

The Canadian Arabic Orchestra

Financial Statements

December 31, 2021

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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 December 31, 2021 and the statement of revenues and expenses 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 December 31, 2021 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.

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&J CPA, Professional Corporation

A & J CPA Professional Corporation

Licensed Public Accountant

Oakville, Ontario
June 16, 2022

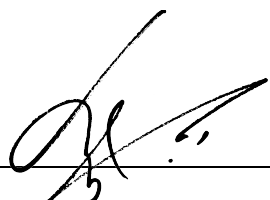
The Canadian Arabic Orchestra

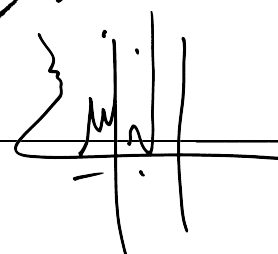
Statement of Financial Position

As at December 31, 2021

		2021	2020
		\$	\$
ASSETS			
Current Assets			
Cash		325,490	117,151
Accounts receivable		162,550	41,321
GST/HST receivable		16,972	6,372
		<u>505,012</u>	<u>164,844</u>
Capital assets, net	3	1,009	2,323
TOTAL ASSETS		<u>506,021</u>	<u>167,167</u>
LIABILITIES AND NET ASSETS			
Accounts payable and accrued expenses			
		79,728	29,603
Employee deductions payable		11,030	-
Grant repayable		9,000	16,000
Deferred revenue contribution	4	163,067	88,000
CEBA loan		40,000	-
		<u>302,825</u>	<u>133,603</u>
Net Assets		<u>203,196</u>	<u>33,564</u>
		<u>203,196</u>	<u>33,564</u>
TOTAL LIABILITIES AND NET ASSETS		<u>506,021</u>	<u>167,167</u>

On Behalf of the Board:

 Wafa AlZaghal, President of the board

 Omar Najjar, Secretary of the board

June 16, 2021

The accompanying notes are an integral part of these financial statements

The Canadian Arabic Orchestra

Statement of Revenues and Expenses

For the Year Ended December 31, 2021

	Notes	2021	2020
		\$	\$
Revenues			
Government grants		588,776	169,866
Corporate contributions and donations		77,141	17,391
Concert ticket sales		105,415	33,303
COVID-19 Emergency Support Fund	7	10,007	42,300
Other Income	8	22,303	-
		803,642	262,860
Operating Expenses			
Contractual services - musicians and other professional services		219,804	57,604
Salaries and wages		185,770	-
Concert hall rentals		82,002	2,630
Rent		41,393	26,723
Management fees		25,000	40,356
Professional fees		15,997	6,951
Advertising expenses		15,979	9,091
Printing, postage and other supplies		14,627	6,618
Office expenses		11,380	3,720
Equipment rental		10,009	3,852
Travel expenses		7,617	47,830
Amortization		1,314	1,400
Other expenses		1,288	1,937
Bank charges		406	268
		632,586	208,980
Excess (Deficiency) of Revenues Over Expenses		171,056	53,880

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 December 31, 2021

	2021	2020
	\$	\$
Net assets, beginning of year	33,564	(20,316)
(Deficiency) excess of revenues over expenses	171,056	53,880
Prior year adjustment	(1,424)	-
	203,196	33,564

The accompanying notes are an integral part of these financial statements

The Canadian Arabic Orchestra

Statement of Cash Flow

For the Year Ended December 31,2021

	2021	2020
	\$	\$
OPERATING ACTIVITIES		
Excess (Deficiency) of revenues over expenses	171,056	53,880
Prior year adjustment	(1,424)	-
Deferred revenue contribution	75,067	76,000
Amortization	1,314	1,400
Accounts receivable	(121,229)	(27,000)
Accounts payable and accrued expenses	50,125	(28,313)
Grant repayable	(7,000)	-
Employee deductions payables	11,030	-
GST/HST receivable	(10,600)	2,386
Cash flows from operating activities	168,339	78,353
FINANCING ACTIVITIES		
CEBA Loan	40,000	-
Cash flow from (used in) financing activities	40,000	-
Net increase in cash flow	208,339	78,353
Cash - beginning of year	117,151	38,798
Cash - end of year	325,490	117,151

The accompanying notes are an integral part of these financial statements

The Canadian Arabic Orchestra

Notes to the Financial Statements

For the Year Ended December 31, 2021

1. INCORPORATION

The Canadian Arabic Orchestra ("The Orchestra") was incorporated under the Corporations Act in the province of Ontario on April 1, 2015. The Orchestra obtained its charity status on September 1, 2018. The primary objectives of the Orchestra 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

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The following is a summary of significant accounting policies followed in the preparation of the financial statements.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

Estimates and assumptions are used when accounting for items such as prepaid expenses and other receivables, write-down of capital assets, determination of useful lives of capital assets, revenue recognition, allocation of restricted and unrestricted donations and other revenue, accrued liabilities and contingent liabilities.

