

THE NATIONAL YOUTH ORCHESTRA ASSOCIATION OF CANADA

Financial Statements

October 31, 2021

THE NATIONAL YOUTH ORCHESTRA ASSOCIATION OF CANADA

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Year Ended October 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Members of The National Youth Orchestra Association of Canada

Qualified Opinion

We have audited the financial statements of The National Youth Orchestra Association of Canada ("NYO Canada"), which comprise the statement of financial position as at October 31, 2021, 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.

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 NYO Canada as at October 31, 2021, 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 charitable organizations, NYO Canada derives revenues from contributions, 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 NYO Canada. Therefore, we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses, and cash flows from operations for the years ended October 31, 2021 and 2020, and current assets and net assets as at October 31, 2021 and 2020 and November 1, 2020 and 2019.

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 NYO Canada's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate NYO Canada or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing NYO Canada'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.

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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 entity'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 entity'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 entity 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.

Toronto, Ontario
February 1, 2022

Hogg, Shain & Scheck PC

Authorized to practise public accounting by the
Chartered Professional Accountants of Ontario

THE NATIONAL YOUTH ORCHESTRA ASSOCIATION OF CANADA

Statement of Financial Position

As at October 31, 2021

	2021	2020
ASSETS		
CURRENT		
Cash	\$ 1,453,806	\$ 982,022
Short-term investments <i>(Note 3)</i>	1,138,523	1,136,014
Accounts receivable	43,465	65,457
Prepaid expenses	26,837	27,300
	<u>2,662,631</u>	2,210,793
CAPITAL ASSETS <i>(Note 4)</i>	<u>15,742</u>	33,465
	<u>\$ 2,678,373</u>	<u>\$ 2,244,258</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 66,517	\$ 79,208
Contribution payable to Ontario Arts Foundation	-	210,621
Deferred revenues <i>(Note 6)</i>	1,029,612	517,894
	<u>1,096,129</u>	807,723
NET ASSETS		
UNRESTRICTED	382,244	236,535
INTERNALLY DESIGNATED <i>(Note 7)</i>	<u>1,200,000</u>	1,200,000
	<u>1,582,244</u>	1,436,535
	<u>\$ 2,678,373</u>	<u>\$ 2,244,258</u>

COMMITMENTS *(Note 8)*

APPROVED ON BEHALF OF THE BOARD

 Director

 Director

See the accompanying notes to these financial statements

THE NATIONAL YOUTH ORCHESTRA ASSOCIATION OF CANADA

Statement of Operations

Year Ended October 31, 2021

	2021	2020
REVENUES		
Government funding <i>(Note 9)</i>	\$ 810,000	\$ 683,763
Private sector contributions	721,994	431,607
Government assistance <i>(Note 10)</i>	179,394	162,352
Investment income	137,708	78,716
Rental income	34,063	33,975
Donations to endowment <i>(Note 5)</i>	32,365	42,599
Other	14,013	14,364
Application and other fees	10,175	36,475
Concerts	45	22,041
EU Outreach Partnership and Canada tour grant	-	289,313
	<u>1,939,757</u>	<u>1,795,205</u>
EXPENSES		
Student training session	302,516	208,434
Administration and general	260,708	262,310
Awards and scholarships	208,750	-
Occupancy	185,523	180,520
Fundraising	144,740	174,667
Tour	120,399	440,576
Professional fees	53,783	28,758
Amortization of capital assets	24,018	26,629
Concert publicity	21,610	8,162
Bank and service charges	8,385	8,806
Tour filming and recording	1,821	451
	<u>1,332,253</u>	<u>1,339,313</u>
EXCESS OF REVENUES OVER EXPENSES BEFORE CONTRIBUTION TO ONTARIO ARTS FOUNDATION	607,504	455,892
Less: Contributions to Ontario Arts Foundation <i>(Note 5)</i>	<u>461,795</u>	<u>250,000</u>
EXCESS OF REVENUES OVER EXPENSES	\$ 145,709	\$ 205,892

