
ORKIDSTRA-SISTEMA OTTAWA

FINANCIAL STATEMENTS

JUNE 30, 2021

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, 2021, 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, 2021, 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 6, 2021

ORKIDSTRA-SISTEMA OTTAWA


STATEMENT OF FINANCIAL POSITION

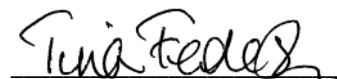
AS AT JUNE 30, 2021

	2021	2020
		(restated - note 2)
ASSETS		
CURRENT ASSETS		
Cash	\$ 314,121	\$ 456,602
Accounts receivable (Note 13)	23,499	-
Government remittances recoverable	1,730	2,397
Prepaid expenditures	5,734	2,013
	345,084	461,012
INVESTMENTS (Note 3)	330,638	100,494
CAPITAL ASSETS (Notes 2 and 4)	62,598	71,703
	\$ 738,320	\$ 633,209
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 5 and 8)	\$ 16,813	\$ 22,121
DEFERRED CONTRIBUTIONS (Notes 2 and 6)	100,000	100,727
DEFERRED CAPITAL CONTRIBUTIONS (Note 7)	57,594	67,801
	174,407	190,649
NET ASSETS		
General fund (Note 2)	367,908	246,555
Internally restricted (Note 11)	196,005	196,005
	563,913	442,560
	\$ 738,320	\$ 633,209

Change in accounting policy (Note 2)
 Financial instruments (Note 8)
 Contingency (Note 9)
 Commitments (Note 10)
 COVID-19 (Note 12)
 Comparative figures (Note 14)

ON BEHALF OF THE BOARD:

 Director

 Director

ORKIDSTRA-SISTEMA OTTAWA

STATEMENT OF OPERATIONS

YEAR ENDED JUNE 30, 2021

	2021	2020
		(restated - note 2)
REVENUE		
Donations	\$ 591,342	\$ 582,979
Government assistance related to COVID-19 (Note 13)	144,023	50,490
Municipal grants	71,910	70,500
Provincial grants	60,634	67,419
Programming events	19,257	37,890
Donated instrument contributions (Note 7)	12,792	13,176
United Way grant	12,000	4,000
School board	10,000	23,000
Tuition fees	6,550	15,300
Donated instruments	4,379	-
Other	14,845	8,407
Fundraising events	-	250
	947,732	873,411
EXPENDITURES		
Amortization (Note 2)	13,593	14,730
Fundraising	24,700	24,806
Insurance	6,353	4,651
Office supplies	8,485	11,644
Other	26,258	29,946
Pedagogical (Note 2)	25,904	64,035
Professional fees	28,103	11,809
Rent	37,698	47,607
Salaries and benefits	439,535	387,163
Summer programs	23,976	9,895
Teaching services	185,153	153,240
Telecommunications	4,246	4,251
Travel	1,160	1,335
Website	1,215	1,326
	826,379	766,438
EXCESS OF REVENUE OVER EXPENDITURES	\$ 121,353	\$ 106,973

ORKIDSTRA-SISTEMA OTTAWA

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2021

	2021			2020
	General fund	Internally restricted	Total	(restated - note 2) Total
BALANCES AT BEGINNING OF YEAR	\$ 244,876	\$ 196,005	\$ 440,881	\$ 309,197
Effect of change in accounting policy (Note 2)	1,679	-	1,679	26,390
Balances at beginning of year, restated	246,555	196,005	442,560	335,587
Excess of revenue over expenditures	121,353	-	121,353	106,973
Transfer between funds (Note 11)	-	-	-	-
BALANCES AT END OF YEAR	\$ 367,908	\$ 196,005	\$ 563,913	\$ 442,560

ORKIDSTRA-SISTEMA OTTAWA

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2021

	2021	2020
		(restated - note 2)
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ 121,353	\$ 106,973
Items not involving cash:		
Amortization	13,593	14,730
Recognition of deferred capital contributions	(12,792)	(13,176)
Impact of change in accounting policy (Note 2)	-	24,711
Changes in non-cash operating working capital:		
Accounts receivable	(23,499)	10,789
Government remittances recoverable	667	546
Prepaid expenditures	(3,721)	-
Accounts payable and accrued liabilities	(5,308)	(2,144)
Deferred contributions	(727)	24,942
	89,566	167,371
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from redemption of short term investments	4,856	3,133
Purchase of investments	(235,000)	-
Purchase of capital assets	(1,903)	-
	(232,047)	3,133
(DECREASE) INCREASE IN CASH	(142,481)	170,504
Cash at beginning of year	456,602	286,098
CASH AT END OF YEAR	\$ 314,121	\$ 456,602

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.

Investment income includes dividends, interest earned on investments held and both realized and unrealized gains and losses, net of applicable charges. Unrestricted investment income is recorded directly in the statement of operations when earned.

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.

Cash and Cash Equivalents

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Purchased capital assets in excess of \$1,000 are recorded at cost. Items with a lesser cost are recorded in the statement of operations in the year of expenditure.

Donated capital assets are recorded at fair value based on appraisal reports. Donated items with an appraised value above \$1,000 are capitalized in the statement of financial position. Donated items below \$1,000 are recorded immediately in the statement of operations. 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.

Amortization on office equipment is recorded over 3 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.

Government assistance

Government assistance received in relation to the current year expenses is recorded as grant revenue, except as related to COVID-19 pandemic relief measures, which is reported separately as government assistance related to COVID-19.

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 investments held with RBC which are carried at fair value.

