

The Friends of Orchestral Music (Cape Town)
(Registration number 176-843 NPO)
Annual Financial Statements
for the year ended 31 December 2016

These annual financial statements were prepared by:

Greig Sinclair CA (S.A) RA
Hobbs Sinclair Incorporated
Issued: 04 September 2017

These annual financial statements have been audited in compliance with the applicable requirements of the Constitution of The Friends of Orchestral Music (Cape Town).

The Friends of Orchestral Music (Cape Town)
Annual Financial Statements for the year ended 31 December 2016

Index

The reports and statements set out below comprise the annual financial statements presented to the members:

Index	Page
Committee Member's Responsibilities and Approval	2
Independent Auditor's Report	3 - 5
Committee Member's Report	6
Statement of Financial Position	7
Statement of Comprehensive Income	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Accounting Policies	11 - 12
Notes to the Annual Financial Statements	13 - 14
The following supplementary information does not form part of the annual financial statements and is unaudited:	
Supplementary Information	15

Committee Member's Responsibilities and Approval

The committee is required by the Constitution of The Friends of Orchestral Music (Cape Town), to maintain adequate accounting records, and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the organisation as at the end of the financial period and the results of its operations and cash flows for the period then ended, in conformity with the accounting policies adopted by the association, as disclosed in Note 1 to the annual financial statements, and the requirements of the Constitution.

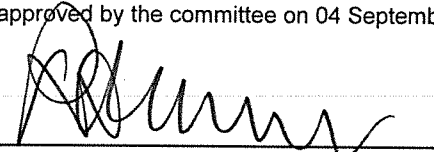
The annual financial statements are prepared in accordance with the accounting policies adopted by the association, as disclosed in Note 1 to the annual financial statements, and the requirements of the Constitution, and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The committee acknowledges that they are ultimately responsible for the system of internal financial control established by the organisation, and place considerable importance on maintaining a strong control environment. To enable the committee to meet these responsibilities, they set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the organisation and all employees are required to maintain the highest ethical standards in ensuring the organisation's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the organisation is on identifying, assessing, managing and monitoring all known forms of risk across the organisation. While operating risk cannot be fully eliminated, the organisation endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The committee is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The committee has reviewed the organisation's cash flow forecast for the year to 31 December 2017 and, in the light of this review and the current financial position, they are satisfied that the organisation has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 6 to 14, which have been prepared on the going concern basis, were approved by the committee on 04 September 2017 and were signed on its behalf by:



Roderick Stevens
Chairperson



Dave van Reenen
Treasurer

Independent Auditor's Report

To the committee members of The Friends of Orchestral Music

Report on the Audit of the Annual Financial Statements

Qualified opinion

We have audited the annual financial statements of The Friends of Orchestral Music (Cape Town) set out on pages 7 to 14, which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effect of the matter described in the basis for qualified opinion section of our report, the annual financial statements present fairly, in all material respects, the financial position of The Friends of Orchestral Music (Cape Town) as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with the accounting policies adopted by the entity, and the requirements of the Constitution of The Friends of Orchestral Music (Cape Town).

Basis for qualified opinion

Completeness of Income

In common with similar organisations, it is not feasible to institute accounting controls over the completeness of donations, fundraising and membership income prior to the initial recognition of such income in the accounting records. We can therefore not conclude on the completeness of such income prior to the receipt thereof into the bank account.

In the absence of a membership listing being provided for the 2016 financial year end, we were unable to determine that the membership fees are valued correctly.

Accuracy and validity of expenditure

We have been unable to obtain sufficient, appropriate audit evidence (being appropriate supporting documentation) relating to *function expenses*, in the amount of R80 688 (out of a total of R287 933 presented). We therefore cannot conclude on the accuracy, validity and accurate classification of such expenditure.

We can confirm that the *sponsorship and donation paid* expenditure has been appropriately authorised as it has been recorded in the minutes of the committee meetings, although R64 000 is not supported by third party confirmations of receipt by the donees (out of the total R553 100 presented).

Emphasis of matter

Without further qualifying our opinion, we draw attention to Note 1.4 to the annual financial statements which indicates that the entity was only registered for Income Tax, and obtained their tax exemption, from 23 August 2016. The committee intend to apply for exemption from income tax retrospectively, if required, on the basis that the exemption has been granted in the current year, and there has been no change in business since the commencement of the organisation.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements of the current period. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matters described in the Basis for Qualified Opinion section, we have determined there are no other key audit matters to communicate in our report.

