

**THE COMMUNITY CHEST OF THE WESTERN CAPE  
(REGISTRATION 003-040 NPO)  
AUDITED ANNUAL FINANCIAL STATEMENTS  
AS AT 31 MARCH 2017**

**THE COMMUNITY CHEST OF THE WESTERN CAPE**  
**AUDITED ANNUAL FINANCIAL STATEMENTS AS AT 31 MARCH 2017**

**DIRECTORS:**

**NON-EXECUTIVE**

C Fleurs-Goddard	(Chairman)
E Adams	
M Blomkamp	
M Bosazza	(Vice-chairman)
H Hirsch	
A Woolfson	
M Cornelius	(Appointed 1 April 2017)
C Daries	(Appointed 1 April 2017)
C Duncan	(Appointed 1 April 2017)
G Gunston	(Appointed 1 April 2017)
J Levendal	(Appointed 1 April 2017)
M Magida	(Appointed 1 April 2017)
A Petersen	(Appointed 1 April 2017)

**EXECUTIVE** L Davids

**LEGAL ADVISERS** Cliffe Dekker Hofmeyr Inc.

**BANKERS** First National Bank of Southern Africa Limited

**AUDITORS** Ernst & Young Inc.

**REGISTRATION NUMBER** 003 - 040 NPO

**REGISTERED OFFICE** 82 Bree Street  
Cape Town  
South Africa  
8001

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**APPROVAL OF ANNUAL FINANCIAL STATEMENTS**

The annual financial statements set out on pages 4 to 21 have been approved and are signed on behalf of the board by:

  
**C FLEURS-GODDARD**  
**CHAIRMAN**

  
**L DAVIDS**  
**CHIEF EXECUTIVE**

28 September 2017



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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE COMMUNITY CHEST OF THE WESTERN CAPE**

### **Report on the Audit of the Financial Statements**

#### **Qualified Opinion**

We have audited the financial statements of The Community Chest of the Western Cape set out on pages 6 to 21, which comprise the statement of financial position as at 31 March 2017, and the statement of comprehensive income and accumulated funds, and statement of cash flows for the year then ended, and notes to the 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 financial statements present fairly, in all material respects, the financial position of The Community Chest of the Western Cape as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-Sized Entities.

#### **Basis for Qualified Opinion**

Cash donations and fundraising income are a significant source of income for The Community Chest of the Western Cape. The directors have determined that it is impracticable to establish internal controls over the collection of cash donations and fundraising income prior to the initial entry into its financial records. We were therefore unable to confirm whether all cash donations and fundraising income were recorded.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the entity in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)*, the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (IESBA code)* and other independence requirements applicable to performing the audit of The Community Chest of the Western Cape. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of The Community Chest of the Western Cape.

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

#### **Other Information**

The directors are responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of the Directors for the Financial Statements**

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards for Small and Medium-Sized Entities, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the entity'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 directors either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 ISAs 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 entity'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 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 entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

*Ernst & Young Inc.*  
Ernst & Young Inc.  
Director: Tina Lesley Rookledge  
Registered Auditor  
Chartered Accountant (SA)  
28 September 2017

## THE COMMUNITY CHEST OF THE WESTERN CAPE

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2017

#### NATURE OF BUSINESS

The Community Chest of the Western Cape ("The Chest") is a philanthropic organisation which was founded in Cape Town in 1928 as a conduit for philanthropy in response to a poverty problem in the Western Cape. Funding was directed to organisations providing social relief to those affected by poverty and those living with mental or physical disabilities. Over time The Chest became the first point of call for funding in social welfare and has funded many hundreds of organisations. The Chest also develops and facilitates philanthropy through partnerships with a wide range of donors and social development of donor resources. The Chest acts as an objective and professional community partner to ensure accountability for utilisation of donor resources.

The Chest provides services and advice to enhance the management, financial and skills capacity of 143 Non-Governmental and Community based organisations in the Western and Southern Cape that are engaged in social development.

As The Chest has been approved as a public benefit organisation in terms of Section 30 of the Income Tax Act its receipts and accruals are exempt from income tax in terms of Section 10(1)(cN).

The Chest operates in conjunction with its sister body, The Community Chest of the Western Cape S18A. Donors to the S18A entity enjoy tax relief on their contributions.

#### OPERATING REVIEW AND FINANCIAL PERFORMANCE

The leadership of The Chest has embraced the mandate to transform the organisation into a leading centre of philanthropy. The key objective of The Chest is to make grant funding available to vetted and approved non-profit organisations and in turn the fulfilment of this objective must lead to a safer, prosperous and growing South African society. Therefore the upholding of this mandate has become the foundation of the critical design changes within The Chest. The Chest is dedicated to adding increased value to the grant making process by moving from a broadly defined charity mind-set to a deeper and more structured business mind-set based on intentional development of more meaningful education, health, income generation and community development solutions and impact measurement. This transformation strategy is both costly and necessary to enable the organisation to meet its constitutionally enshrined obligations to non-profit organisations.

