
ORKIDSTRA-SISTEMA OTTAWA

FINANCIAL STATEMENTS

JUNE 30, 2020

ORKIDSTRA-SISTEMA OTTAWA

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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, 2020, 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, 2020, 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 (ASNFPO).

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 ASNFPO, 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
October 2, 2020

ORKIDSTRA-SISTEMA OTTAWA

STATEMENT OF FINANCIAL POSITION


AS AT JUNE 30, 2020

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 456,602	\$ 281,098
Short term investments (Note 2)	100,494	103,627
Accounts receivable	-	10,789
Government remittances recoverable	2,397	2,943
Prepaid expenditures	2,013	2,013
	561,506	400,470
CASH - EXTERNALLY RESTRICTED (Note 3)	-	5,000
CAPITAL ASSETS (Note 4)	83,193	89,688
	\$ 644,699	\$ 495,158
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 5 and 9)	\$ 22,121	\$ 24,266
DEFERRED CONTRIBUTIONS (Note 6)	100,727	75,785
DEFERRED CAPITAL CONTRIBUTIONS (Note 7)	80,970	85,910
	203,818	185,961
NET ASSETS		
General fund	244,876	167,758
Internally restricted (Note 12)	196,005	141,439
	440,881	309,197
	\$ 644,699	\$ 495,158

Financial instruments (Note 9)
 Contingency (Note 10)
 Commitments (Note 11)
 COVID-19 pandemic (Note 13)
 Comparative figures (Note 14)

ON BEHALF OF THE BOARD:

 Director

 Director

ORKIDSTRA-SISTEMA OTTAWA

STATEMENT OF OPERATIONS

YEAR ENDED JUNE 30, 2020

	2020	2019
REVENUE		
Donations	\$ 582,979	\$ 417,619
Government grants	137,919	131,723
Programming events	37,890	34,437
Fundraising events	250	25,750
School board	23,000	25,050
Donated instrument contribution (Note 7)	19,010	18,130
United Way grant	4,000	14,033
Tuition fees	15,300	13,840
Other	8,407	8,995
	828,755	689,577
EXPENDITURES		
Amortization	20,564	19,533
Fundraising	24,806	30,189
Insurance	4,651	4,459
Office supplies	11,644	6,078
Other	39,841	20,957
Pedagogical	39,324	24,991
Professional fees	11,809	9,267
Rent	47,607	35,910
Salaries and benefits (Note 8 and 13)	336,673	307,822
Teaching services	153,240	168,492
Telecommunications	4,251	4,292
Travel	1,335	1,699
Website	1,326	1,322
	697,071	635,011
EXCESS OF REVENUE OVER EXPENDITURES	\$ 131,684	\$ 54,566

ORKIDSTRA-SISTEMA OTTAWA

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2020

	2020			2019
	General fund	Internally restricted	Total	Total
BALANCES AT BEGINNING OF YEAR	\$ 167,758	\$ 141,439	\$ 309,197	\$ 254,631
Excess of revenue over expenditures	131,684	-	131,684	54,566
Transfer between funds (Note 12)	(54,566)	54,566	-	-
BALANCES AT END OF YEAR	\$ 244,876	\$ 196,005	\$ 440,881	\$ 309,197

ORKIDSTRA-SISTEMA OTTAWA

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ 131,684	\$ 54,566
Items not involving cash:		
Amortization	20,564	19,533
Recognition of deferred capital contributions	(19,010)	(18,130)
Changes in non-cash operating working capital:		
Accounts receivable	10,789	(10,289)
Government remittances recoverable	546	(475)
Prepaid expenditures	-	(6)
Accounts payable and accrued liabilities	(2,144)	423
Deferred contributions	24,942	49,202
	167,371	94,824
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from redemption of short term investments	3,133	31,826
Purchase of capital assets	-	(2,000)
	3,133	29,826
INCREASE IN CASH	170,504	124,650
Cash at beginning of year	286,098	161,448
CASH AT END OF YEAR	\$ 456,602	\$ 286,098
Cash consists of:		
Cash	\$ 456,602	\$ 281,098
Cash - externally restricted (Note 3)	-	5,000
	\$ 456,602	\$ 286,098

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 ("ASNFP") and include the following significant accounting policies:

Revenue Recognition

The Organization follows the deferral method of accounting for contributions. Restricted grants and contributions are recognized as revenue in the year in which related expenditures are incurred. Unrestricted grants and 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. Investment income is included in other income and is recognized when it is probable that the economic benefits will flow to the Organization and the amount of income can be measured reliably.

Government assistance received for current expenses is recorded as a reduction to those expenses in the period to which they relate.

Deferred Capital Contributions

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

Capital Assets

Purchased capital assets are recorded at cost.

Donated capital assets 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 capital assets 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 capital assets, 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, 2020

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 investments consist of funds on deposit with the Ottawa Community Foundation.

