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**ORKIDSTRA-SISTEMA OTTAWA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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# ORKIDSTRA-SISTEMA OTTAWA

## CONTENTS

JUNE 30, 2019

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	Page
Independent Auditors' Report	1 - 3
Statement of Financial Position	4
Statement of Operations	5
Statement of Changes in Net Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 13

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## INDEPENDENT AUDITORS' REPORT

To the Members of OrKidstra-Sistema Ottawa:

### Qualified Opinion

We have audited the accompanying financial statements of OrKidstra-Sistema Ottawa (the "Organization"), which comprise the statement of financial position as at June 30, 2019, 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.

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, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPPO).

### Basis for Qualified Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with ASNFPPO, 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.

In preparing these financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.



## INDEPENDENT AUDITORS' REPORT (continued)

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



## INDEPENDENT AUDITORS' REPORT (continued)

### Auditors' Responsibilities for the Audit of the Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

*Logan Katz LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Ottawa, Canada  
November 1, 2019

# ORKIDSTRA-SISTEMA OTTAWA

## STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2019

	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 281,098	\$ 156,448
Short term investments (Note 2)	103,627	135,453
Accounts receivable	10,789	500
Government remittances recoverable	2,943	2,468
Prepaid expenditures	2,013	2,007
	400,470	296,876
<b>CASH - EXTERNALLY RESTRICTED (Note 3)</b>	<b>5,000</b>	<b>5,000</b>
<b>CAPITAL ASSETS (Note 4)</b>	<b>89,688</b>	<b>69,537</b>
	<b>\$ 495,158</b>	<b>\$ 371,413</b>


### LIABILITIES AND NET ASSETS


<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 5)	\$ 24,266	\$ 23,843
<b>DEFERRED CONTRIBUTIONS (Note 6)</b>	<b>75,785</b>	<b>26,583</b>
<b>DEFERRED CAPITAL CONTRIBUTIONS (Note 7)</b>	<b>85,910</b>	<b>66,356</b>
	<b>185,961</b>	<b>116,782</b>
<b>NET ASSETS</b>		
General fund	167,758	113,192
Internally restricted (Note 11)	141,439	141,439
	309,197	254,631
	<b>\$ 495,158</b>	<b>\$ 371,413</b>

Financial instruments (Note 9)

Contingency (Note 10)

ON BEHALF OF THE BOARD:

 , Director

 , Director

# ORKIDSTRA-SISTEMA OTTAWA

## STATEMENT OF OPERATIONS

YEAR ENDED JUNE 30, 2019

	2019	2018
<b>REVENUE</b>		
Donations	\$ 417,619	\$ 387,899
Government grants	131,723	103,100
Programming events	34,437	29,585
Fundraising events	25,750	47,141
School board	25,050	17,625
Donated instrument contribution (Note 7)	18,130	19,279
United Way grant	14,033	15,571
Tuition fees	13,840	7,525
Other	8,995	10,377
	<b>689,577</b>	<b>638,102</b>
<b>EXPENDITURES</b>		
Amortization	19,533	21,217
Fundraising	30,189	29,348
Insurance	4,459	3,904
Office supplies	6,078	4,741
Other	25,144	22,279
Pedagogical	20,804	17,059
Professional fees	9,267	7,561
Rent	35,910	34,648
Salaries and benefits (Note 8)	307,822	267,797
Teaching services	168,492	151,141
Telecommunications	4,292	2,850
Travel	1,699	1,629
Website	1,322	12,327
	<b>635,011</b>	<b>576,501</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>\$ 54,566</b>	<b>\$ 61,601</b>

# ORKIDSTRA-SISTEMA OTTAWA

## STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2019

	2019			2018
	General fund	Internally restricted	Total	Total
<b>BALANCES AT BEGINNING OF YEAR</b>	\$ 113,192	\$ 141,439	\$ 254,631	\$ 193,030
Excess of revenue over expenditures	54,566	-	54,566	61,601
Transfer between funds (Note 11)	-	-	-	-
<b>BALANCES AT END OF YEAR</b>	\$ 167,758	\$ 141,439	\$ 309,197	\$ 254,631



# ORKIDSTRA-SISTEMA OTTAWA

## STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of revenue over expenditures	\$ 54,566	\$ 61,601
Items not involving cash:		
Amortization	19,533	21,217
Recognition of deferred capital contributions	(18,130)	(19,279)
Changes in non-cash operating working capital:		
Accounts receivable	(10,289)	1,500
Government remittances recoverable	(475)	(1,072)
Prepaid expenditures	(6)	102
Accounts payable and accrued liabilities	423	(10,851)
Deferred contributions	49,202	(2,017)
	94,824	51,201
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net proceeds from redemption (purchase) of short term investments	31,826	(135,453)
Purchase of capital assets	(2,000)	(2,200)
	29,826	(137,653)
<b>INCREASE (DECREASE) IN CASH</b>	124,650	(86,452)
Cash at beginning of year	161,448	247,900
<b>CASH AT END OF YEAR</b>	\$ 286,098	\$ 161,448
Cash consists of:		
Cash	\$ 281,098	\$ 156,448
Cash - externally restricted	5,000	5,000
	\$ 286,098	\$ 161,448

#### 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.

School board revenues, tuition fees, and other income are recognized as revenue when the related service or programs have been delivered 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 cost, except for the short term investments which are carried at fair value.

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

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

# ORKIDSTRA-SISTEMA OTTAWA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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

#### 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 consist of funds on deposit with the Ottawa Community Foundation. The total balance of \$103,627 includes \$100,000 principal plus accrued interest to date. The investment matures in September 2020. Investments held in the prior year, with a balance of \$135,453, were term deposits with a Canadian chartered bank and included accrued interest.

### 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. CAPITAL ASSETS

	2019			2018	
	Cost	Accumulated Amortization	Net	Net	
Musical equipment - donated	\$ 240,646	\$ 154,736	\$ 85,910	\$ 66,356	
Musical equipment - purchased	15,282	11,504	3,778	3,181	
	\$ 255,928	\$ 166,240	\$ 89,688	\$ 69,537	

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# ORKIDSTRA-SISTEMA OTTAWA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

### 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

### 6. DEFERRED CONTRIBUTIONS

	2019	2018
<b>BALANCE AT BEGINNING OF YEAR</b>	\$ 26,583	\$ 28,600
Restricted contributions received	274,818	187,446
Amounts recognized as revenue	(225,616)	(189,463)
<b>BALANCE AT END OF YEAR</b>	\$ 75,785	\$ 26,583

### 7. DEFERRED CAPITAL CONTRIBUTIONS

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

	2019	2018
<b>BALANCE AT BEGINNING OF YEAR</b>	\$ 66,356	\$ 76,186
Restricted contributions received - contributed equipment	37,684	9,449
Amounts recognized as revenue	(18,130)	(19,279)
<b>BALANCE AT END OF YEAR</b>	\$ 85,910	\$ 66,356

Amounts donated and recorded at appraised value were \$37,684 (2018- \$9,449).

### 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 short term investments and the risk of changes in fair value resulting from interest rate fluctuations.

##### 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, 2019.

#### 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.

#### 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 elected not to increase the internally restricted operating reserve fund.

# ORKIDSTRA-SISTEMA OTTAWA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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### 12. COMPARATIVE FIGURES

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