During this reporting period total revenue decreased by approximately R25.4 million (2016: R38 million increase). This decrease is largely due to income received in Legacies and Trusts in the prior year from Ms CH Dose and Ms RM Dose and not recurring in the current year. Ms CH Dose and Ms RM Dose, upon their death, very generously bequeathed to The Chest their Trust and Legacy respectively. These funds continue to be held in investment (shares). The Chest has elected not to sell the investments, but to grow them for the purpose of awarding grants to our beneficiaries in future years, as a legacy to Ms CH Dose and Ms RM Dose.

Direct expenditure and administrative overheads decreased by R1.4 million (2016: R1.2 million) mainly as a result of Carnival being held over a split financial year (March 2016 and April 2016). The Board has taken a decision not to host another Carnival. Community investment expenses amounted to R16.5 million (2016: R17.9 million). This resulted in a deficit for the year of R2.0 million (2016: surplus of R22.8 million).

The total investments into Communities of R16.5 million (2016: R17.9 million) for the year, represents a decrease of 7.25% over the previous year. The decrease is due to some allocated funds for the period not being received before the close of the year. The Chest's long term commitment is to see strategic changes in Education, Income Generation, Health and Community Development which will allow our targeted communities to break free from the restricting poverty cycles that they have been in for generations.

The firm resolve of The Chest is to ensure that it remains committed to its task of providing funding to non-profit organisations to impact strategically selected projects in order to combat the devastating consequences of poverty.

The Chest leadership team and staff are aligned to ensuring that the mission and the mandate drive the outcomes of The Chest. The Chest will represent its funders and their interests in a professional and accountable manner. And the needs of communities will be upper most when considering grant applications.

The Chest staff and Board are deeply grateful to those who help support our work of combatting poverty and helping to rebuild human dignity. Our partnerships with government, business and communities are the essential elements of why we have survived year on year. Even in tough economic climates as experienced in the last few years, we have not stepped back from increasing our commitments to those we serve.

## **THE COMMUNITY CHEST OF THE WESTERN CAPE**

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017**

South Africa will need a brave and robust philanthropic sector in order to impact poverty. The Chest will seek to lead that sector with continued bravery, good governance and accountable and professional service.

#### **CAPITAL AND RESERVES**

The Chest maintains reserves to ensure that it can continue its operations in the event of adverse economic and fundraising conditions. It is essential that we are able to maintain the level of financial support that we provide to a multitude of needy organisations as far as is possible.

During the current year the investment portfolio provided both income and growth to support our operations. Investments are realised either when it is appropriate to make changes to the structure of the portfolio or when funding is required to sustain operations. Profits on the sale of investments, which are taken to income, can therefore vary both in timing and quantum. Included in the accumulated funds are unrealised gains and losses on the investment portfolio.

#### **CORPORATE GOVERNANCE**

Details of our governance are set out in the section of responsibility for the financial statements below.

#### **DIRECTORS**

Details of the directors are shown on page 1.

#### **RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The Directors are responsible for the integrity of the annual financial statements.

In order to fulfil this responsibility, The Chest maintains and continuously monitors the accounting and administrative control systems designed to provide assurance that assets are safeguarded and that transactions are executed and recorded in accordance with The Chest's policies and procedures.

The Directors comprise of independent non-executive volunteers who meet periodically with the Chief Executive to manage the strategic direction of the organisation. The audit and risk committee comprises of independent non-executive volunteers, who meet periodically with the external auditors and senior management to assist in determining that internal controls provide reasonable assurance that The Chest's assets are safeguarded and that the financial records may be relied upon for the preparation of the financial statements. The finance committee comprises of independent non-executive volunteers who meet quarterly with senior management to review operating results and to monitor matters relative to The Chest's control environment.

The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, as approved by the International Accounting Standards Board (IASB) as set out in the accounting policies on pages 9 to 13 of the annual financial statements and are examined by our auditors in accordance with International Standards on Auditing.

The Directors confirm that The Chest has adequate resources to operate for the foreseeable future and will remain a viable going concern in the 12 months from the date of signing the annual financial statements.

#### **EVENTS AFTER REPORTING DATE**

No material fact or circumstance has come to the attention of the directors between the reporting date and the date of this report that would require disclosure in or adjustment of the annual financial statements.

