

**ORCHESTRA LONDON CANADA INC.**

**Financial Statements**

**Years Ended June 30, 2012 and 2011**

**ORCHESTRA LONDON CANADA INC.**

**Index to Financial Statements**

**Years Ended June 30, 2012 and 2011**

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## INDEPENDENT AUDITOR'S REPORT

To the Members of Orchestra London Canada Inc.

We have audited the accompanying financial statements of Orchestra London Canada Inc., which comprise the statements of financial position as at June 30, 2012, June 30, 2011 and July 1, 2010, and the statements of revenues and expenditures, changes in deficit and cash flows for the years ended June 30, 2012 and June 30, 2011, 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 audits. We conducted our audits 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 in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.

(continues)

*Basis for Qualified Opinion*

In common with many charitable organizations, the organization derives revenue from donations and special events, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenue over expenditures, current assets and deficit.

*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 contributions referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of Orchestra London Canada Inc. as at June 30, 2012, June 30, 2011 and July 1, 2010 and the results of its operations and its cash flows for the years ended June 30, 2012 and June 30, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

*Emphasis of Matter*

Without modifying our opinion, we draw attention to Note 3 to the financial statements which discusses the fact that the organization's on-going operations are dependent upon the continued financial support of government funders and community support.

London, Canada  
October 30, 2012



NPT LLP  
Chartered Accountants  
Licensed Public Accountants

**ORCHESTRA LONDON CANADA INC.**

**Statements of Financial Position**

**June 30, 2012 and 2011 and July 1, 2010**

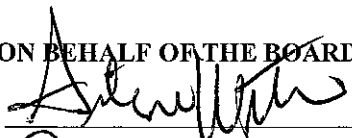
	<i>June 30</i> <b>2012</b>	<i>June 30</i> 2011	<i>July 1</i> 2010
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash	\$ 21,226	\$ 14,426	\$ 16,956
Short term investments	12,029	12,017	12,036
Grants and other receivables	4,671	6,652	45,408
Pledges receivable	60,000	-	-
Prepaid expenses	4,092	17,333	64,006
	<b>102,018</b>	50,428	138,406
Capital assets ( <i>Note 5</i> )	<b>101,140</b>	109,598	123,805
	<b>\$ 203,158</b>	\$ 160,026	\$ 262,211
<b>LIABILITIES AND DEFICIT</b>			
<b>CURRENT</b>			
Bank indebtedness ( <i>Note 6</i> )	\$ 371,498	\$ 202,295	\$ 225,489
Accounts payable and accrued liabilities	69,011	156,609	113,336
Taxes other than income taxes payable	7,663	5,226	29,284
Accrual for unpaid sick leave	123,629	109,771	109,000
Deferred revenue ( <i>Note 7</i> )	610,964	664,225	819,168
Current portion of capital lease obligations ( <i>Note 8</i> )	1,901	7,807	7,556
	<b>1,184,666</b>	1,145,933	1,303,833
Capital lease obligations ( <i>Note 8</i> )	-	931	8,852
Deferred contributions related to capital assets	-	-	4,148
	-	931	13,000
	<b>1,184,666</b>	1,146,864	1,316,833
<b>DEFICIT</b>	<b>(981,508)</b>	(986,838)	(1,054,622)
	<b>\$ 203,158</b>	\$ 160,026	\$ 262,211

GOING CONCERN (*Note 3*)

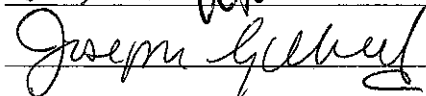
ENDOWMENT FUNDS (*Note 9*)

LEASE COMMITMENTS (*Note 11*)

ON BEHALF OF THE BOARD



Director



Director

See accompanying notes to the financial statements.

