

FINANCIAL STATEMENTS
For
ORKIDSTRA-SISTEMA OTTAWA
For year ended
JUNE 30, 2023

ORKIDSTRA-SISTEMA OTTAWA
INDEX TO AUDITED FINANCIAL STATEMENTS
JUNE 30, 2023

	<u>Page</u>
Independent Auditor's Report	1 & 2
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12

INDEPENDENT AUDITOR'S REPORT

To the Members of

ORKIDSTRA-SISTEMA OTTAWA*Qualified Opinion*

We have audited the financial statements of OrKidstra-Sistema Ottawa (the Organization), which comprise the statement of financial position as at June 30, 2023, 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* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at June 30, 2023 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from fundraising and donation activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donations or fundraising revenues, net revenue (expenditures), and cash flows from operations for the years ended June 30, 2023 and 2022, current assets as at June 30, 2023 and 2022, and net assets as at July 1 and June 30 for both the 2023 and 2022 fiscal years. Our audit opinion on the financial statements for the year ended June 30, 2023 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's 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 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.

Emphasis of Matter

We draw attention to note 16 to the financial statements which describes the restatement of prior year figures. Our opinion is not qualified in respect of this matter.

Other Matter

The financial statements of the Organization for the year ended June 30, 2022 were audited by another auditor who expressed a qualified opinion on those financial statements on November 16, 2022.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to 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 but to do so.

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

Auditor's 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 auditor's 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 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 auditor's 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.

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 our audit.



Chartered Professional Accountants
Licensed Public Accountants


Ottawa, Ontario
November 15, 2023.

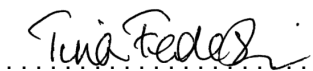
ORKIDSTRA-SISTEMA OTTAWA
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023

	<u>2023</u>	<u>2022</u> (as restated - see note 16)
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 141,836	\$ 266,381
Accounts receivable	10,972	-
Government remittances recoverable	12,501	2,704
Prepaid expenses	<u>7,994</u>	<u>9,099</u>
	173,303	278,184
INVESTMENTS (note 3)	245,475	268,950
CAPITAL ASSETS (note 4)	<u>66,283</u>	<u>65,169</u>
	<u>\$ 485,061</u>	<u>\$ 612,303</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (notes 5 and 8)	\$ 33,145	\$ 24,428
DEFERRED CONTRIBUTIONS (note 6)	80,264	21,760
DEFERRED CAPITAL CONTRIBUTIONS (note 7)	<u>58,733</u>	<u>60,601</u>
	<u>172,142</u>	<u>106,789</u>
NET ASSETS		
General fund	62,919	309,509
Internally restricted (note 12)	<u>250,000</u>	<u>196,005</u>
	<u>312,919</u>	<u>505,514</u>
	<u>\$ 485,061</u>	<u>\$ 612,303</u>

On behalf of the Board:


.....Director


.....Director

(See accompanying notes)

ORKIDSTRA-SISTEMA OTTAWA

STATEMENT OF OPERATIONS

YEAR ENDED JUNE 30, 2023

	<u>2023</u>	<u>2022</u> (as restated - see note 16)
Revenue		
Donations	\$ 576,063	\$ 603,517
Legacy donations	-	110,000
Municipal grants (note 15)	89,464	93,000
Provincial grants (note 15)	59,198	57,634
Federal grants (note 15)	8,000	-
School board	40,480	31,975
Programming events	31,631	22,609
United Way grant	20,000	20,000
Amortization of deferred donated instrument contributions (note 7)	12,268	10,943
Donated instruments	2,800	9,017
Tuition and camp contributions	19,861	3,260
Investment income (loss)	17,787	(14,080)
Other	2,585	4,283
Government assistance related to COVID-19	-	37,615
	<u>880,137</u>	<u>989,773</u>
Expenditures		
Amortization	14,609	12,578
Fundraising and events	29,143	28,421
Insurance	5,246	6,273
Office supplies	10,442	5,853
Other	26,495	28,853
Pedagogical	20,090	27,554
Professional fees	13,095	32,349
Rent	77,028	48,121
Salaries and benefits (note 14)	724,145	529,850
Summer programs	13,903	11,896
Teaching services (note 14)	127,810	158,205
Telecommunications	6,087	6,037
Travel	1,623	1,052
Website	3,016	1,130
	<u>1,072,732</u>	<u>898,172</u>
Net revenue (expenditures)	<u>\$ (192,595)</u>	<u>\$ 91,601</u>

(See accompanying notes)

