

**SASKATOON SYMPHONY
SOCIETY**

FINANCIAL STATEMENTS

MAY 31, 2012

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SASKATOON SYMPHONY SOCIETY

We have audited the accompanying financial statements of Saskatoon Symphony Society which comprise the statement of financial position as at May 31, 2012, and the statements of operations, changes in members' equity 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 generally accepted accounting principles, 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.

Basis for Qualified Opinion

In common with many charitable organizations, Saskatoon Symphony Society derives part of its earnings from fundraising and sponsorship, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of revenue from this source was limited to the amounts recorded in the records of Saskatoon Symphony Society and we were not able to determine whether any adjustments might be necessary to fundraising and sponsorship revenue, excess of revenue over expenses, assets and members' equity.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Saskatoon Symphony Society as at May 31, 2012, its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

September 4, 2012
Saskatoon, Saskatchewan

**SASKATOON SYMPHONY SOCIETY
STATEMENT OF OPERATIONS
year ended May 31, 2012**

	2012	2011
REVENUE		
Earned - Schedule 1	\$ 522,604	\$ 478,112
Fundraising and sponsorship - Schedule 2	454,734	744,190
Grants - Schedule 3	283,438	272,160
Sustain the Music campaign	-	8,000
	<u>1,260,776</u>	<u>1,502,462</u>
EXPENSES		
Administration - Schedule 4	288,463	228,894
Artistic - Schedule 5	707,779	719,405
Marketing and fundraising - Schedule 6	195,394	189,881
Production - Schedule 7	182,355	169,247
Sustain the Music campaign	-	8,000
Writedown of music library	-	45,872
	<u>1,373,991</u>	<u>1,361,299</u>
(DEFICIENCY) EXCESS OF REVENUE		
OVER EXPENSES	<u>\$ (113,215)</u>	<u>\$ 141,163</u>

SASKATOON SYMPHONY SOCIETY
STATEMENT OF CHANGES IN MEMBERS' EQUITY
year ended May 31, 2012

	2012			2011	
	<u>Unrestricted</u>	<u>Investment in Capital Assets</u>	<u>Total</u>	<u>Total</u>	
MEMBERS' EQUITY (DEFICIT), BEGINNING OF YEAR	\$ 21,872	\$ 117,055	\$ 138,927	\$	(2,236)
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	(156,878)	43,663	(113,215)		141,163
INTERFUND TRANSFERS	<u>(30,138)</u>	<u>30,138</u>	<u>-</u>		<u>-</u>
MEMBERS' (DEFICIT) EQUITY, END OF YEAR	\$ <u>(165,144)</u>	\$ <u>190,856</u>	\$ <u>25,712</u>	\$	<u>138,927</u>

SASKATOON SYMPHONY SOCIETY
STATEMENT OF FINANCIAL POSITION
as at May 31, 2012

	2012	2011
CURRENT ASSETS		
Cash	\$ -	\$ 167,012
Investments (Note 4)	32,276	31,807
Accounts receivable	99,307	107,549
Inventory	1,650	1,483
Prepaid expenses	9,955	4,500
	<u>143,188</u>	<u>312,351</u>
CAPITAL ASSETS (Note 5)	<u>190,856</u>	<u>117,055</u>
	<u><u>\$ 334,044</u></u>	<u><u>\$ 429,406</u></u>
CURRENT LIABILITIES		
Bank indebtedness	\$ 29,617	\$ -
Accounts payable and accrued charges	133,241	119,608
Current portion of long-term debt (Note 6)	52,850	37,850
Deferred revenue (Note 7)	60,166	76,564
	<u>275,874</u>	<u>234,022</u>
LONG-TERM DEBT (Note 6)	<u>32,458</u>	<u>56,457</u>
	<u><u>308,332</u></u>	<u><u>290,479</u></u>
MEMBERS' EQUITY (DEFICIT)		
Unrestricted	(165,144)	21,872
Investment in capital assets	190,856	117,055
	<u>25,712</u>	<u>138,927</u>
	<u><u>\$ 334,044</u></u>	<u><u>\$ 429,406</u></u>