**ORCHESTRA LONDON CANADA INC.**

**Statements of Changes in Deficit**

**Years Ended June 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>DEFICIT - BEGINNING OF YEAR</b>	<b>\$ (986,838)</b>	<b>\$ (1,054,622)</b>
Excess of revenues over expenditures	<b>5,330</b>	<b>67,784</b>
<b>DEFICIT - END OF YEAR</b>	<b>\$ (981,508)</b>	<b>\$ (986,838)</b>

See accompanying notes to the financial statements.

**ORCHESTRA LONDON CANADA INC.**  
**Statements of Revenues and Expenditures**  
**Years Ended June 30, 2012 and 2011**

	2012	2011
<b>REVENUES</b>		
Concert ticket sales	\$ 1,135,368	\$ 1,096,144
City of London	482,688	482,688
Community donations and grants	394,405	371,721
Concert sponsorships <i>(Note 12)</i>	382,501	227,195
Ontario Arts Council	246,605	242,125
Canada Council for the Arts	185,000	185,000
Special events	130,375	75,175
Volunteer committee	91,796	75,312
Other	71,624	76,383
Interest	11,856	18,188
	<b>3,132,218</b>	<b>2,849,931</b>
<b>EXPENDITURES</b>		
Musicians	1,172,614	1,170,582
Production <i>(Note 12)</i>	498,095	459,558
Marketing <i>(Note 12)</i>	437,674	345,489
Conductors and guest artists <i>(Note 12)</i>	393,666	303,356
Administration	385,243	374,145
Special events	100,272	17,447
Development and community	62,234	50,489
Interest, bank and credit card charges	51,128	32,611
Volunteer committee	12,982	11,246
Amortization of capital assets	12,253	15,162
Interest on obligations under capital lease	727	2,062
	<b>3,126,888</b>	<b>2,782,147</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR</b>	<b>\$ 5,330</b>	<b>\$ 67,784</b>

See accompanying notes to the financial statements.

**ORCHESTRA LONDON CANADA INC.****Statements of Cash Flows****Years Ended June 30, 2012 and 2011**

	2012	2011
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenditures for the year	\$ 5,330	\$ 67,784
Items not affecting cash:		
Amortization of capital assets	12,253	15,162
Amortization of deferred contributions related to capital assets	-	(4,148)
	<b>17,583</b>	<b>78,798</b>
Changes in non-cash working capital:		
Short term investments	(12)	19
Grants and other receivables	1,981	38,756
Pledges receivable	(60,000)	-
Prepaid expenses	13,241	46,673
Accounts payable and accrued liabilities	(87,598)	43,273
Taxes other than income taxes payable	2,437	(24,058)
Accrual for unpaid sick leave	13,858	771
Deferred revenue	(53,261)	(154,943)
	<b>(169,354)</b>	<b>(49,509)</b>
Cash flow from (used by) operating activities	<b>(151,771)</b>	<b>29,289</b>
<b>INVESTING ACTIVITY</b>		
Purchase of capital assets	(3,795)	(955)
<b>FINANCING ACTIVITY</b>		
Repayment of obligations under capital lease	(6,837)	(7,670)
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>(162,403)</b>	<b>20,664</b>
Deficiency - beginning of year	<b>(187,869)</b>	<b>(208,533)</b>
<b>DEFICIENCY - END OF YEAR</b>	<b>\$ (350,272)</b>	<b>\$ (187,869)</b>
<b>DEFICIENCY CONSISTS OF:</b>		
Cash	\$ 21,226	\$ 14,426
Bank indebtedness	(371,498)	(202,295)
	<b>\$ (350,272)</b>	<b>\$ (187,869)</b>

See accompanying notes to the financial statements.



# ORCHESTRA LONDON CANADA INC.

## Notes to Financial Statements

Years Ended June 30, 2012 and 2011

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### 1. PURPOSE OF THE ORGANIZATION

The organization is incorporated under the Ontario Corporations Act as a not-for-profit organization without share capital and is a registered charity under the Income Tax Act. The organization is active in producing and performing various orchestral performances for the enrichment of the cultural life in London, Ontario and area.

