

The Friends of Orchestral Music (Cape Town)
(Registration number 176-843 NPO)
Annual Financial Statements
for the year ended 31 December 2019

These annual financial statements were prepared by:

Greig Sinclair CA (S.A.) RA
Hobbs Sinclair Incorporated
Issued: 05 June 2020

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 2019

General Information

| | |
|--|---|
| Country of incorporation and domicile | South Africa |
| Nature of business and principal activities | To raise awareness of orchestral music, raise funds and to support students from disadvantaged communities who are studying the playing of classical music. |
| Registered office | 23 Oxford Street Wynberg 7800 |
| Bankers | The Standard Bank of South Africa Limited |
| Auditors | Hobbs Sinclair Incorporated Chartered Accountants (S.A.) |
| Non Profit Organisation registration | 176-843 NPO |
| Public Benefit Organisation registration number | PBO 930055453 |
| Tax reference number | 9297/822/19/0 |

The Friends of Orchestral Music (Cape Town)

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

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Committee Members' 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 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, 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 2020 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 7 to 16, which have been prepared on the going concern basis, were approved by the committee on 05 June 2020 and signed, on their behalf by:



Roderick Stevens



Isabelle Franzen

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) (the company) set out on pages 8 to 15, which comprise the statement of financial position as at 31 December 2019, 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.

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) for the year ended 31 December 2019, 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

In common with similar organisations, it is not feasible to institute accounting controls over the completeness of donations and fundraising 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. All income is recognised on a cash basis.

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the annual financial statements section of our report.

We have complied with the independence and other ethical requirements of Sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)* and parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes), which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

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

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

Other information

Supplementary information

Without further qualifying our opinion, we draw attention to the fact that the supplementary information set out on page 16 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 2019, we have read the committee members' report for the purpose of identifying whether there are any material inconsistencies between that report and the audited annual financial statements. The committee members' 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 members' report and accordingly do not express an opinion thereon.

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

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 and the requirements of the Constitution of The Friends of Orchestral Music (Cape Town), 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 either intend to liquidate the organisation or to cease operations, or have 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 skepticism 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.
- 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 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 the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Hobbs Sinclair Incorporated has been the auditor of The Friends of Orchestral Music (Cape Town) for 5 years.

These annual financial statements replace those issued on 8 April 2020, which have been recalled due to an understatement of accruals identified at year end.



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

05 June 2020

1st Floor
Constantia Emporium Shopping Mall
Belle Constantia
Cape Town
7806

The Friends of Orchestral Music (Cape Town)

Annual Financial Statements for the year ended 31 December 2019

Committee Members' 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 2019.

1. Nature of business

The Friends of Orchestral Music (Cape Town) 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 of the Western Cape, and to offer financial support to orchestras and students from disadvantaged communities, who are studying the playing of classical music.

2. Review of financial results and activities

The annual financial statements have been prepared in accordance with 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 year.

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

3. Events after the reporting period

The onset of the COVID-19 pandemic will have a substantial impact on the operations of the entity in terms of the contact with members and the fundraising events able to be held, although at the moment, and going into the future, we are cash positive. The FOM has contributed what was possible to their beneficiaries for the period 2020, and will continue to manage their expenditure to reduce overheads as far as possible.

The committee members are not aware of any material event which occurred after the reporting date, and up to the date of this report, which requires further disclosure in the annual financial statements.

4. Committee members

The members in office at the date of this report, and up to the date of the Annual General Meeting, are as follows:

| Committee members | Office | Changes |
|--------------------------|-------------------------------|----------------------------|
| Roderick Stevens | Chairperson | |
| Isabelle Franzen | Vice-Chairperson | |
| Stephen Russo | Treasurer | |
| Dave van Reenen | Committee member - Bookkeeper | |
| Ruth Allen | Honorary member | |
| Norbert Furnon-Roberts | Committee member | Resigned 22 Jan 2020 |
| Johann Gerber | Committee member | |
| Louise Howlett | Committee member | |
| Kai Howie | Committee member | Appointed 14 December 2019 |
| Rian Viviers | Committee member | |
| Careena Bernstein | Ad hoc Committee member | |
| Andrew Wilding | Committee member | Resigned 25 Sept 2019 |

5. Auditors

Hobbs Sinclair Incorporated have been appointed as honorary auditors for the organisation for the 2019 financial year.

