

The Friends of Orchestral Music (Cape Town)

(Registration number 176-843 NPO)
Annual Financial Statements
for the period ended 31 December 2015

These annual financial statements were prepared by:

Greig Sinclair CA (S.A.) RA
Hobbs Sinclair Incorporated
Issued: 17 May 2017

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

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The following supplementary information does not form part of the annual financial statements and is unaudited:

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Committee Member's Responsibilities and Approval

The committee is required by the Constitution of The Friends of Orchestral Music, 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, 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 period to 31 December 2016 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 5 to 14, which have been prepared on the going concern basis, were approved by the committee on 17 May 2017 and were signed on its behalf by:

Derek Auret
Chairperson

Dave van Reenen
Treasurer

Independent Auditors' Report

To the committee members of The Friends of Orchestral Music

We have audited the annual financial statements of The Friends of Orchestral Music (Cape Town), as set out on pages 6 to 14, which comprise the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Committee's Responsibility for the Annual Financial Statements

The organisation's committee members are responsible for the preparation and fair presentation of these annual financial statements 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 for such internal control as the committee determines is necessary to enable the preparation of annual financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organisation's preparation and fair presentation of the annual financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

Opening balances

The prior year annual financial statements were not audited, and we have not been able to obtain sufficient, appropriate audit evidence to test the opening balances, and accordingly we are unable to issue an opinion on the existence, valuation and completeness of the comparative information presented.

Completeness of Income

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

Accuracy and validity of expenses

We have been unable to obtain sufficient, appropriate audit evidence relating to re-imbursments for functions expenditure made to members of the committee, therefore we cannot conclude on the accuracy, or validity, of function expenses. Such expenditure amounts to approximately R23 256.

Independent Auditors' Report

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, 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 2015, and its financial performance and cash flows for the period then ended in accordance with the adopted accounting policies, and the requirements of the Constitution.

Emphasis of Matter

Without 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, 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.

Supplementary information

Without qualifying our opinion, we draw attention to the fact that 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 reports

As part of our audit of the annual financial statements for the year ended 31 December 2015, we have read the committee member's report for the purpose of identifying whether there are 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.

In terms of the IRBA Rule published in Government Gazette No. 39475 dated 04 December 2015, we report that Hobbs Sinclair Incorporated was only appointed as the honorary auditors in the current year.

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

17 May 2017

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

The Friends of Orchestral Music (Cape Town)

Annual Financial Statements for the period ended 31 December 2015

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 period ended 31 December 2015.

1. Nature of business

The association 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. 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, however, we draw your attention to note 10 of the annual financial statements, which discloses a prior year adjustment.

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).

4. Committee members

The members in office at the date of this report are as follows:

Committee members	Office	Appointed
Derek Auret	Chairperson	Appointed 31 March 2015
Ruth Allen	Vice-Chairperson	Appointed 31 March 2015
Dave van Reenen	Treasurer	Appointed 31 March 2015
Karinina Ingwersen	Secretary	Appointed 31 March 2015
Isabelle Franzen	Committee member	Appointed 31 March 2015
Roderick Stevens	Committee member	Appointed 31 March 2015
Shirley Parkfelt	Committee member	Appointed 31 March 2015
Norbert Furnon-Roberts	Committee member	Appointed 31 March 2015
Andrew Wilding	Committee member	Appointed 31 March 2015
Careen Bernstein	Adhoc committee member	Appointed 31 March 2015

5. Auditors

Hobbs Sinclair Incorporated have been appointed as honorary auditors to the organisation for the 2015 financial year.

The Friends of Orchestral Music (Cape Town)

Annual Financial Statements for the period ended 31 December 2015

Statement of Financial Position as at 31 December 2015

Figures in Rand	Note(s)	31 December 2015	31 December 2014
Assets			
Non-Current Assets			
Property, plant and equipment	2	5 287	9 820
Current Assets			
Trade and other receivables	3	-	72 507
Cash and cash equivalents	4	406 075	377 752
		406 075	450 259
Total Assets		411 362	460 079
Equity and Liabilities			
Equity			
Retained surplus		411 362	460 079
Total Equity and Liabilities		411 362	460 079

The Friends of Orchestral Music (Cape Town)

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Statement of Comprehensive Income

Figures in Rand	Note(s)	12 months ended 31 December 2015	10 months ended 31 December 2014
Revenue			
Donations	A	498 911	391 500
Gala Income		291 050	298 050
Receptions and rehearsals		202 982	224 598
Subscriptions		57 950	24 720
	5	1 050 893	938 868
Other income			
Interest received	6	13 578	3 354
Operating expenses			
Bank charges		9 889	8 620
Commission paid		17 223	18 089
Depreciation		4 532	3 776
Sponsorships		829 562	280 000
Function expenses		251 979	312 165
Loss on disposal of assets		1	-
		1 113 186	622 650
(Deficit) / Surplus for the year		(48 715)	319 572

The Friends of Orchestral Music (Cape Town)

Annual Financial Statements for the period ended 31 December 2015

Statement of Changes in Equity

Figures in Rand	Retained surplus	Total equity
Balance at 01 March 2014	140 507	140 507
Surplus for the year	319 572	319 572
Opening balance as previously reported	377 751	377 751
Adjustments		
Prior period error	82 328	82 328
Balance at 01 January 2015 as restated	460 079	460 079
Deficit for the year	(48 717)	(48 717)
Balance at 31 December 2015	411 362	411 362