Independent Auditor's Report

Other information

Supplementary Information

Without further qualifying our opinion, we draw attention to the fact that the supplementary information set out on page 15 does not form part of the annual financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.

Other matters

As part of our audit of the annual financial statements for the year ended 31 December 2016, we have read the committee member's report for the purpose of identifying whether there are any material inconsistencies between that report and the audited annual financial statements. The committee member's report is the responsibility of the committee. Based on reading that report, we have not identified material inconsistencies between it and the audited annual financial statements.

However, we have not audited the committee member's report and accordingly do not express an opinion thereon.

The accounting policies adopted by the organisation do not, and are not intended to, comply with the International Financial Reporting Standard for Small and Medium-sized Entities.

In terms of the IRBA Rule published in Government Gazette No. 39475 dated 04 December 2015, we report that Hobbs Sinclair Incorporated have been appointed as the honorary auditors for the past 2 years.

Responsibilities of the Committee for the Annual Financial Statements

The committee is responsible for the preparation and fair presentation of the annual financial statements in accordance with the accounting policies adopted by the entity, the requirements of the Constitution of the organisation, and for such internal control as the committee determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the committee is responsible for assessing the organisation'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 the committee intends to dissolve the operations of the organisation or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual 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 International Standards on Auditing 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 annual financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual 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 organisation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the committee members.
- Conclude on the appropriateness of the committee members' 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 organisation'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 annual 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 organisation to cease to continue as a going concern.

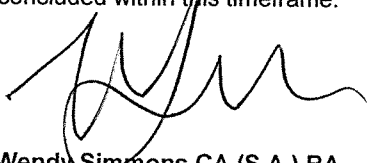
Independent Auditor's Report

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the committee members of the organisation 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.

Report on other legal and regulatory requirements

In terms of paragraph 17 of The Non-Profit Organisations Act, No. 71 of 1997, as well as the Constitution of the organisation, the committee must submit to the Head of Department (or NPO director), within six months after the end of each financial year, a copy of the audited annual financial statements. The annual financial statements were not concluded within this timeframe.



Wendy Simmons CA (S.A.) RA
Hobbs Sinclair Incorporated
Chartered Accountants (S.A.)
Registered Auditor

04 September 2017

8th Floor, Letterstedt House
Newlands on Main
Main Road
Claremont
7708

The Friends of Orchestral Music (Cape Town)

Annual Financial Statements for the year ended 31 December 2016

Committee Member's Report

The committee has pleasure in submitting their report on the annual financial statements of The Friends of Orchestral Music (Cape Town) for the year ended 31 December 2016.

1. Nature of business

The Friends of Orchestral Music consists of a voluntary group of individuals and its main objective in developing, generating and promoting awareness of orchestral music in greater Cape Town and surrounding areas in the Western Cape, and to offer financial support to orchestras and students from disadvantaged communities.

2. Review of financial results and activities

The annual financial statements have been prepared in accordance with the accounting policies adopted by the association as disclosed in Note 1 of the annual financial statements, and the requirements of the Constitution of The Friends of Orchestral Music (Cape Town). The accounting policies have been applied consistently compared to the prior period.

The operating results and state of affairs of the organisation are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

3. Events after the reporting period

On 08 September 2016, The Friends of Orchestral Music was successfully registered as a non-profit organisation with the Department of Social Development (Registration number: 176-843 NPO).

On 28 February 2017, The Friends of Orchestral Music status for income tax exemption was successfully approved in terms of Sections 30(3) and 10(1)(cN) of The Income Tax Act, No. 58 of 1962, with effect from 23 August 2016 (PBO Registration number: 930055453).

On 22 March 2017, Derek Auret stepped down as chairman for The Friends of Orchestral Music. He was replaced by Roderick Stevens on 25 April 2017.

4. Committee members

The members in office at the date of this report are as follows. They will remain in office until the Annual General Meeting scheduled to be held on 25 May 2017.

Committee members	Office	Changes
Derek Auret	Chairperson	Resigned on 22 March 2017
Roderick Stevens	Committee member	Elected Chairperson on 25 April 2017
Isabelle Franzen	Vice-Chairperson	Elected on 29 September 2016
Ruth Allen	Committee member	Resigned on 29 September 2016
Dave van Reenen	Treasurer	
Karinina Ingwersen	Secretary	
Andrew Wilding	Committee member	
Norbert Furnon-Roberts	Committee member	
Shirley Parkfelt	Committee member	
Careen Bernstein	Adhoc committee member	

5. Auditors

Hobbs Sinclair Incorporated have been appointed as honorary auditors to the organisation for the 2016 financial year.

