



REGINA SYMPHONY ORCHESTRA INC.

Financial | 2015
Statements | 2016

Fiscal year: June 1st, 2015 - May 31st, 2016



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Regina Symphony Orchestra Inc. have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of Regina Symphony Orchestra Inc.'s reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Governors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Finance Committee. The Finance Committee is appointed by the Board and meets periodically with management and the members' auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Finance Committee reports to the Board of Governors prior to its approval of the financial statements. The Finance Committee also considers, for review by the Board and approval by the members, the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the members by MWC Chartered Professional Accountants LLP, in accordance with Canadian generally accepted auditing standards.



Executive Director



Chair

Regina, SK
July 18, 2016



Chartered Professional
Accountants LLP

INDEPENDENT AUDITOR'S REPORT

To the Members of Regina Symphony Orchestra Inc.

We have audited the accompanying financial statements of Regina Symphony Orchestra Inc., which comprise the statement of financial position as at May 31, 2016 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 financial statements.

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

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An asset to our clients, not an expense

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Basis for Qualified Opinion

In common with many charitable organizations, the Symphony is unable to economically implement controls that will offer assurance on the completeness of in-kind revenues, donations, special events and other earned revenue, and we are unable to satisfy ourselves on amounts reported using other procedures. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Symphony and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues (expenses), current assets and net assets.

Qualified Opinion

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of Regina Symphony Orchestra Inc. as at May 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

The image shows a handwritten signature in black ink that reads "MWC LLP". The letters are written in a cursive, slightly slanted style.

Chartered Professional Accountants

Regina, Saskatchewan
July 18, 2016

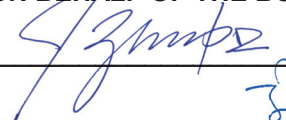

REGINA SYMPHONY ORCHESTRA INC.

Statement of Financial Position

May 31, 2016

	2016	2015
ASSETS		
CURRENT		
Cash and investments (Note 3)	\$ 397,498	\$ 364,323
Accounts receivable	78,060	65,755
Prepaid expenses	12,659	10,538
	<u>488,217</u>	<u>440,616</u>
CAPITAL ASSETS (Note 4)	8,198	11,825
INTANGIBLE ASSETS (Note 5)	11,816	17,724
	<u>\$ 508,231</u>	<u>\$ 470,165</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 46,005	\$ 19,196
Goods and services tax payable	1,552	8,642
Deferred revenue (Note 7)	601,245	687,063
	<u>648,802</u>	<u>714,901</u>
SASK ARTS BOARD LOAN (Note 6)	100,000	100,000
RESTRICTED CONTRIBUTIONS (Note 7)	12,394	12,394
DEFERRED CAPITAL GRANT (Note 8)	6,000	9,000
	<u>767,196</u>	<u>836,295</u>
NET ASSETS	<u>(258,965)</u>	<u>(366,130)</u>
	<u>\$ 508,231</u>	<u>\$ 470,165</u>

ON BEHALF OF THE BOARD

 _____ Director
 _____ Director

See accompanying notes

REGINA SYMPHONY ORCHESTRA INC.

