



Financial Statements

Music Industry Association of Nova Scotia

March 31, 2011

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## Independent auditor's report

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To the Members of  
**Music Industry Association of Nova Scotia**

We have audited the accompanying financial statements of Music Industry of Nova Scotia (the "Association") which comprise of the statement of financial position as at March 31, 2011, the statements of revenues and expenses, net assets and 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 generally accepted accounting principles, 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.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements 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 Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

Our audit was conducted for the purposes of forming an opinion of the financial statements taken as a whole. The Supplementary Schedules on pages 10-12 are presented for purposes of additional information and is not required as part of the financial statements. Such information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion, in the audit of the financial statements taken as a whole.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Music Industry Association of Nova Scotia as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Grant Thornton LLP*

Halifax, Canada  
June 10, 2011

Chartered accountants

# Music Industry Association of Nova Scotia

## Statement of revenues and expenses

Year ended March 31	2011	2010
<b>Revenue</b>		
Project revenue (schedule 1)	\$ 758,129	\$ 941,474
Province of Nova Scotia -		
Department of Economic Development	40,000	40,000
Department of Communities, Culture and Heritage	55,000	77,500
ACOA	-	39,000
Foundation to Assist Canadian Talent on		
Records	30,000	30,000
Management and administration fees (note 6)	178,241	144,417
Memberships	27,429	23,855
Interest income	3,338	3,914
Sponsorship	45,689	45,688
National mentoring program	7,000	-
	<u>1,144,826</u>	<u>1,345,848</u>
Project expenditures (schedule 1)	<u>766,825</u>	<u>940,516</u>
	<u>378,001</u>	<u>405,332</u>
<b>Expenses</b>		
Advertising and promotion	4,632	1,760
Bad debt recovery	(2,103)	(1,615)
Equipment rental	5,109	5,797
HST	-	4,322
Insurance	3,444	2,521
Interest and bank charges	5,222	4,359
Legal and accounting	8,800	6,900
Miscellaneous	1,642	3,187
Occupancy	20,893	20,277
Office	13,162	7,620
Telephone	11,856	12,500
Travel	13,957	13,792
Wages and employee benefits	278,802	261,478
National mentoring program	7,000	-
	<u>372,416</u>	<u>342,898</u>
Excess revenue over expenditures before other items	\$ 5,585	\$ 62,434
<b>Other items</b>		
Project expenses funded by utilization		
of prior year surplus (note 11 and schedule 1)	(46,131)	
HST (expense) recovery (note 12)	<u>(18,907)</u>	<u>29,828</u>
(Deficiency) excess revenue over expenditures (note 11)	\$ <u>(59,453)</u>	\$ <u>92,262</u>

See accompanying notes to the financial statements.

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# Music Industry Association of Nova Scotia

## Balance sheet

March 31 2011 2010

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### Assets

#### Current

Cash and cash equivalents	\$ 179,412	\$ 252,696
Short term investments	77,445	32,530
Receivables	179,337	152,725
Prepays	<u>10,779</u>	<u>8,012</u>
	<b>446,973</b>	<b>445,963</b>

Advances to DRUM Live Inc. (note 4) 710,576 710,576

Funds held in trust (note 5) 4,382 4,382

**\$ 1,161,931 \$ 1,160,921**

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### Liabilities

#### Current

Payables and accruals	\$ 58,923	\$ 28,934
Deferred government assistance (note 3)	<u>230,020</u>	<u>199,546</u>
	<b>288,943</b>	<b>228,480</b>

Long term loans (note 4) 710,576 710,576

Funds held in trust (note 5) 4,382 4,382

**1,003,901 943,438**

### Net assets

Unrestricted net assets 78,564 138,017

Restricted net assets (note 7) 34,485 34,485

Contingency fund (note 10) 44,981 44,981

**158,030 217,483**

**\$ 1,161,931 \$ 1,160,921**

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Contingency (note 9)

On behalf of the Board

\_\_\_\_\_ Member \_\_\_\_\_ Member

See accompanying notes to the financial statements.

