONTRÉAL INTERNATIONAL MUSIC FESTIVAL
FESTIVAL INTERNATIONAL DE MUSIQUE POP MONTRÉAL**

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED NOVEMBER 30	2022	2021
Balance at beginning of year	\$ 265,518	\$ 231,664
(Deficiency) excess of revenues over expenses	(48,211)	33,854
Balance at end of year	\$ 217,307	\$ 265,518

**POP MONTRÉAL INTERNATIONAL MUSIC FESTIVAL
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STATEMENT OF REVENUES AND EXPENSES

YEAR ENDED NOVEMBER 30	2022	2021
Revenues (per attached schedule)	\$ 2,981,001	\$ 1,907,865
Cost of sales		
Production expense (per attached schedule)	2,020,147	1,038,880
Gross earnings	960,854	868,985
Expenses (per attached schedule)		
Marketing	618,481	482,683
Administrative	385,024	359,220
Financial	5,560	(6,772)
	1,009,065	835,131
(Deficiency) excess of revenues over expenses	\$ (48,211)	\$ 33,854

**POP MONTRÉAL INTERNATIONAL MUSIC FESTIVAL
FESTIVAL INTERNATIONAL DE MUSIQUE POP MONTRÉAL**

SCHEDULE OF REVENUES AND EXPENSES

YEAR ENDED NOVEMBER 30	2022	2021
Revenues		
Advertising and promotional services (note 7)	\$ 898,143	\$ 147,701
Box office and tickets	314,148	75,301
Funding (note 8)	1,383,122	1,153,741
Sponsorships	141,760	122,719
Donations - corporations and foundations	24,512	37,783
In-kind revenues (note 13)	124,341	157,019
Other government subsidies (note 9)	94,975	213,601
	\$ 2,981,001	\$ 1,907,865
Production expense		
Artist fees (notes 10, 11)	\$ 655,764	\$ 186,946
Insurance	2,294	2,691
Production and site expenses (note 11)	660,374	458,500
In-kind production expenses (note 13)	23,192	13,400
Salaries and fees (note 11)	499,247	362,773
Socan	9,844	2,916
Travel and accommodation (note 11)	169,432	11,654
	\$ 2,020,147	\$ 1,038,880

**POP MONTRÉAL INTERNATIONAL MUSIC FESTIVAL
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SCHEDULE OF EXPENSES

YEAR ENDED NOVEMBER 30	2022	2021
Marketing		
Salaries	\$ 154,913	\$ 147,930
Advertising	70,737	30,476
In-kind marketing expenses (note 13)	101,149	143,619
Promotion (note 11)	147,791	51,150
Website and database (note 11)	24,374	31,327
Printing and distribution (note 11)	49,121	44,123
Outreach and travel	70,396	34,058
	\$ 618,481	\$ 482,683
Administrative		
Alarm and utilities	\$ 4,094	\$ 4,141
Amortization - capital assets	31,846	31,850
Bad debts	---	4,769
Telephone and internet	4,740	11,459
Donations	6,514	6,734
Office (note 11)	27,969	26,038
Professional fees	38,044	24,112
Rent	38,971	37,610
Salaries and benefits	218,031	198,062
Taxes and licenses	14,815	14,445
	\$ 385,024	\$ 359,220
Financial		
Credit card charges	\$ 2,413	\$ 1,187
Interest and bank charges (recovered)	3,147	(7,959)
	\$ 5,560	\$ (6,772)

