

---

Financial Statements

**ORKIDSTRA-SISTEMA OTTAWA**

June 30, 2017

# **ORKIDSTRA-SISTEMA OTTAWA**

## **Financial Statements**

June 30, 2017

	Page
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 11

## **INDEPENDENT AUDITOR'S REPORT**

### **To the Members of OrKidstra-Sistema Ottawa**

We have audited the accompanying financial statements of OrKidstra-Sistema Ottawa, which comprise the statement of financial position as at June 30, 2017, 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.

### **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.

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 qualified audit opinion.

## INDEPENDENT AUDITOR'S 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 as at June 30, 2017 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.

*McInyre & Associates*  
*Professional Corporation*

Ottawa, Ontario  
November 27, 2017

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




**ORKIDSTRA-SISTEMA OTTAWA**

## Statement of Financial Position

June 30	2017	2016
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 247,900	\$ 230,351
Accounts receivable	2,000	2,000
Prepaid expenses	2,109	1,799
HST receivable	1,396	2,112
	253,405	236,262
<b>Capital assets (Note 3)</b>	79,105	109,562
	\$ 332,510	\$ 345,824
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 34,694	\$ 14,602
Deferred contributions (Note 4)	28,600	102,696
	63,294	117,298
<b>Deferred capital contributions (Note 5)</b>	76,186	105,170
	139,480	222,468
<b>Net assets</b>		
General fund	121,265	110,567
Operating reserve fund	71,765	12,789
	193,030	123,356
	\$ 332,510	\$ 345,824

Approved On Behalf Of The Board:

 Director  
\_\_\_\_\_  
Director

See notes to the financial statements

**ORKIDSTRA-SISTEMA OTTAWA**

## Statement of Operations

For the year ended June 30	2017	2016
<b>Revenue</b>		
Donations	\$ 355,240	\$ 274,336
Donated instrument contribution (Note 5)	39,383	29,173
Government grants	132,952	117,998
United Way grant	17,130	17,092
School board	12,000	12,000
Tuition fees	13,345	6,750
Other	4,078	1,465
	<hr/> 574,128	<hr/> 458,814
<b>Expenses</b>		
Amortization	40,855	30,372
Fundraising	20,293	13,125
Insurance	3,568	4,011
Office supplies	4,330	2,776
Other	13,356	15,042
Pedagogical	9,570	8,652
Professional fees	4,780	6,278
Rent	27,778	22,024
Salaries and benefits (Note 6)	222,550	179,127
Teaching services	148,002	112,814
Telecommunications	4,333	3,168
Travel	1,169	2,348
Website	3,870	100
	<hr/> 504,454	<hr/> 399,837
<b>Excess of revenue over expenses</b>	<hr/> \$ 69,674	<hr/> \$ 58,977

**ORKIDSTRA-SISTEMA OTTAWA**

## Statement of Changes in Net Assets

For the year ended June 30, 2017

	General fund	Operating reserve fund	Total 2017	Total 2016
<b>Balance at beginning of year</b>	\$ 110,567	\$ 12,789	\$ 123,356	\$ 64,379
Excess of revenue over expenses	69,674	-	69,674	58,977
Transfer between funds	(58,976)	58,976	-	-
<b>Balance at end of year</b>	<u>\$ 121,265</u>	<u>\$ 71,765</u>	<u>\$ 193,030</u>	<u>\$ 123,356</u>

**ORKIDSTRA-SISTEMA OTTAWA**

## Statement of Cash Flows

For the year ended June 30	2017	2016
<b>Operating activities</b>		
Excess of revenue over expenses	\$ 69,674	\$ 58,977
Items not affecting cash		
Amortization	40,855	30,372
Deferred capital contributions	(28,984)	18,192
Donated capital assets	(10,399)	(47,365)
	71,146	60,176
Change in non-cash working capital items		
Accounts receivable	-	23,919
Prepaid expenses	(310)	(1,799)
HST receivable	716	1,935
Accounts payable and accrued liabilities	20,093	(11,995)
Deferred contributions	(74,096)	4,196
<b>Increase in cash and cash equivalents</b>	17,549	76,432
Cash and cash equivalents at beginning of year	230,351	153,919
<b>Cash and cash equivalents at end of year</b>	<b>\$ 247,900</b>	<b>\$ 230,351</b>



## **ORKIDSTRA-SISTEMA OTTAWA**

### Notes to the Financial Statements

June 30, 2017

---

#### **1. General**

OrKidstra-Sistema Ottawa (the "Organization") was incorporated on September 20, 2007, and is governed under the Canada Not-for-Profit Corporations Act.

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.

...continued

## **ORKIDSTRA-SISTEMA OTTAWA**

### Notes to the Financial Statements

June 30, 2017

---

## **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) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, cash held at banks and cash held in investment accounts.

### **(f) 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.

### **(g) 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 \$10,399 in the current year (2016 -\$47,365).

...continued

## ORKIDSTRA-SISTEMA OTTAWA

### Notes to the Financial Statements

June 30, 2017

## 2. Significant accounting policies (continued)

### (h) 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. Significant areas where estimates are used include accounts receivable and accrued liabilities. Actual results could differ from those estimates.

### (i) 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

	2017		2016	
	Cost	Accumulated amortization	Net book value	Net book value
Musical equipment - donated	\$ 193,513	\$ 117,327	\$ 76,186	\$ 105,170
Musical equipment - purchased	11,082	8,163	2,919	4,392
	\$ 204,595	\$ 125,490	\$ 79,105	\$ 109,562



**ORKIDSTRA-SISTEMA OTTAWA**

## Notes to the Financial Statements

June 30, 2017

**4. Deferred contributions**

	2017	2016
Anonymous	\$ -	\$ 3,300
City of Ottawa	9,000	52,300
Ontario Summer Student	-	2,875
Rotary Club of Ottawa-Stittsville	-	1,000
Trillium	19,600	35,577
Vanier Expansion	-	7,644
	<u>\$ 28,600</u>	<u>\$ 102,696</u>

Changes to deferred contributions during the year were as follows:

	Opening balance	Increase	Decrease	Ending balance
Anonymous	\$ 3,300	\$ -	\$ 3,300	\$ -
City of Ottawa	52,300	9,000	52,300	9,000
Ontario Summer Student	2,875	-	2,875	-
Rotary Club of Ottawa- Stittsville	1,000	-	1,000	-
Trillium	35,577	19,600	35,577	19,600
Vanier Expansion	7,644	-	7,644	-
	<u>\$ 102,696</u>	<u>\$ 28,600</u>	<u>\$ 102,696</u>	<u>\$ 28,600</u>

**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:

	2017	2016
Opening balance	\$ 105,170	\$ 86,978
Contributed equipment	10,399	47,365
Amounts amortized to revenue	(39,383)	(29,173)
Ending balance	<u>\$ 76,186</u>	<u>\$ 105,170</u>



## **ORKIDSTRA-SISTEMA OTTAWA**

### Notes to the Financial Statements

June 30, 2017

---

#### **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.

##### **(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.