THE COMMUNITY CHEST OF THE WESTERN CAPE

STATEMENT OF COMPREHENSIVE INCOME AND ACCUMULATED FUNDS  
FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 R	2016 R
<b>REVENUE</b>		<b>33 686 343</b>	<b>59 096 842</b>
<b>Fundraising</b>		<b>30 986 882</b>	<b>57 330 058</b>
Corporates		2 217 006	1 789 737
Individuals		1 900	-
Legacies		1 687 353	17 296 457
Partnerships		2 250 777	2 119 015
Management fees		340 520	226 145
Capacity building programme		590 872	681 508
Special events		2 009 769	2 315 087
Trusts		21 888 685	32 902 109
<b>Investment income</b>		<b>2 699 461</b>	<b>1 766 784</b>
Dividend income		967 767	624 913
Interest income from financial assets		1 731 694	1 141 871
<b>Other income</b>		<b>697 616</b>	<b>2 947 691</b>
Fair value gains on investments in financial assets		647 978	2 907 403
Miscellaneous income		49 638	40 288
<b>DIRECT EXPENDITURE</b>		<b>(9 225 195)</b>	<b>(11 292 765)</b>
Fundraising		(2 205 924)	(2 953 384)
Special events		(3 591 674)	(4 244 407)
Marketing and public relations		(1 031 609)	(1 677 013)
Grants management and allocations		(2 395 988)	(2 417 961)
<b>OPERATING INCOME</b>		<b>25 158 764</b>	<b>50 751 768</b>
<b>ADMINISTRATIVE OVERHEADS</b>		<b>(10 631 719)</b>	<b>(10 059 094)</b>
<b>NET INCOME BEFORE COMMUNITY INVESTMENT EXPENSES</b>		<b>14 527 045</b>	<b>40 692 674</b>
<b>COMMUNITY INVESTMENT EXPENSES</b>		<b>(16 568 909)</b>	<b>(17 863 762)</b>
Grants awarded to Community Organisations		(10 773 500)	(10 974 932)
Capacity building programme		(1 050 957)	(928 400)
Special projects		(3 248 261)	(4 173 548)
Donations in kind – administration expenses		(1 496 191)	(1 786 882)
<b>(DEFICIT)/SURPLUS FOR THE YEAR</b>	2	<b>(2 041 864)</b>	<b>22 828 912</b>
<b>ACCUMULATED FUNDS AT BEGINNING OF YEAR</b>		<b>76 188 618</b>	<b>53 359 706</b>
<b>ACCUMULATED FUNDS AT END OF YEAR</b>		<b>74 146 754</b>	<b>76 188 618</b>

THE COMMUNITY CHEST OF THE WESTERN CAPE

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	Note	2017 R	2016 R
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	3	5 445 708	4 757 651
Property, plant and equipment	4	1 971 288	2 269 570
Investments in equity instruments	5	69 091 257	68 674 304
		<u>76 508 253</u>	<u>75 701 525</u>
<b>Current assets</b>			
Inventory		73 436	75 000
Trade and other receivables	6	783 231	3 033 897
Cash and cash equivalents	7	693 166	2 189 189
		<u>1 549 833</u>	<u>5 298 086</u>
<b>Total assets</b>		<u><b>78 058 086</b></u>	<u><b>80 999 611</b></u>
<b>FUNDS AND LIABILITIES</b>			
Accumulated funds		<u>74 146 754</u>	<u>76 188 618</u>
		<u>74 146 754</u>	<u>76 188 618</u>
<b>Non-current liabilities</b>			
Post retirement benefit obligation	8	412 159	395 001
Income received in advance	11	974 409	1 674 529
		<u>1 386 568</u>	<u>2 069 530</u>
<b>Current liabilities</b>			
Trade and other payables	9	1 162 315	1 461 303
Provision for leave pay	10	637 199	554 910
Income received in advance	11	725 250	725 250
		<u>2 524 764</u>	<u>2 741 463</u>
<b>Total liabilities</b>		<u><b>3 911 332</b></u>	<u><b>4 810 993</b></u>
<b>Total funds and liabilities</b>		<u><b>78 058 086</b></u>	<u><b>80 999 611</b></u>



THE COMMUNITY CHEST OF THE WESTERN CAPE

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 R	2016 R
<b>Cash flows from operating activities</b>			
Cash (utilised)/generated by operations	12.1	(2 846 929)	19 733 216
Investment income		2 699 461	1 766 784
Dividend income		967 767	624 913
Interest income		1 731 694	1 141 871
Working capital changes	12.2	519 219	(3 183 117)
Net cash inflow from operating activities		371 751	18 316 883
<b>Cash flows from investing activities</b>			
Additions to intangible assets	3	(1 250 000)	(3 775 887)
Additions to property, plant and equipment	4	(85 730)	(53 251)
Proceeds on sale of investments in equity instruments		-	2 325 000
Withdrawals from money market investments		3 250 121	13 223 284
Additions to investments in equity instruments		(3 782 165)	(29 547 246)
Net cash outflow from investing activities		(1 867 774)	(17 828 100)
Net movement in cash and cash equivalents for year		(1 496 023)	488 783
Cash and cash equivalents at beginning of year		2 189 189	1 700 406
Cash and cash equivalents at end of year	7	693 166	2 189 189

