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August 17, 2015

Board of Directors  
Federation of Northern Ontario Municipalities  
88 Riverside Drive  
Kapuskasing, Ontario  
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Ref: 1411.H12

**Re: Audit of the Financial Statements of Federation of Northern Ontario Municipalities**

We have been engaged to audit the financial statements of Federation of Northern Ontario Municipalities for the year ending March 31, 2015.

Canadian Auditing Standards ("CAS") require that we communicate at least annually with you regarding all relationships between the organization and us that, in our professional judgement, may reasonably be thought to bear on our independence.

In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by the Chartered Professional Accountants of Ontario (registered name of The Institute of Chartered Accountants of Ontario) and applicable legislation, covering such matters as:

- (a) holding a financial interest, either directly or indirectly, in a client;
- (b) holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- (c) personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- (d) economic dependence on a client; and
- (e) provision of services in addition to the audit engagement.

We have prepared the following comments to facilitate our discussion with you regarding independence matters.

We are not aware of any relationships between the organization and us that, in our professional judgement, may reasonably be thought to bear on our independence which have occurred from to August 17, 2015.

CAS requires that we assess our independence in context of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Ontario (registered name of The Institute of Chartered Accountants of Ontario).

Accordingly, we hereby confirm that our engagement team, our Firm and other Collins Barrow offices are independent with respect to the organization within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario (registered name of The Institute of Chartered Accountants of Ontario) as of August 17, 2015.

# CLIENT COPY

This report is intended solely for the use of the board of directors, management and others within the organization and should not be used for any other purposes.

We would be pleased to discuss with you any matters mentioned in this letter, as well as any other matters that may be of interest to you.

Yours truly,

***COLLINS BARROW GAGNÉ GAGNON BISSON HÉBERT***



Chad Lauzon, CPA, CA  
Partner

**FEDERATION OF NORTHERN ONTARIO MUNICIPALITIES**

**INDEPENDENT AUDITOR'S REPORT AND  
FINANCIAL STATEMENTS**

**MARCH 31, 2015**

## INDEPENDENT AUDITOR'S REPORT

To the Directors of  
Federation of Northern Ontario Municipalities

We have audited the accompanying financial statements of Federation of Northern Ontario Municipalities, which comprise the statement of financial position as at March 31, 2015, and the statements of operations, changes in 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 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.

### *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.

## INDEPENDENT AUDITOR'S REPORT, (CONT'D)

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 organization'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 organization'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*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Federation of Northern Ontario Municipalities as at March 31, 2015, 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.

### *Other Matter*

The statement of financial position as at March 31, 2014 and the statements of operations, changes in net assets and cash flows for the year then ended, were audited by another auditor who expressed an unmodified audit opinion on those financial statements dated December 17, 2014.

*Collins Barrow Gagné Gagnon Bisson Hébert*

Chartered Professional Accountants  
Licenced Public Accountants  
November 20, 2015

# FEDERATION OF NORTHERN ONTARIO MUNICIPALITIES

## FINANCIAL STATEMENTS

MARCH 31, 2015

Statement of Operations	1
Statement of Changes in Net Assets	2
Statement of Financial Position	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 7

# FEDERATION OF NORTHERN ONTARIO MUNICIPALITIES

## STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2015

	2015 Budget	2015 Actual	2014 Actual
<b>REVENUES</b>			
Conference fees and sponsorships	\$ 50,000	\$ 85,570	\$ 81,650
Memberships	33,000	33,887	35,365
Ministry of Northern Development and Mines grant	50,000	50,000	50,000
Northern Ontario Heritage Fund Corporation grant	27,500	32,010	12,693
Forestry strategy	-	40,972	79,776
Local Initiative (LIC)	-	-	31,250
Other revenue	20,000	11,667	30,638
	<u>180,500</u>	<u>254,106</u>	<u>321,372</u>
<b>EXPENDITURES</b>			
Conference expenses	1,000	17,773	15,849
Director's honorariums	3,000	3,000	3,706
Wages and benefits	39,660	36,500	16,991
Consulting fees	10,000	-	3,161
Travel and meeting expenses	35,500	14,076	36,000
Association of Municipalities of Ontario meeting expenses	42,000	32,371	43,620
Strategic plan expenses	15,000	-	-
Forestry strategy expenses	10,000	40,972	80,774
ONTC and park project expenses	-	241	17,258
Other supplies and expenses	10,000	12,292	7,131
	<u>166,160</u>	<u>157,225</u>	<u>224,490</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>\$ 14,340</b>	<b>\$ 96,881</b>	<b>\$ 96,882</b>