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Annual Financial Statements for the period ended 31 December 2015

Statement of Cash Flows

Figures in Rand	Note(s)	12 months ended 31 December 2015	10 months ended 31 December 2014
Cash flows from operating activities			
Cash receipts from customers		1 129 536	640 998
Cash paid to suppliers and employees		(1 114 791)	(393 511)
Cash generated from operations	8	14 745	247 487
Interest income		13 578	3 354
Net cash from operating activities		28 323	250 841
Cash flows from investing activities			
Purchase of property, plant and equipment	2	-	(13 594)
Total cash movement for the period		28 323	237 247
Cash at the beginning of the period		377 752	140 505
Total cash at end of the period	4	406 075	377 752

The Friends of Orchestral Music (Cape Town)

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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 26 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, 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.

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

The residual value, depreciation method and useful life of each asset are reviewed at each year end, if there are indicators present that there has been a significant change from the previous estimate.

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 except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial instruments at cost

Equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably are measured at cost less impairment.

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Annual Financial Statements for the period ended 31 December 2015

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 is accounted for on the cash basis.

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.

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Notes to the Annual Financial Statements

Figures in Rand 2015 2014

2. Property, plant and equipment

	2015			2014		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Office equipment	-	-	-	5 357	(5 356)	1
Computer software	13 595	(8 308)	5 287	13 595	(3 776)	9 819
Total	13 595	(8 308)	5 287	18 952	(9 132)	9 820

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

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Depreciation	Total
Office equipment	1	-	-	1
Computer software	-	13 594	(3 776)	9 818
	1	13 594	(3 776)	9 819

3. Trade and other receivables

Receivable : Cape Philharmonic Orchestra - 72 507

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances 406 075 377 752

5. Revenue

Donations	A	498 911	391 500
Gala Income		291 050	298 050
Receptions and rehearsals		202 982	224 598
Subscriptions		57 950	24 720
		1 050 893	938 868

6. Investment revenue

Interest revenue
Bank 13 578 3 354

7. Taxation

No provision has been made for 2015 tax as the association is exempt from income tax, in terms of Sections 30(3) and 10(1)(cN) of the Income Tax Act.

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Notes to the Annual Financial Statements

Figures in Rand	2015	2014
8. Cash generated from operations		
(Deficit) / Surplus before taxation	(48 717)	319 572
Adjustments for:		
Depreciation and amortisation	4 532	3 776
Loss on disposal of assets	1	-
Interest received	(13 578)	(3 354)
Changes in working capital:		
Trade and other receivables	72 507	(72 507)
	14 745	247 487

9. Related parties

Relationships

Members of key management

Derek Auret - Chairperson
Ruth Allen - Vice-Chairperson
Dave van Reenen - Treasurer
Karinina Ingwersen - Secretary
Isabelle Franzen - Committee member
Roderick Stevens - Committee member
Shirley Parkfelt - Committee member
Norbert Furnon-Roberts - Committee member
Andrew Wilding - Committee member
Careen Bernstein - Adhoc committee member

10. Prior period errors

The following errors were identified in the prior year annual financial statements:

a) Revenue and expenses relating to the 2014 Gala had not been appropriately recognised in the prior financial statements, which resulted in an understatement of revenue and expenses. The Cape Philharmonic Orchestra also received monies in excess of the approved donation, which was refunded to the association in January 2015, however, had not been appropriately disclosed as a receivable.

b) The expenditure incurred on website development was incorrectly expensed, and not capitalised and depreciated over its estimated useful life.

c) No statement of changes in equity was presented, and upon casting it, it was noted that the opening balance, plus the income earned for the 2014 financial year end, did not cast to the closing balance presented. The difference was R80 801, such amount has been classified as donations paid in the prior year.

The correction of the errors results in adjustments as follows:

Statement of Financial Position

Property, plant and equipment - Cost	13 595
Property, plant and equipment - Accumulated depreciation	(3 776)
Trade and other receivables	- 72 507
Retained Income	(1 525)
Opening retained earnings	- (80 801)
	-

Statement of Comprehensive Income

Bank Charges	8 256
Commission	18 087
Depreciation	3 776
Donations expense	280 000
Function expenses	(13 594)
Gala Income	(298 050)
	(1 525)

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Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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11. Comparative figures

The prior reporting period is shorter than a year, therefore comparative amounts are not wholly comparable to the current balances.

Certain expenditure, in the comparative figures, has been reclassified, as this provides better information to the users of the annual financial statements.

The effects of the reclassification are as follows:

Statement of Comprehensive Income

Functions income	(136 529)
Receptions and rehearsals income	(40 395)
Sundry expenses	149 968
Bank charges	(973)
Catering expenses	(1 282)
Concert costs	(36 582)
Function expenses	135 397
Travel and accommodation	(110 000)
Receptions and rehearsals expense	40 396
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The Friends of Orchestral Music (Cape Town)

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Supplementary Information

A. Donations received

Donations in excess of R5 000	2015
Fulgham	5 000
Nussbaum Foundation	100 000
ProCape Ericcio	191 412
Rabie	10 000
Rabinowitz	7 000
The Friends of Orchestral Music Trust	98 048
The Rotary Club of Wynberg	10 000
Mrs B Toolman	50 000
Other donations less than R5 000	27 451
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	498 911