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# Music Industry Association of Nova Scotia

## Statement of net assets

Year ended March 31

2011

2010

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	<u>Contingency</u> <u>Fund</u>	<u>Restricted</u> <u>Net assets</u>	<u>Unrestricted</u> <u>Net assets</u>		
Net assets, beginning of year	\$ 44,981	\$ 34,485	\$ 138,017	\$ <b>217,483</b>	\$ 125,221
(Deficiency) excess of revenue over expenses (note 11)	<u>-</u>	<u>-</u>	<u>(59,453)</u>	<u><b>(59,453)</b></u>	<u>92,262</u>
Balance, end of year	\$ <u>44,981</u>	\$ <u>34,485</u>	\$ <u>78,564</u>	\$ <u><b>158,030</b></u>	\$ <u>217,483</u>

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See accompanying notes to the financial statements.

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## Music Industry Association of Nova Scotia

### Statement of cash flows

Year ended March 31

2011

2010

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(Decrease) increase in cash and cash equivalents

<b>Operating</b>		
(Deficiency) excess revenue over expenditures	\$ (59,453)	\$ 92,262
Change in non-cash operating working capital		
Receivables	(26,612)	(25,675)
Prepays	(2,767)	7,583
Payables and accruals	29,990	7,342
Deferred government assistance	30,474	(12,723)
Short term investments	<u>(44,915)</u>	<u>(345)</u>
Net (decrease) increase in cash and cash equivalents	(73,284)	68,444
Cash and cash equivalents		
Beginning of year	<u>252,696</u>	<u>184,252</u>
End of year	\$ <u>179,412</u>	\$ <u>252,696</u>

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See accompanying notes to the financial statements.

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# Music Industry Association of Nova Scotia

## Notes to the financial statements

March 31, 2011

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### 1. Nature of operations

The Music Industry Association of Nova Scotia is a Not-For-Profit Organization incorporated under the Societies Act of the Province of Nova Scotia and operating under the name Music Nova Scotia. The main objective of the Association is to democratically and independently determine elements required to develop the full potential of the music industry. It is the intention of the Association to create a healthier music industry by conducting educational activities, initiating programs, lobbying regulatory bodies, advising government and industry, and organizing and presenting Nova Scotia Music Week.

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### 2. Summary of significant accounting policies

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks. Bank borrowings are considered to be financing activities.

#### Financial instruments

The Association's financial instruments are classified as follows:

##### *Held for trading*

Short term investments.

##### *Loans and receivables*

Receivables and advances to DRUM Live Inc.

##### *Available for sale*

Long term investments.

##### *Other liabilities*

Bank indebtedness, payables and accruals and long term loans.

The Association is exposed to credit risk by its customers and suppliers. However, because of the large number of customers and different suppliers, credit risk concentration has been reduced to a minimum.

The fair value of the short term investments (guaranteed investment certificate) are determined by the closing market value for these investments.

#### Management estimates

In preparation of the financial statements in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts 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 expenses during the reporting period. Actual results may differ from these estimates. The most significant estimates in these financial statements include allowance for doubtful accounts and the estimated useful lives of capital assets.

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# Music Industry Association of Nova Scotia

## Notes to the financial statements

March 31, 2011

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### 2. Summary of significant accounting policies (continued)

#### Revenue recognition

The Association follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable when the amount to be received can be reasonably estimated and collection is reasonably assured.

#### Investments

Investments are recorded at market value. The Association's investments consist of GIC's which have been set aside to fund the Contingency Fund and Restricted Net Assets as per notes 7 and 10 respectively.

#### Future accounting standard changes

For fiscal years beginning on or after January 1, 2012, the Canadian Accounting Standards Board has issued Part III: Accounting Standards for Not-for-Profit Organizations (ASNPO), which are applicable for all Not-for-Profit Organizations. Not-for-Profit Organizations maintain the option to adopt ASNPO or International Financial Reporting Standards (IFRS). The Association is currently assessing the impact on the new Standards on its financial statements.

