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# **ORKIDSTRA-SISTEMA OTTAWA**

## **FINANCIAL STATEMENTS**

**JUNE 30, 2022**

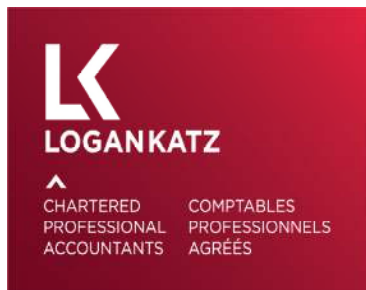
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# ORKIDSTRA-SISTEMA OTTAWA

## CONTENTS

JUNE 30, 2022

	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 - 14



## 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, 2022, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including 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, 2022, 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.

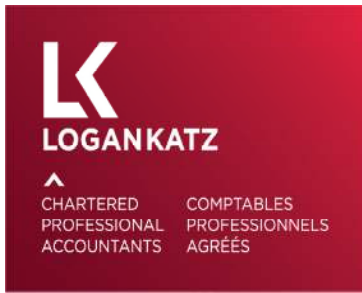
In common with many not-for-profit organizations, the Organization derives support from the general public in the form of donation revenue, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded 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.

A handwritten signature in black ink that reads 'Logan Katz LLP'.

Chartered Professional Accountants  
Licensed Public Accountants

Ottawa, Canada  
November 16, 2022

# ORKIDSTRA-SISTEMA OTTAWA

## STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2022

	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 266,381	\$ 314,121
Accounts receivable (Note 12)	-	23,499
Government remittances recoverable	2,704	1,730
Prepaid expenditures	9,099	5,734
	278,184	345,084
<b>INVESTMENTS</b> (Note 2)	423,099	330,638
<b>CAPITAL ASSETS</b> (Note 3)	65,169	62,598
	\$ 766,452	\$ 738,320
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 4 and 7)	\$ 24,428	\$ 16,813
<b>DEFERRED CONTRIBUTIONS</b> (Note 5)	21,760	100,000
<b>DEFERRED CAPITAL CONTRIBUTIONS</b> (Note 6)	60,601	57,594
	106,789	174,407
<b>NET ASSETS</b>		
General fund	463,658	367,908
Internally restricted (Note 10)	196,005	196,005
	659,663	563,913
	\$ 766,452	\$ 738,320

Financial instruments (Note 7)

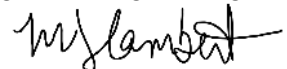
Contingency (Note 8)

Commitments (Note 9)

COVID-19 (Note 11)

Comparative figures (Note 14)

ON BEHALF OF THE BOARD:

 , Director

 , Director

# ORKIDSTRA-SISTEMA OTTAWA

## STATEMENT OF OPERATIONS

YEAR ENDED JUNE 30, 2022

	2022	2021
<b>REVENUE</b>		
Donations	\$ 713,517	\$ 591,342
Municipal grants	93,000	71,910
Provincial grants	57,634	60,634
Government assistance related to COVID-19 (Note 12)	37,615	144,023
School board	31,975	10,000
Programming events	22,609	19,257
United Way grant	20,000	12,000
Amortization of deferred donated instrument contributions (Note 6)	10,943	12,792
Donated instruments	9,017	4,379
Other	4,283	17,207
Tuition	3,260	6,550
Investment loss	(9,931)	(2,362)
	993,922	947,732
<b>EXPENDITURES</b>		
Amortization	12,578	13,593
Fundraising and events	28,421	24,700
Insurance	6,273	6,353
Office supplies	5,853	8,485
Other	28,853	26,258
Pedagogical	27,554	33,317
Professional fees	32,349	28,103
Rent	48,121	37,698
Salaries and benefits (Note 14)	529,850	439,535
Summer programs	11,896	23,976
Teaching services (Note 14)	158,205	177,740
Telecommunications	6,037	4,246
Travel	1,052	1,160
Website	1,130	1,215
	898,172	826,379
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	\$ 95,750	\$ 121,353

# ORKIDSTRA-SISTEMA OTTAWA

## STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2022

	2022			2021
	General fund	Internally restricted	Total	Total
<b>BALANCES AT BEGINNING OF YEAR</b>	\$ 367,908	\$ 196,005	\$ 563,913	\$ 442,560
Excess of revenue over expenditures	95,750	-	95,750	121,353
Transfer between funds (Note 10)	-	-	-	-
<b>BALANCES AT END OF YEAR</b>	\$ 463,658	\$ 196,005	\$ 659,663	\$ 563,913



# ORKIDSTRA-SISTEMA OTTAWA

## STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2022

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of revenue over expenditures	\$ 95,750	\$ 121,353
Items not involving cash:		
Amortization	12,578	13,593
Recognition of deferred capital contributions	(10,943)	(12,792)
Changes in non-cash operating working capital:		
Accounts receivable	23,499	(23,499)
Government remittances recoverable	(974)	667
Prepaid expenditures	(3,365)	(3,721)
Accounts payable and accrued liabilities	7,615	(5,308)
Deferred contributions	(78,240)	(727)
	45,920	89,566
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net proceeds from redemption of short term investments	-	4,856
Net purchase of investments	(92,461)	(235,000)
Purchase of capital assets	(1,199)	(1,903)
	(93,660)	(232,047)
<b>DECREASE IN CASH</b>	(47,740)	(142,481)
Cash at beginning of year	314,121	456,602
<b>CASH AT END OF YEAR</b>	\$ 266,381	\$ 314,121

#### 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.

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#### 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, the allowance for doubtful accounts, and the amount of certain accrued liabilities. The accounts receivable balance is net of an allowance for doubtful accounts of \$Nil (2021 - \$Nil).