Statement of Operations For the Year Ended May 31, 2016

	2016	2015
REVENUES		
Earned Revenue		
Subscriptions	\$ 481,334	\$ 359,946
Single tickets	313,669	229,340
Contract services - guarantees	79,629	65,313
Special events and other earned revenue	91,753	55,603
Program advertising	11,033	2,496
Interest income	2,084	2,066
	<u>979,502</u>	<u>714,764</u>
Private Sector Revenue		
Donations	173,061	156,032
Event sponsorships	440,269	350,137
Supporting foundations and trusts	85,350	73,440
In kind	113,017	121,441
Business Club - donations	75,099	83,266
Regina Symphony Women's Association	-	5,500
	<u>886,796</u>	<u>789,816</u>
Grants		
City of Regina - annual	137,000	131,000
- project	12,000	-
Canada Council	145,360	145,360
Sask Arts Board - annual	204,600	204,600
- project	38,251	18,000
	<u>537,211</u>	<u>498,960</u>
	<u>2,403,509</u>	<u>2,003,540</u>
EXPENSES		
Amortization of capital assets	5,273	5,297
Amortization of intangible assets	5,908	5,908
Artistic fees and expenses	1,023,863	991,173
Concert production costs	238,794	213,329
Venue and box office cost	183,949	214,629
Publicity and fundraising - purchased	313,870	332,076
- in kind	113,017	121,441
Administration	321,305	317,580
Marketing consulting fee	90,365	-
Search costs for Executive and Music Directors	-	49,511
	<u>2,296,344</u>	<u>2,250,944</u>
EXCESS OF REVENUES (EXPENSES)	<u>\$ 107,165</u>	<u>\$ (247,404)</u>

See accompanying notes

REGINA SYMPHONY ORCHESTRA INC.

Statement of Changes in Net Assets

Year Ended May 31, 2016

	2016	2015
NET ASSETS - BEGINNING OF YEAR	\$ (366,130)	\$ (118,726)
Excess of revenues (expenses)	<u>107,165</u>	<u>(247,404)</u>
NET ASSETS - END OF YEAR	<u>\$ (258,965)</u>	<u>\$ (366,130)</u>

See accompanying notes

REGINA SYMPHONY ORCHESTRA INC.

Statement of Cash Flows

Year Ended May 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Excess of revenues (expenses)	\$ 107,165	\$ (247,404)
Items not affecting cash:		
Amortization of capital assets	5,273	5,297
Amortization of intangible assets	5,908	5,908
	<u>118,346</u>	<u>(236,199)</u>
Changes in non-cash working capital:		
Accounts receivable	(12,305)	16,761
Accounts payable	26,809	(11,793)
Deferred revenue	(85,818)	78,202
Prepaid expenses	(2,121)	(3,424)
Goods and services tax payable	(7,090)	9,868
	<u>(80,525)</u>	<u>89,614</u>
Cash flow from (used by) operating activities	<u>37,821</u>	<u>(146,585)</u>
INVESTING ACTIVITY		
Purchase of capital assets	<u>(1,646)</u>	<u>(1,775)</u>
FINANCING ACTIVITIES		
Capital grants recognized	(3,000)	(3,000)
Proceeds from long term financing	-	100,000
	<u>(3,000)</u>	<u>97,000</u>
Cash flow from (used by) financing activities		
INCREASE (DECREASE) IN CASH FLOW	33,175	(51,360)
CASH - BEGINNING OF YEAR	364,323	415,683
CASH - END OF YEAR	\$ 397,498	\$ 364,323

See accompanying notes

REGINA SYMPHONY ORCHESTRA INC.

Notes to Financial Statements

Year Ended May 31, 2016

1. NATURE OF OPERATIONS

Regina Symphony Orchestra Inc.'s mission is to promote and enhance the performance and enjoyment of live orchestral music in Regina and southern Saskatchewan and contribute to the cultural life of the city, province and nation. It is our vision to present live orchestral music to as wide an audience as possible. The Regina Symphony Orchestra Inc. is a registered charity and is exempt from income taxes under Section 149 of the *Income Tax Act*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Revenue recognition

Regina Symphony Orchestra Inc. follows the deferral method of accounting for contributions. Contributions include donations, sponsorships from businesses, foundations or trusts and grants.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. .

Earned revenue is recognized in the period in which the related event occurs.

Program advertising revenue is recognized in the season in which the advertiser appears in the program.

Lottery income is recognized in the period the draw is made and the winner is announced.

Where a restricted contribution relates to the purchase of a tangible or intangible asset, the revenue is deferred and amortized to income over the useful life of the underlying asset.