APPROVED BY THE BOARD

..... Director

..... Director

SASKATOON SYMPHONY SOCIETY
STATEMENT OF CASH FLOWS
year ended May 31, 2012

	2012	2011
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
(Deficiency) excess of revenue over expenses	\$ (113,215)	\$ 141,163
Adjustments for:		
Donated capital assets	(50,000)	-
Amortization	6,337	1,442
Writedown of music library	-	45,872
Changes in non-cash operating working capital items		
Accounts receivable	8,242	41,811
Inventory	(167)	(617)
Prepaid expenses	(5,455)	(2,500)
Accounts payable and accrued charges	13,633	78,073
Due to Saskatoon Symphony Fund	-	(31,118)
Deferred revenue	(16,398)	(40,949)
	<u>(157,023)</u>	<u>233,177</u>
CASH FLOWS USED IN FINANCING ACTIVITIES		
Repayment of long-term debt	<u>(8,999)</u>	<u>(67,543)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of investments	(469)	(127)
Purchase of capital assets	(30,138)	-
	<u>(30,607)</u>	<u>(127)</u>
NET (DECREASE) INCREASE IN CASH	(196,629)	165,507
CASH POSITION, BEGINNING OF YEAR	<u>167,012</u>	<u>1,505</u>
(BANK INDEBTEDNESS) CASH POSITION, END OF YEAR	<u>\$ (29,617)</u>	<u>\$ 167,012</u>
Supplementary Cash Flow Information	\$ 347	\$ 2,887
Cash interest paid		

**SASKATOON SYMPHONY SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
year ended May 31, 2012**

1. DESCRIPTION OF ACTIVITIES

The Saskatoon Symphony Society (the “Society”) is a non-profit organization designed to promote symphony programs and the presentation of musical programs to schools. As a non-profit organization, the Society is not subject to income tax.

2. CONTINUANCE OF OPERATIONS

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Society will realize the carrying value of its assets and satisfy its obligations as they become due in the normal course of operations. The continuance of the Society is contingent upon maintaining profitable operations.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) and include the following significant accounting policies:

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant area requiring management estimate relate to the determination of value of music inventory. Actual results could differ from those estimates.

Revenue Recognition

The Society follows the deferral method of accounting for contributions. Under this method, contributions from ticket sales, sponsorships, and grants related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses occur.

Contributed Materials

The Society recognizes contributions of materials, but only when a fair value of the contributed materials can be reasonably estimated and when the materials are used in the normal course of the Society's operations and would otherwise have been purchased.

SASKATOON SYMPHONY SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
year ended May 31, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Musical instruments and production and computer equipment are recorded at cost and amortized using the declining balance method at rates used to estimate the assets useful lives. Leasehold improvements are recorded at cost and amortized over the term of the lease. The music library is recorded at net replacement cost and is not amortized.

Members' Equity

Members' equity consists of Unrestricted Funds and Investment in Capital Assets. Unrestricted Funds consist of the operating activities of the Society. Investment in Capital Assets represents those funds that have been used to purchase capital assets.

Financial Instruments

The Society has classified its cash and bank indebtedness as held-for-trading. Accounts receivable are classified as loans and receivables. The Society's investments are classified as held-for-trading. Accounts payable and accrued charges as well as long-term debt are classified as other liabilities. The Society has elected to measure all derivatives and embedded derivatives at fair value. The Society does not use hedge accounting.

The Society has elected to not apply the disclosure and presentation sections of the Canadian Institute of Accounting ("CICA") Handbook Section 3862 and 3863 but to continue to follow the standards set by CICA Handbook Section 3861

Inventory

Inventory is valued at the lower of cost and net realizable value. The cost is determined using the first in first out method.

Pension

Musicians of the Society participate in a multi-employer defined benefit pension plan. The Society follows defined contribution plan accounting for its participation in the plan. Accordingly, the Society expenses all contributions it is required to make in the year.

