

The Canadian Arabic Orchestra

Financial Statements

August 31, 2019

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Independent Auditor's Report

To the Board of Directors

The Canadian Arabic Orchestra

Opinion

We have audited the financial statements of The Canadian Arabic Orchestra ("The Orchestra") which comprise the financial position as at August 31, 2019 and the statement of operations and changes in net assets and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Orchestra as at August 31, 2019 and the revenues and expenses, changes in net assets and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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 Orchestra 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.

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 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 these financial statements, management is responsible for assessing the Orchestra'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 dissolve the Orchestra or to cease operations, or has no realistic alternative to do so. Those charged with governance are responsible for overseeing the Orchestra'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 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.



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Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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 Orchestra'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 Orchestra'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 Orchestra 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.

A handwritten signature in black ink that reads 'A&J LLP'. The letters are stylized and cursive.

A&J LLP, Chartered Professional Accountants

Licensed Public Accountant

Mississauga, Ontario
November 1, 2019

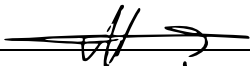
The Canadian Arabic Orchestra


Statement of Financial Position

As at August 31, 2019

		2019	2018
		\$	\$
ASSETS			
Current Assets			
Cash		45,284	74,533
Prepaid expenses and deposits		30,451	23,903
GST/HST receivable		7,374	-
Accounts receivable		-	16,328
		83,109	114,764
Capital assets, net	3	2,140	2,674
TOTAL ASSETS		85,249	117,438
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable and accrued expenses		22,239	6,698
Due to a related party	4	6,491	-
GST/HST payable		-	8,852
Deferred revenue contribution	5	70,196	86,370
		98,926	101,920
Net Assets		(13,677)	15,518
		(13,677)	15,518
TOTAL LIABILITIES AND NET ASSETS		85,249	117,438

On Behalf of the Board:

 Ahmed Kufaishi, Treasurer

 Wafa Al Zaghal, President

The accompanying notes are an integral part of these financial statements

The Canadian Arabic Orchestra

Statement of Revenues and Expenses

For the Year Ended August 31, 2019

	2019	2018
	\$	\$
Revenues		
Tickets sales	366,177	215,330
Government grants	232,204	87,681
Corporate contributions and donations	92,124	89,045
Concert sales	17,172	23,160
	707,677	415,216
Operating Expenses		
Contractual services - musicians and other professional services	264,636	157,964
Travel expenses	183,761	37,584
Concert hall rentals	110,181	76,044
Management fees	62,920	71,400
Advertising expenses	41,154	11,827
Printing, postage and other supplies	20,327	12,118
Rent	19,132	19,268
Equipment rental	18,795	1,096
Professional fees	10,305	5,000
Telephone expenses	2,107	600
Insurance	1,553	1,876
Bank charges	1,467	174
Amortization	534	1,317
Tickets cost	-	2,286
	736,872	398,554
(Deficiency) excess of Revenues Over Expenses	(29,195)	16,662

The accompanying notes are an integral part of these financial statements

The Canadian Arabic Orchestra

Statement of Changes in Net Assets

For the Year Ended August 31, 2019

	2019	2018
	\$	\$
Net assets, beginning of year	15,518	(1,144)
(Deficiency) excess of revenues over expenses	(29,195)	16,662
	<u>(13,677)</u>	<u>15,518</u>

The accompanying notes are an integral part of these financial statements

The Canadian Arabic Orchestra

Statement of Cash Flow

For the Year Ended August 31, 2019

	2019	2018
	\$	\$
OPERATING ACTIVITIES		
(Deficiency) excess of revenues over expenses	(29,195)	16,662
Amortization	534	1,317
Prepaid expenses and deposits	(6,548)	(8,784)
Accounts receivable	16,328	(16,328)
Accounts payable and accrued expenses	15,541	1,564
GST/HST (receivable) payable	(16,226)	8,852
Cash flow (used in) provided by operating activities	(19,566)	3,283
FINANCING ACTIVITIES		
Due to a related party	6,491	-
Deferred revenue contribution	(16,174)	31,370
Cash flow (used in) provided by financing activities	(9,683)	31,370
Net (decrease) increase in cash flow	(29,249)	34,653
Cash - beginning of year	74,533	39,880
Cash - end of year	45,284	74,533

The accompanying notes are an integral part of these financial statements

The Canadian Arabic Orchestra

Notes to the Financial Statements

For the Year Ended August 31, 2019

1. INCORPORATION

The Canadian Arabic Orchestra ("The Orchestra") was incorporated under the Corporations Act in the province of Ontario on April 1, 2015. The primary objectives of the organization are:

- Maintain a concert orchestra to:
 - Revive Arabic music in Canada and North America;
 - Provide education on music and culture;
 - Promote multicultural understanding in Canada;
 - Combine the Western and Eastern musical worlds; and
 - Introduce new musicians, composers and contemporary works of art.
- Create opportunities for young artists and newcomers to Canada to perform in a professional musical environment;
- Provide community service concerts for various groups, organizations, senior homes and hospitals;
- Provide a platform for musicians from different backgrounds to interact and exchange talent; and
- Advance knowledge and appreciation of concert music and the musical arts.