**THE COMMUNITY CHEST OF THE WESTERN CAPE**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**

**1 ACCOUNTING POLICIES**

The financial statements set out on pages 4 to 21 are prepared on the going concern basis and are consistent with the prior year. The items in the annual financial statements are measured on a historical cost basis, except for some financial instruments, which are measured at fair value through profit and loss. The annual financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-size Entities (IFRS for SME's) as issued by the International Accounting Standards Board (IASB).

The significant accounting policies are as stated below:

**1.1 Significant accounting judgements and estimates**

**Estimations**

Estimations are made concerning the future at the reporting date regarding the post-retirement medical obligation as well as regarding the useful lives, depreciation rates and residual values of depreciable assets. The estimates and assumptions made by the actuaries are disclosed in Note 8. Amortisation and depreciation rates are disclosed in notes 1.2 and 1.3.

**1.2 Intangible assets**

An intangible asset is an identifiable non-monetary asset without physical substance. The identifiability criterion is met when the intangible asset is separable (that is, it can be sold, transferred, licensed, rented or exchanged), or where it arises from contractual or other legal rights or where it is acquired as part of a business combination.

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Intangible assets are amortised on a systematic basis over the expected useful lives of the intangibles using the straight-line basis. This life is determined based on the contractual period of the asset or on the period of expected use of the asset. Amortisation begins when the intangible asset is available for use, ie. when it is in the location and condition necessary for it to be usable in the manner intended by management. Amortisation ceases when the asset is derecognised. Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The residual value of such assets at the end of their useful lives is assumed to be zero, unless there is either a commitment by a third party to purchase the asset or there is an active market for the asset.

The annual rates applied are as follows:

- |            |                   |
|------------|-------------------|
| • Website  | 33% per annum     |
| • Database | 14 -16% per annum |

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from their use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income and accumulated funds in the period the asset is derecognised.

**1.3 Property, plant and equipment**

Property, plant and equipment are initially recognised at cost, being the cash price equivalent at the recognition date. The cost of an asset comprises any costs incurred in bringing the asset to the location and condition necessary for it to operate as intended by management.

Property, plant and equipment are subsequently stated at cost, less accumulated depreciation and any accumulated impairment. Subsequent costs are included in the assets' carrying amounts or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the items

## THE COMMUNITY CHEST OF THE WESTERN CAPE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

#### 1 ACCOUNTING POLICIES (CONTINUED)

##### 1.3 Property, plant and equipment (continued)

will flow to The Chest and the cost of the items can be measured reliably. All other repairs and maintenance expenditures are expensed to the statement of comprehensive income and accumulated funds during the financial period in which they are incurred. Expenditure incurred to replace or modify a significant component of plant and equipment is capitalised and any remaining carrying value of the component replaced is derecognised in the statement of comprehensive income and accumulated funds.

Property, plant and equipment are depreciated on a straight-line basis at rates estimated to write each asset down to its estimated residual value over the term of its useful life.

The annual rates applied are as follows:

• Motor vehicles	20% per annum
• Furniture and other equipment	10% per annum
• Computer equipment	33% per annum
• Carnival equipment	14 - 16% per annum
• Property and improvements	2 - 8.33% per annum

The assets' residual values, useful lives and rates of depreciation are reviewed if there are indications that the residual value or useful life of an asset has changed since the most recent annual reporting date and adjusted prospectively, if appropriate, at the end of each financial period.

Depreciation commences when assets are available for their intended use.

An assessment is made at each reporting date as to whether there is an indication that an asset may be impaired. If such an indication exists, an impairment test of the asset is performed and The Chest makes an estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use.

Any item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income and accumulated funds in the period the asset is derecognised.

##### 1.4 Retirement benefits

The Chest operates a defined contribution plan, based on a percentage of pensionable earnings funded by both The Chest and employees, the assets of which are held in separate trustee-administered funds. Contributions to this plan are charged to the statement of comprehensive income and accumulated funds in the period to which they relate.

##### Post-retirement medical benefit

The Chest has agreed to provide certain post-retirement medical benefits to a retired senior employee. These benefits are not funded. The present value of future medical aid subsidies in respect of past services is actuarially determined using the projected unit credit method, on an annual basis, and the liability is reflected in the Statement of Financial Position. Any curtailment of benefits or settlement amounts is recognised in the statement of comprehensive income and accumulated funds. Actuarial gains and losses are recognised in the statement of comprehensive income and accumulated funds in the period in which they occur.