The Friends of Orchestral Music (Cape Town)

Annual Financial Statements for the year ended 31 December 2019

Statement of Financial Position as at 31 December 2019

| Figures in Rand | Notes | 2019 | 2018 |
|-------------------------------------|-------|----------------|----------------|
| Assets | | | |
| Non-Current Assets | | | |
| Property, plant and equipment | 2 | 1 | 1 |
| Current Assets | | | |
| Cash and cash equivalents | 3 | 539 470 | 670 115 |
| Total Assets | | 539 471 | 670 116 |
| Equity and Liabilities | | | |
| Equity | | | |
| Retained surplus | | 415 530 | 426 638 |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and other payables | 4 | 123 941 | 243 478 |
| Total Equity and Liabilities | | 539 471 | 670 116 |

The Friends of Orchestral Music (Cape Town)

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Statement of Comprehensive Income

| Figures in Rand | Notes | 2019 | 2018 |
|---------------------------------|-------|-----------------|-----------------|
| Revenue | | | |
| Donations received | A | 440 861 | 246 371 |
| Function income | | 90 501 | 82 700 |
| Rehearsal income | | - | 75 990 |
| Subscriptions | | 58 200 | 88 500 |
| | 5 | 589 562 | 493 561 |
| Operating expenses | | | |
| Accounting and tax | | 7 360 | 16 844 |
| Administration fees | | 1 200 | - |
| Auditors remuneration | | 24 438 | 22 800 |
| Bank charges | | 2 665 | 4 002 |
| Courier charges | | 103 | - |
| Function expenses | | 84 889 | 82 667 |
| Marketing | | 4 000 | - |
| Sponsorships and donations paid | B | 505 956 | 451 443 |
| | | 630 611 | 577 756 |
| Operating deficit | | (41 049) | (84 195) |
| Interest received | | 29 941 | 28 843 |
| (Deficit) for the year | | (11 108) | (55 352) |

The Friends of Orchestral Music (Cape Town)

Annual Financial Statements for the year ended 31 December 2019

Statement of Changes in Equity

| Figures in Rand | Retained surplus | Total equity |
|------------------------------------|------------------|-----------------|
| Balance at 01 March 2015 | 481 990 | 481 990 |
| Deficit for the year | (55 352) | (55 352) |
| Balance at 01 January 2019 | 426 638 | 426 638 |
| Deficit for the year | (11 108) | (11 108) |
| Balance at 31 December 2019 | 415 530 | 415 530 |

The Friends of Orchestral Music (Cape Town)

Annual Financial Statements for the year ended 31 December 2019

Statement of Cash Flows

| Figures in Rand | Notes | 2019 | 2018 |
|---|-------|------------------|----------------|
| Cash flows from operating activities | | | |
| Cash (used in) generated from operations | 8 | (160 586) | 159 283 |
| Interest income | | 29 941 | 28 843 |
| Net cash from operating activities | | (130 645) | 188 126 |
| Total cash movement for the year | | | |
| Cash at the beginning of the year | | 670 115 | 481 989 |
| Total cash at end of the year | 3 | 539 470 | 670 115 |

The Friends of Orchestral Music (Cape Town)

Annual Financial Statements for the year ended 31 December 2019

Accounting Policies

1. Basis of preparation and summary of significant accounting policies

The annual financial statements have been prepared on a going concern basis in accordance with the accounting policies adopted by the association, and with the requirements of the Constitution of The Friends of Orchestral Music (Cape Town). The annual financial statements have been prepared on the historical cost basis. 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

The financial statements do not include assets or liabilities whose carrying amounts were determined based on estimations for which there is a significant risk of material adjustments in the following financial year as a result of the key estimation assumptions.

1.2 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for 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 for using the straight-line method to write down the cost 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 |
|-------------------|----------------------|---------------------|
| Computer software | Straight Line Method | 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 and are subsequently measured at cost.

Financial instruments at cost

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

1.4 Tax

Tax expenses

No provision is raised for tax as the organisation is exempt from income taxation in terms of Section 30(3), 18(A) and 10(1)(cN) of the Income Tax Act, No. 58 of 1962.

The Friends of Orchestral Music (Cape Town)

Annual Financial Statements for the year ended 31 December 2019

Accounting Policies

1.5 Revenue

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

Rehearsal income is receipted on behalf of the Cape Philharmonic Orchestra ("CPO"), the amount receipted (excluding bank charges) is then paid over to the CPO. This is a change in accounting policy from the prior year, where previously the monies were recognised upon receipt, and any payments were treated as donations. The change in accounting policy has been applied prospectively.

All other revenue, including membership fees and other fundraising and function income, is accounted for on the cash basis, being recognised upon receipt.