The Friends of Orchestral Music (Cape Town)
Annual Financial Statements for the year ended 31 December 2016

Statement of Financial Position as at 31 December 2016

Figures in Rand	Note(s)	2016	2015
Assets			
Non-Current Assets			
Property, plant and equipment	2	755	5 287
Current Assets			
Cash and cash equivalents	3	403 252	406 075
Total Assets		404 007	411 362
Equity and Liabilities			
Equity			
Retained surplus		404 007	411 362
Total Equity and Liabilities		404 007	411 362

The Friends of Orchestral Music (Cape Town)
Annual Financial Statements for the year ended 31 December 2016

Statement of Comprehensive Income

Figures in Rand	Note(s)	2016	2015
Revenue			
Donations received	A	398 246	498 911
Gala Income		267 069	291 050
Receptions and rehearsals		183 245	202 982
Subscriptions		93 240	57 950
	4	941 800	1 050 893
Other income			
Interest received	5	22 078	13 578
Operating expenses			
Auditors remuneration		25 522	-
Bank charges		10 264	9 889
Commission paid		15 711	17 223
Depreciation		4 532	4 532
Function expenses		353 357	251 979
IT expenses		8 748	-
Loss on disposal of assets		-	1
Sponsorships and donations paid	B	553 100	829 562
		971 234	1 113 186
(Deficit) for the year		(7 356)	(48 715)

The Friends of Orchestral Music (Cape Town)
Annual Financial Statements for the year ended 31 December 2016

Statement of Changes in Equity

Figures in Rand	Retained surplus	Total equity
Balance at 01 March 2015	460 079	460 079
(Deficit) for the year	(48 717)	(48 717)
Balance at 01 January 2016	411 362	411 362
(Deficit) for the year	(7 355)	(7 355)
Balance at 31 December 2016	404 007	404 007

The Friends of Orchestral Music (Cape Town)
Annual Financial Statements for the year ended 31 December 2016

Statement of Cash Flows

Figures in Rand	Note(s)	2016	2015
Cash flows from operating activities			
Cash receipts		941 800	1 129 536
Cash paid		(966 701)	(1 114 791)
Cash (used in) generated from operations	7	(24 901)	14 745
Interest income		22 078	13 578
Net cash from operating activities		(2 823)	28 323
Total cash movement for the year		(2 823)	28 323
Cash at the beginning of the year		406 075	377 752
Total cash at end of the year	3	403 252	406 075

The Friends of Orchestral Music (Cape Town)
Annual Financial Statements for the year ended 31 December 2016

Accounting Policies

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with the accounting policies adopted by the association, and with the requirements of the Constitution of The Friends of Orchestral Music. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rand.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

Key sources of estimation uncertainty

Taxation

Although the entity has been registered as being exempt from income tax, in terms of sections 30(3) and 10(1)(cN) of the Income Tax Act, with effect from 23 August 2016, judgement is required in determining the provision for income taxes, or compliance with the exemption conditions, due to the complexity of legislation. The committee will apply for retrospective application of such exemption, if applicable, and as such, has not raised a provision for taxation on either the current, or prior, financial year ends, as they believe that any surpluses earned, were earned directly in the furtherance of their objective, as has been outlined in their constitution. There has been no change in objective of the organisation.

1.2 Property, plant and equipment

Property, plant and equipment are tangible items that:

- are held for use in the production or supply of goods or services, for rental to others or for administrative purposes; and
- are expected to be used during more than one period.

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses.

Cost includes all costs incurred to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item		Average useful life
Office equipment	Straight line	6 years
Computer software	Straight line	3 years

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss in the period.

1.3 Financial instruments

Initial measurement

Financial instruments are initially measured at the transaction price (including transaction costs).

Financial instruments at amortised cost

These include loans, trade receivables and trade payables. Those debt instruments which meet the criteria in section 11.8(b) of the standard, are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

Financial instruments at cost

Commitments to receive a loan are measured at cost less impairment.