The Orchestra is a registered charity and is qualified for tax exempt status under the Income Tax Act Section 149(1)(l)

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies.

Use of estimates

The preparation of financial statements requires 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 amounts of revenue, expenditures and changes in net assets during the year. Actual results could differ from these estimates.

Cash

Cash include cash balances with banks.

Revenue recognition

Contributions are recognized as revenue in the year received or receivable and when collection is reasonably assured. Restricted contributions for one or more future periods are deferred and recognized as revenue in the year earned. Donations and other income are recognized on cash basis. Revenue from selling of events tickets is recognized at the time in which the event has occurred and the revenue has been earned.

The Canadian Arabic Orchestra

Notes to the Financial Statements

For the Year Ended August 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sales taxes

The Orchestra claims the HST public service bodies rebate on qualifying taxable supplies with a federal rebate factor of 50% and provincial rebate factor of 82%.

The Orchestra is also a GST/HST registrant, and it collects GST/HST on taxable supplies related to certain transactions. The Orchestra claims Input Tax Credits (ITC) on GST/HST paid or payable in respect of such transactions.

Contributed services

The directors of the corporation shall serve without remuneration and no director shall directly or indirectly receive any profit from his or her position as a director of the corporation.

Capital assets

Capital assets are stated at cost less accumulated amortization and are amortized over their estimated useful lives at the following rates and methods:

Furniture and equipment	20%	declining balance
Computer	55%	declining balance

In the year of acquisition, Capital Assets are amortized at 50% of the above annual rates.

Financial instruments

Financial instruments, except for certain non-arm's length transactions, are recorded at fair value when acquired or issued. All financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

The Orchestra has not designated any financial asset or financial liability to be measured at fair value.

Financial instruments consist of cash and agreements payable. Unless otherwise noted, it is the management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Measurement uncertainty

The precise value of many assets and liabilities is dependent on future events. As a result, preparation of financial statements for a period involves the use of approximations which have been made using careful judgment. Actual results could differ from those approximations.

The Canadian Arabic Orchestra

Notes to the Financial Statements For the Year Ended August 31, 2019

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value	
			2019	2018
	\$	\$	\$	\$
Furniture and equipment	3,544	1,559	1,985	2,481
Computer	1,105	950	155	193
	4,649	2,509	2,140	2,674

4. TRANSACTIONS WITH A RELATED PARTY

The Orchestra has transactions with a related party during the normal course of its business. During the year ended August 31, 2019 the Orchestra used the credit card of its related party "Canadian Arabic Conservatory of Music" to finance part of its purchases for a total amount of \$68,310 (2018: \$NIL).

The related party balance comprised the following as at August 31:

	Relationship	2019	2018
		\$	\$
Canadian Arabic Conservatory of Music	Related party	6,491	-
		6,491	-

5. DEFERRED REVENUE CONTRIBUTIONS

Deferred revenue contributions represent externally restricted subsidies used in accordance with funding agreements. The changes in deferred revenue contributions are as follows:

	2019	2018
	\$	\$
Balance, beginning of period	86,370	55,000
Deferred revenue contribution during the period	70,196	86,370
Revenue recognized during the period	(86,370)	(55,000)
Balance, end of period	70,196	86,370

The Canadian Arabic Orchestra

Notes to the Financial Statements

For the Year Ended August 31, 2019

5. DEFERRED REVENUE CONTRIBUTIONS (Continued)

Deferred revenue comprised the following as at August 31:

	2019
	\$
Ontario Culture Attraction Fund	40,000
Ontario Media Development Corporation	15,000
Tickets sales for FAMA 2019-2020 event	15,196
Total	70,196

6. COMMITMENTS

The Orchestra has entered into a one year lease agreement with respect to its premises commencing on September 1, 2019. Future minimum lease payments, for the next 12 months, as at August 31, 2019, amount to \$33,072.

7. GURANTEES AND INDEMNITIES

During the normal course of business, the Orchestra has entered into agreements that include indemnities in favor of third parties, either express or implied, such as in service contracts, lease agreements and purchase contracts. In these agreements, the Orchestra agrees to indemnify the counterparties in certain circumstances against losses or liabilities arising from the acts or omissions of the Orchestra. The terms of use of these indemnities are not explicitly defined and maximum amount of any potential liability cannot be reasonably estimated.