**POP MONTRÉAL INTERNATIONAL MUSIC FESTIVAL
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STATEMENT OF CASH FLOWS

YEAR ENDED NOVEMBER 30	2022	2021
Operating activities		
(Deficiency) excess of revenues over expenses	\$ (48,211)	\$ 33,854
<i>Non-cash item:</i>		
Amortization - capital assets	31,846	31,850
	(16,365)	65,704
Net change in non-cash items related to operating activities	119,458	(73,612)
Cash flows from operating activities	103,093	(7,908)
Investing activities		
Acquisition of capital assets	---	(83,791)
Financing activities		
Increase in short-term investment	(10,000)	---
(Decrease) increase in bank loan	(40,000)	40,000
	(50,000)	40,000
Increase (decrease) in cash	53,093	(51,699)
Cash at beginning of year	173,584	225,283
Cash at end of year	\$ 226,677	\$ 173,584
<i>Net change in non-cash items related to operating activities:</i>		
Accounts receivable	\$ (127,308)	\$ 4,113
Prepaid expenses and deposits	(12,600)	781
Accounts payable and accrued liabilities	25,534	(31,991)
Deferred revenue	233,832	(46,515)
	\$ 119,458	\$ (73,612)

See notes to financial statements

**POP MONTRÉAL INTERNATIONAL MUSIC FESTIVAL
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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED NOVEMBER 30, 2022

1. Statutes of incorporation and nature of activities

The organization was incorporated on December 30, 2004 by Letters Patent under Part II of the Canada Corporations Act and continued under the Canada Not-for-profit Corporations Act on October 16, 2014. The organization is a not-for-profit organization, and produces the annual POP Montréal International Music Festival. The festival promotes emerging and innovative artists across artistic mediums. The organization also hosts an annual symposium for discussion of relevant issues to the artistic community. On a year-round basis the organization produces artistic events, and works to advance the public's appreciation of the arts, locally, nationally, and internationally.

As the organization is a not-for-profit organization, it is not subject to income taxes.

2. Significant accounting policies

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) Revenue recognition

The organization follows the deferral method of accounting for contributions, which include funding, sponsorships, and donations. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The organization recognizes revenues on advertising and promotional services provided as they are earned and provided to its customers.

Box office and tickets are recognized as revenue when the events are held.

b) Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided for on a straight-line basis over the estimated useful lives of the assets, at the following annual rates:

Computer equipment	33%
Furniture and fixtures	33%
Server	20% to 33%
Website	33%
Leasehold improvements	20%

c) Financial instrument measurement

The organization initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, short-term investment and accounts receivable. Financial liabilities measured at amortized cost include bank loan payable and accounts payable and accrued liabilities.

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED NOVEMBER 30, 2022

2. Significant accounting policies (continued)

d) Contributed services

During the annual POP Montréal International Music Festival, the organization uses the services of many volunteers. These services are reported in the organization's revenues. The hours contributed by volunteers are compiled and recognized according to an hourly rate corresponding to the average market rate for similar services. During the fiscal year 2022, there were no volunteers.

e) Government grants

Grants related to capital assets are accounted for as deferred government assistance and amortized on the same basis as the related capital assets. Operating grants are recorded as revenue in the statement of earnings.

3. Accounts receivable

	2022	2021
Accounts receivable	\$ 394,517	\$ 258,856
Canada Revenue Agency - government subsidy (CEWS)	---	8,489
Canada Revenue Agency - government subsidy (CERS)	---	1,136
Sales taxes receivable	22,401	21,129
	\$ 416,918	\$ 289,610

4. Capital assets

	Cost	Accumulated amortization	2022 Net	2021 Net
Computer equipment	\$ 9,162	\$ 7,558	\$ 1,604	\$ 3,654
Website	75,000	50,000	25,000	50,000
Leasehold improvements	23,980	13,592	10,388	15,184
	\$ 108,142	\$ 71,150	\$ 36,992	\$ 68,838

Amortization for the year amounted to \$31,846 (2021 - \$31,850)

**POP MONTRÉAL INTERNATIONAL MUSIC FESTIVAL
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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED NOVEMBER 30, 2022

5. Bank loan payable

	2022	2021
Loan, under the Canada Emergency Business Account Program, guaranteed by the Canadian government, interest-free until December 31, 2023, repaid during the year	\$ ---	\$ 40,000

6. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include government remittances totaling \$2,476 (2021 - \$Nil).

