

THE COMMUNITY CHEST OF THE WESTERN CAPE SECTION 18A

(REGISTRATION 016-287 NPO)

AUDITED ANNUAL FINANCIAL STATEMENTS

AS AT 31 MARCH 2017

THE COMMUNITY CHEST OF THE WESTERN CAPE SECTION 18A

ANNUAL FINANCIAL STATEMENTS 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

016 – 287 NPO

REGISTERED OFFICE

82 Bree Street
Cape Town
South Africa
8001

CONTENTS

	Page
Independent auditor's report	2-3
Directors' report	4 - 5
Statement of comprehensive income and accumulated funds	6
Statement of financial position	7
Statement of cash flows	8
Notes to the financial statements	9 - 11

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 4 to 11 have been approved and are signed on behalf of the board by:


C FLEURS-GODDARD
CHAIRMAN


L DAVIDS
CHIEF EXECUTIVE

28 September 2017



Ernst & Young Incorporated
3rd floor, Waterway House
3 Dock Road
V&A Waterfront
PO Box 656
Cape Town 8000

Tel +27 (0) 21 443 0200
Fax +27 (0) 21 443 1200
DoceX 57 Cape Town
ey.com

Co. Reg No 2005/002308/21

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE COMMUNITY CHEST OF THE WESTERN CAPE SECTION 18A

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of The Community Chest of the Western Cape Section 18A set out on page 6 to 11, 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 Section 18A 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 Section 18A. 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 Section 18A. 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 Section 18A.

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 SECTION 18A

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.

Where a donor requires a Section 18A certificate, the donation is recorded in The Community Chest of the Western Cape 18A entity ("The Chest S18A"). This entity is the sister entity of The Chest with the same Board of Directors responsible for both entities. These financial statements should therefore be read in conjunction with those of The Chest to enable a true appreciation for the events and activities of the combined organisations.

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).

Donors to The Chest S18A entity are entitled to 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 loosely 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 initiatives 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 year, fundraising income in The Chest S18A increased to R3 305 205 (2016: R2 701 818). This is largely due to increased income from Corporates and the timing of corporate income.

For both reporting periods, grants to beneficiaries are for the welfare year 1 April to 31 March. As many of our beneficiaries have registered as Section 18A organisations, we have been able to distribute 100% of our reserves to beneficiaries. Grants paid out for the year were R2 966 758 (2016: R2 472 686).

The firm resolve of The Chest S18A 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 S18A leadership team and staff are aligned to ensuring that the mission and the mandate drive the outcomes of The Chest S18A. The Chest S18A 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 S18A 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.

South Africa will need a brave and robust philanthropic sector in order to impact poverty. The Chest S18A will seek to lead that sector with continued bravery, good governance and accountable and professional service.

THE COMMUNITY CHEST OF THE WESTERN CAPE SECTION 18A

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

CORPORATE GOVERNANCE

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

DIRECTORS

Details of the directorate are shown on page 1.

EVENTS AFTER THE REPORTING PERIOD

No material fact or circumstance has occurred between the reporting date and the date of this report.

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 S18A 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 S18A'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 external auditors and senior management to assist in determining that internal controls provide reasonable assurance that The Chest S18A's assets are safeguarded and that the financial records may be relied upon for the preparation of the annual 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 S18A's control environment.

The annual financial statements are prepared on the basis of accounting as set out in the accounting policies on pages 8 and 9 of the annual financial statements and are examined by our auditors in accordance with International Standards on Auditing.

The directors confirm that The Chest S18A 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.

THE COMMUNITY CHEST OF THE WESTERN CAPE SECTION 18A

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

	Note	2017 R	2016 R
REVENUE		3 309 447	2 702 603
Fundraising		3 305 205	2 701 818
Corporates		1 371 125	461 189
Individuals		515 460	777 925
Give As You Earn (GAYE) Staff schemes		1 418 620	1 462 704
Investment income		4 242	785
Interest		4 242	785
ADMINISTRATIVE OVERHEADS		(342 689)	(229 917)
NET INCOME BEFORE COMMUNITY INVESTMENT EXPENSES	2	2 966 758	2 472 686
COMMUNITY INVESTMENT EXPENSES			
Grants awarded to Community Organisations		(2 966 758)	(2 472 686)
SURPLUS FOR THE YEAR		-	-
ACCUMULATED FUNDS AT BEGINNING OF YEAR		-	-
ACCUMULATED FUNDS AT END OF YEAR		-	-

THE COMMUNITY CHEST OF THE WESTERN CAPE SECTION 18A

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	Note	2017 R	2016 R
ASSETS			
Current assets			
Trade and other receivables	3	310 332	179 945
Cash and cash equivalents	4	<u>77 861</u>	<u>77 861</u>
Total assets		<u>388 193</u>	<u>257 806</u>
FUNDS AND LIABILITIES			
Accumulated funds			
		<u>-</u>	<u>-</u>
Current liabilities			
Trade and other payables	5	<u>388 193</u>	<u>257 806</u>
Total funds and liabilities		<u>388 193</u>	<u>257 806</u>