3. CASH - EXTERNALLY RESTRICTED

In the prior year, the Organization's bank account was externally restricted requiring the maintenance of a minimum bank balance of \$5,000 as security for a credit facility. However, the Organization replaced their credit facility in the fiscal year and no longer requires a minimum bank balance.

4. CAPITAL ASSETS

	2020			2019	
	Cost	Accumulated Amortization	Net	Net	
Musical equipment - donated	\$ 254,716	\$ 173,746	\$ 80,970	\$ 85,910	
Musical equipment - purchased	15,282	13,059	2,223	3,778	
	\$ 269,998	\$ 186,805	\$ 83,193	\$ 89,688	

ORKIDSTRA-SISTEMA OTTAWA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

6. DEFERRED CONTRIBUTIONS

The balance of deferred contributions at year-end represent unspent resources externally restricted for the operations of the subsequent fiscal year. These contributions were received from the City of Ottawa (the "City") and the Ontario Arts Council (the "OAC") pursuant to two distinct operational funding contracts. The contracts outline specific terms and conditions regarding the expenditure of these contributions. Any contributions which are not disbursed in accordance with the terms and conditions of the contracts are refundable to the City and/or the OAC. Changes in the deferred contributions balance are as follows:

	2020	2019
BALANCE AT BEGINNING OF YEAR	\$ 75,785	\$ 26,583
Restricted contributions received	173,546	274,818
Amounts recognized as revenue	(148,604)	(225,616)
BALANCE AT END OF YEAR	\$ 100,727	\$ 75,785

7. DEFERRED CAPITAL CONTRIBUTIONS

The balance of deferred capital contributions represent the remaining net book value of contributed capital assets. The changes in the balance of deferred contributions related to capital assets for the year are as follows:

	2020	2019
BALANCE AT BEGINNING OF YEAR	\$ 85,910	\$ 66,356
Restricted contributions received - contributed equipment	14,070	37,684
Amounts recognized as revenue	(19,010)	(18,130)
BALANCE AT END OF YEAR	\$ 80,970	\$ 85,910

8. SALARIES AND BENEFITS

Salaries and benefits include wages related to 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, 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 \$10,000 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. The used portion of credit amounted to \$2,737 as at June 30, 2020 and is included in accounts payable and accrued liabilities.

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 fulfil their funding obligations.

11. COMMITMENTS

The Organization entered into an operating lease agreement on July 1, 2020 for office space and classrooms that expires June 30, 2021. The minimum annual lease payments until maturity total \$25,560.

12. 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 to increase the internally restricted operating reserve fund by \$54,566.

13. COVID-19

The COVID-19 pandemic has developed rapidly in 2020. Measures taken by various governments to contain the virus have affected the economic activity. Management has taken measures to monitor and mitigate the effects of COVID-19 to ensure the safety and health of its employees, teachers and students.

At this stage, impact on business operations and results has not been significant and based on management's experience to date, they expect this to continue. As the Organization previously required students to be physically present in classrooms, they experienced a temporary stop to operations at the onset of the pandemic. The Organization has responded by converting existing concerts, events and programs to a digital platform, which have performed comparably to previous years. Management continues to follow the various government policies and advice with respect to the safety of their employees, teachers and students.

These financial statements prepared as of and for the year ended June 30, 2020 reflect the impacts resulting from COVID-19 to the extent known at the reporting date.

Government Assistance

During the year, the Organization received government assistance through *The Canada Emergency Wage Subsidy* ("CEWS") program to provide relief from the economic impacts of COVID-19. The CEWS program provides a subsidy to cover 75% of the Organization's eligible employee wages, up to a maximum of \$847 per week per employee, and is available where certain conditions are met. These conditions include a reduction in revenue of at least 15% in March and 30% in April through June. Management has determined that it has qualified for the three claim periods from March 15 to June 6, 2020 inclusively, for a total subsidy in the amount of \$42,738. The amount is reported as a reduction of salaries and benefits in the statement of operations.

13. COVID-19 PANDEMIC (continued)

Government Assistance (continued)

The Organization also received government assistance through *The Temporary Wage Subsidy* ("TWS") program to provide relief from the economic impacts of COVID-19. The TWS program provides a subsidy to cover 10% of the Organization's eligible employee wages to reduce mandatory deductions at source, up to a cumulative maximum of \$1,375 per employee. Management has determined that it has qualified for the three claim periods from March 18 to June 20, 2020 inclusively, for a total subsidy in the amount of \$6,752. The amount is reported as a reduction of salaries and benefits in the statement of operations.

Government assistance may be subject to a Canada Revenue Agency review and assessment of the Organization's eligibility. If it is determined that the Organization was ineligible at the time of the claim, any amounts repaid will be included as an expenditure in that fiscal year.

14. COMPARATIVE FIGURES

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