2012 Festival of Friends

Statement of Operations
Year ended September 30, 2012
January 2, 2013

Independent Auditor's Report

To the Board of the Festival of Friends

We have audited the accompanying statement of operations for the 2012 Festival of Friends for the year ended September 30, 2012 and a summary of significant accounting policies. The statement of operations has been prepared in accordance with Canadian accounting standards for private enterprises.

Management's Responsibility for the statement of operations

Management is responsible for the preparation and fair presentation of the statement of operations in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of the statement of operations that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the statement of operations 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 statement of operations is free from material misstatement.

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

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

2012 Festival of Friends derives a material amount of revenue from cash transactions. We were not able to obtain sufficient appropriate audit evidence about the completeness of the reported amounts of sponsorships or vendors revenue. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion

In our opinion, except as noted in the above paragraph, the statement of operations presents fairly, in all material respects, the revenue and expenditures of the 2012 Festival of Friends, for the year ended September 30, 2012 in accordance with the Canadian accounting standards for private enterprises.

Pittinelli Mastrola
Chartered Accountants
Licensed Public Accountants

Hamilton, Ontario
2012 Festival of Friends

Statement of Operations

Year ended September 30, 2012

Revenue
Sponsorships $ 269,657
Vendors 137,631
Parking income 20,105

427,393

Expenses
Artists and performances 188,401
Consulting 91,000
Equipment rental 49,652
Security 30,200
Supplies 29,200
Venue rental 27,565
Advertising and promotion 26,339
Repairs and maintenance 13,210
Concession expense 12,000
Automotive 9,408
Office and general 7,689
Travel 7,046
Insurance 5,211
Interest and bank charges 4,638
Telephone and utilities 4,103
Professional fees 1,927
Meals and entertainment 771

508,360

Loss for the year $ (80,967)
1. **Nature of operations**

The Festival of Friends is held in Southern Ontario. This event is the largest free annual music festival that celebrates Ontario's multicultural diversity. The Festival of Friends is an outdoor music, art, and crafts festival which has been held annually since 1976.

2. **Significant accounting policies**

**Revenue recognition**

Revenue is recognized when received or receivable, persuasive evidence of a contractual arrangement exists, and there are no significant vendor obligations remaining, the price is fixed or determinable, and collectibility is reasonably assured.

**Donated material, services, and gifts in kind**

The work of the festival of friends is dependent on the voluntary service of many individuals and the donations of various gifts in kind. The festival of friends estimates that the total fair value of donated materials, services and gifts in kind are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>$300,000</td>
</tr>
<tr>
<td>Labour</td>
<td>60,000</td>
</tr>
<tr>
<td>Equipment</td>
<td>43,000</td>
</tr>
<tr>
<td>Printing</td>
<td>20,000</td>
</tr>
<tr>
<td>Hospitality</td>
<td>17,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>440,000</strong></td>
</tr>
</tbody>
</table>