

**THE COMMUNITY CHEST OF THE WESTERN CAPE  
(REGISTRATION 003-040 NPO)  
AUDITED ANNUAL FINANCIAL STATEMENTS  
AS AT 31 MARCH 2018**

**THE COMMUNITY CHEST OF THE WESTERN CAPE**

**AUDITED ANNUAL FINANCIAL STATEMENTS AS AT 31 MARCH 2018**

**DIRECTORS:**

**NON-EXECUTIVE**

C Fleurs-Goddard (Chairman)  
E Adams  
M Blomkamp  
M Bosazza (Vice-chairman)  
H Hirsch  
A Woolfson  
M Cornelius  
C Daries  
C Duncan  
G Gunston  
J Levendal  
M Magida  
A Petersen (Resigned 10 January 2018)  
S Zinn (Appointed 01 October 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**

2018

13 SEPTEMBER 2018



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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 Western Cape set out on pages 6 to 21, which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income and accumulated funds, 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 Western Cape as at 31 March 2018, 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 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 group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), and other independence requirements applicable to performing audits of The Community Chest of Western Cape. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of The Community Chest of Western Cape. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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.

Those charged with governance are responsible for overseeing the entity's financial reporting processes.

***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 the directors 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.**  
**Director: Tina Lesley Rookledge**  
**Registered Auditor**  
**Chartered Accountant (SA)**  
**13 September 2018**

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

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018**

#### **NATURE OF BUSINESS**

The Community Chest of the Western Cape ("The Community 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 Community Chest became the first point of call for funding in social welfare and has funded many hundreds of organisations. The Community Chest also develops and facilitates philanthropy through partnerships with a wide range of donors and social development of donor resources. The Community Chest acts as an objective and professional community partner to ensure accountability for utilisation of donor resources.

The Community Chest provides services and advice to enhance the management, financial and skills capacity of 189 Non-Governmental and Community based organisations in the Western and Southern Cape that are engaged in social development.

As The Community 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 Community 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 Community Chest has embraced the mandate to transform the organisation into a leading centre of philanthropy. The key objective of The Community 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 Community Chest. The Community 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 increased by approximately R9.4 million (2017: R25.4 million decrease). This increase is largely due to new Partnerships entered into in the current financial year.

Direct expenditure and administrative overheads increased by R0.83 million (2017: R1.4 million decrease). This increase is mainly due to the Database, which was still under construction in the previous financial year, being amortised in the current year. Community investment expenses amounted to R20.4 million (2017: R16.5 million). This resulted in a surplus for the year of R2.2 million (2017: deficit of R2.0 million).

The total investments into Communities of R20.4 million (2017: R16.5 million) for the year, represents an increase of 23.16% over the previous year. The increase is due to the new Partnerships and Projects entered into in the current financial year. The Community 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 Community 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 Community Chest leadership team and staff are aligned to ensuring that the mission and the mandate drive the outcomes of The Community Chest. The Community 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 Community 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 FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)**

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

#### **CAPITAL AND RESERVES**

The Community 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 Community 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 Community 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 Community 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 Community 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 Community 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 2018**