##### Short term employee benefit

Short-term employee benefits are recognised in the period of service and are measured on an undiscounted basis. Short-term employee benefits paid in advance are treated as prepayments and are expensed over the period of the benefit.

##### 1.5 Inventory

Inventory, consisting of carnival stock, is valued at the lower of cost, determined on the first-in first-out basis, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

## THE COMMUNITY CHEST OF THE WESTERN CAPE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

#### 1 ACCOUNTING POLICIES (CONTINUED)

##### 1.6 Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to The Chest and the revenue can be reliably measured. Revenue from legacies and trusts consist of donations that The Chest receives from deceased estates and trusts.

The following specific recognition criteria must also be met before revenue is recognised:

Revenue from fundraising is recognised on receipt.  
Revenue from competitions is recognised on receipt.  
Management fees are recognised when due and receivable.

Donations, which are designated for a specific purpose, including capacity building programmes and partnerships are treated as deferred revenue until expended. Unspent amounts are disclosed as income received in advance.

Interest is recognised on a time apportionment basis, which takes into account the effective yield on the asset over the period it is expected to be held.

Dividends are recognised when The Chest's right to receive the payment is established.

Donations in kind relating to inventory and/or property, plant and equipment are recognised at fair value on receipt. This fair value is determined with reference to invoiced amounts received from the relevant donor.

##### 1.7 Leased assets

The determination of whether an arrangement is or contains a lease, is based on the substance of the arrangement at inception date.

All leases are classified as operating leases as none of the risks and rewards incidental to ownership, are transferred to The Chest. The relevant rentals are charged to income on a straight-line basis according to the period of use of the assets concerned. The resulting difference arising from the straight-line basis and contractual cash flows is recognised as an operating lease obligation or asset.

Contingent rental income and expenses are recognised when accrued or incurred.

##### 1.8 Financial instruments

Financial instruments recognised in the Statement of Financial Position include cash and cash equivalents, investments in equity instruments, trade and other receivables and trade and other payables. Financial assets and financial liabilities are initially recognised in the Statement of Financial Position when The Chest becomes bound by the contractual provisions of the instrument.

When a financial asset or a financial liability is recognised initially, it is measured at transaction price plus directly attributable transaction costs (except in the initial measurement of financial assets and liabilities that are measured at fair value through surplus or deficit) unless the arrangement constitutes, in effect a financing transaction. If the arrangement constitutes a financing transaction, The Chest measures the financial instruments at present value of the future cash flows discounted at a market rate of interest. The Chest determines the classification of its financial assets on initial recognition. Subsequent to initial recognition, financial instruments are measured as set out below:

###### Investments in equity instruments

Investments are subsequently measured at fair value with changes in fair value being recognised in the statement of comprehensive income and accumulated funds.

The fair value of investments in equity instruments is determined by reference to quoted market bid prices at the close of business on the statement of financial position date.

###### Trade and other receivables

Trade and other receivables are subsequently measured at amortised cost, less provision for impairment.

## THE COMMUNITY CHEST OF THE WESTERN CAPE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

#### I ACCOUNTING POLICIES (CONTINUED)

##### 1.8 Financial instruments (continued)

###### Cash and cash equivalents

Cash and cash equivalents, consisting of cash on daily call and cash in bank current accounts, are subsequently measured at amortised cost.

###### Trade and other payables

Trade and other payables are subsequently measured at amortised cost.

###### Derecognition

A financial asset is derecognised when:

- The rights to the cash flows from the financial asset expire or are settled or,
- The Chest transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or
- The Chest has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

A financial liability is derecognised when:

- The obligation under the liability is discharged or cancelled or expires

###### Impairment

At the end of each reporting period financial assets measured at amortised cost are assessed for evidence of impairment.

For an instrument measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If such a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, The Chest will reverse the previously recognised impairment loss either directly or by adjusting an allowance account. The reversal will not result in a carrying amount of the financial asset (net of any allowance account) that exceeds what the carrying amount would have been had the impairment not previously been recognised. The Chest will recognise the amount of the reversal in the statement of comprehensive income and accumulated funds immediately.

###### Offset of financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to set off the recognised amounts and there is an intention on a net basis to realise the assets and settle the liabilities.

##### 1.9 Grants awarded to Community Organisations

Grants comprise allocations made to beneficiaries and are recognised as expenses when paid.

