

FINANCIAL STATEMENTS

For

ORKIDSTRA-SISTEMA OTTAWA

For year ended

JUNE 30, 2024

ORKIDSTRA-SISTEMA OTTAWA
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JUNE 30, 2024

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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, 2024, 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, 2024 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, 2024 and 2023, current assets as at June 30, 2024 and 2023, and net assets as at July 1 and June 30 for both the 2024 and 2023 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.

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

October 2, 2024

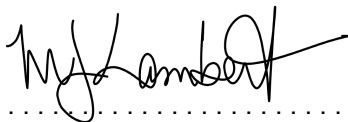
Final iteration accepted by the Board of Directors

AGM: November 20, 2024

ORKIDSTRA-SISTEMA OTTAWA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 52,291	\$ 141,836
Short-term investments (note 3)	314,086	147,566
Accounts receivable	19,338	10,972
Government remittances recoverable	4,211	12,501
Prepaid expenses	<u>8,554</u>	<u>7,994</u>
	398,480	320,869
INVESTMENTS (note 3)	144,537	97,909
CAPITAL ASSETS (note 4)	<u>65,830</u>	<u>66,283</u>
	<u>\$ 608,847</u>	<u>\$ 485,061</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (notes 5 and 9)	\$ 27,244	\$ 33,145
DEFERRED CONTRIBUTIONS (note 6)	40,044	80,264
DEFERRED CAPITAL CONTRIBUTIONS (note 7)	<u>60,400</u>	<u>58,733</u>
	<u>127,688</u>	<u>172,142</u>
NET ASSETS		
General fund	231,159	62,919
Internally restricted (note 12)	<u>250,000</u>	<u>250,000</u>
	<u>481,159</u>	<u>312,919</u>
	<u>\$ 608,847</u>	<u>\$ 485,061</u>

On behalf of the Board:



.....Director



.....Director

(See accompanying notes)

ORKIDSTRA-SISTEMA OTTAWA

STATEMENT OF OPERATIONS

YEAR ENDED JUNE 30, 2024

	<u>2024</u>	<u>2023</u>
Revenue		
Donations	\$ 889,988	\$ 576,063
Legacy donations	5,000	-
Municipal grants (note 14)	94,000	89,464
Provincial grants (note 14)	61,905	59,198
Federal grants (note 14)	30,000	8,000
School board	41,642	40,480
Programming events	27,055	31,631
United Way grant	20,000	20,000
Amortization of deferred donated instrument contributions (note 7)	13,883	12,268
Donated instruments	9,655	2,800
Tuition and camp contributions	22,945	19,861
Investment income	25,424	17,787
Other	<u>3,283</u>	<u>2,585</u>
	<u>1,244,780</u>	<u>880,137</u>
 Expenditures		
Amortization	17,666	14,609
Fundraising and events	25,651	29,143
Insurance	5,627	5,246
Office supplies	6,187	10,442
Other	43,298	26,495
Pedagogical	42,900	20,090
Professional fees	17,398	13,095
Rent	62,654	77,028
Salaries and benefits (note 13)	683,018	724,145
Summer programs	13,155	13,903
Teaching services (note 13)	150,529	127,810
Telecommunications	5,585	6,087
Travel	1,835	1,623
Website	<u>1,037</u>	<u>3,016</u>
	<u>1,076,540</u>	<u>1,072,732</u>
 Net revenue (expenditures)	 <u>\$ 168,240</u>	 <u>\$ (192,595)</u>

(See accompanying notes)

ORKIDSTRA-SISTEMA OTTAWA
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2024

	2024			2023
	<u>General Fund</u>	<u>Internally Restricted</u>	<u>Total</u>	<u>Total</u>
Balance, beginning of year	\$ 62,919	\$ 250,000	\$ 312,919	\$ 505,514
Net revenue (expenditures)	<u>168,240</u>	<u>-</u>	<u>168,240</u>	<u>(192,595)</u>
Balance, end of year	<u>\$ 231,159</u>	<u>\$ 250,000</u>	<u>\$ 481,159</u>	<u>\$ 312,919</u>

(See accompanying notes)