### 2. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). ASNPO are part of Canadian generally accepted accounting principles (GAAP).

### 3. GOING CONCERN

The accompanying financial statements have been prepared on the going concern assumption that the organization will be able to realize its assets and discharge its liabilities in the normal course of operations. Should the organization be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to discharge its liabilities as they become due.

As at June 30, 2012 the organization had a deficit of \$981,508 (2011 - \$986,838).

Management is of the opinion that the necessary resources will become available to the organization through government funding and community support and therefore the use of ASNPO that are applicable to going concerns are appropriate. These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Revenue recognition

The organization uses the deferral method of accounting for contributions. In accordance with this method, donations, pledges and government grants are treated as revenue at the time they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. If donations or government grants are specifically designated by the donor as applying to another fiscal period, are designated for future specific use or they relate to undepreciated capital expenditures the revenue is deferred and recognized as revenue when the related expenditures are incurred.

Advance ticket sales and concert sponsorships are deferred and recorded as revenue when the related event is held.

Donations in kind are recognized at their fair market value.

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# ORCHESTRA LONDON CANADA INC.

## Notes to Financial Statements

Years Ended June 30, 2012 and 2011

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### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Capital assets

Capital assets are stated at cost less accumulated amortization. Contributed capital assets are recorded at fair market value at the date of the contribution. Capital assets are amortized over their estimated useful lives using the declining balance method at the following rates:

Computer hardware and software	30%
Music, musical instruments and instrument bank	5%
Office and stage equipment	20%

When capital assets are retired or otherwise disposed of, the assets and related accumulated amortization thereon are removed from the accounts and the resulting gain or loss is credited or charged to operations.

#### Deferred contributions related to capital assets

Grants and donations received for the purchase of depreciable capital assets are recorded as deferred contributions related to capital assets and amortized over the life of the related asset.

#### Donated services

Any donated goods or services are recorded as revenue and as expense at fair market values determined at the time of donation.

Volunteers contribute many hours per year to enable the organization to carry out its objectives. Because of the difficulty of determining their fair value, contributed services of volunteers are not recognized in the financial statements.

#### 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.

#### Measurement uncertainty

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in operations in the period in which they become known. Actual results could differ from these estimates.

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**ORCHESTRA LONDON CANADA INC.**

**Notes to Financial Statements**

**Years Ended June 30, 2012 and 2011**

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

Changes in accounting policies - Accounting standards for not-for-profit organizations

With regard to the organization's transition from former Canadian GAAP to ASNPO, the organization has made the following elections available under Canadian Institute of Chartered Accountants (CICA) Handbook Section 1501 of ASNPO:

Financial instruments

The organization has applied Handbook Section 3856, "Financial instruments", to the opening statement of financial position for the first year presented in the financial statements for the year of adoption of ASNPO. Any difference between the recognition and measurement of financial instruments at that date, in accordance with Handbook Section 3856, and the prior year's closing statement of financial position is recorded as an adjustment to opening deficit at the date of transition to ASNPO.

Related party transactions

Handbook Section 3840, "Related party transactions", specifies that certain related party transactions shall be measured at the carrying amount and some at the exchange amount. However, under Handbook Section 1501 of ASNPO, the organization is not required to restate assets or liabilities related to transactions with related parties when the related party transaction occurred prior to the date of transition to ASNPO. The organization has used this election.