See the accompanying notes to these financial statements

THE NATIONAL YOUTH ORCHESTRA ASSOCIATION OF CANADA

Statement of Changes in Net Assets

Year Ended October 31, 2021

	Unrestricted	Internally Designated	2021	2020
NET ASSETS - BEGINNING OF YEAR	\$ 236,535	\$ 1,200,000	\$ 1,436,535	\$ 1,230,643
Excess of revenues over expenses	145,709	-	145,709	205,892
NET ASSETS - END OF YEAR	<u>\$ 382,244</u>	<u>\$ 1,200,000</u>	<u>\$ 1,582,244</u>	<u>\$ 1,436,535</u>

See the accompanying notes to these financial statements

THE NATIONAL YOUTH ORCHESTRA ASSOCIATION OF CANADA

**Statement of Cash Flows
Year Ended October 31, 2021**

	2021	2020
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 145,709	\$ 205,892
Item not affecting cash:		
Amortization of capital assets	24,018	26,629
	<u>169,727</u>	<u>232,521</u>
Changes in non-cash working capital:		
Accounts receivable	21,992	91,485
Prepaid expenses	463	102,959
Accounts payable and accrued liabilities	(12,691)	(9,123)
Deferred revenues	511,718	93,600
	<u>521,482</u>	<u>278,921</u>
Cash flows from operating activities	<u>691,209</u>	<u>511,442</u>
INVESTING ACTIVITIES		
Change in short-term investments (net)	(2,509)	(37,193)
Purchase of capital assets	(6,295)	(11,057)
Increase (decrease) in contribution payable to Ontario Arts Foundation	(210,621)	201,291
Cash flows from (used by) investing activities	<u>(219,425)</u>	<u>153,041</u>
NET INCREASE IN CASH	471,784	664,483
CASH - BEGINNING OF YEAR	982,022	317,539
CASH - END OF YEAR	<u>\$ 1,453,806</u>	<u>\$ 982,022</u>

See the accompanying notes to these financial statements

THE NATIONAL YOUTH ORCHESTRA ASSOCIATION OF CANADA

Notes to Financial Statements

Year Ended October 31, 2021

1. NATURE AND PURPOSE OF THE ORGANIZATION

The National Youth Orchestra Association of Canada ("NYO Canada") is incorporated as a not-for-profit organization without share capital under the Canada Not-for-profit Corporations Act. NYO Canada is exempt from income tax in Canada as a registered charitable organization under the Income Tax Act (Canada).

NYO Canada is primarily a training body dedicated to perfecting the skills and talents of the best young Canadian musicians for careers as professional orchestral players, through short but intensive high-level summer session programs. The performing and touring function of the orchestra remains a vital and integral part of a broader professional instruction program.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements are the representation of management and have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") in Part III of the CPA Canada Handbook and include the following significant accounting policies.

Revenue recognition

NYO Canada follows the deferral method of accounting for restricted contributions. Restricted contributions, including government funding and contributions, are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue, when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Concert and other revenues are recognized as revenue when earned.

Rental income is recognized as revenue in the fiscal year to which it relates.

Students are admitted to the National Youth Orchestra of Canada following successful completion of an audition process. All students pay an application fee to be eligible to audition for the orchestra. The application fees are recognized in revenue in the audition period to which it relates.

Students accepted to the orchestra pay a fee and provide a deposit held on account of the student during the program. Penalties may be applied to a student for contravention of orchestra policies and this amount is taken from the deposit and recorded in revenue. The balance of the deposit is returned to the students at the end of the session.

Investment income is recognized when earned.

Government assistance revenues, including the Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy, are recognized on an accrual basis in the year in which the related eligible expenses are incurred and eligibility criteria is met.

Donated goods and services

Donated goods and services, which are not normally purchased by NYO Canada, are not recorded in the accounts.