ORKIDSTRA-SISTEMA OTTAWA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

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

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. CHANGE IN ACCOUNTING POLICY

During the 2021 fiscal year, the Organization changed its accounting policy with respect to the accounting for capital assets. Management has determined that applying a standard threshold for identifying expenditures on physical assets with expected useful lives beyond one year will result in a more accurate and consistent evaluation of the Organization's expenditures and resulting statement of financial position annually.

The retrospective application of this policy had the following impacts on the comparative figures at June 30, 2020 and for the year then ended presented in these financial statements as compared to those in the financial statements previously issued:

Decrease in capital assets	\$ 11,490
Decrease in deferred capital contributions	13,169
Decrease in donated instrument contribution	5,834
Decrease in amortization expense	5,834
Increase in pedagogical expense	24,711
Increase in opening net assets	26,390

3. INVESTMENTS

The Organization's investments consist of \$158,260 (2020 - \$100,494) on deposit with the Ottawa Community Foundation as well as units in an exchange-traded bond fund held with a financial institution which carried a market value at year end of \$172,378 (2020 -\$Nil).

ORKIDSTRA-SISTEMA OTTAWA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

4. CAPITAL ASSETS

	2021			2020	
	Cost	Accumulated Amortization	Net	Net	
Musical equipment - donated	\$ 153,360	\$ 95,766	\$ 57,594	\$	67,801
Musical equipment - purchased	9,803	4,799	5,004		3,902
	\$ 163,163	\$ 100,565	\$ 62,598	\$	71,703

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 included, though not exclusively, funds received from the City of Ottawa and the Ontario Arts Council pursuant to two operational funding contracts. Any contributions which are not disbursed in accordance with the terms and conditions of the contracts are refundable to the funder. Changes in the deferred contributions balance are as follows:

	2021	2020
BALANCE AT BEGINNING OF YEAR	\$ 100,727	\$ 75,785
Restricted contributions received	156,943	173,546
Amounts recognized as revenue	(157,670)	(148,604)
BALANCE AT END OF YEAR	\$ 100,000	\$ 100,727

ORKIDSTRA-SISTEMA OTTAWA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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:

	2021	2020
BALANCE AT BEGINNING OF YEAR	\$ 67,801	\$ 85,910
Restricted contributions received - contributed equipment	2,585	8,236
Amounts recognized as revenue	(12,792)	(13,176)
Change in accounting policy	-	(13,169)
BALANCE AT END OF YEAR	\$ 57,594	\$ 67,801

8. 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 (2020 - \$10,000) of unsecured credit cards with the Royal Bank of Canada, 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 \$5,267 as at June 30, 2021 (2020 - \$2,737) and is included in accounts payable and accrued liabilities.

9. 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.

10. COMMITMENTS

The Organization entered into a lease agreement on July 1, 2021 for office space and classrooms that expires June 30, 2022. The minimum annual lease payments until maturity total \$26,072.

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.

12. COVID-19

In March 2020, the World Health Organization declared the COVID-19 outbreak to constitute a pandemic. Measures taken by various governments to contain the virus have affected economic activity. Management has taken measures to monitor and mitigate the effects of COVID-19 to ensure the safety and health of its youth and employees.

At this stage, the Organization's operations have been most significantly impacted via the loss of the ability to host in-person fundraising, programming, and program events. Further to this, as the Organization previously required students to be physically present in classrooms (Hub-based model), they experienced a temporary stop to operations at the onset of the pandemic. The Organization then launched OrKidstra @ Home, a multi-layered, virtual learning strategy on March 24, 2020, to help students continue learning and growing during this challenging and isolating time.

The transition to virtual programming also impacted expenses, with pedagogical materials and rent costs reducing, and teaching and staffing costs increasing due to a shift to more one on one learning expenses.

The Board of Directors approved a reduced budget in 2020-21 to manage risk and cash flow in an uncertain climate. Major expenses were deferred such as the hiring of a senior executive position and the delay of essential beginner instrumental programming, contributing to revenue over expenses which will be used to sustain and rebuild after-school programs.

These financial statements prepared as of and for the year ended June 30, 2021 reflect the impacts resulting from COVID-19 to the extent known at the reporting date.

13. GOVERNMENT ASSISTANCE

To assist in mitigating the impact of the pandemic, the Organization has participated in a number of government assistance programs, including the following:

Canada Emergency Wage Subsidy ("CEWS") program: This program provides a subsidy to cover 75% - 85% of eligible employee wages up to a maximum of \$847 per week per employee and is available where certain conditions are met, including a reduction in monthly revenue at either a prescribed threshold or based on an experienced percentage decline. As of June 30, 2021, management has determined that it has qualified for thirteen claim periods from July 1, 2020 to June 30, 2021. The total subsidy claimed up until and including June 30, 2021 is \$135,126, of which \$20,681 is included in accounts receivable at year end. The total CEWS claim has been shown as Government assistance related to COVID-19 in the statement of revenue and expenditures.

Canada Emergency Rent Subsidy ("CERS") program: This program provides a subsidy to cover up to 90% of eligible rent and property-ownership expenses where certain conditions are met, including a reduction in monthly revenue based on an experienced percentage decline. The base portion of this subsidy program is based on the revenue reduction experienced, applied on a declining scale to the eligible expenses, up to a maximum of 65% of eligible expenses. The lockdown support portion of this subsidy program, of an additional fixed 25% applied to eligible expenses, is available to those who are affected by a public health order. As of June 30, 2021, management has determined that it has qualified for ten claim periods from September 27, 2020 to June 30, 2021. The total subsidy claimed up until and including June 30, 2021 is \$8,897, of which \$1,816 is included in accounts receivable at year end. The total CERS claim has been shown as Government assistance related to COVID-19 in the statement of revenue and expenditures.

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.