A portion of Business Club receipts is viewed as a donation and is included in revenue in the year it is received or receivable. The remainder is a reasonable determination of the cost of goods and services provided to these Club members and is reported as revenue in the period the related costs are incurred.

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REGINA SYMPHONY ORCHESTRA INC.

Notes to Financial Statements

Year Ended May 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Financial assets including cash and accounts receivable are reported at amortized cost. Mutual funds are reported at fair market value.

Financial liabilities including accounts payable and accrued liabilities and long term debt are measured at amortized cost.

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Office equipment	3 years	straight-line method
Musical instruments	5 years	straight-line method
Music library	10 years	straight-line method

The Symphony regularly reviews its capital assets to eliminate obsolete items. One half year's amortization is taken in the year of acquisition.

Intangible assets

Intangible assets are being amortized on a straight-line basis over the estimated useful life as follows:

Revenue Recognition software	5 years
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Allocation of expenses

The Symphony allocates salary and related benefit costs to the functional areas of the operation based on the actual salary costs of specifically identified individuals who render the service. Salaries are not prorated on a percentage basis. Note 13 identifies the salary and benefit costs included in these functional areas.

In a similar manner, administrative costs are not allocated on a percentage basis and costs assigned are directly related to Administration, Concert production costs, Publicity and fundraising and Venue categories.

In-kind revenues/expenses

In the current year, the Symphony received \$113,017 (2015 - \$121,441) of in-kind amounts for advertising, guest artists accommodations and meals. The value of these amounts are included as a revenue with the values of the off setting expenditure reported in the appropriate operating cost category. All in-kind amounts have contracts that identify the service rendered and the value of that service.

REGINA SYMPHONY ORCHESTRA INC.

Notes to Financial Statements

Year Ended May 31, 2016

3. CASH AND INVESTMENTS

	<u>2016</u>	<u>2015</u>
Cash	\$ 392,549	\$ 359,414
Mutual funds	4,949	4,909
	<u>\$ 397,498</u>	<u>\$ 364,323</u>

4. CAPITAL ASSETS

	Cost	Accumulated amortization	<u>2016 Net book value</u>	2015 Net book value
Office equipment	\$ 26,630	\$ 23,422	\$ 3,208	\$ 4,921
Musical instruments	39,655	37,253	2,402	3,496
Music library	30,133	27,545	2,588	3,408
	<u>\$ 96,418</u>	<u>\$ 88,220</u>	<u>\$ 8,198</u>	<u>\$ 11,825</u>

5. INTANGIBLE ASSETS

	Cost	Accumulated amortization	<u>2016 Net book value</u>	2015 Net book value
Revenue recognition software	\$ 29,540	\$ 17,724	\$ 11,816	\$ 17,724

6. SASK ARTS BOARD LOAN

	<u>2016</u>	<u>2015</u>
Long term loan	<u>\$ 100,000</u>	<u>\$ 100,000</u>

In the prior year, the Symphony received a loan from the Sask Arts Board (SAB) in the amount of \$100,000. Principal repayment of the loan will not commence until January 1, 2020. The loan bears interest at 1% per year and is paid annually on December 31. This loan is unsecured but the SAB reserves the right to set-off future funding against the outstanding principal balance.

REGINA SYMPHONY ORCHESTRA INC.

Notes to Financial Statements

Year Ended May 31, 2016

7. DEFERRED REVENUE

Operating Fund:

	<u>2016</u>	<u>2015</u>
Subscriptions	\$ 344,838	\$ 354,369
Single tickets	2,165	2,933
Prepaid sponsorships/grants	242,300	318,300
Business Club - fee for service	5,835	6,917
Prepaid gift certificates	6,107	4,544
	<u>\$ 601,245</u>	<u>\$ 687,063</u>

Restricted Contributions:

The Symphony received a contribution in 2002 which was restricted by the donor for use in the refurbishing and maintenance of the concert grand piano. As at yearend \$12,394 (2015 - \$12,394) remains unused and is being deferred and will be put toward piano maintenance in the future.