The operations of NYO Canada depend on the contribution of time by volunteers, the fair value of which cannot be reasonably determined and are, therefore, not reflected in these financial statements.

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THE NATIONAL YOUTH ORCHESTRA ASSOCIATION OF CANADA

Notes to Financial Statements

Year Ended October 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Scholarships and awards

Scholarships and awards are recorded in the fiscal year that the student participated in the orchestra.

Contributions to Ontario Arts Foundation

Contributions to Ontario Arts Foundation are recorded when approved by the Board of Directors (the "Board").

Prepaid expenses

Prepaid expenses are recorded for goods and services that have been paid for but which will be received in the following year. The balance at year end is composed primarily of last month's rent deposit, and prepaid insurance, travel, and other service contracts.

Capital assets

Capital assets are recorded at cost less accumulated amortization. They are amortized on a straight-line basis over their estimated useful lives as follows:

Musical instruments	5 years
Website	3 years
Computer equipment	3 years

Impairment of long-lived assets

NYO Canada tests for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value. Fair value is determined by the sum of undiscounted cash flows resulting from its use and eventual disposition.

Financial instruments

NYO Canada measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets, except for short-term investments, and financial liabilities at amortized cost. Short-term investments are measured at fair value. Changes in fair value are recognized in the statement of operations.

The financial assets subsequently measured at amortized cost include cash and accounts receivable. The financial liabilities subsequently measured at amortized cost includes accounts payable.

Impairment of financial instruments

Financial assets, measured at cost or amortized cost, are tested for impairment if there are indications of possible impairment. A previously recognized impairment loss may be reversed to the extent of the improvement, either directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal, had the impairment loss not been recognized previously. The amount of any write down or reversal is recognized in excess of revenues over expenses.

Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Such estimates are reviewed periodically and any adjustments are reported in the year in which they become known. Such estimates include the collectability of accounts receivable. Actual results could differ from these estimates.

THE NATIONAL YOUTH ORCHESTRA ASSOCIATION OF CANADA

Notes to Financial Statements

Year Ended October 31, 2021

3. SHORT-TERM INVESTMENTS

Short-term investments are comprised of Canadian money market mutual funds issued by a major Canadian chartered bank.

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Musical instruments	\$ 156,564	\$ 153,415	\$ 3,149	\$ 14,254
Website	22,987	19,156	3,831	11,493
Computer equipment	47,764	39,002	8,762	7,718
	\$ 227,315	\$ 211,573	\$ 15,742	\$ 33,465

5. ENDOWMENT WITH THE ONTARIO ARTS FOUNDATION

The Ontario Arts Foundation ("OAF") holds funds in trust for NYO Canada that are composed of amounts contributed by NYO Canada and various levels of government through matching fund programs. The funds held in trust are administered by the OAF in a separate trust fund. The OAF funds are not reflected in these financial statements.

In 2021, the Board approved contributions to the Arts Endowment Fund of \$461,795 (2020 - \$250,000). Investment income earned on the Arts Endowment Fund is used for operations and the income earned on the OSIN Scholarship Fund is to be used for awards and scholarships. The fund balances at year-end are as follows:

	2021	2020
OSIN Scholarship Fund	\$ 1,272,336	\$ 1,067,725
Government matching funds	1,323,476	949,086
Arts Endowment Fund	1,449,094	846,153
	4,044,906	2,862,964
Contribution payable at year-end	-	210,621
	\$ 4,044,906	\$ 3,073,585

THE NATIONAL YOUTH ORCHESTRA ASSOCIATION OF CANADA

Notes to Financial Statements

Year Ended October 31, 2021

6. DEFERRED REVENUES

Deferred revenues at October 31 comprise the following:

