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Financial Statements

**ORKIDSTRA-SISTEMA OTTAWA**  
**(Formerly The Leading Note Foundation)**

June 30, 2016

**ORKIDSTRA-SISTEMA OTTAWA  
(Formerly The Leading Note Foundation)**

Financial Statements

June 30, 2016

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## **INDEPENDENT AUDITORS' REPORT**

### **To the Members of OrKidstra-Sistema Ottawa (Formerly The Leading Note Foundation)**

We have audited the accompanying financial statements of OrKidstra-Sistema Ottawa (Formerly The Leading Note Foundation), which comprise the statement of financial position as at June 30, 2016, and the statement of operations, the statement of changes in net assets and the statement of 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.

### **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 the auditors' 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 auditors consider 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 qualified audit opinion.

## INDEPENDENT AUDITORS' REPORT (continued)

### Basis for Qualified Opinion

In common with many not-for-profit organizations, OrKidstra-Sistema Ottawa derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Should these revenues not be received, the excess of revenue over expenses would not be susceptible to verification by audit procedures. Accordingly our verification of these revenues was limited to the amounts recorded in the records of OrKidstra-Sistema Ottawa and we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenues over expenses, assets and net assets.

### Qualified 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 OrKidstra-Sistema Ottawa (Formerly The Leading Note Foundation) as at June 30, 2016 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 June 30, 2015 and the statements of operations, changes in net assets and cash flows for the year then ended were reported on by another firm of Chartered Professional Accountants who issued a qualified opinion in their report dated October 29, 2015.

*McInyre & Associates*  
*Professional Corporation*

Ottawa, Ontario  
November 14, 2016

Chartered Accountants  
*Authorized to practise public accounting by  
the Chartered Professional Accountants of Ontario*

**ORKIDSTRA-SISTEMA OTTAWA  
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Statement of Financial Position

June 30	2016	2015
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 230,351	\$ 153,919
Accounts receivable	2,000	25,919
Prepaid expenses	1,799	-
HST receivable	2,112	4,047
	236,262	183,885
<b>Capital assets (Note 3)</b>	109,562	92,569
	\$ 345,824	\$ 276,454
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 14,602	\$ 26,597
Deferred contributions (Note 4)	102,696	98,500
	117,298	125,097
<b>Deferred capital contributions (Note 5)</b>	105,170	86,978
	222,468	212,075
<b>Net assets</b>		
General fund	110,567	57,994
Operating reserve fund	12,789	6,385
	123,356	64,379
	\$ 345,824	\$ 276,454

**Approved On Behalf Of The Board:**

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**ORKIDSTRA-SISTEMA OTTAWA**  
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Statement of Operations

For the year ended June 30	2016	2015
<b>Revenue</b>		
Donations	\$ 274,336	\$ 214,688
Donated instrument contribution (Note 5)	29,173	16,808
Government grant	117,998	90,300
Symposium grant	-	17,307
United Way grant	17,092	18,750
School board	12,000	15,450
Tuition fees	6,750	7,300
Other	1,465	3,682
	<u>458,814</u>	<u>384,285</u>
<b>Expenses</b>		
Amortization	30,372	18,020
Conferences	-	25
Fundraising	13,125	6,045
Insurance	4,011	3,885
Office supplies	2,776	3,345
Other	15,042	8,931
Pedagogical	8,652	11,216
Professional fees	6,278	25,895
Rent	22,024	21,623
Salaries and benefits (Note 6)	179,127	151,473
Symposium	-	11,700
Teaching services	112,814	103,284
Telecommunications	3,168	2,475
Travel	2,348	5,085
Website	100	508
	<u>399,837</u>	<u>373,510</u>
<b>Excess of revenue over expenses</b>	<u>\$ 58,977</u>	<u>\$ 10,775</u>

**ORKIDSTRA-SISTEMA OTTAWA  
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Statement of Changes in Net Assets

For the year ended June 30, 2016

	General fund	Operating reserve fund	Total 2016	Total 2015
<b>Balance at beginning of year</b>	\$ 62,365	\$ 2,014	\$ 64,379	\$ 53,604
Excess of revenue over expenses	58,977	-	58,977	10,775
Transfer between funds	(10,775)	10,775	-	-
<b>Balance at end of year</b>	\$ 110,567	\$ 12,789	\$ 123,356	\$ 64,379

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Statement of Cash Flows

For the year ended June 30	2016	2015
<b>Operating activities</b>		
Excess of revenue over expenses	\$ 58,977	\$ 10,775
Items not affecting cash		
Amortization	30,372	18,020
Deferred capital contributions	18,192	1,257
Donated capital assets	(47,365)	(18,065)
	60,176	11,987
Change in non-cash working capital items		
Accounts receivable	23,919	(25,919)
Prepaid expenses	(1,799)	-
HST receivable	1,935	33
Accounts payable and accrued liabilities	(11,995)	19,201
Deferred contributions	4,196	90,750
<b>Increase in cash</b>	<b>76,432</b>	<b>96,052</b>
Cash at beginning of year	153,919	57,867
<b>Cash at end of year</b>	<b>\$ 230,351</b>	<b>\$ 153,919</b>

**ORKIDSTRA-SISTEMA OTTAWA  
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Notes to the Financial Statements

June 30, 2016

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**1. General**

OrKidstra-Sistema Ottawa (the "Organization") was incorporated on September 20, 2007, under the Canada Corporations Act - Part 2. On August 13, 2013 the Organization obtained a Certificate of Continuance under the Canada Not-for-Profit Corporations Act. By Certificate of Amendment dated March 7, 2016, the Organization changed its name from The Leading Note Foundation to OrKidstra-Sistema Ottawa.