##### 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, 2022

### 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. INVESTMENTS

The Organization's investments consist of \$154,149 (2021 - \$158,260) on deposit with the Ottawa Community Foundation as well as units in a mutual fund held with a financial institution which carried a market value at year end of \$268,950 (2021 - \$172,378).

### 3. CAPITAL ASSETS

	2022			2021	
	Cost	Accumulated Amortization	Net	Net	
Musical equipment - donated	\$ 167,310	\$ 106,709	\$ 60,601	\$ 57,594	
Musical equipment - purchased	7,900	5,600	2,300	3,101	
Office equipment	3,102	834	2,268	1,903	
	\$ 178,312	\$ 113,143	\$ 65,169	\$ 62,598	

### 4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

# ORKIDSTRA-SISTEMA OTTAWA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

### 5. 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:

	2022	2021
<b>BALANCE AT BEGINNING OF YEAR</b>	\$ 100,000	\$ 100,727
Restricted contributions received	282,261	156,943
Amounts recognized as revenue	(360,501)	(157,670)
<b>BALANCE AT END OF YEAR</b>	\$ 21,760	\$ 100,000

### 6. 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:

	2022	2021
<b>BALANCE AT BEGINNING OF YEAR</b>	\$ 57,594	\$ 67,801
Restricted contributions received - contributed equipment	13,950	2,585
Amounts recognized as revenue	(10,943)	(12,792)
<b>BALANCE AT END OF YEAR</b>	\$ 60,601	\$ 57,594

### 7. 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.

**7. FINANCIAL INSTRUMENTS (continued)**Risks (continued)*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.

*Other Price Risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization is exposed to other price risk through its short-term investments.

Credit Facility

The Organization has access to \$10,000 (2021 - \$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 \$6,619 as at June 30, 2022 (2021 - \$5,267) and is included in accounts payable and accrued liabilities.

**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 fulfil their funding obligations.

**9. COMMITMENTS**

The Organization entered into lease agreements to rent classrooms for both of its locations. The first agreement expiring August 31, 2022 includes minimum lease payments until maturity of \$2,452. The second agreement expiring June 30, 2023 includes minimum lease payments until maturity of \$26,593.

#### 10. 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.

#### 11. 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.

OrKidstra began a hybrid program model in the fall of 2021 under a "Safe & Sound" approach which took into account provincial and local health mandates as well as the safety and comfort of its participants. Due to the new Omicron variant and the return to a full provincial lockdown, OrKidstra returned to a fully online program model in January 2022. This online model lasted until March 1, 2022 when the hybrid environment returned. By the end of March 2022, programming for older students returned to mostly in-person, while online programming was still offered to the younger students. The combination of virtual and in-person programming impacted expenses. There were increased costs for health and safety materials such as PPE and HEPA air filters, as well as rent and teaching and staffing expenses.

With these changes, the Organization also started to rebuild its capacity to host in-person fundraising, programming and events. In June 2022, OrKidstra held its first in-person concert in two years, "OrKidstra: LIVE in Concert!". The concert included a combination of virtual and in-person performances which reflected the hybrid teaching model.

The Board of Directors approved an increased budget in fiscal 2022 to account for the fluctuating climate. Major expenses that had been deferred, such as the hiring of a senior executive position, were approved, and the focus turned towards rebuilding the Organization's after-school programming and in-person fundraising.

These financial statements prepared as of and for the year ended June 30, 2022 reflect the impacts resulting from COVID-19 to the extent known at the reporting date.

**12. 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, 2022, management has determined that it has qualified for five claim periods from July 1, 2021 to the end of the program on October 23, 2021. The total subsidy claimed for the reporting year is \$33,764 (2021 - \$135,126). 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, 2022, management has determined that it has qualified for five claim periods from July 1, 2021 to the end of the program on October 23, 2021. The total subsidy claimed for the reporting year is \$3,848 (2021 - \$8,897). The total CERS claim has been shown as Government assistance related to COVID-19 in the statement of revenue and expenditures.

Government assistance of \$Nil (2021 - \$23,499) is included in accounts receivable at year-end.

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.

**13. TEACHING SERVICES**

The Organization is in a rebuilding phase, and the need for teaching services continue to scale up with this growth. To meet the increased demand, staff also provide musical instruction. Teaching costs are reflected within teaching services as well as salaries and benefits.

**14. COMPARATIVE FIGURES**

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