ORKIDSTRA-SISTEMA OTTAWA

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2024

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM (USED IN):		
OPERATING ACTIVITIES		
Net revenue (expenditures)	\$ 168,240	\$ (192,595)
Items not involving cash:		
Amortization	17,666	14,609
Recognition of deferred capital contributions	<u>(13,883)</u>	<u>(12,268)</u>
	172,023	(190,254)
Changes in non-cash operating working capital:		
Accounts receivable	(8,366)	(10,972)
Government remittances recoverable	8,290	(9,797)
Prepaid expenses	(560)	1,105
Accounts payable and accrued liabilities	(5,901)	8,717
Deferred contributions	<u>(40,220)</u>	<u>58,504</u>
	<u>125,266</u>	<u>(142,697)</u>
INVESTING ACTIVITIES		
Proceeds from redemption of short term investments	803,230	381,432
Purchase of investments	(1,016,378)	(357,957)
Purchase of capital assets	<u>(1,663)</u>	<u>(5,323)</u>
	<u>(214,811)</u>	<u>18,152</u>
DECREASE IN CASH	(89,545)	(124,545)
CASH, BEGINNING OF YEAR	<u>141,836</u>	<u>266,381</u>
CASH, END OF YEAR	\$ <u>52,291</u>	\$ <u>141,836</u>

(See accompanying notes)

ORKIDSTRA-SISTEMA OTTAWA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

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 contributions, and other income are recognized as revenue when the related service or programs have been delivered and collection is reasonably assured.

Investment income 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, 2024

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, 2024

3. INVESTMENTS

The Organization's investments consist of fixed income investments and units in a mutual fund held with a financial institution which carried a total market value at year end of \$458,623 (2023 - \$245,475).

Short-term investments consist of amounts that mature within 12 months. The total market value of the Organization's short-term investments at year-end is \$314,086 (2023 - \$147,566).

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, 2024, the OrKidstra Fund has a market value of \$168,487 (2023 - \$160,489). These amounts are not included in the value of investments on the statement of financial position. The fund pays an annual distribution to the Organization which is included in the investment income line of the statement of operations in the amount of \$6,689 (2023 - \$5,861). 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.

During the year, a permanent endowment fund was also established with the Ottawa Community Foundation. The Organization will receive investment income in the form of a distribution each year.

4. CAPITAL ASSETS

Capital assets consist of the following:

	<u>2024</u>			<u>2023</u>
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net</u>	<u>Net</u>
Musical equipment - donated	\$ 193,260	\$ 132,860	\$ 60,400	\$ 58,733
Musical equipment - purchased	7,900	6,440	1,460	1,880
Office equipment	<u>10,089</u>	<u>6,119</u>	<u>3,970</u>	<u>5,670</u>
	<u>\$ 211,249</u>	<u>\$ 145,419</u>	<u>\$ 65,830</u>	<u>\$ 66,283</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: provincial Summer Experience Program (Ministry of Tourism, Culture and Sport), contributions relating to Camp OrKidstra, and contributions relating to instrument purchases. Any contributions which are not disbursed in accordance with the specified terms and conditions are refundable to the funder. Changes in the deferred contributions balance are as follows:

	<u>2024</u>	<u>2023</u>
Balance at beginning of year	\$ 80,264	\$ 21,760
Restricted contributions received	35,044	80,264
Amounts recognized as revenue	<u>(75,264)</u>	<u>(21,760)</u>
Balance at end of year	<u>\$ 40,044</u>	<u>\$ 80,264</u>

ORKIDSTRA-SISTEMA OTTAWA
NOTES TO FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED JUNE 30, 2024

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>2024</u>	<u>2023</u>
Balance at beginning of year	\$ 58,733	\$ 60,601
Restricted contributions received - contributed equipment	15,550	10,400
Amounts recognized as revenue	<u>(13,883)</u>	<u>(12,268)</u>
Balance at end of year	<u>\$ 60,400</u>	<u>\$ 58,733</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 Organization's 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, 2024

9. CREDIT FACILITY

The Organization has access to \$11,500 (2023 - \$11,500) 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 \$3,076 as at June 30, 2024 (2023 - \$8,000) 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 a lease agreement to rent classrooms for its Centre Hub. The agreement expiring June 30, 2025 includes minimum lease payments until maturity of \$27,667.

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.

13. TEACHING SERVICES

Management's view is that the Organization remains 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. Costs related to program staff are reflected in salaries and benefits on the statement of operations. Direct teaching costs for musical teachers are reflected within teaching services.

14. GOVERNMENT FUNDING

Government funding is comprised of the following:

	<u>2024</u>	<u>2023</u>
Municipal grant:		
City of Ottawa - Operating Arts Education Grant	\$ 94,000	\$ 89,464
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	<u>4,271</u>	<u>1,564</u>
	<u>\$ 61,905</u>	<u>\$ 59,198</u>
Federal grant:		
Employment and Social Development Canada - Community Services Recovery Fund	\$ 30,000	\$ 8,000