**ORCHESTRA LONDON CANADA INC.**

**Notes to Financial Statements**

**Years Ended June 30, 2012 and 2011**

**5. CAPITAL ASSETS**

	Cost	Accumulated amortization	2012 Net book value
Computer hardware	\$ 35,287	\$ 22,949	\$ 12,338
Computer software	55,288	52,489	2,799
Instrument bank	17,550	5,447	12,103
Music	63,904	33,518	30,386
Musical instruments	105,501	68,772	36,729
Office equipment	34,047	27,689	6,358
Stage equipment	18,578	18,151	427
	<b>\$ 330,155</b>	<b>\$ 229,015</b>	<b>\$ 101,140</b>

	Cost	Accumulated amortization	2011 Net book value
Computer hardware	\$ 35,287	\$ 17,662	\$ 17,625
Computer software	55,288	51,290	3,998
Instrument bank	17,550	4,810	12,740
Music	60,109	32,018	28,091
Musical instruments	105,501	66,839	38,662
Office equipment	34,047	26,099	7,948
Stage equipment	18,578	18,044	534
	<b>\$ 326,360</b>	<b>\$ 216,762</b>	<b>\$ 109,598</b>

**6. BANK INDEBTEDNESS**

The organization has an operating line of credit available up to \$500,000. This borrowing facility is due on demand and bears interest at prime plus 0.75%, payable monthly. As of June 30, 2012, the organization had a balance outstanding on this line of \$350,000 (2011 - \$170,000). The operating line of credit is secured by a general security agreement over property of the organization and is guaranteed by The Corporation of the City of London.

**7. DEFERRED REVENUE**

	2012	2011
Advance ticket sales	\$ 598,464	\$ 661,725
Advance concert sponsorships	10,000	-
Restricted donation revenue	2,500	2,500
	<b>\$ 610,964</b>	<b>\$ 664,225</b>

**ORCHESTRA LONDON CANADA INC.**

**Notes to Financial Statements**

**Years Ended June 30, 2012 and 2011**

**8. CAPITAL LEASE OBLIGATIONS**

	<b>2012</b>	<b>2011</b>
MCAP Leasing lease bearing interest at 14.29% per annum, repayable in monthly blended payments of \$274. The lease matures on March 1, 2012 and is secured by leased computer equipment.	\$ -	\$ 1,844
MCAP Leasing lease bearing interest at 14.8% per annum, repayable in monthly blended payments of \$366. The lease matures on August 1, 2012 and is secured by leased computer equipment.	1,192	4,754
MCAP Leasing lease bearing interest at 12.36% per annum, repayable in monthly blended payments of \$140. The lease matures on November 1, 2012 and is secured by leased computer equipment.	709	2,140
	<b>1,901</b>	<b>8,738</b>
Amounts payable within one year	<b>(1,901)</b>	<b>(7,807)</b>
	<b>\$ -</b>	<b>\$ 931</b>

Future minimum capital lease payments are approximately:

2013	\$ 1,938
Total minimum lease payments	1,938
Less: amount representing interest at various rates	(37)
Present value of minimum lease payments	1,901
Less: current portion	1,901
	<u>\$ -</u>

**ORCHESTRA LONDON CANADA INC.**

**Notes to Financial Statements**

**Years Ended June 30, 2012 and 2011**

9. ENDOWMENT FUNDS

The endowment funds are as follows:

	2012	2011
London Community Foundation	\$ 82,824	\$ 77,518
Ontario Arts Council Foundation	326,917	328,685
	<b>\$ 409,741</b>	<b>\$ 406,203</b>

The balances in the funds plus accrued income are legally the property of the London Community Foundation and the Ontario Arts Council Foundation respectively, and accordingly, they are not included in the accounts of the Orchestra.

All donations to the funds are endowed in perpetuity. Income earned by the funds will be contributed annually to the Orchestra after deduction of an annual administration fee. Income received for the year ended June 30, 2012 amounted to \$11,844 (2011 - \$18,167).

10. ORCHESTRA LONDON FOUNDATION

Orchestra London Foundation's objectives are to receive and maintain funds to aid Orchestra London Canada Inc., a registered charity, in the pursuit of its objectives. Funds are expended at the discretion of the Board of Directors, unless otherwise directed by the donor.