##### 1.10 Provisions

A provision is recognised where The Chest has present legal or constructive obligations as a result of past events, reliable estimates of the obligations can be made, and it is probable that outflows of resources embodying economic benefits will be required to settle the obligations. The expense relating to any provision is presented in the statement of comprehensive income and accumulated funds net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using the rate that reflects, where

**THE COMMUNITY CHEST OF THE WESTERN CAPE**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)**

**I ACCOUNTING POLICIES (CONTINUED)**

**1.10 Provisions (continued)**

appropriate, the risks specific to the liabilities. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**1.11 Expenses**

Expenses are recognised when incurred.

THE COMMUNITY CHEST OF THE WESTERN CAPE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

	2017 R	2016 R
<b>2 (DEFICIT)/SURPLUS FOR THE YEAR</b>		
The (deficit)/surplus for the year is stated after:		
Professional services fees	1 452 348	1 447 960
Auditor remuneration		
- current year fee	306 800	295 570
- prior period under provision	35 896	55 309
Financial consulting	108 645	94 286
Legal and other	237 938	193 451
Investment management fee	763 069	809 344
Amortisation (See note 3)	(561 943)	(403 169)
Depreciation (See note 4)	(371 509)	(356 927)
Operating lease expense	837 516	837 516
- Premises	630 191	630 191
- Office machinery	207 325	207 325
Salaries costs	12 460 652	13 348 890
- Management personnel	6 258 295	6 428 374
- Other personnel	6 202 357	6 920 516
Pension fund contribution (included in salary costs above)	1 106 516	1 184 863
Bad debt expense	733 903	-
Number of employees	35	40

	2017		
	Website R	Database under construction R	Total R
<b>3 INTANGIBLE ASSETS</b>			
Beginning of year			
- cost	1 685 820	3 475 000	5 160 820
- accumulated amortisation	(403 169)	-	(403 169)
	1 282 651	3 475 000	4 757 651
Current year movements			
- additions	-	1 250 000	1 250 000
- amortisation	(561 943)	-	(561 943)
<b>Balance at end of year</b>	<b>720 708</b>	<b>4 725 000</b>	<b>5 445 708</b>
Made up as follows:			
- cost	1 685 820	4 725 000	6 410 820
- accumulated amortisation	(965 112)	-	(965 112)
<b>Net book value</b>	<b>720 708</b>	<b>4 725 000</b>	<b>5 445 708</b>

THE COMMUNITY CHEST OF THE WESTERN CAPE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

3 INTANGIBLE ASSETS (CONTINUED)

	2016		
	Website R	Database under construction R	Total R
Beginning of year			
- cost	-	-	-
- accumulated amortisation	-	-	-
Current year movements			
- additions	625 887	3 150 000	3 775 887
- transfers from property, plant and equipment (note 4)	1 059 933	325 000	1 384 933
- amortisation	(403 169)	-	(403 169)
<b>Balance at end of year</b>	<b>1 282 651</b>	<b>3 475 000</b>	<b>4 757 651</b>
Made up as follows:			
- cost	1 685 820	3 475 000	5 160 820
- accumulated amortisation	(403 169)	-	(403 169)
<b>Net book value</b>	<b>1 282 651</b>	<b>3 475 000</b>	<b>4 757 651</b>



THE COMMUNITY CHEST OF THE WESTERN CAPE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

4 PROPERTY, PLANT AND EQUIPMENT

2017

	Property and improvements R	Motor vehicles R	Computer equipment R	Furniture & other equipment R	Carnival equipment R	Total R
Beginning of year	3 070 975	140 553	1 276 489	982 922	639 266	6 110 205
- cost	(1 346 163)	(130 363)	(1 093 808)	(705 328)	(564 973)	(3 840 635)
- accumulated depreciation						
	1 724 812	10 190	182 681	277 594	74 293	2 269 570
Current year movements						
- additions	-	-	55 430	30 300	-	85 730
- disposals/scrapped	-	-	(65 328)	(121 707)	-	(187 035)
- depreciation of assets scrapped	-	-	52 825	121 707	-	174 532
- depreciation	(90 917)	(7 193)	(161 424)	(74 720)	(37 255)	(371 509)
Balance at end of year	1 633 895	2 997	64 184	233 174	37 038	1 971 288
Made up as follows:						
- cost	3 070 975	140 553	1 266 591	891 515	639 266	6 008 900
- accumulated depreciation	(1 437 080)	(137 556)	(1 202 407)	(658 341)	(602 228)	(4 037 612)
Carrying value	1 633 895	2 997	64 184	233 174	37 038	1 971 288

The original cost of the property including improvements is R2 604 974. The property had a valuation of R1 500 000 at 31 March 2017 as assessed by a professional valuer. The property comprises Erf 2090, Cape Town situated at Borwick House, 82 Bree Street, Cape Town.