	Note	2018 R	2017 R
<b>REVENUE</b>		<b>43 088 646</b>	<b>33 686 343</b>
<b>Fundraising</b>		<b>40 104 833</b>	<b>30 986 882</b>
Corporates		1 903 565	2 217 006
Individuals		-	1 900
Legacies		1 551 972	1 687 353
Partnerships		20 453 387	2 250 777
Management fees		316 290	340 520
Capacity building programme		519 000	590 872
Special events		614 397	2 009 769
Trusts		14 596 222	21 888 685
National lotteries		150 000	-
<b>Investment income</b>		<b>2 983 813</b>	<b>2 699 461</b>
Dividend income		1 023 949	967 767
Interest income from financial assets		1 959 864	1 731 694
<b>Other income</b>		<b>183 627</b>	<b>697 616</b>
Fair value gains on investments in financial assets		164 034	647 978
Miscellaneous income		19 593	49 638
<b>DIRECT EXPENDITURE</b>		<b>(8 913 567)</b>	<b>(9 225 195)</b>
Fundraising		(3 017 892)	(2 205 924)
Special events		(1 617 878)	(3 591 674)
Marketing and public relations		(1 902 255)	(1 031 609)
Grants management and allocations		(2 375 542)	(2 395 988)
<b>OPERATING INCOME</b>		<b>34 358 706</b>	<b>25 158 764</b>
<b>ADMINISTRATIVE OVERHEADS</b>		<b>(11 774 026)</b>	<b>(10 631 719)</b>
<b>NET INCOME BEFORE COMMUNITY INVESTMENT EXPENSES</b>		<b>22 584 680</b>	<b>14 527 045</b>
<b>COMMUNITY INVESTMENT EXPENSES</b>		<b>(20 405 485)</b>	<b>(16 568 909)</b>
Grants awarded to Community Organisations		(4 882 530)	(10 773 500)
Capacity building programme		(1 301 784)	(1 050 957)
Special projects		(12 282 129)	(3 248 261)
Donations in kind – administration expenses		(1 352 192)	(1 496 191)
Bursary allocations		(586 850)	-
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>	2	<b>2 179 195</b>	<b>(2 041 864)</b>
<b>ACCUMULATED FUNDS AT BEGINNING OF YEAR</b>		<b>74 146 754</b>	<b>76 188 618</b>
<b>ACCUMULATED FUNDS AT END OF YEAR</b>		<b>76 325 949</b>	<b>74 146 754</b>

THE COMMUNITY CHEST OF THE WESTERN CAPE

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Note	2018 R	2017 R
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	3	4 096 268	5 445 708
Property, plant and equipment	4	1 783 155	1 971 288
Investments in equity instruments	5	67 370 193	69 091 257
		<u>73 249 616</u>	<u>76 508 253</u>
<b>Current assets</b>			
Inventory		-	73 436
Trade and other receivables	6	1 164 976	783 231
Cash and cash equivalents	7	8 963 042	693 166
		<u>10 128 018</u>	<u>1 549 833</u>
<b>Total assets</b>		<u><b>83 377 634</b></u>	<u><b>78 058 086</b></u>
<b>FUNDS AND LIABILITIES</b>			
Accumulated funds		<u>76 325 949</u>	<u>74 146 754</u>
		<u>76 325 949</u>	<u>74 146 754</u>
<b>Non-current liabilities</b>			
Post retirement benefit obligation	8	437 539	412 159
Income received in advance	11	306 072	974 409
		<u>743 611</u>	<u>1 386 568</u>
<b>Current liabilities</b>			
Trade and other payables	9	1 769 567	1 162 315
Provision for leave pay	10	773 257	637 199
Income received in advance	11	725 250	725 250
Government grants liability	17	3 040 000	-
		<u>6 308 074</u>	<u>2 524 764</u>
<b>Total liabilities</b>		<u><b>7 051 685</b></u>	<u><b>3 911 332</b></u>
<b>Total funds and liabilities</b>		<u><b>83 377 634</b></u>	<u><b>78 058 086</b></u>