The Friends of Orchestral Music (Cape Town)
Annual Financial Statements for the year ended 31 December 2016

Accounting Policies

1.4 Tax

Tax expenses

No provision is raised for tax as the organisation is exempt from income taxation in terms of Sections 30(3) and 10(1)(cN) of the Income Tax Act.

1.5 Revenue

The association's funding is received throughout the year. General donations income is recognised upon receipt. Donations in kind are not recognised.

All other revenue, including membership fees, is accounted for on the cash basis, being upon receipt.

Interest is recognised, in profit or loss, using the effective interest rate method.

1.6 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

The Friends of Orchestral Music (Cape Town)
Annual Financial Statements for the year ended 31 December 2016

Notes to the Annual Financial Statements

Figures in Rand

2016 2015

2. Property, plant and equipment

	2016			2015		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Computer software	13 595	(12 840)	755	13 595	(8 308)	5 287
Total	13 595	(12 840)	755	13 595	(8 308)	5 287

Reconciliation of property, plant and equipment - 2016

	Opening balance	Depreciation	Total
Computer software	5 286	(4 532)	755
	5 286	(4 532)	755

Reconciliation of property, plant and equipment - 2015

	Opening balance	Disposals	Depreciation	Total
Office equipment	1	(1)	-	-
Computer software	9 818	-	(4 532)	5 286
	9 819	(1)	(4 532)	5 286

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	403 252	406 075
---------------	---------	---------

4. Revenue

Donations received	A	398 246	498 911
Gala Income		267 069	291 050
Receptions and rehearsals		183 245	202 982
Subscriptions		93 240	57 950
		941 800	1 050 893

5. Investment revenue

Interest revenue

Bank	22 078	13 578
------	--------	--------

6. Taxation

No provision has been made for 2016 tax as the association is exempt from income tax, in terms of Sections 30(3) and 10(1)(cN) of the Income Tax Act.

The Friends of Orchestral Music (Cape Town)
Annual Financial Statements for the year ended 31 December 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
7. Cash (used in) generated from operations		
(Deficit) before taxation	(7 355)	(48 717)
Adjustments for:		
Depreciation and amortisation	4 532	4 532
Loss on disposal of assets	-	1
Interest received	(22 078)	(13 578)
Changes in working capital:		
Trade and other receivables	-	72 507
	(24 901)	14 745

8. Related parties

Relationships

Members of key management

Derek Auret - Chairperson (resigned on 22 March 2017)
Ruth Allen - Vice-Chairperson (resigned on 29 September 2016)
Dave van Reenen - Treasurer
Karinina Ingwersen - Secretary
Isabelle Franzen - Committee member (elected Vice-Chairperson on 29 September 2016)
Roderick Stevens - Committee member (elected Chairman on 25 April 2017)
Shirley Parkfelt - Committee member
Norbert Furnon-Roberts - Committee member
Andrew Wilding - Committee member
Careen Bernstein - Adhoc committee member

The Friends of Orchestral Music (Cape Town)
Annual Financial Statements for the year ended 31 December 2016

Supplementary Information

A. Donations received

Donations income in excess of R5 000	2016	2015
D&MA le Jeune	6 500	-
E Oblowitz	20 000	-
Mrs A Fulgham	-	5 000
Gerlinde Moser (Remax)	6 250	-
Leo and Patricia Fine	5 000	-
Leslie Bergman	25 000	-
Naspers Ltd	25 000	-
Nussbaum Foundation	250 000	100 000
ProCape Ericcio	17 646	191 412
Rabie Property Group	-	10 000
Ben Rabinowitz	18 600	7 000
Countess Sylvia Labia	5 000	-
The Friends of Orchestral Music Trust	-	98 048
The Rotary Club of Wynberg	-	10 000
Mrs B Tollman	-	50 000
Other donations less than R5 000	19 250	27 451
	398 246	498 911

B. Sponsorships and donations paid

Donations paid in excess of R5 000	2016	2015
Cape Philharmonic Orchestra	300 000	498 812
E Torres	30 500	-
Franschhoek MTN Music	47 600	-
Hugo Lambrechts	5 000	-
J Armstrong	40 000	-
Lieva Starker	25 000	-
Mars Music	-	5 750
National Youth Music Competition	25 000	-
S Durrant	29 000	-
S Lakay	21 000	-
The Friends of Orchestral Music Trust	-	325 000
University of Stellenbosch - Noluvuyo Nteta	30 000	-
	553 100	829 562