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### 3. Deferred government assistance

Deferred government assistance relates to the various projects as follows:

Tourism Niche Marketing	\$	40,598
Songwriter Camp		5,000
Export Development Program		97,370
Bringin' it Home		85,552
ECMA		<u>1,500</u>
	\$	<u>230,020</u>

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4. Advances to DRUM Live Inc.	<u>2011</u>	<u>2010</u>
Department of Economic Development	\$ 192,525	\$ 192,525
ACOA	<u>518,051</u>	<u>518,051</u>
	\$ <u>710,576</u>	\$ <u>710,576</u>

The above loans were negotiated to assist with the theatrical production of "DRUM - A Musical Tribute". These Funds have been advanced to DRUM Live Inc. who has been contracted to produce the show. The Department of Economic Development loan is to be repaid in an amount equal to 2.5% of future gross profits generated from performances of the production. The ACOA loan is to be repaid in an amount equal to 2% of future gross profits generated from performances of the production. The advances to DRUM Live Inc. are to be collected on the same basis as the repayment of the Department of Economic Development and ACOA loans.

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# Music Industry Association of Nova Scotia

## Notes to the financial statements

March 31, 2011

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### 5. Funds held in trust

The Funds held in trust comprise the following:

#### Chico Berardi Memorial Fund

The Nova Scotia Talent Trust in partnership with the Association has established the Chico Berardi Memorial Fund. The Memorial Fund of \$4,382 awards a cash prize in the amount of \$500 on an annual basis to a candidate undertaking studies in non-classical music.

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### 6. Management and administration fees

	<u>2011</u>	<u>2010</u>
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Management and administration fees represent internal charges from head office to the projects as follows:

Export Development Program	\$ 75,000	\$ 75,000
Other	40,013	11,417
Bringin' it Home	25,000	15,000
DRUM	<u>38,228</u>	<u>43,000</u>
	<u>\$ 178,241</u>	<u>\$ 144,417</u>

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### 7. Restricted net assets

Restricted net assets represent Funds received which have been restricted for education programming.

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### 8. Project revenue

	<u>2011</u>	<u>2010</u>
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Government funding included in project revenue  
(see Schedule 1) is:

	\$ <u>627,735</u>	\$ <u>641,153</u>
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### 9. Contingency

The Association has entered into funding agreements with various government agencies. Funding received under these agreements is subject to repayment if the Association fails to comply with the terms and conditions of the agreements.

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### 10. Contingency fund

The Contingency Fund (the "Fund") was created in the prior year by the Association. This Fund shall be use and applied from time to time towards meeting future unforeseen deficits and such other significant unexpected liabilities or contingencies which may arise. The Association segregates amounts accumulated for these purposes. The Board of Directors will determine on an annual basis the amount to be contributed to the Fund out of any current operating surplus.

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# Music Industry Association of Nova Scotia

## Notes to the financial statements

March 31, 2011

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### 11. Unrestricted net assets

In the prior year, the Association committed to invest 50% of the 2010 surplus, an amount of \$46,131 in special projects such as Nova Scotia Music Week, CMW, EMCA and other industry growth projects. The current year's deficiency of revenue over expenditures of \$(59,453) reflects the Association's investing of this amount in the year ended March 31, 2011 in such projects.

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### 12. HST recovery (expense)

In the prior year, it was determined only 50% of the eligible HST input tax credits were being claimed when the Association was entitled to claim 100% of the HST paid. The HST recovery of \$29,828 in 2010 was the estimated amount receivable claimed by the Association for this previous shortfall.

During the current year, the Association underwent an HST audit conducted by Canada Revenue Agency (CRA) on those previous years and the expense of \$18,907, was the resulting assessment from the CRA audit. The Association is currently in discussions with CRA with the intent of having the reassessed amounts which have been paid in fiscal 2011 reduced. Any potential reduction received in a later year will be recorded as a recovery in the year received.