**THE COMMUNITY CHEST OF THE WESTERN CAPE**

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018**

	Note	2018 R	2017 R
<b>Cash flows from operating activities</b>			
Cash generated/(utilised) by operations	12.1	1 627 369	(2 846 929)
Investment income		2 983 813	2 699 461
Dividend income		1 023 949	967 767
Interest income		1 959 864	1 731 694
Working capital changes	12.2	2 597 170	519 219
Net cash inflow from operating activities		<u>7 208 352</u>	<u>371 751</u>
<b>Cash flows from investing activities</b>			
Additions to intangible assets	3	-	(1 250 000)
Additions to property, plant and equipment	4	(52 045)	(85 730)
Proceeds on sale of property, plant and equipment		15 000	-
Withdrawals from investments		3 725 250	3 250 121
Additions to investments		(2 626 681)	(3 782 165)
Net cash inflow/(outflow) from investing activities		<u>1 061 524</u>	<u>(1 867 774)</u>
Net movement in cash and cash equivalents for year		8 269 876	(1 496 023)
Cash and cash equivalents at beginning of year		<u>693 166</u>	<u>2 189 189</u>
<b>Cash and cash equivalents at end of year</b>	<b>7</b>	<u><u>8 963 042</u></u>	<u><u>693 166</u></u>

## THE COMMUNITY CHEST OF THE WESTERN CAPE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

#### 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 2018 (CONTINUED)

#### 1 ACCOUNTING POLICIES (CONTINUED)

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

will flow to The Community 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 Community 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 Community Chest operates a defined contribution plan, based on a percentage of pensionable earnings funded by both The Community 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 Community 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 2018 (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 Community Chest and the revenue can be reliably measured. Revenue from legacies and trusts consist of donations that The Community 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 Community 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 Community 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 Community 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 Community Chest measures the financial instruments at present value of the future cash flows discounted at a market rate of interest. The Community 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 2018 (CONTINUED)

#### 1 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 Community Chest transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or
- The Community 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 Community 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 Community 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 Community 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 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.

**THE COMMUNITY CHEST OF THE WESTERN CAPE**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)**

**1 ACCOUNTING POLICIES (CONTINUED)**

**1.11 Expenses**

Expenses are recognised when incurred.

**1.12 Government grants**

Government grants are recognised as follows:

- A grant that does not impose specified future performance conditions on the recipient is recognised in income when the grant proceeds are received.
- A grant that imposes specified future performance conditions on the recipient is recognised in income only when the performance conditions are met, and
- Grants received before the revenue recognition criteria are satisfied are recognised as a liability.
- Grants are measured as the fair value of the asset received or receivable.

THE COMMUNITY CHEST OF THE WESTERN CAPE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

	2018 R	2017 R
<b>2 SURPLUS/(DEFICIT) FOR THE YEAR</b>		
The surplus/(deficit) for the year is stated after:		
Professional services fees	1 215 874	1 452 348
Auditor remuneration		
- current year fee	310 200	306 800
- prior period under provision	-	35 896
Financial consulting	30 675	108 645
Legal and other	88 470	237 938
Investment management fee	786 529	763 069
Amortisation (See note 3)	1 349 440	561 943
Depreciation (See note 4)	234 714	371 509
Operating lease expense	785 000	837 516
- Premises	577 675	630 191
- Office machinery	207 325	207 325
Salaries costs	13 629 123	12 460 652
- Management personnel	7 548 505	6 258 295
- Other personnel	6 080 618	6 202 357
Management are considered key management personnel		
Pension fund contribution (included in salary costs above)	1 366 651	1 106 516
Bad debt expense	-	733 903
Inventory written down	73 436	-
Number of employees	30	35

**3 INTANGIBLE ASSETS**

	2018		
	Website R	Database R	Total R
Beginning of year			
- cost	1 685 820	4 725 000	6 410 820
- accumulated amortisation	(965 112)	-	(965 112)
	720 708	4 725 000	5 445 708
Current year movements			
- amortisation	(561 940)	(787 500)	(1 349 440)
<b>Balance at end of year</b>	<b>158 768</b>	<b>3 937 500</b>	<b>4 096 268</b>
Made up as follows:			
- cost	1 685 820	4 725 000	6 410 820
- accumulated amortisation	(1 527 052)	(787 500)	(2 314 552)
<b>Net book value</b>	<b>158 768</b>	<b>3 937 500</b>	<b>4 096 268</b>

THE COMMUNITY CHEST OF THE WESTERN CAPE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