**THE COMMUNITY CHEST OF THE WESTERN CAPE  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)**

**4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

2016

	Property and improvements R	Motor vehicles R	Computer equipment R	Furniture & other equipment R	Carnival equipment R	Total R
Beginning of year	3 070 975	140 553	2 573 746	1 017 347	639 266	7 441 887
- cost	(1 255 246)	(123 170)	(949 804)	(643 434)	(512 054)	(3 483 708)
- accumulated depreciation						
Current year movements						
- additions	-	-	38 384	14 867	-	53 251
- transfers to intangible assets (note 3)	-	-	(1 335 641)	(49 292)	-	(1 384 933)
- depreciation of assets reallocated	-	-	(11 564)	11 564	-	-
- depreciation	(90 917)	(7 193)	(132 440)	(73 458)	(52 919)	(356 927)
Balance at end of year	1 724 812	10 190	182 681	277 594	74 293	2 269 570
Made up as follows:						
- cost	3 070 975	140 553	1 276 489	982 922	639 266	6 110 205
- accumulated depreciation	(1 346 163)	(130 363)	(1 093 808)	(705 328)	(564 973)	(3 840 635)
Carrying value	1 724 812	10 190	182 681	277 594	74 293	2 269 570

**THE COMMUNITY CHEST OF THE WESTERN CAPE**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)**

	2017 R	2016 R
<b>5 INVESTMENTS IN EQUITY INSTRUMENTS</b>		
Listed shares	28 708 947	27 021 067
Unit trusts	39 880 568	41 646 821
Money market accounts	501 742	6 416
	<u>69 091 257</u>	<u>68 674 304</u>
<b>6 TRADE AND OTHER RECEIVABLES</b>		
Carnival deposit	-	1 745 440
Sundry debtors	219 006	534 810
Receivables from:	388 193	491 108
The Community Chest of the Western Cape S18A	388 193	257 806
The Community Chest of South Africa	-	233 302
VAT receivable	127 349	218 698
Prepayments	36 907	41 931
Staff loans	11 776	1 910
	<u>783 231</u>	<u>3 033 897</u>

The staff loans are interest free, unsecured and are payable on demand.

The amounts receivable from The Community Chest of the Western Cape S18A and The Community Chest of South Africa are unsecured, interest free and payable on demand.

<b>7 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents comprise:		
Daily call accounts	275 210	529 005
Current accounts	417 956	1 660 184
	<u>693 166</u>	<u>2 189 189</u>

The interest rates on the call and current accounts are floating rates linked to the prime lending rate.

**8 POST RETIREMENT BENEFIT OBLIGATION**

The Chest has agreed to provide certain post-retirement medical aid benefits to a retired senior employee. These benefits are not funded.

The following tables summarise the components of the net benefit expense recognised in the statement of comprehensive income and accumulated funds and the amounts recognised in the statement of financial position for the plan.

	2017 R	2016 R
Net benefit expense:		
Interest cost	34 406	30 949
Actuarial losses on obligation	42 092	36 664
Net benefit expense	<u>76 498</u>	<u>67 613</u>
Net benefit obligation:		
Defined benefit obligation	<u>412 159</u>	<u>395 001</u>

**THE COMMUNITY CHEST OF THE WESTERN CAPE**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)**

**8 POST RETIREMENT BENEFIT OBLIGATION (CONTINUED)**

Changes in the present value of the defined benefit obligation, as determined by the comprehensive actuarial valuation as at 31 March 2017, are as follows:

	2017 R	2016 R
Opening defined benefit obligation	395 001	381 715
Interest cost	34 406	30 949
Benefit payments	(59 340)	(54 327)
Actuarial losses on obligation	42 092	36 664
Closing defined benefit obligation	<u>412 159</u>	<u>395 001</u>

The principle assumptions used in determining the post retirement medical aid benefit obligation are shown below:

	2017	2016
Discount rate	9.0%	9.3%
Medical inflation rate	7.5%	8.0%

Sensitivity analysis:

Effect on the aggregate current interest cost of

	Increase 1% R	Decrease 1% R
Discount rate	36 024	31 952
Medical inflation	35 884	32 449
Effect on the defined benefit obligation		
Discount rate	393 410	432 665
Medical inflation	431 949	393 741

Amounts for the current and previous three periods are as follows:

	2017 R	2016 R	2015 R	2014 R
Defined benefit obligation	412 159	395 001	381 715	368 004
Experience adjustments on plan liabilities	42 092	36 664	33 513	6 465

**9 TRADE AND OTHER PAYABLES**

	2017 R	2016 R
The Community Chest of the Western Cape Section 18A	262 660	148 285
Trade creditors	239 127	743 075
Sundry creditors and accruals	652 728	562 493
Staff savings	7 800	7 450
	<u>1 162 315</u>	<u>1 461 303</u>

The amount payable to The Community Chest of the Western Cape S18A is interest free, unsecured and is payable on demand. Terms of payment for trade creditors and sundry creditors and accruals are between 30 and 60 days.