Its mandate is to give children from under-served communities the opportunity to learn and make music together and the chance to benefit from the individual skills and community values that are inherent in music making.

The Organization is a registered charity within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

**2. Significant accounting policies**

The financial statements are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies used are as follows:

**(a) Fund accounting**

The Organization follows the deferral method of accounting for contributions.

The General Fund reports revenues and expenses from various projects and accounts for the fundraising and development activities.

The Operating Reserve Fund represents funds transferred from the General Fund to provide a future reserve equivalent to one year's operating expenses.

**(b) Deferred contributions**

Deferred contributions represent contributions that are externally restricted for operating purposes and revenues received in advance of expenses taking place. They are recognized as revenue as the related expenses are incurred.

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Notes to the Financial Statements

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**2. Significant accounting policies (continued)**

**(c) Revenue recognition**

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions related to the donations of capital assets are initially deferred and recognized as revenue on the same basis as the amortization expense related to the acquired assets.

Donations are recorded as revenue when received except for donated equipment. Donated equipment is recognized as revenue as the related asset is amortized or charged to operations.

**(d) Donated services**

A portion of the Organization's work is dependent upon the contributions of volunteers. Those services are not normally purchased and due to the difficulty in determining their fair value, volunteer services are not recognized in these financial statements.

**(e) Capital assets**

Purchased capital assets are recorded at cost. Capital assets donated to the Organization are recorded at fair value based on appraisal reports. Amortization on musical equipment donated and purchased is over 10 years using the straight-line method.

**(f) Donated musical equipment**

Donated musical equipment is recorded at appraised value at the date of the appraisal. Amounts donated and recorded at appraised value was \$47,365 in the current year (2015 -\$18,065).

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Notes to the Financial Statements

June 30, 2016

**2. Significant accounting policies (continued)**

**(g) Use of estimates**

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 disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

**(h) Financial instrument 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.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments and fixed income investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statements of operations in the period incurred.

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

**3. Capital assets**

	2016		2015	
	Cost	Accumulated amortization	Net book value	Net book value
Musical equipment - donated	\$ 205,887	\$ 100,717	\$ 105,170	\$ 86,978
Musical equipment - purchased	11,082	6,690	4,392	5,591
	<u>\$ 216,969</u>	<u>\$ 107,407</u>	<u>\$ 109,562</u>	<u>\$ 92,569</u>

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**4. Deferred contributions**

	2016	2015
Bloodroot Fund	\$ 3,300	\$ -
City of Ottawa	52,300	39,000
Community Foundation of Ottawa	-	13,125
Harry P. Ward Foundation	-	1,000
Ontario Arts Council	-	10,000
Ontario Summer Student	2,875	2,875
Rotary Club of Ottawa-Stittsville	1,000	-
Trillium	35,577	32,500
Vanier Expansion	7,644	-
	<u>\$ 102,696</u>	<u>\$ 98,500</u>

Changes to deferred contributions during the year were as follows:

	Opening balance	Increase	Decrease	Ending balance
Bloodroot Fund	\$ -	\$ 3,300	\$ -	\$ 3,300
City of Ottawa	39,000	52,300	39,000	52,300
Community Foundation of Ottawa	13,125	-	13,125	-
Harry P. Ward Foundation	1,000	-	1,000	-
Ontario Arts Council	10,000	-	10,000	-
Ontario Summer Student	2,875	2,875	2,875	2,875
Rotary Club of Ottawa- Stittsville	-	1,000	-	1,000
Trillium	32,500	35,577	32,500	35,577
Vanier Expansion	-	7,644	-	7,644
	<u>\$ 98,500</u>	<u>\$ 102,696</u>	<u>\$ 98,500</u>	<u>\$ 102,696</u>

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**5. Deferred capital contributions**

Deferred capital contributions that relate to capital assets represent donated assets. The changes in the deferred capital contributions balance for the year are as follows:

	2016	2015
Opening balance	\$ 86,978	\$ 85,721
Contributed equipment	47,365	18,065
Amounts amortized to revenue	(29,173)	(16,808)
	-	-
	-	-
	\$ 105,170	\$ 86,978

**6. Salaries and benefits**

Salaries and benefits include program design and delivery, teaching, event co-ordination, fundraising and administration.

**7. Financial instruments risks**

The Organization is exposed to a variety of risks relating to its financial instruments. These risks are described in detail below, and unless specifically stated otherwise, it is the opinion of management that exposure to any other risk to the Organization is low and is not material.

(a) Credit risk

The Organization is exposed to credit risk through its accounts receivable. The Organization's exposure to credit risk is reduced by the fact that most of its accounts receivable is from the government sector. In the opinion of management the credit risk exposure to the Organization is low and not material.

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**7. Financial instruments risks (continued)**

(b) Liquidity risk

The Organization does have a liquidity risk. Liquidity risk is the risk that the Organization cannot repay its obligations when they become due to its creditors or will encounter difficulty in raising funds to meet commitments associated with its financial instruments. The Organization reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due. In the opinion of management the liquidity risk exposure to the Organization is low and is not material.

**8. Contingency**

Under the terms of various contracts and contributions the Organization may be required to repay funds received should they not be able to fulfill their funding obligations.