3 INTANGIBLE ASSETS (CONTINUED)

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



THE COMMUNITY CHEST OF THE WESTERN CAPE  
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

4 PROPERTY, PLANT AND EQUIPMENT

2018

	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	1 266 591	891 515	639 266	6 008 900
- cost	(1 437 080)	(137 556)	(1 202 407)	(658 341)	(602 228)	(4 037 612)
- accumulated depreciation	1 633 895	2 997	64 184	233 174	37 038	1 971 288
Current year movements	-	-	24 748	27 297	-	52 045
- additions	-	-	-	(109 846)	(613 595)	(723 441)
- disposals/scrapped	-	-	-	109 846	608 131	717 977
- depreciation of assets scrapped	(90 917)	(2 997)	(46 572)	(70 813)	(23 415)	(234 714)
- depreciation	1 542 978	-	42 360	189 658	8 159	1 783 155
Balance at end of year	3 070 975	140 553	1 291 339	808 966	25 671	5 337 504
Made up as follows:	(1 527 997)	(140 553)	(1 248 979)	(619 308)	(17 512)	(3 554 349)
- cost	1 542 878	-	42 360	189 658	8 159	1 783 155
- accumulated depreciation						
Carrying value						

The original cost of the property including improvements is R2 604 974. The property had a valuation of R11 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 2018 (CONTINUED)

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 COMMUNITY CHEST OF THE WESTERN CAPE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

	2018 R	2017 R
<b>5 INVESTMENTS IN EQUITY INSTRUMENTS</b>		
Listed shares	27 540 074	28 708 947
Unit trusts	39 796 028	39 880 568
Money market accounts	34 091	501 742
	<u>67 370 193</u>	<u>69 091 257</u>

<b>6 TRADE AND OTHER RECEIVABLES</b>		
Sundry debtors	505 256	219 006
Receivables from:		
The Community Chest of the Western Cape S18A	-	388 193
VAT receivable	618 080	127 349
Prepayments	29 049	36 907
Staff loans	12 591	11 776
	<u>1 164 976</u>	<u>783 231</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 is unsecured, interest free and payable on demand.

<b>7 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents comprise:		
Daily call accounts	7 310 572	275 210
Current accounts	1 652 470	417 956
	<u>8 963 042</u>	<u>693 166</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 Community 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.

	2018 R	2017 R
Net benefit expense:		
Interest cost	34 105	34 406
Actuarial losses on obligation	34 640	42 092
Net benefit expense	<u>68 745</u>	<u>76 498</u>
Net benefit obligation:		
Defined benefit obligation	<u>437 539</u>	<u>412 159</u>

**THE COMMUNITY CHEST OF THE WESTERN CAPE**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (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 2018, are as follows:

	2018 R	2017 R
Opening defined benefit obligation	412 159	395 001
Interest cost	34 105	34 406
Benefit payments	(43 365)	(59 340)
Actuarial losses on obligation	34 640	42 092
Closing defined benefit obligation	<u>437 539</u>	<u>412 159</u>

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

	2018	2017
Discount rate	8.1%	9.0%
Medical inflation rate	7.4%	7.5%

Sensitivity analysis:

Effect on the aggregate current interest cost of

	Increase 1% R	Decrease 1% R
Discount rate	34 765	30 032
Medical inflation	34 189	30 983
Effect on the defined benefit obligation		
Discount rate	417 920	458 972
Medical inflation	458 045	418 420

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

	2018 R	2017 R	2016 R	2015 R
Defined benefit obligation	437 539	412 159	395 001	381 715
Experience adjustments on plan liabilities	34 640	42 092	36 664	33 513

**9 TRADE AND OTHER PAYABLES**

	2018 R	2017 R
The Community Chest of the Western Cape Section 18A	272 118	262 660
Trade creditors	734 377	239 127
Sundry creditors and accruals	745 772	652 728
Staff savings	17 300	7 800
	<u>1 769 567</u>	<u>1 162 315</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 2018 (CONTINUED)