Revenue recognition

The Orchestra follows the deferral method of accounting for contributions. Revenue, containing conditions or restrictions to its use (restricted contributions), is deferred until the conditions or restrictions are fulfilled. Revenue not containing conditions or restrictions (unrestricted contributions) to its use is recognized when received. The disbursements of the government grant revenue are subject to audit by the grantor. Donated assets are recorded at fair market value at the time of receiving the asset.

The Canadian Arabic Orchestra

Notes to the Financial Statements

For the Year Ended December 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Volunteer services

The accompanying financial statements do not reflect the efforts of volunteer workers, as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to the Orchestra.

Cash and cash equivalents

The Orchestra's policy is to disclose bank balances under cash and cash equivalents, including term deposits with a maturity period of three months or less from the date of acquisition. Term deposits that the entity cannot use for current transactions are also excluded from cash and cash equivalents.

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 factors which vary between various provinces.

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.

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 Orchestra is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Government assistance

Amounts received or receivable resulting from government assistance programs are accounted for as other income when The Orchestra becomes eligible to accrue them, provided there is reasonable assurance the benefits will be realized.

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.

The Canadian Arabic Orchestra

Notes to the Financial Statements

For the Year Ended December 31, 2021

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value	
			2021	2020
	\$	\$	\$	\$
Furniture and equipment	3,544	(2,771)	773	1,482
Computer	3,025	(2,789)	236	841
	6,569	(5,560)	1,009	2,323

4. 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:

	2021	2020
	\$	\$
Balance, beginning of period	88,000	12,000
Deferred revenue contribution during the	163,067	88,000
Revenue recognized during the period	(88,000)	(12,000)
Balance, end of period	163,067	88,000

Deferred revenues are comprised of the following as at December 31:

	2021
	\$
Ontario Trillium Foundation	69,267
Canada Council for the Arts	60,000
Ontario Cultural Attractions Fund	22,500
The Minister of Canadian heritage	11,300
Total	163,067

5. COMMITMENTS

In 2021, The Orchestra has a one-year lease agreement was signed with the new landlord on August 28, 2020. Future minimum lease payments for the remainder of the lease term as at December 31, 2021, amounted to \$24,490 (2020: \$23,700).

The Canadian Arabic Orchestra

Notes to the Financial Statements

For the Year Ended December 31, 2021

6. 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.

During the year ended December 31, 2021, the Orchestra received \$10,007 (2020: \$42,300) under the COVID-19 Emergency Support Fund program which has been recorded as other income in the statement of revenues and expenditures.

7. COVID-19 EMARGENCY SUPPPORT FUND

The COVID-19 Emergency Support Fund managed by “Canada Council for the Arts” provided emergency funding to eligible Canadian art organizations. It is being distributed to organizations that have applied for and received Canada Council core or project funding within the past three years (April 2017 to April 2021) and can attest to a 25% reduction in their revenues as a result of the effects of the pandemic. The goal of this funding is to maintain jobs and support business continuity for organizations whose cash flow and short-term operational viability have been negatively impacted by the COVID-19 pandemic. The amount granted to the Orchestra from the Canada Council of Arts is \$ 0 in 2021 (\$42,300 in 2020).

This emergency funding complements other economic measures already announced by the Government of Canada, such as the Canada Emergency Response Benefit, the Canada Emergency Wage Subsidy, the Canada Emergency Business Account and the Canada Emergency Commercial Rent Assistance for small businesses. The amount of subsidies received is \$ 10,007 in 2021 (\$0 in 2020).

8. OTHER INCOME

	2021	2020
	\$	\$
CEBA loan- forgivable portion	20,000	-
Forgivable account payable balance	2,303	-
Balance, end of period	22,303	-

The CEBA program offered interest-free loans of up to \$60,000 to small businesses and not-for-profits. Repaying the balance of the loan on or before December 31, 2023 will result in loan forgiveness of up to 33 percent (up to \$20,000) booked as other income.

The remaining portion of other income is relating to forgivable payables.

9. RECLASSIFICATION

Certain comparative figures presented in the financial statements have been reclassified to conform with the current year's presentation.