SASKATOON SYMPHONY SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
year ended May 31, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Future Accounting Change

The Accounting Standards Board has approved a new framework for not-for-profit organizations that is based on existing GAAP and incorporates the 4400 series of standards which relate to situations unique to the not-for-profit sector. The new standards became available December 1, 2010 as Part III of the CICA Handbook - Accounting and are effective for reporting periods beginning on or after January 1, 2012. Also, not-for-profit organizations were given the option of adopting International Financial Reporting Standards, an alternative that may be attractive to some organizations depending on their individual circumstances.

The Society is planning to adopt Part III of CICA Handbook - Accounting as of June 1, 2012 and is in the process of evaluating the impact of these changes on its financial statements.

4. INVESTMENTS

Investments consist of guaranteed investment certificates earning interest at 0.80% maturing between September 11, 2012 and November 20, 2012.

5. CAPITAL ASSETS

	<u>Rates</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value 2012</u>	<u>2011</u>
Musical instruments	10%	\$ 85,842	\$ 36,772	\$ 49,070	\$ 1,745
Production equipment	20%	22,162	20,433	1,729	2,162
Computer equipment	30%	16,673	15,701	972	1,435
Leasehold improvements	10 years	27,669	2,767	24,902	-
Music library	-	114,183	-	114,183	111,713
		<u>\$ 266,529</u>	<u>\$ 75,673</u>	<u>\$ 190,856</u>	<u>\$ 117,055</u>

SASKATOON SYMPHONY SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
year ended May 31, 2012

6. LONG-TERM DEBT

	<u>2012</u>	<u>2011</u>
The Saskatchewan Arts Board loan at Royal Bank of Canada at prime minus 2%; payable in monthly instalments of \$1,000 plus interest with lump sum payments of \$13,000 plus interest due May of each year until the loan is repaid October 31, 2014.	\$ 75,458	\$ 81,457
City of Saskatoon non-interest bearing loan with no specified date for repayment.	<u>9,850</u>	<u>12,850</u>
	<u>85,308</u>	<u>94,307</u>
Current portion	<u>52,850</u>	<u>37,850</u>
	<u>\$ 32,458</u>	<u>\$ 56,457</u>

There are no covenants and there is no security taken with regards to the Society's long-term debt. As of May 31, 2012, the Society was \$18,000 in arrears in its payments to the Saskatchewan Arts Board.

Principal payments required in each of the next three years are as follows:

2013	\$ 52,850
2014	25,000
2015	<u>7,458</u>
	<u>\$ 85,308</u>

7. DEFERRED REVENUE

	<u>2012</u>	<u>2011</u>
City of Saskatoon grant	\$ -	\$ 28,054
Gift certificates	2,307	2,377
Sponsorships	2,000	1,764
Subscriptions	48,278	39,469
Tourism Saskatoon	<u>7,581</u>	<u>4,900</u>
	<u>\$ 60,166</u>	<u>\$ 76,564</u>

SASKATOON SYMPHONY SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
year ended May 31, 2012

8. COMMITMENTS

The Society has a photocopier lease which expires in 2015 and a premises lease which expires in 2021. The minimum amounts payable over the next five years are as follows:

2013	\$	47,120
2014		40,120
2015		40,500
2016		40,500
2017		40,500

9. SASKATOON SYMPHONY FUND

The Saskatoon Symphony Fund is a permanent endowment at the Saskatoon Community Foundation established in 1998. Distributions from this fund are made to the Saskatoon Symphony for whatever purpose the Symphony sees as necessary. As of May 31, 2012, Sustain the Music Campaign has generated a total of \$69,866 (2011 - \$39,118) which was reserved for this Saskatoon Symphony Fund.

10. CAPITAL DISCLOSURES

The Society's objectives when managing capital are to maintain sufficient balances to achieve the purposes of the funds and to ensure compliance with internal and external restrictions placed on those funds.

In the management of capital, the Society includes members' (deficit) equity balances in the definition of capital. The Society is in compliance with all externally imposed capital requirements and restrictions placed by funding agents. For disclosure regarding the Society's long-term debt, refer to Note 6.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Society, through its financial assets and liabilities, has exposure to the following risks. The Society's principal financial assets are cash, investment and accounts receivable which are subject to credit risk. The carrying amount of financial assets on the statement of financial position represents the Society's maximum exposure at the year-end date.