COMMUNITY CHEST OF THE WESTERN CAPE SECTION 18A

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 R	2016 R
Cash flows from operating activities			
Cash utilised by operations	6.1	(4 242)	(785)
Interest income		4 242	785
Working capital changes	6.2	<u>-</u>	<u>-</u>
Net cash flows from operating activities		<u>-</u>	<u>-</u>
Net movement in cash and cash equivalents for the year		-	-
Cash and cash equivalents at beginning of year		<u>77 861</u>	<u>77 861</u>
Cash and cash equivalents at end of year	4	<u>77 861</u>	<u>77 861</u>

THE COMMUNITY CHEST OF THE WESTERN CAPE SECTION 18A

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

1 ACCOUNTING POLICIES

The financial statements set out on pages 6 to 11 are prepared on the going concern basis and are consistent with the prior year. The items in the financial statements are measured on a historical cost basis. The financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized 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

Judgements

The directors were not required to make any significant judgements at the statement of financial position date.

Estimations

The directors were not required to make any estimates or key assumptions concerning the future at the statement of financial position date.

1.2 Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to The Chest S18A and the revenue can be reliably measured.

Corporate revenue and Individuals revenue are donations received from Corporates and Individuals respectively.

Give As You Earn Staff scheme revenue are donations received from individuals set up as an automatic monthly payroll deduction donation.

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

Revenue from fundraising is recognised on receipt.

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.

1.3 Financial instruments

Financial instruments recognised in the Statement of Financial Position include cash and cash equivalents, trade and other receivables (including a loan receivable) and trade and other payables. Financial assets and financial liabilities are initially recognised in the Statement of Financial Position when The Chest S18A 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 and loss) unless the arrangement constitutes, in effect a financing transaction. If the arrangement constitutes a financing transaction, The Chest S18A measures the financial instruments at present value of the future cash flows discounted at a market rate of interest. The Chest S18A determines the classification of its financial assets on initial recognition. Subsequent to initial recognition, financial instruments are measured as set out below:

Trade and other receivables

Trade and other receivables are subsequently measured at amortised cost.

THE COMMUNITY CHEST OF THE WESTERN CAPE SECTION 18A

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

1 ACCOUNTING POLICIES (CONTINUED)

1.3 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 S18A transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or
- The Chest S18A 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 S18A 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 S18A will recognise the amount of the reversal in the statement of comprehensive income and accumulated funds immediately.

1.4 Grants awarded to community organisations

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

1.5 Expenses

Expenses are recognised when incurred.

THE COMMUNITY CHEST OF THE WESTERN CAPE SECTION 18A

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

	2017 R	2016 R
2 NET INCOME BEFORE COMMUNITY INVESTMENT EXPENSES		
Net surplus is stated after:		
Management fees paid to The Community Chest of the Western Cape	330 520	216 145
Auditor's remuneration	10 000	10 000
3 TRADE AND OTHER RECEIVABLES		
Loan account: The Community Chest of the Western Cape	262 660	148 285
Sundry debtors – VAT receivable	47 672	31 660
	<u>310 332</u>	<u>179 945</u>
<p>The loan account is interest free, unsecured and is payable on demand. The opening balance of R148 285 (2016: R479 465), was received during the year from The Community Chest of the Western Cape and the closing balance comprises inter entity charges incurred during the year.</p>		
4 CASH AND CASH EQUIVALENTS		
Daily call accounts	77 861	77 861
	<u>77 861</u>	<u>77 861</u>
<p>The rates of interest earned on the call and current accounts are floating rates linked to the prime lending rate.</p>		
5 TRADE AND OTHER PAYABLES		
The Community Chest of the Western Cape	388 193	257 806
	<u>388 193</u>	<u>257 806</u>
<p>The payable account is interest free, unsecured and is payable on demand.</p>		
6 NOTES TO THE STATEMENT OF CASH FLOWS		
6.1 Cash utilised by operations		
Surplus for the year	-	-
Adjustment for:		
Interest income	(4 242)	(785)
	<u>(4 242)</u>	<u>(785)</u>
6.2 Working capital changes		
(Increase)/decrease in trade and other receivables	(130 387)	445 087
Increase/(decrease) in trade and other payables	130 387	(445 087)
	<u>-</u>	<u>-</u>

7 RELATED PARTY

Related parties exist between The Community Chest of the Western Cape S18A and The Community Chest of the Western Cape, 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 S18A. Refer to notes 3 and 5 for the details of the amount owing between both parties. An administration fee (excluding VAT) of R330 520 (2016: R216 145) was charged during the year by The Community Chest of the Western Cape. The loan balance as at 31 March 2017 is R262 660 (2016: R148 285). The loan account is interest free, unsecured and is payable on demand.

8 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.