THE COMMUNITY CHEST OF THE WESTERN CAPE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

	2017 R	2016 R
<b>10 PROVISIONS</b>		
<b>Provision for leave pay</b>		
Balance at beginning of year	554 910	559 145
Increase in provision	1 076 488	958 712
Amount utilised during the year	<u>(994 199)</u>	<u>(962 947)</u>
Balance at end of the year	<u>637 199</u>	<u>554 910</u>
<b>11 INCOME RECEIVED IN ADVANCE</b>		
<b>Anonymous donor</b>		
Balance at beginning of year	2 399 779	2 969 803
Investment growth	2 213	129 636
Reinvested investment income	49 523	64 886
Administration fees paid	(26 606)	(39 546)
Grants paid	<u>(725 250)</u>	<u>(725 000)</u>
Subtotal	1 699 659	2 399 779
Transferred to current liabilities	<u>(725 250)</u>	<u>(725 250)</u>
Balance at end of year	<u>974 409</u>	<u>1 674 529</u>
<b>12 NOTES TO THE STATEMENT OF CASH FLOWS</b>		
<b>12.1 Cash (utilised)/generated by operations</b>		
(Deficit)/surplus for the year	(2 041 864)	22 828 912
Adjustments for:		
Amortisation	561 943	403 169
Depreciation	371 509	356 927
Dividend income	(967 767)	(624 913)
Interest income from financial assets	(1 731 694)	(1 141 871)
Fair value gains on investments in financial assets	(647 978)	(2 907 403)
Management fee income capitalised to investments	(7 114)	(8 963)
Investment management fees deducted from investments	770 183	818 307
Post retirement benefit obligation movement	17 158	13 286
Provision for leave pay	82 289	(4 235)
Loss on scrapped assets	12 503	-
Bad debt expense	<u>733 903</u>	<u>-</u>
	<u>(2 846 929)</u>	<u>19 733 216</u>
<b>12.2 Working capital changes</b>		
Decrease /(Increase) in inventory	1 564	96 653
Decrease /(Increase) in trade and other receivables	1 516 763	(1 460 755)
Decrease in trade and other payables	(298 988)	(1 248 991)
Decrease in income received in advance	<u>(700 120)</u>	<u>(570 024)</u>
	<u>519 219</u>	<u>(3 183 117)</u>

## THE COMMUNITY CHEST OF THE WESTERN CAPE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

#### 13 RETIREMENT BENEFIT INFORMATION

The Chest participates in a pension fund for eligible employees. The fund constitutes a defined contribution plan and is governed by the Pension Funds Act of South Africa (Act 24 of 1956, as amended). The Chest is committed in terms of the rules of the fund, to contribute 7.5% of the pensionable emoluments of the members in its employ. Contributions by The Chest to the fund for the current period amounted to R1 106 516 (2016: R1 184 863).

#### 14 OPERATING LEASE COMMITMENT

The Chest has entered into various operating leases in respect of equipment and premises. The monthly lease payments amount to R791 283 (2016: R744 384). Future minimum rentals under non-cancellable leases are as follows:

	2017 R	2016 R
Within one year	863 849	874 331
Between two and five years	239 220	861 880
Future lease payments	<u>1 103 069</u>	<u>1 736 211</u>

#### 15 TAXATION

As The Chest is registered as a Public Benefit Organisation in terms of Section 30 of the Income Tax Act, its receipts and accruals are exempt from tax in terms of section 10(1)(cN) of the Income Tax Act.

#### 16 RELATED PARTIES

Related parties exist between The Community Chest of the Western Cape and The Community Chest of The Western Cape Section 18A, as these entities are under common control. The directors of The Community Chest of the Western Cape are also the directors of The Community Chest of the Western Cape Section 18A. Refer to note 6 and note 9 for the loan amount due to The Community Chest of the Western Cape Section 18A. An administration fee of R330 520 (2016: R216 145) was charged to The Community Chest of the Western Cape Section 18A during the year. The outstanding balance as at 31 March 2017 is R262 660 (2016: R148 285).

Related parties exist between The Community Chest of the Western Cape and The Community Chest of South Africa. During the year, The Community Chest of the South Africa repaid the outstanding balance.

A related party relationship exists between The Community Chest of the Western Cape and Computer Specialists (Pty) Ltd. The Chairperson of the Board is also a director and owner of Computer Specialists (Pty) Ltd. During the current year, The Chest purchased software from Computer Specialist (Pty) Ltd totalling R1 250 000 (2016: R3 150 000). The transaction was subjected to a rigorous tender process and is therefore considered to be at arm's length.