ORKIDSTRA-SISTEMA OTTAWA
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2023

	2023			2022
	General fund	Internally Restricted	Total	Total (as restated - see note 16)
Balance, beginning of year	\$ 309,509	\$ 196,005	\$ 505,514	\$ 413,913
Net revenue (expenditures)	(192,595)	-	(192,595)	91,601
Transfer between funds (note 12)	<u>(53,995)</u>	<u>53,995</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 62,919</u>	<u>\$ 250,000</u>	<u>\$ 312,919</u>	<u>\$ 505,514</u>

(See accompanying notes)

ORKIDSTRA-SISTEMA OTTAWA
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023

	<u>2023</u>	<u>2022</u> (as restated - see note 16)
CASH FLOWS FROM (USED IN):		
OPERATING ACTIVITIES		
Net revenue (expenditures)	\$ (192,595)	\$ 91,601
Items not involving cash:		
Amortization	14,609	12,578
Recognition of deferred capital contributions	<u>(12,268)</u>	<u>(10,943)</u>
	(190,254)	93,236
Changes in non-cash operating working capital:		
Accounts receivable	(10,972)	23,499
Government remittances recoverable	(9,797)	(974)
Prepaid expenditures	1,105	(3,365)
Accounts payable and accrued liabilities	8,717	7,615
Deferred contributions	<u>58,504</u>	<u>(78,240)</u>
	<u>(142,697)</u>	<u>41,771</u>
INVESTING ACTIVITIES		
Proceeds from redemption of short term investments	381,432	-
Purchase of investments	(357,957)	(88,312)
Purchase of capital assets	<u>(5,323)</u>	<u>(1,199)</u>
	<u>18,152</u>	<u>(89,511)</u>
DECREASE IN CASH	(124,545)	(47,740)
CASH, BEGINNING OF YEAR	<u>266,381</u>	<u>314,121</u>
CASH, END OF YEAR	<u>\$ 141,836</u>	<u>\$ 266,381</u>

(See accompanying notes)

ORKIDSTRA-SISTEMA OTTAWA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

1. NATURE OF ORGANIZATION

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.

2. 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 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

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

ORKIDSTRA-SISTEMA OTTAWA
NOTES TO FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED JUNE 30, 2023

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

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.

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 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.

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.

ORKIDSTRA-SISTEMA OTTAWA
NOTES TO FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED JUNE 30, 2023

3. INVESTMENTS

The Organization's investments consist of a discount bank note and units in a mutual fund held with a financial institution which carried a total market value at year end of \$245,475 (2022 - \$268,950).

The Organization also has established a fund in the amount of \$150,000 with the Ottawa Community Foundation to take advantage of their investment expertise and diverse portfolio. As of June 30, 2023, the OrKidstra Fund has a market value of \$160,489 (2022 - \$154,149). These amounts are not included in the value of investments on the statement of financial position. The fund is for a minimum term of three years and pays an annual distribution to the Organization which is included in the investment income (loss) line of the Statement of Operations in the amount of \$5,861 (2022 - \$5,098). The Organization will be able to recover the capital with the approval of the Ottawa Community Foundation's Board of Directors, after providing at least six months notice. At that time, the return of the capital will be shown as an increase of net assets.

Under the terms of the arrangement, the Organization does not maintain control over these funds while managed by the Ottawa Community Foundation and the decision to return the capital to the Organization rests with the Ottawa Community Foundation's Board of Directors. As a result of the lack of control, the amount was recorded as a reduction of net assets and does not appear as an asset on the statement of financial position.

4. CAPITAL ASSETS

Capital assets consist of the following:

	2023			2022
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net</u>	<u>Net</u>
Musical equipment - donated	\$ 177,710	\$ 118,977	\$ 58,733	\$ 60,601
Musical equipment - purchased	7,900	6,020	1,880	2,300
Office equipment	<u>8,426</u>	<u>2,756</u>	<u>5,670</u>	<u>2,268</u>
	<u>\$ 194,036</u>	<u>\$ 127,753</u>	<u>\$ 66,283</u>	<u>\$ 65,169</u>

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 resources externally restricted for the operations of the subsequent fiscal year. These contributions included, though not exclusively: federal Community Services Recovery Fund (Employment and Social Development Canada), provincial Summer Experience Program (Ministry of Tourism, Culture and Sport), and contributions relating to Camp OrKidstra. 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:

	2023	2022
Balance at beginning of year	\$ 21,760	\$ 100,000
Restricted contributions received	80,264	282,261
Amounts recognized as revenue	<u>(21,760)</u>	<u>(360,501)</u>
Balance at end of year	<u>\$ 80,264</u>	<u>\$ 21,760</u>