**FEDERATION OF NORTHERN ONTARIO MUNICIPALITIES****STATEMENT OF CHANGES IN NET ASSETS****YEAR ENDED MARCH 31, 2015**

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	2015	2014
BALANCE, BEGINNING OF YEAR	\$ 116,583	\$ 19,701
EXCESS OF REVENUES OVER EXPENDITURES	<u>96,881</u>	<u>96,882</u>
BALANCE, END OF YEAR	<u>\$ 213,464</u>	<u>\$ 116,583</u>

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# FEDERATION OF NORTHERN ONTARIO MUNICIPALITIES

## STATEMENT OF FINANCIAL POSITION

MARCH 31, 2015

	2015	2014
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 178,137	\$ 60,528
Accounts receivable (note 3)	57,071	108,890
Prepaid expenses	-	525
	<u>\$ 235,208</u>	<u>\$ 169,943</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 10,526	\$ 53,360
Deferred revenue (note 4)	11,218	-
	21,744	53,360
<b>NET ASSETS</b>	<u>213,464</u>	<u>116,583</u>
	<u>\$ 235,208</u>	<u>\$ 169,943</u>

On behalf of the board

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# FEDERATION OF NORTHERN ONTARIO MUNICIPALITIES

## STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2015

	2015	2014
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenditures	\$ 96,881	\$ 96,882
Changes in:		
Accounts receivable	51,819	(93,773)
Prepaid expenses	525	(17)
Accounts payable and accrued liabilities	(42,834)	39,966
Deferred revenue	11,218	-
<b>CHANGE IN CASH POSITION</b>	117,609	43,058
<b>CASH POSITION, BEGINNING OF YEAR</b>	60,528	17,470
<b>CASH POSITION, END OF YEAR</b>	\$ 178,137	\$ 60,528

# FEDERATION OF NORTHERN ONTARIO MUNICIPALITIES

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2015

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### 1. STATUS AND NATURE OF OPERATIONS

The Federation of Northern Ontario Municipalities ("FONOM") is an unincorporated entity comprised of Northeastern Ontario Municipalities. The organization is principally involved in advocating municipal interests to senior levels of government.

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### 2. SIGNIFICANT ACCOUNTING POLICIES

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

#### REVENUE RECOGNITION

The organization follows the deferral method of accounting for contributions.

Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the period in which the related expenses are incurred.

Contributions received for the acquisition of specific capital assets are recorded as deferred capital contributions and recognized into revenue at a rate corresponding with the amortization rate for the related capital assets.

#### FINANCIAL INSTRUMENTS

##### *Measurement*

The organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties.

The organization subsequently measures its financial assets and financial liabilities at amortized cost, except for derivatives and equity securities quoted in an active market, which are subsequently measured at fair value. Forward exchange contracts and interest rate swaps that are not hedging items are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

There are no financial instruments measured at fair value.

# FEDERATION OF NORTHERN ONTARIO MUNICIPALITIES

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2015

### 2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

#### FINANCIAL INSTRUMENTS, (CONT'D)

##### *Impairment*

Financial assets measured at amortized cost are assessed for impairment at the end of each year. The amount of identified impairment, if any, is recorded as a write-down and recognized in the statement of operations. Any previously recognized impairment loss may be reversed to the extent of the improvement, provided it is no greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost. The amount of the reversal is recognized in the statement of operations.

#### MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Items requiring the use of significant estimates include accrued liabilities. Actual results could differ from those estimates.

### 3. ACCOUNTS RECEIVABLE

	2015	2014
Ministry of Northern Development and Mines Government of Canada	\$ 12,500	\$ 12,500
Northern Ontario Heritage Fund Corporation	14,523	14,998
Forestry strategy donation	17,203	12,693
Memberships	-	30,000
Other	6,846	3,990
	5,999	34,709
	\$ 57,071	\$ 108,890

### 4. DEFERRED REVENUE

	2015	2014
Forestry strategy revenue	\$ 11,218	\$ -
	\$ 11,218	\$ -

# FEDERATION OF NORTHERN ONTARIO MUNICIPALITIES

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2015

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### 5. FINANCIAL INSTRUMENT RISKS

The organization is exposed to various financial risks through transactions in financial instruments.

#### CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The majority of its accounts receivable are from government agencies and management does not consider this risk to be significant.

#### 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. The organization believes that its current sources of liquidity are sufficient to cover its currently known short and long-term cash obligations.

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