

---

**ORKIDSTRA-SISTEMA OTTAWA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2018**

---

# ORKIDSTRA-SISTEMA OTTAWA

## CONTENTS

JUNE 30, 2018

---

	Page
Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Operations	3
Statement of Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 11

---



## INDEPENDENT AUDITORS' REPORT

To the Members of OrKidstra-Sistema Ottawa:

### Report on the Financial Statements

We have audited the accompanying financial statements of OrKidstra-Sistema Ottawa (the "Organization"), which comprise the statement of financial position as at June 30, 2018, 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 ("ASNFP"), 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 audit opinion.

### Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives support from the general public in the form of donation revenue, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization, and we were not able to determine whether any adjustments might be necessary to donations, excess of revenue over expenditures, assets and net assets.

### Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Organization as at June 30, 2018, and its results of operations and its cash flows for the year then ended in accordance with ASNFP.

### Other Matter

The comparative figures as at June 30, 2017 and for the year then ended were audited by another firm of licensed public accountants under a report with a qualified opinion dated November 27, 2017.

Chartered Professional Accountants  
Licensed Public Accountants

Ottawa, Canada  
October 15, 2018

# ORKIDSTRA-SISTEMA OTTAWA

## STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2018

	2018	2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 156,448	\$ 242,900
Short term investment (Note 2)	135,453	-
Accounts receivable	500	2,000
Government remittances receivable	2,468	1,396
Prepaid expenditures	2,007	2,109
	296,876	248,405
<b>CASH - EXTERNALLY RESTRICTED</b> (Note 3)	5,000	5,000
<b>PROPERTY AND EQUIPMENT</b> (Note 4)	69,537	79,105
	\$ 371,413	\$ 332,510

<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 5)	\$ 23,843	\$ 34,694
<b>DEFERRED CONTRIBUTIONS</b> (Note 6)	26,583	28,600
<b>DEFERRED CAPITAL CONTRIBUTIONS</b> (Note 7)	66,356	76,186
	116,782	139,480
<b>NET ASSETS</b>		
General fund	113,192	121,265
Internally restricted (Note 11)	141,439	71,765
	254,631	193,030
	\$ 371,413	\$ 332,510

Financial instruments (Note 9)

ON BEHALF OF THE BOARD:

\_\_\_\_\_, Director

\_\_\_\_\_, Director

# ORKIDSTRA-SISTEMA OTTAWA

## STATEMENT OF OPERATIONS

YEAR ENDED JUNE 30, 2018

	2018	2017
<b>REVENUE</b>		
Donations	\$ 464,625	\$ 355,240
Donated instrument contribution (Note 7)	19,279	39,383
Government grants	103,100	132,952
United Way grant	15,571	17,130
School board	17,625	12,000
Tuition fees	7,525	13,345
Other	10,377	4,078
	<b>638,102</b>	<b>574,128</b>
<b>EXPENDITURES</b>		
Amortization	21,217	40,855
Fundraising	29,348	20,293
Insurance	3,904	3,568
Office supplies	4,741	4,330
Other	22,279	13,356
Pedagogical	17,059	9,570
Professional fees	7,561	4,780
Rent	34,648	27,778
Salaries and benefits (Note 8)	267,797	222,550
Teaching services	151,141	148,002
Telecommunications	2,850	4,333
Travel	1,629	1,169
Website	12,327	3,870
	<b>576,501</b>	<b>504,454</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>\$ 61,601</b>	<b>\$ 69,674</b>

# ORKIDSTRA-SISTEMA OTTAWA

## STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2018

	2018			2017
	General fund	Internally restricted	Total	Total
<b>BALANCES AT BEGINNING OF YEAR</b>	\$ 121,265	\$ 71,765	\$ 193,030	\$ 123,356
Excess of revenue over expenditures	61,601	-	61,601	69,674
Transfer between funds (Note 11)	(69,674)	69,674	-	-
<b>BALANCES AT END OF YEAR</b>	\$ 113,192	\$ 141,439	\$ 254,631	\$ 193,030

# ORKIDSTRA-SISTEMA OTTAWA

## STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of revenue over expenditures	\$ 61,601	\$ 69,674
Items not involving cash:		
Amortization	21,217	40,855
Recognition of deferred capital contributions	(9,830)	(28,984)
Donated capital assets	(9,449)	(10,399)
Changes in non-cash operating working capital:		
Accounts receivable	1,500	-
Prepaid expenditures	102	(310)
Government remittances receivable	(1,072)	716
Accounts payable and accrued liabilities	(10,851)	20,093
Deferred contributions	(2,017)	(74,096)
	51,201	17,549
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of short term investment	(135,453)	-
Acquisition of property and equipment	(2,200)	-
	(137,653)	-
<b>(DECREASE) INCREASE IN CASH</b>	(86,452)	17,549
Cash at beginning of year	247,900	230,351
<b>CASH AT END OF YEAR</b>	\$ 161,448	\$ 247,900
Cash consists of:		
Cash	\$ 156,448	\$ 242,900
Cash - externally restricted	5,000	5,000
	\$ 161,448	\$ 247,900

# ORKIDSTRA-SISTEMA OTTAWA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

---

### GENERAL

OrKidstra-Sistema Ottawa (the "Organization") was incorporated on September 20, 2007 as a not-for-profit corporation without share capital under the Canada Non-for-Profit Corporations Act, and as such, is exempt from income taxes. The Organization's objective 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.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNFPO") and include the following significant accounting policies:

#### Revenue Recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenditures 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.