	<u>2021</u>	<u>2020</u>
Department of Canadian Heritage	\$ 462,850	\$ 137,900
JP Memorial Fund	181,737	114,597
RBC Foundation	120,000	100,000
Ontario Arts Council	171,021	-
Scholarship Fund	58,429	129,972
The Azrieli Foundation	25,000	25,000
Prepaid application fees and other	10,575	10,425
	<u>\$ 1,029,612</u>	<u>\$ 517,894</u>

The continuity of deferred revenues is as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 517,894	\$ 424,294
Add: amounts received during the year	2,451,475	1,888,805
Less: amounts recognized as revenues in the year	<u>(1,939,757)</u>	<u>(1,795,205)</u>
Balance, end of year	<u>\$ 1,029,612</u>	<u>\$ 517,894</u>

7. INTERNALLY DESIGNATED NET ASSETS

The Board set aside funds in reserve for future music projects and acquisition of musical instruments not funded through normal operations. These funds will also be applied to support future orchestra tours.

8. COMMITMENTS

NYO Canada has a premises lease that expires in fiscal 2023. Lease commitments, including base rent plus an estimate for additional rent related to NYO Canada's share of property taxes and utilities, as at October 31, 2021, are as follows:

2022	\$ 88,005
2023	51,336

9. GOVERNMENT FUNDING

	<u>2021</u>	<u>2020</u>
Department of Canadian Heritage - Arts Training Fund	\$ 800,000	\$ 391,010
Department of Canadian Heritage - Emergency Support Fund	-	200,000
Ontario Arts Council - Operating	10,000	92,753
	<u>\$ 810,000</u>	<u>\$ 683,763</u>

THE NATIONAL YOUTH ORCHESTRA ASSOCIATION OF CANADA

Notes to Financial Statements

Year Ended October 31, 2021

10. GOVERNMENT ASSISTANCE

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic, which resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. As a result of the public health measures put in place, NYO Canada was required to revise the summer training session to an online format.

The duration and impact of COVID-19 are unknown at this time. It is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results of NYO Canada in future years. NYO Canada continues to closely monitor and assess the impact on operations. It is the opinion of management that NYO Canada will have sufficient resources to mitigate any potential negative impact that may occur in fiscal 2022 as a result of COVID-19.

As part of the response to COVID-19, the federal government introduced the Canada Emergency Wage Subsidy ("CEWS") to assist employers whose activities have been affected by COVID-19. For the period from November 1, 2020 to October 31, 2021, NYO Canada applied for and received \$125,493.

In addition to the CEWS, NYO Canada applied for the Canada Emergency Rent Subsidy ("CERS") to provide relief to small businesses experiencing financial hardship due to COVID-19. For the period from November 1, 2020 to October 31, 2021, NYO Canada applied for and received \$43,105.

11. ALLOCATION OF COSTS

Staff perform more than one function within NYO Canada, and accordingly, their salaries and benefits have been allocated based on the time devoted to each of these functions. These expenses have been allocated in the statement of operations as follows:

	2021	2020
Student training session	\$ 108,198	\$ 179,991
Fundraising	80,048	165,253
Tour	120,348	118,177
Administration and general	189,393	181,423
	<u>\$ 497,987</u>	<u>\$ 644,844</u>

THE NATIONAL YOUTH ORCHESTRA ASSOCIATION OF CANADA

Notes to Financial Statements

Year Ended October 31, 2021

12. FINANCIAL RISKS

Financial instruments expose NYO Canada to risks which may affect the future cash flows of NYO Canada. The following are those financial instrument risks considered particularly significant and their related financial risks:

Credit risk

NYO Canada is exposed to credit risk arising from accounts receivable, which is the risk that a counterparty will fail to perform its obligations. Accounts receivable are regularly monitored to minimize credit risk from uncollected revenue. NYO Canada's losses from credit have been minimal.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in market interest rates. NYO Canada is subject to interest rate risk on its short-term investments. Fluctuations in market interest rates are not expected to significantly affect NYO Canada's cash flows.

It is management's opinion that NYO Canada is not exposed to significant liquidity, currency, or other price risks arising from its financial instruments.