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

The Friends of Orchestral Music (Cape Town)

Annual Financial Statements for the year ended 31 December 2019

Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|--|-----------------------------|-----------------------------|
| 2. Property, plant and equipment | | |
| | 2019 | 2018 |
| | Cost or revaluation | Accumulated depreciation |
| | Carrying value | Cost or revaluation |
| | Accumulated depreciation | Carrying value |
| Computer software | 13 595 | (13 594) |
| | 1 | 13 595 |
| | (13 594) | 1 |
| Reconciliation of property, plant and equipment - 2019 | | |
| | Opening balance | Closing balance |
| Computer software | 1 | 1 |
| Reconciliation of property, plant and equipment - 2018 | | |
| | Opening balance | Closing balance |
| Computer software | 1 | 1 |
| 3. Cash and cash equivalents | | |
| Cash and cash equivalents consist of: | | |
| Bank balances | 539 470 | 670 115 |
| 4. Trade and other payables | | |
| Accrued expenses | 123 941 | 243 478 |
| 5. Revenue | | |
| Donations received | 440 861 | 246 371 |
| Rehearsal income | - | 75 990 |
| Function income | 90 501 | 82 700 |
| Subscription fees | 58 200 | 88 500 |
| | 589 562 | 493 561 |
| 6. Investment revenue | | |
| Interest revenue | | |
| Bank | 29 941 | 28 843 |
| 7. Taxation | | |
| No provision has been made for 2019 tax as the association is exempt from income tax, in terms of Sections 30(3), 18(A) and 10(1)(cN) of the Income Tax Act, No. 58 of 1962. | | |
| 8. Cash (used in) generated from operations | | |
| (Deficit) for the year | (11 108) | (55 352) |
| Adjustments for: | | |
| Interest received | (29 941) | (28 843) |
| Changes in working capital: | | |
| Trade and other payables | (119 537) | 243 478 |
| | (160 586) | 159 283 |

The Friends of Orchestral Music (Cape Town)

Annual Financial Statements for the year ended 31 December 2019

Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|---|---|--|
| 9. Related parties | | |
| Relationships | | |
| Beneficiaries | | |
| | - Beau Soleil Music Center | |
| | - C Human - Spruitdrift Primary Music Programme | |
| | - Hugo Lambrechts Music Center Development Program | |
| | - SANYO | |
| | - The Franschoek Chamber Music Festival | |
| | - The Stellenbosch International Chamber Music Festival | |
| | - The Cape Philharmonic Youth Orchestra | |
| Related party | The Cape Philharmonic Orchestra | |
| Members of key management | | Refer to Note 4 of the Committee Members' Report |
| Related party balances and transactions with committee members | | |
| Related party balances | | |
| Amounts included in Trade Payables regarding related parties | | |
| The Cape Philharmonic Orchestra | 117 395 | 234 527 |
| Related party transactions | | |
| Transactions with related parties | | |
| Donations to beneficiaries | 341 075 | 294 727 |
| Donation to Cape Town Philharmonic Orchestra | 110 235 | - |
| Expenditure reimbursed to Cape Town Philharmonic Orchestra | - | 64 629 |

The Friends of Orchestral Music (Cape Town)

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Supplementary Information

A. Donations received

| Donations income in excess of R5 000 | 2019 | 2018 |
|---|----------------|----------------|
| AC Pillay | 50 000 | - |
| Anonymous | 9 000 | - |
| Bowmans | 16 000 | - |
| Countess Sylvia Labia | 5 000 | 5 000 |
| Fred Liedtke | 5 000 | - |
| Herbert Glockner | - | 5 000 |
| Joan St Leger Linderberg Trust | 100 000 | - |
| L Lan | - | 20 000 |
| L&P Fine | 7 000 | 7 000 |
| Nussbaum Foundation | 100 000 | 150 000 |
| Other donations less than R5 000 | 19 525 | 48 335 |
| ProCape Ericcio | 19 336 | 11 036 |
| Rotary Wynberg | 100 000 | - |
| W Thijssse | 10 000 | - |
| | 440 861 | 246 371 |

B. Sponsorships and donations paid

| Donations paid in excess of R5 000 | 2019 | 2018 |
|--|----------------|----------------|
| A Lawrence | 8 000 | - |
| A Schonken | - | 20 000 |
| Beau Soleil Music Centre | 80 000 | 15 000 |
| C Human - Spruitdrift Primary Music Programme | 18 575 | 22 000 |
| Cape Town Philharmonic Orchestra | 110 235 | 234 527 |
| Cape Town Philharmonic Youth Orchestra | 40 000 | 15 000 |
| FMR Broadcast - Baroque Festival Chamber Music Concert | 9 000 | - |
| FMR Broadcast - NYMC 2019 | 10 000 | - |
| Flight Centre - J Armstrong | - | 16 986 |
| Flight Centre - JP Gabriels | - | 19 730 |
| Hugo Lambrechts Music Center Development Program | 50 000 | 15 000 |
| Jaydon Martin | 14 646 | - |
| L Starker | - | 8 000 |
| M Roberts | - | 20 000 |
| Other donations less than R5 000 | 5 000 | - |
| S Durrant | 8 000 | - |
| SANYO | 46 500 | - |
| The Franschoek Chamber Music Workshop | 50 000 | 50 000 |
| University of Stellenbosch for the exclusive use of the International Chamber Music Festival | 56 000 | 15 200 |
| | 505 956 | 451 443 |