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

Tuition fees are recognized as revenue when the service has been rendered, revenue has been earned and collection is reasonably assured.

School board and other income are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

#### Deferred Capital Contributions

Deferred capital contributions represent the unamortized balance of funding received for the acquisition of property and equipment. The amortization of such contributions is recognized as revenue on the same basis as and when the related property and equipment is amortized.



#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and held on deposit with a Canadian chartered bank.

##### Property and Equipment

Purchased property and equipment are recorded at cost.

Donated property and equipment are recorded at fair value based on appraisal reports. Where appraisal reports are not available, because of the difficulty of determining their fair value, the donated property and equipment are not recognized in the financial statements. In October 2016, the Organization adopted the practice of requesting appraisal reports be provided by donors if a charitable donation receipt was required. Prior to October 2016, the Organization organized appraisals of all donated instruments.

Amortization on musical equipment donated and purchased is recorded over 10 years using the straight-line method.

##### Use of Estimates

These financial statements have been prepared by management in accordance with ASNFPO and accordingly, require 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 amount of revenues and expenditures during the reporting period. Actual results could differ from these estimates. The significant estimates in the financial statements include the estimated useful lives of property and equipment, allowance for doubtful accounts, and the amount of certain accrued liabilities.

##### Financial Instruments

###### *Measurement of financial instruments*

The Organization initially measures its financial assets and liabilities at fair value.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, short term investment and accounts receivable.

# ORKIDSTRA-SISTEMA OTTAWA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial Instruments (continued)

##### *Measurement of financial instruments* (continued)

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

#### Contributed Services

Volunteers contribute countless hours per year to assist the Organization in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed volunteer services are not recognized in the financial statements.

### 2. SHORT TERM INVESTMENT

The Organization's short term investment consists of redeemable term deposits totaling \$135,453 (2017 - \$Nil) which earn interest at an annual rate of 1.1%. The maturity date is September 2018. Given the investments are interest-bearing, their carrying value approximates fair value. The interest accrual earned on the investments is included in the balance.

### 3. CASH - EXTERNALLY RESTRICTED

The Organization's bank account is externally restricted requiring the maintenance of a minimum bank balance of \$5,000 as security for a credit facility.

### 4. PROPERTY AND EQUIPMENT

	2018			2017	
	Cost	Accumulated Amortization	Net	Net	
Musical equipment - donated	\$ 202,962	\$ 136,606	\$ 66,356	\$ 76,186	
Musical equipment - purchased	13,282	10,101	3,181	2,919	
	\$ 216,244	\$ 146,707	\$ 69,537	\$ 79,105	

---

# ORKIDSTRA-SISTEMA OTTAWA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

### 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Organization does not have government remittances owing at year end.

### 6. DEFERRED CONTRIBUTIONS

	2018	2017
<b>BALANCE AT BEGINNING OF YEAR</b>	\$ 28,600	\$ 102,696
Restricted contributions received	187,446	28,600
Amounts recognized as revenue	(189,463)	(102,696)
<b>BALANCE AT END OF YEAR</b>	\$ 26,583	\$ 28,600

### 7. DEFERRED CAPITAL CONTRIBUTIONS

The changes in the balance of deferred contributions related to property and equipment for the year are as follows:

	2018	2017
<b>BALANCE AT BEGINNING OF YEAR</b>	\$ 76,186	\$ 105,170
Restricted contributions received - contributed equipment	9,449	10,399
Amounts recognized as revenue	(19,279)	(39,383)
<b>BALANCE AT END OF YEAR</b>	\$ 66,356	\$ 76,186

Amounts donated and recorded at appraised value were \$9,449 (2017 - \$10,399).

### 8. SALARIES AND BENEFITS

Salaries and benefits include program design and delivery, event coordination, fundraising and administration.

#### 9. FINANCIAL INSTRUMENTS

##### Risks

The Organization is exposed to various risks through its financial instruments, without being exposed to currency, interest rate or concentrations of credit risk. The following analysis provides a measure of the Organization's risk exposure at the statement of financial position date.

##### *Credit Risk*

The Organization is exposed to credit risk on its accounts receivable. In order to reduce its credit risk, the Organization has adopted credit policies.

##### *Liquidity Risk*

Liquidity risk is the risk that an entity 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 manages its liquidity risk by monitoring its operating requirements through the use of budget and cash forecasts.

##### *Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk on its fixed interest rate investments. The investments bear interest at a fixed rate and the Organization is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

Investment practices are designed to avoid undue risk of loss or impairment to assets and provide a reasonable expectation of fair return given the nature of the investment. The Organization is not exposed to significant interest rate risks on its investments.

##### Credit Facility

The Organization has access to \$5,000, unsecured credit on a credit card, bearing interest at 19.99% per annum, for which the balance is required to be fully paid on a monthly basis. There was no credit used as at June 30, 2018.

#### 10. 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.

# ORKIDSTRA-SISTEMA OTTAWA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

---

### 11. INTERNAL RESTRICTIONS ON NET ASSETS

The Board of Directors has established a policy for the internal restrictions of accumulated net assets to provide an operating reserve fund equivalent to one year's operating expenses. The internally restricted amounts are not available for other purposes without approval of the Board of Directors. During the year, the Board approved the increase of \$69,674 to the internally restricted operating reserve fund.

### 12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with the presentation adopted in the current year.