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### 13. Comparative figures

Certain 2010 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

# Music Industry Association of Nova Scotia

## Schedule 1 - Project revenue and expenditures

(Unaudited)

March 31 2011 2010

	2011	2010
Project revenue		
Nova Scotia Music Week (schedule 2)	\$ 206,499	\$ 198,094
Bringin' it Home (schedule 3)	80,085	102,828
Milwaukee	-	97,122
Los Angeles	-	26,784
Canadian Music Week	15,000	16,648
Acadian Stage	-	20,488
DRUM VANOC	-	52,121
VANOC	-	9,709
Export development program	405,519	379,827
Website	-	9,560
East Coast Music Awards	-	10,598
Other	13,624	17,695
Ireland	4,000	-
The Great Escape	12,000	-
Showcase Scotland	10,000	-
Tourism Niche Marketing	11,402	-
	<b>758,129</b>	<b>941,474</b>
Project expenses		
Nova Scotia Music Week (schedule 2)	232,705	198,609
Bringin' it Home (schedule 3)	80,085	102,828
Milwaukee	-	96,824
Los Angeles	-	26,784
Canadian Music Week	15,000	16,330
Acadian Stage	-	20,488
DRUM VANOC	-	52,121
VANOC	-	9,709
Export development program	409,175	379,827
Website	-	6,409
East Coast Music Awards	-	13,190
Other	20,660	17,397
Ireland	6,696	-
The Great Escape	27,233	-
Showcase Scotland	10,000	-
Tourism Niche Marketing	11,402	-
	<b>812,956</b>	<b>940,516</b>
Project expenses funded by utilization of prior year surplus (page 2 and note 11)	<b>(46,131)</b>	<b>-</b>
	<b>766,825</b>	<b>940,516</b>
 (Deficiency) excess of revenue over expenditures	 <b>\$ (8,696)</b>	 <b>\$ 958</b>

## Music Industry Association of Nova Scotia Schedule 2 – Nova Scotia Music Week revenue and expenditures

(Unaudited)

March 31	2011	2010
Revenue		
Province of Nova Scotia –		
Department of Communities, Culture and Heritage	\$ 40,500	\$ 33,000
Foundation to Assist Canadian Talent of Records	20,563	15,000
Registration and ticket sales	41,530	44,332
Sponsorship	72,747	83,415
Program revenue	25,159	22,347
SOCAN Foundation	6,000	-
	<u>206,499</u>	<u>198,094</u>
Expenses		
Advertising	\$ 17,138	13,023
Bank charges	497	901
Consulting	14,900	15,110
Meals and accommodations	39,991	35,293
Miscellaneous	1,566	15,604
Performance	33,191	22,912
Production equipment rental	90,494	72,207
Travel	28,029	16,613
Venue and food	6,048	6,946
Communications	851	-
	<u>232,705</u>	<u>198,609</u>
Deficiency of revenue over expenditures	\$ <u>(26,206)</u>	\$ <u>(515)</u>

## Music Industry Association of Nova Scotia

### Schedule 3 – Bringin’ it Home revenue and expenditures

(Unaudited)

March 31 2011 2010

Revenue

Nova Scotia Department of Communities, Culture and Heritage	\$ <b>75,085</b>	\$ 87,530
Project sponsorships	<u>5,000</u>	<u>15,298</u>
	<u><b>80,085</b></u>	<u>102,828</u>

Expenses

Accommodations, meals and travel	2,950	5,695
Administration fees – MIANS Head Office	25,000	15,000
Co-ordinator fees	-	22,500
Other	134	612
Production and performance	7,050	-
Presenters insurance	44,951	58,214
Travel	<u>-</u>	<u>807</u>
	<u><b>80,085</b></u>	<u>102,828</u>

Excess of revenue over expenditures	\$ <u>-</u>	\$ <u>-</u>
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