7. Revenue from advertising and promotional services

Revenue from advertising and promotional services includes a total of \$783,936 (2021 - \$Nil) from SiriusXM to cover marketing, promotional and artist fee costs for a series of commissioned shows. The agreement with SiriusXM requires POP Montréal International Music Festival to allocate this funding under advertisement and promotional services.

8. Revenues from funding consist of the following:

	2022	2021
Federal government grants		
FACTOR	\$ 267,000	\$ 236,000
Canadian Heritage	324,000	166,014
Canada Council for the Arts	184,000	195,000
Cultural Human Resources Council	4,927	5,029
Telefilm Canada	17,500	5,000
	<u>797,427</u>	<u>607,043</u>
Provincial government grants		
SODEC	90,750	57,000
Tourisme Québec	200,281	141,000
Secrétariat à la région métropolitaine	60,000	60,000
Ministère de la Culture et des Communications	20,000	20,000
Emploi Québec	14,962	15,696
Fédération des chambres de commerce du Québec (FCCQ)	13,274	15,028
	<u>399,267</u>	<u>308,724</u>
Municipal government grants		
Ville de Montréal	133,774	177,974
Tourisme Montréal	14,500	20,000
Arrondissement le Plateau-Mont-Royal	20,000	20,000
Conseil des Arts de Montréal	18,154	20,000
	<u>186,428</u>	<u>237,974</u>
	<u>\$1,383,122</u>	<u>\$1,153,741</u>

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED NOVEMBER 30, 2022

9. Other government subsidies

During the year, the organization recorded the following government subsidies as revenues:

	2022	2021
Canada Emergency Wage Subsidy program (CEWS)	\$ 78,874	\$ 165,310
Canada Emergency Rent Subsidy program (CERS)	16,101	28,291
Canada Emergency Business Account (CEBA) – forgiven loan amount	---	20,000
	\$ 94,975	\$ 213,601

10. Foreign currency

Artist fees include a foreign exchange loss of \$2,497 (2021 - gain of \$44).

11. Related party transactions

During the year the organization purchased goods and services from the following related parties. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. As at November 30, 2022, there was a balance payable of \$Nil (2021 - \$Nil) resulting from these transactions.

Related party	Type of transaction	2022	2021
Bands managed by Danagement	Performance fees	\$ 3,500	\$ 7,500
Relative of manager	Production and marketing	---	16,455
Relative of administrator	Merchandise purchased	5,064	4,296
Relative of manager	Production, travel and administrative	15,250	9,300
Relative of administrator	Production and promotion	1,500	1,300

Danagement (6276091 Canada Inc.) is a company in which one of the three shareholders make up one of the three administrators that manage POP Montréal International Music Festival.

The performance fees include Socalled Entertainment Inc., a company which is managed by Danagement.

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED NOVEMBER 30, 2022

12. Lease commitment

The organization leases premises under a lease expiring on April 30, 2026. Future minimum lease payments total \$147,749 and include the following payments over the next four years:

2023	\$ 40,901
2024	42,879
2025	44,904
2026	19,065
<hr/>	
	\$ 147,749

13. Non-monetary transactions

The organization has entered into non-monetary transactions with companies for marketing and promotional revenues in consideration for advertising services, various supplies and other services. The organization records such transactions at the fair value of the services and supplies received as in-kind revenues, advertising expenses and production and site expenses. During the year, these in-kind revenues totaled \$124,341 (2021 - \$157,019), and these in-kind expenses totaled \$124,341 (2021 - \$157,019), balancing to zero.

14. Financial instruments

Financial risks

The organization is exposed to various risks through its financial instruments. The main risks are broken down below.

Credit risk

Credit risk is the risk that one party to a financial asset will cause a financial loss for the organization by failing to discharge an obligation. The organization's credit risk is mainly related to accounts receivable. The organization provides credit to its clients and sponsors in the normal course of its operations. It regularly assesses credit risk and maintains provisions for uncollectable amounts where applicable. The organization has no concentration of credit risk and does not run any significant risk with respect to a single account receivable.

Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities.