

**The Friends of Orchestral Music**  
Annual Financial Statements  
for the year ended 31 December 2015

Draft Annual Financial Statements

*These annual financial statements were prepared by:*

Greig Sinclair CA(S.A) RA  
Hobbs Sinclair Incorporated  
Issued 30 June 2016

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

# The Friends of Orchestral Music

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

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# The Friends of Orchestral Music

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## Committee member's Responsibilities and Approval

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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 year 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 of The Friends of Orchestral Music.

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, the committee sets 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 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 12, which have been prepared on the going concern basis, were approved by the board of directors on 30 June 2016 and were signed on its behalf by:

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**Derek Auret**  
Chairperson

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**Dave van Reenen**  
Treasurer

## Independent Auditors' Report

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### To the committee members of The Friends of Orchestral Music

We have audited the annual financial statements of The Friends of Orchestral Music, as set out on pages 6 to 12, 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 year 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 of The Friends of Orchestral Music, 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.

#### 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 donations income prior to the receipt thereof into the bank account.

### Qualified Opinion

In our opinion, except for the possible effects of the matter 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 as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with the adopted accounting policies, and the requirements of the Constitution of The Friends of Orchestral Music.

# Independent Auditors' Report

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## Supplementary information

Without qualifying our opinion, we draw attention to the fact that supplementary information set out on page 13 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 members 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.

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

**30 June 2016**

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

# The Friends of Orchestral Music

Annual Financial Statements for the year ended 31 December 2015

## Committee Member's Report

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The committee has pleasure in submitting their report on the annual financial statements of The Friends of Orchestral Music for the year ended 31 December 2015.

### 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. The accounting policies have been applied consistently compared to the prior year.

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

The committee is not aware of any material event which occurred after the reporting date and up to the date of this report.

### 4. Committee members

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

<b>Committee members</b>	<b>Office</b>	<b>Appointed</b>
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 has been appointed as auditors for the organisation for the 2015 financial year.

# The Friends of Orchestral Music

Annual Financial Statements for the year ended 31 December 2015

## Statement of Financial Position as at 31 December 2015

Figures in Rand	Note(s)	2015	2014
<b>Assets</b>			
Non-Current Assets			
Property, plant and equipment	2	5 287	9 820
Current Assets			
Cash and cash equivalents	3	406 075	377 752
<b>Total Assets</b>		<b>411 362</b>	<b>387 572</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Retained income		411 362	387 572
<b>Total Equity and Liabilities</b>		<b>411 362</b>	<b>387 572</b>

Draft Annual Financial Statements

# The Friends of Orchestral Music

Annual Financial Statements for the year ended 31 December 2015

## Statement of Comprehensive Income

Figures in Rand	Note(s)	2015	2014
<b>Revenue</b>			
Donations	A	498 911	391 500
Gala Income		291 050	298 050
Receptions and rehearsals		275 489	224 598
Subscriptions		57 950	24 720
	4	<b>1 123 400</b>	<b>938 868</b>
<b>Other income</b>			
Interest received	5	13 578	3 354
<b>Operating expenses</b>			
Bank charges		9 889	8 620
Commission paid		17 223	18 089
Depreciation		4 532	3 776
Donations		829 562	352 507
Function expenses		251 979	312 165
Loss on disposal of assets		1	-
		<b>1 113 186</b>	<b>695 157</b>
<b>Surplus for the year</b>		<b>23 792</b>	<b>247 065</b>



# The Friends of Orchestral Music

Annual Financial Statements for the year ended 31 December 2015

## Statement of Changes in Equity

Figures in Rand	Retained surplus	Total equity
<b>Balance at 01 March 2014</b>	<b>140 507</b>	<b>140 507</b>
<b>Surplus for the year</b>	<b>247 065</b>	<b>247 065</b>
Opening balance as previously reported	458 554	458 554
Adjustments		
Prior period error	(70 982)	(70 982)
<b>Balance at 01 January 2015 as restated</b>	<b>387 572</b>	<b>387 572</b>
<b>Surplus for the year</b>	<b>23 790</b>	<b>23 790</b>
<b>Balance at 31 December 2015</b>	<b>411 362</b>	<b>411 362</b>

Draft Annual Financial Statements

# The Friends of Orchestral Music

Annual Financial Statements for the year ended 31 December 2015

## Statement of Cash Flows

Figures in Rand	Note(s)	2015	2014
<b>Cash flows from operating activities</b>			
Cash receipts from customers		1 129 536	640 998
Cash paid to suppliers and employees		(1 114 791)	(393 511)
Cash generated from operations	6	14 745	247 487
Interest income		13 578	3 354
<b>Net cash from operating activities</b>		<b>28 323</b>	<b>250 841</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	-	(13 594)
<b>Total cash movement for the year</b>		<b>28 323</b>	<b>237 247</b>
Cash at the beginning of the year		377 752	140 505
<b>Total cash at end of the year</b>	3	<b>406 075</b>	<b>377 752</b>

# The Friends of Orchestral Music

Annual Financial Statements for the year ended 31 December 2015

## Accounting Policies

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### 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 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:

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Item	Depreciation method	Average useful life
Office equipment	Straight line	6 years

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#### 1.2 Financial instruments

##### 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.

##### Financial instruments at fair value

All other financial instruments, including equity instruments that are publicly traded or whose fair value can otherwise be measured reliably, are measured at fair value through profit and loss.

#### 1.3 Tax

##### Tax expenses

No provision is raised for tax as the organisation has made an application to be registered as an entity not for gain in terms of the Non-Profit Organisation Act, 1997 and will then be exempt from income taxation in terms of Section 10(1)(cN) of the Income Tax Act.

#### 1.4 Revenue

The association's funding is received throughout the year. General donations income is recognised upon receipt.

All other other revenue is accounted for on the cash basis.

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

#### 1.5 Borrowing costs

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

# The Friends of Orchestral Music

Annual Financial Statements for the year ended 31 December 2015

## 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
<b>Total</b>	<b>13 595</b>	<b>(8 308)</b>	<b>5 287</b>	<b>18 952</b>	<b>(9 132)</b>	<b>9 820</b>

#### Reconciliation of property, plant and equipment - 2015

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

#### Reconciliation of property, plant and equipment - 2014

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

### 3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	406 075	377 752
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### 4. Revenue

Donations	A	498 911	391 500
Gala Income		291 050	298 050
Receptions and rehearsals		275 489	224 598
Subscriptions		57 950	24 720
		<b>1 123 400</b>	<b>938 868</b>

### 5. Investment revenue

#### Interest revenue

Bank	13 578	3 354
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### 6. Cash generated from operations

Surplus before taxation	23 790	247 065
<b>Adjustments for:</b>		
Depreciation and amortisation	4 532	3 776
Loss on disposal of assets	1	-
Interest received	(13 578)	(3 354)
	<b>14 745</b>	<b>247 487</b>

# The Friends of Orchestral Music

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## Notes to the Annual Financial Statements

Figures in Rand

2015

2014

### 7. 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

### 8. Prior period errors

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.

Other revenue and expenses occurred during the 2014 financial year had been incorrectly recognised in the prior financial statements.

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)
Retained Income	70 982
Suspense Account	(80 801)
	<u>-</u>

#### Statement of Comprehensive Income

Bank Charges	8 256
Commission	18 087
Depreciation	3 776
Donations expense	352 507
Function expenses	(13 594)
Gala Income	(298 050)
	<u>70 982</u>

### 9. Comparative figures

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

Certain comparative figures have been reclassified.

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
	<u>-</u>

# The Friends of Orchestral Music

Annual Financial Statements for the year ended 31 December 2015

## Supplementary Information

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### A. Donations received

<b>Donations in excess of R5 000</b>	<b>2015</b>
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
Twelve Apostles	50 000
Other donations less than R5 000	27 451
	<b>498 911</b>

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