8. DEFERRED CAPITAL GRANT

	<u>2016</u>	<u>2015</u>
Saskatchewan Arts Board capital funding - amortized over 5 years.	\$ 6,000	\$ 9,000

In 2014 the Symphony received a grant from the Saskatchewan Arts Board in the amount of \$15,000 for the purchase of new ticketing software. Included in Saskatchewan Arts Board - annual revenue is the current year's grant recognition of \$3,000.

9. LINE OF CREDIT

The Symphony has a \$60,000 line of credit from the Royal Bank of Canada, which bears interest at 2.70% and is secured by the assets and guarantees of the Symphony. At yearend, \$250 (2015 - \$250) of the line of credit has been drawn.

The Symphony has a \$40,000 line of credit from Scotia Bank, which bears interest at bank prime plus 4.5% and is unsecured. At yearend, \$Nil (2015 - \$Nil) of the line of credit has been drawn.

10. ENDOWMENT FUND

Since 2008 the South Saskatchewan Community Foundation Inc. (SSCF), an independent agency, has managed the assets of the former RSO Foundation.

Each year the Symphony is able to withdraw a portion of the accumulated assets based on the provisions for Foundations in the Income Tax Act. In the current year, this amount was \$12,927 (2015 - \$13,705). As of January 1, 2016, the fair value of the assets invested by the SSCF related to this endowment were \$369,326 (2015 - \$400,720).

REGINA SYMPHONY ORCHESTRA INC.

Notes to Financial Statements

Year Ended May 31, 2016

11. LEASE COMMITMENTS

The Symphony has a long term lease with respect to equipment and premises. Both leases contain renewal options and the equipment lease provides for payment of maintenance costs. Future minimum lease payments as at May 31, 2016 are as follows:

2017	\$	48,992
2018		48,992
2019		1,049

12. FINANCIAL INSTRUMENTS

The Symphony is exposed to various risks through its financial instruments and management is responsible to monitor, evaluate and manage these risks. The following analysis provides information about the Symphony's risk exposure and concentration as of May 31, 2016.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Symphony is exposed to credit risk from customers but most of the accounts receivable are due from sponsors, business club members or from purchasers of guarantee services. The Symphony reviews the credit worthiness of its customers and does its best to ensure there is reasonable assurance of collection.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Symphony is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, deferred revenue, and accounts payable.

The Symphony meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flow from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash. The Symphony relies upon the subsequent year subscription receipts to provide a source of cashflow in the last portion of each fiscal year and the start of the new year. If these advance receipts were not available, the Symphony would experience a significant cash shortfall. In addition, the Symphony sought and received a long term loan from the Sask Arts Board which offers favourable interest rates and repayment terms.

Currency risk

Currency risk is the risk to the Symphony's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Symphony does not hold any financial instruments denominated in a foreign currency but the purchase of some services must be settled in US dollars and fluctuations in exchange may increase or decrease forecast costs. The Symphony does not use derivative instruments to reduce its exposure to foreign currency risk.

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REGINA SYMPHONY ORCHESTRA INC.

Notes to Financial Statements

Year Ended May 31, 2016

12. FINANCIAL INSTRUMENTS *(continued)*

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Symphony manages exposure through its normal operating and financing activities. The Symphony is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities. The interest rate associated with long term debt is fixed. At the yearend, the interest rate risk is nominal.

13. ALLOCATION OF EXPENDITURES

Allocation of salary and benefits expenses excluding musicians and the conductor are as follows:

	<u>2016</u>	<u>2015</u>
Administration	\$ 168,444	\$ 166,745
Concert production costs	37,700	20,175
Publicity and fundraising	88,299	117,758
Venue	<u>63,197</u>	<u>63,197</u>
	<u>\$ 357,640</u>	<u>\$ 367,875</u>