	2018 R	2017 R
<b>10 PROVISIONS</b>		
<b>Provision for leave pay</b>		
Balance at beginning of year	637 199	554 910
Increase in provision	993 730	1 076 488
Amount utilised during the year	<u>(857 672)</u>	<u>(994 199)</u>
Balance at end of the year	<u>773 257</u>	<u>637 199</u>
<b>11 INCOME RECEIVED IN ADVANCE</b>		
<b>Anonymous donor</b>		
Balance at beginning of year	1 699 659	2 399 779
Investment growth	36 813	2 213
Reinvested investment income	37 510	49 523
Administration fees paid	(17 410)	(26 606)
Grants paid	<u>(725 250)</u>	<u>(725 250)</u>
Subtotal	1 031 322	1 699 659
Transferred to current liabilities	<u>(725 250)</u>	<u>(725 250)</u>
Balance at end of year	<u>306 072</u>	<u>974 409</u>
<b>12 NOTES TO THE STATEMENT OF CASH FLOWS</b>		
<b>12.1 Cash generated/(utilised) by operations</b>		
Surplus/(deficit) for the year	2 179 195	(2 041 864)
Adjustments for:		
Amortisation	1 349 440	561 943
Depreciation	234 714	371 509
Fair value gains on investments in financial assets	(164 034)	(647 978)
Dividend income	(1 023 949)	(967 767)
Interest income	(1 959 864)	(1 731 694)
Management fee income capitalised to investments	(4 721)	(7 114)
Investment management fees deducted from investments	791 250	770 183
Post retirement benefit obligation movement	25 380	17 158
Provision for leave pay	136 058	82 289
Loss on scrapped assets	-	12 503
Profit on disposal assets	(9 536)	-
Inventory written down	73 436	-
Bad debt expense	<u>-</u>	<u>733 903</u>
	<u>1 627 369</u>	<u>(2 846 929)</u>
<b>12.2 Working capital changes</b>		
Decrease in inventory	-	1 564
(Increase)/decrease in trade and other receivables	(381 745)	1 516 763
Increase/(decrease) in trade and other payables	607 252	(298 988)
Increase/(decrease) in income received in advance and government grants	<u>2 371 663</u>	<u>(700 120)</u>
	<u>2 597 170</u>	<u>519 219</u>

## THE COMMUNITY CHEST OF THE WESTERN CAPE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

#### 13 RETIREMENT BENEFIT INFORMATION

The Community 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 Community 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 Community Chest to the fund for the current period amounted to R1 366 651 (2017: R1 106 516).

#### 14 OPERATING LEASE COMMITMENT

The Community Chest has entered into various operating leases in respect of equipment and premises. The monthly lease payments amount to R825 888 (2017: R791 283). Future minimum rentals under non-cancellable leases are as follows:

	2018 R	2017 R
Within one year	30 244	863 849
Between two and five years	-	239 220
Future lease payments	<u>30 244</u>	<u>1 103 069</u>

#### 15 TAXATION

As The Community 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 R262 188 (2017: R330 520) was charged to The Community Chest of the Western Cape Section 18A during the year.

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. In the prior year, The Community Chest purchased computer software from Computer Specialists (Pty) Ltd totalling R4 725 000. The transaction was subjected to a rigorous tender process and is therefore considered to be at arm's length.

#### 17 GOVERNMENT GRANTS

Government grants have been provided by the Department of Cultural Affairs and Support to The Community Chest of the Western Cape in order to facilitate After School programmes which provides educational support after school hours to certain learners of the Department of Education at identified schools in the province of the Western Cape.

Government grants recognised in the financial statements amounted to R20 million.

A liability of R3 million has been recognised due to none of the conditions being met per the innovation government grant contract. The innovation grant is to be utilised to support innovation in respect of the After School programmes in no and low fee schools. At year end, no innovative initiatives had been implemented as yet and the vast majority of the grant received was not utilised.