The assets, liabilities, revenue and expenses of the Orchestra London Foundation as at June 30 and for the years then ended are as follows:

	2012	2011
<b>Financial Position</b>		
Assets	\$ 1,689	\$ 2,092
Liabilities	(301)	(301)
Unrestricted net assets	<b>\$ 1,388</b>	<b>\$ 1,791</b>
<b>Operations</b>		
Revenue	\$ 95	\$ 70
Expenses	(498)	(520)
Deficiency of revenue over expense	<b>\$ (403)</b>	<b>\$ (450)</b>

**ORCHESTRA LONDON CANADA INC.**

**Notes to Financial Statements**

**Years Ended June 30, 2012 and 2011**

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**11. LEASE COMMITMENTS**

The organization is committed under operating leases for office premises and equipment. Future minimum lease payments (net of donations pledged by the landlord as part of the lease agreements) over the next four years are as follows:

2013	\$	52,800
2014		54,700
2015		56,700
2016		<u>35,200</u>
	\$	<u>199,400</u>

**12. DONATIONS IN KIND**

During the year, the organization received in-kind donations of marketing, production and conductors and guest artists expenditures totaling \$188,170 (2011 - \$55,945). These in kind donations are recorded as revenues and expenditures in these financial statements.

**13. FINANCIAL INSTRUMENTS**

The organization is exposed to various risks through its financial instruments. The following analysis provides information about the organization's risk exposure and concentration.

**Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization is exposed to credit risk from patrons. In order to reduce its credit risk, the organization collects concert ticket revenue and sponsorships in advance of the concert or sponsorship opportunity in order to eliminate the risk of non-payment.

The organization is also exposed to credit risk on pledges receivable as the amounts may not be ultimately collected. In order to reduce this credit risk, the organization follows up with uncollected pledges on a regular basis. The organization is not exposed to significant credit risk on the funding it receives from government agencies and affiliates.

**Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization manages its liquidity risk by forecasting its cash needs on a regular basis and seeking additional information based on those forecasts. As disclosed in note 3, the ability of the organization to manage its liquidity is dependent upon the continued financial support of the organization's stakeholders and the generation of operating surpluses.

**Currency risk**

Currency risk is the risk to the organization's operations that arise from fluctuations of foreign exchange rates. The organization is not exposed to significant currency risk.

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## ORCHESTRA LONDON CANADA INC.

### Notes to Financial Statements

Years Ended June 30, 2012 and 2011

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#### 13. FINANCIAL INSTRUMENTS *(continued)*

##### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization's interest bearing assets and liabilities include its line of credit and capital leases payable. The organization is exposed to interest rate risk primarily through its floating interest rate line of credit.

#### 14. INCOME TAX STATUS

The organization is a charitable organization registered under the Canadian Income Tax Act ("the Act") and as such is exempt from income taxes and is allowed to issue donation receipts for income tax purposes. In order to maintain its status as a charitable organization registered under the Act, the organization must meet certain requirements within the Act. In the opinion of management these requirements have been met.

#### 15. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

Effective July 1, 2011, the organization adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting, electing to adopt the new accounting framework: ASNPO. These are the organization's first financial statements prepared in accordance with ASNPO which has been applied retrospectively. The accounting policies set out in the significant accounting policies note have been applied in preparing the financial statements for the year ended June 30, 2012, the comparative information for the year ended June 30, 2011 and in the preparation of the opening ASNPO statement of financial position at July 1, 2010 (the organization's date of transition).

The organization issued financial statements for the year ended June 30, 2011 using Canadian generally accepted accounting principles prescribed by CICA Handbook - Accounting. The adoption of ASNPO has no impact on previously reported assets, liabilities and deficit of the organization, and accordingly, no adjustments have been recorded in the comparative statement of financial position, statement of revenues and expenditures, statement of changes in deficit and the cash flow statement. Certain of the organization's disclosures included in these financial statements reflect the new disclosure requirements of ASNPO.