ORKIDSTRA-SISTEMA OTTAWA
NOTES TO FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED JUNE 30, 2023

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:

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	\$ 60,601	\$ 57,594
Restricted contributions received - contributed equipment	10,400	13,950
Amounts recognized as revenue	<u>(12,268)</u>	<u>(10,943)</u>
Balance at end of year	<u>\$ 58,733</u>	<u>\$ 60,601</u>

8. FINANCIAL INSTRUMENTS

The Organization is exposed to and manages various financial risks resulting from both its operations and its investment activities. The Organization does not enter into financial instrument agreements including derivative financial instruments for speculative purposes. The Organization's main financial risk exposure and its financial management policies are as follows:

Credit risk

The Organization is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Organization's maximum exposure to credit risk represents the sum of the carrying value of its cash, investments and accounts receivable. The Organization's cash is deposited with a Canadian chartered bank and the Organizations' investment portfolio is invested in a diverse number of high-grade investments and as such, management believes the risk of loss on these items to be remote.

Management believes that the Organization's credit risk with respect to accounts receivable is limited. The Organization manages its credit risk by reviewing receivable aging and diligently following up on collection of outstanding amounts.

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 investments.

Changes in risk

There have been no significant changes in the Organization's risk exposure from the prior year.

ORKIDSTRA-SISTEMA OTTAWA
NOTES TO FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED JUNE 30, 2023

9. CREDIT FACILITY

The Organization has access to \$10,000 (2022 - \$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 \$8,000 as at June 30, 2023 (2022 - \$6,619) and is included in accounts payable and accrued liabilities. The Organization automatically pays off its credit card balances prior to the due date each month.

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 lease agreements to rent classrooms for both of its locations. The first agreement expiring August 31, 2023 includes minimum lease payments until maturity of \$2,452. The second agreement expiring June 30, 2024 includes minimum lease payments until maturity of \$27,125.

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 \$53,995.

13. GOVERNMENT ASSISTANCE

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. 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, program staff also provide a significant portion of the musical instruction. Teaching costs are reflected within teaching services as well as salaries and benefits.

15. GOVERNMENT FUNDING

Government funding is comprised of the following:

	<u>2023</u>	<u>2022</u>
Municipal grants:		
City of Ottawa - Operating Arts Education Grant	\$ 89,464	\$ 85,000
City of Ottawa - Capacity Building Program	-	8,000
	<u>\$ 89,464</u>	<u>\$ 93,000</u>
Provincial grants:		
Ontario Arts Council - Arts Organizations in Communities & Schools (Operating Grant)	\$ 57,634	\$ 57,634
Ministry of Tourism, Culture and Sport - Summer Experience Program	1,564	-
	<u>\$ 59,198</u>	<u>\$ 57,634</u>
Federal grant:		
Employment and Social Development Canada - Community Services Recovery Fund	\$ 8,000	-

ORKIDSTRA-SISTEMA OTTAWA
NOTES TO FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED JUNE 30, 2023

16. COMPARATIVE FIGURES AND RESTATEMENT DUE TO PRIOR YEAR ERROR

Comparative figures have been audited by another auditor and reclassified where necessary in order to conform with changes in presentation in the current year.

Following the recommendations of the predecessor auditor, the Organization has historically presented its investment fund held with the Ottawa Community Foundation as its own asset. During the year, the Organization made the determination that this investment fund should have originally been recorded as a reduction of net assets when the fund was established as a result of lack of control during the funding period. Consequently, the investment fund would not be considered an asset of the Organization until the time the capital invested is returned as described in note 3, which is the expectation of management. As such, these financial statements have been retrospectively restated to correct this overstatement of investments and net assets, as well as to reduce revenue recognized in the prior period.

This restatement has had the following impact on the prior year's figures:

- Statement of financial position as at June 30, 2022: Investments and total assets have decreased by \$154,149. Ending net assets - general fund has decreased by \$154,149 as a result of an adjustment to revenue and opening retained earnings described below;
- Statement of operations for the year ended June 30, 2022: Revenue and net revenue have decreased by \$4,149;
- Statement of changes in net assets for the year ended June 30, 2022: Beginning net assets has decreased by \$150,000 and net revenue has decreased by \$4,149; and
- Statement of cash flows for the year ended June 30, 2022: Net revenue has decreased by \$4,149 and purchase of investments has decreased by \$4,149.