To manage liquidity risk, the Society has an authorized line of credit with a limit of \$60,000. As at May 31, 2012, there was \$29,617 drawn on the line of credit. (2011 - \$nil).

**SASKATOON SYMPHONY SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
year ended May 31, 2012**

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Society's exposure to interest rate risk pertains to investments and the long-term debt, which is subject to future changes in interest rates most notably in that interest on the loan fluctuates with prime.

12. PENSION

Musicians of the Society participate in the American Federation of Musicians and Employers' Pension Fund which is a multi-employer defined benefit retirement plan. The Society's obligation is limited to making required payments in accordance with the collective bargaining agreement.

Pension expense for the year amounted to \$12,463 (2011 - \$12,403) and is included in salaries and benefits on Schedule 5.

13. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

Schedule 1

**SASKATOON SYMPHONY SOCIETY
SCHEDULE OF EARNED REVENUE
year ended May 31, 2012**

	2012	2011
Investment revenue	\$ 761	\$ 274
Other earned revenue	23,068	28,116
Program advertising	24,835	17,287
School concerts	550	1,795
Single tickets	333,341	295,723
Subscriptions	140,049	134,917
	<u>\$ 522,604</u>	<u>\$ 478,112</u>

Schedule 2

SCHEDULE OF FUNDRAISING AND SPONSORSHIP REVENUE

	2012	2011
Book and music sale	\$ 99,530	\$ 119,914
Donated capital assets	50,000	-
Individual donations	98,256	377,882
Other fundraising	21,008	28,425
Planned giving/bequests	40,390	73,481
Sponsorships	145,550	144,488
	<u>\$ 454,734</u>	<u>\$ 744,190</u>

Schedule 3

SCHEDULE OF GRANT REVENUE

	2012	2011
Canada Council for the Arts	\$ 134,000	\$ 134,000
City of Saskatoon	55,971	51,205
Other	18,467	11,955
Saskatchewan Arts Board	75,000	75,000
	<u>\$ 283,438</u>	<u>\$ 272,160</u>

Schedule 4

**SASKATOON SYMPHONY SOCIETY
SCHEDULE OF ADMINISTRATION EXPENSES
year ended May 31, 2012**

	2012	2011
Bank charges and interest	\$ 4,060	\$ 2,810
Amortization	6,337	1,442
Contract services	46,737	11,225
Insurance	4,221	3,934
Interest on long-term debt	-	2,081
Meetings	-	934
Memberships	1,384	1,602
Office		
Equipment	6,427	10,445
Rent	28,621	14,000
Repairs and maintenance	3,790	-
Supplies	4,484	4,260
Utilities	6,507	-
Other	48,665	49,699
Postage	916	3,881
Professional fees	26,351	25,444
Salaries and benefits	95,955	93,585
Telephone	4,008	3,552
	<u>\$ 288,463</u>	<u>\$ 228,894</u>

Schedule 5

SCHEDULE OF ARTISTIC EXPENSES

	2012	2011
Full contract musicians	\$ 278,657	\$ 262,219
Guest artists and conductors	36,647	32,375
Other	26,312	80,696
Per service musicians	243,861	216,643
Salaries and benefits	122,302	127,472
	<u>\$ 707,779</u>	<u>\$ 719,405</u>

Schedule 6

SASKATOON SYMPHONY SOCIETY
SCHEDULE OF MARKETING AND FUNDRAISING EXPENSES
year ended May 31, 2012

	2012	2011
Advertising	\$ 88,708	\$ 71,815
Book and music sale	11,904	4,888
GST expense	2,513	1,482
Promotion	43,034	70,671
Salaries	49,235	41,025
	<u>\$ 195,394</u>	<u>\$ 189,881</u>

Schedule 7

SCHEDULE OF PRODUCTION EXPENSES

	2012	2011
Box office	\$ 24,559	\$ 23,564
Equipment	2,710	6,211
Hall rent	81,578	57,861
Music	7,737	18,668
Other	12,394	27,066
Royalties	4,050	5,626
Technicians and stage hands	49,327	30,251
	<u>\$ 182,355</u>	<u>\$ 169,247</u>