

Financial Statements of

**FEDERATION OF NORTHERN  
ONTARIO MUNICIPALITIES**

Year ended March 31, 2013

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## INDEPENDENT AUDITORS' REPORT

To the Directors of the Federation of Northern Ontario Municipalities

We have audited the accompanying financial statements of the **Federation of Northern Ontario Municipalities**, which comprise the statements of financial position as at March 31, 2013, the statements of operations and changes in net assets for the year ended March 31, 2013, and notes, comprising 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 public sector accounting standards, 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.

### *Auditors' 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 our 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, we consider internal control relevant to the entity'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 entity'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 qualified audit opinion.

### *Basis for Qualified Opinion*

We were appointed auditors of the Federation of Northern Ontario Municipalities in the current year. Financial information for previous fiscal years has not been subject to audit and we were not able to satisfy ourselves concerning opening balances at March 31, 2012 for accounts receivable, accounts payable, deferred revenues and net assets. Since opening balances enter into the determination of the financial performance for the current year, we were unable to determine whether adjustments might have been necessary in respect of the deficiency of revenue over expenditures reported in the statement of operations for the year ended March 31, 2013.



*Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the **Federation of Northern Ontario Municipalities**, as at March 31, 2013 and its results of operations for the year ended March 31, 2013 in accordance with Canadian accounting standards for not-for-profit organizations.

*Comparative Information*

Comparative financial information of the Federation of Northern Ontario Municipalities as at and for the year ended March 31, 2012 has not been subjected to audit.

*KPMG LLP*

Chartered Accountants, Licensed Public Accountants

July 23, 2013  
Sudbury, Canada

# FEDERATION OF NORTHERN ONTARIO MUNICIPALITIES

Statements of Financial Position

March 31, 2013 and March 31, 2012

	2013	2012 (unaudited)
<b>Assets</b>		
Cash	\$ 17,470	106,942
Accounts receivable (note 2)	15,117	-
Prepaid expenses	509	487
	\$ 33,096	107,429
 <b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 13,395	-
Deferred revenue	-	86,971
	13,395	86,971
Net assets	19,701	20,458
	\$ 33,096	107,429

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# FEDERATION OF NORTHERN ONTARIO MUNICIPALITIES

Statements of Operations

Years ended March 31, 2013 and 2012

	General	Annual Conference	Transportation Fund	2013 Total	2012 Total
Revenue:					(unaudited)
Conference revenue (note 3)	\$ -	153,245	-	153,245	126,829
Memberships	29,910	-	-	29,910	31,165
Ministry of Northern Development and Mines grant	50,000	-	-	50,000	50,000
Transportation fund	-	-	13,286	13,286	1,825
Other revenue	13,750	-	-	13,750	306
	<b>93,660</b>	<b>153,245</b>	<b>13,286</b>	<b>260,191</b>	<b>210,125</b>
Expenses:					
Conference expenses (note 3)	-	116,087	-	116,087	86,679
Staff and directors' honorarium	-	-	-	-	64,151
Consulting fees	44,611	-	-	44,611	3,148
Travel and meeting costs	36,608	-	29,874	66,482	39,554
Association of Municipalities of Ontario meeting costs	15,938	-	745	16,683	14,089
Strategic plan development	9,643	-	-	9,643	-
Translation	1,420	-	-	1,420	-
Telephone and telecommunications	1,311	-	-	1,311	3,042
Donations	1,025	-	-	1,025	-
Insurance	657	-	-	657	-
Other supplies and expenses	2,950	-	-	2,950	7,412
	<b>114,163</b>	<b>116,087</b>	<b>30,619</b>	<b>260,869</b>	<b>218,075</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ (20,503)</b>	<b>37,158</b>	<b>(17,333)</b>	<b>(678)</b>	<b>(7,950)</b>

See accompanying notes to financial statements.

# FEDERATION OF NORTHERN ONTARIO MUNICIPALITIES

## Statement of Changes in Net Assets

Years ended March 31, 2013 and 2012

	2013	2012
		(Unaudited)
Net assets, beginning of year	\$ 20,379	28,329
Deficiency of revenue over expenses	(678)	(7,950)
<b>Net assets, end of year</b>	<b>\$ 19,701</b>	<b>20,379</b>

See accompanying notes to financial statements.

# FEDERATION OF NORTHERN ONTARIO MUNICIPALITIES

Notes to Financial Statements

Years ended March 31, 2013 and 2012

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

Effective on January 1, 2012, FONOM adopted the revised standards for Canadian generally accepted accounting principles for Not-For-Profit organizations under Part III of the CICA Handbook. The effect of this adoption did not require any retrospective adjustment to the recorded values of assets, liabilities and net assets (deficiency) at the Transition Date (January 1, 2011) from the accounting basis for the fiscal year ended December 31, 2011.

## 1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. FONOM'

### (a) Revenue recognition:

FONOM accounts for contributions, which include membership fees, conference revenues and government grants, under the deferral method of accounting.

Unrestricted contributions are recognized as revenue when received or receivable if the amounts 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 recognized.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the straight-line basis, at rates corresponding to those of the related capital assets.

Revenue for conference registrations and other services is recognized when the service is provided.

### (b) Measurement uncertainty:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

### (c) Use of estimates:

The preparation of the financial statements 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 revenue and expenses during the periods specified. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

# FEDERATION OF NORTHERN ONTARIO MUNICIPALITIES

Notes to Financial Statements

Years ended March 31, 2013 and 2012

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## 1. Significant accounting policies (continued):

### (d) Financial instruments:

All financial instruments are initially recorded on the statement of financial position at fair value.

All investments, if any, held in equity instruments that trade in an active market are recorded at fair value. Management has elected to record investments at fair value as they are managed and evaluated on a fair value basis. Freestanding derivative instruments that are not equity instruments that are quoted in an active market are subsequently measured at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

All financial assets are assessed for impairment on an annual basis. Where a decline in fair value is determined to be other than temporary, the amount of the loss is recognized in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses. On sale, the statement of remeasurement gains and losses associated with that instrument are reversed and recognized in the statement of operations.

## 2. Accounts receivable:

	2013	2012
Ministry of Northern Development and Mines	\$ 12,500	—
Industry Canada – FedNor	1,450	—
Association of Municipalities of Ontario	1,167	—
	\$ 15,117	—

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# FEDERATION OF NORTHERN ONTARIO MUNICIPALITIES

Notes to Financial Statements

Years ended March 31, 2013 and 2012

### 3. Conference revenues and expenditures:

Details of revenues and expenditures for FONOM's annual conference are as follows:

	2013
Revenues:	
Registration fees	\$ 129,750
Sponsorships	23,495
	153,245
Expenses:	
Food and catering	83,432
Promotional items	10,256
Speakers and travel	7,051
Stationary and supplies	6,225
Contract services	5,517
Venue rental	2,006
Entertainment	1,600
	116,087
Excess of revenues over expenditures	\$ 37,158

Comparable information for 2012 is not available.

### 4. Financial risks and concentration of credit risk:

#### (a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. FONOM is exposed to credit risk with respect to accounts receivable and other investments. FONOM assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk for FONOM at March 31, 2013 is the carrying value of these assets.

Management considers credit risk to be minimal as most of the accounts receivable balance is collected in a timely fashion.

#### (b) Liquidity risk:

Liquidity risk is the risk that FONOM will be unable to fulfill its obligations on a timely basis or at a reasonable cost. FONOM manages its liquidity risk by monitoring its operating requirements. FONOM prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

### 5. Statement of cash flows

A statement of cash flows has not been provided as it is not considered material.