

**THE COMMUNITY CHEST OF THE WESTERN CAPE**  
**(REGISTRATION 003-040 NPO)**  
**AUDITED ANNUAL FINANCIAL STATEMENTS**  
**AS AT 31 MARCH 2016**

**THE COMMUNITY CHEST OF THE WESTERN CAPE**  
**AUDITED ANNUAL FINANCIAL STATEMENTS AS AT 31 MARCH 2016**

**DIRECTORS:**

**NON-EXECUTIVE** C Fleurs-Goddard (Chairman)  
E Adams  
D Berrill (resigned 26 October 2015)  
M Blomkamp  
M Bosazza (Vice-chairman)  
H Hirsch  
M Magida (resigned 2 March 2016)  
A Woolfson

**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 3 to 18 have been approved and are signed on behalf of the board by:

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

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

7 September 2016



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

### **Report on the financial statements**

We have audited the financial statements of The Community Chest of the Western Cape set out on pages 5 to 18 which comprise the statement of financial position as at 31 March 2016, and the statement of comprehensive income and accumulated funds, and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

### **The directors' responsibility for the financial statements**

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

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Basis for qualified opinion**

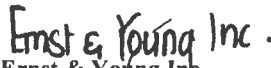
Cash donations and fundraising income are a significant source of income for The Community Chest of the Western Cape. The directors have determined that it is impracticable to establish internal controls over the collection of cash donations and fundraising prior to the initial entry into the financial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

### **Qualified opinion**

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Community Chest of the Western Cape as at 31 March 2016, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities.

### **Other reports**

As part of our audit of the statements for the year ended 31 March 2016, we have read the Directors' Report for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. This report is the responsibility of the respective preparers. Based on reading this report we have not identified material inconsistencies between this report and the audited financial statements. However, we have not audited this report and accordingly do not express an opinion on this report.

  
Ernst & Young Inc.  
Director: Tina Lesley Rookledge  
Registered Auditor  
Chartered Accountant (SA)  
Cape Town  
7 September 2016

## THE COMMUNITY CHEST OF THE WESTERN CAPE

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2016

#### 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 197 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 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 period total revenue increased by approximately R38 million (2015: R5.3 million decrease). This is largely due to increased income in Legacies and Trusts. Ms CH Dose and Ms RM Dose upon their death very generously bequeathed to The Chest their Trust and legacy respectively. These funds were largely held in investments (shares). The Chest has elected not to sell the investments but to grow this investment for awarding grants to our beneficiaries in future years to come as a Legacy to Ms CH Dose and Ms RM Dose. Direct expenditure and administrative overheads decreased by R1.2 million (2015: R8.1 million) mainly as a result of a loss on special events. Community investment expenses amounted to R17.9 million (2015: R14.1 million). This resulted in a surplus for the year of R22.8 million (2015: deficit of R10.4 million).

The total investments into Communities of R17.9 million (2015: R14.1 million) for the year, represents an increase of 26.3% over the previous 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 2016**

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 to support our operations and growth to offset the effect of inflation on the grants made to beneficiaries. 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 8 to 11 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 2016

	Note	2016 R	2015 R
<b>REVENUE</b>		<b>59 096 842</b>	<b>21 066 927</b>
<b>Fundraising</b>		<b>57 330 058</b>	<b>19 433 674</b>
Corporates		1 789 737	283 134
Legacies		17 296 457	1 666 555
Partnerships		2 119 015	483 500
Management fees		226 145	616 572
Capacity building programme		681 508	160 439
Special events		2 315 087	3 973 728
Trusts		32 902 109	12 249 746
<b>Investment income</b>		<b>1 766 784</b>	<b>1 633 253</b>
Dividend income		624 913	459 313
Interest income from financial assets		1 141 871	1 173 940
<b>Other income</b>		<b>2 947 691</b>	<b>5 151 978</b>
Fair value gains on investments in financial assets		2 907 403	5 103 417
Miscellaneous income		40 288	48 561
<b>DIRECT EXPENDITURE</b>		<b>(11 292 765)</b>	<b>(12 545 018)</b>
Fundraising		(2 953 384)	(3 827 120)
Special events		(4 244 407)	(5 394 164)
Marketing and public relations		(1 677 013)	(2 296 562)
Grants management and allocations		(2 417 961)	(1 027 172)
<b>OPERATING INCOME</b>		<b>50 751 768</b>	<b>13 673 887</b>
<b>ADMINISTRATIVE OVERHEADS</b>		<b>(10 059 094)</b>	<b>(9 959 869)</b>
<b>NET INCOME BEFORE COMMUNITY INVESTMENT EXPENSES</b>		<b>40 692 674</b>	<b>3 714 018</b>
<b>COMMUNITY INVESTMENT EXPENSES</b>		<b>(17 863 762)</b>	<b>(14 142 428)</b>
Grants awarded to Community Organisations		(10 974 932)	(7 654 821)
Capacity building programme		(928 400)	(1 495 741)
Special projects		(4 173 548)	(3 797 769)
Donations in kind – administration expenses		(1 786 882)	(1 194 097)
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>2</b>	<b>22 828 912</b>	<b>(10 428 410)</b>
<b>ACCUMULATED FUNDS AT BEGINNING OF YEAR</b>		<b>53 359 706</b>	<b>63 788 116</b>
<b>ACCUMULATED FUNDS AT END OF YEAR</b>		<b>76 188 618</b>	<b>53 359 706</b>

THE COMMUNITY CHEST OF THE WESTERN CAPE

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Note	2016 R	2015 R
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	3	4 757 651	-
Property, plant and equipment	4	2 269 570	3 958 179
Investments in equity instruments	5	68 674 304	52 577 283
		<u>75 701 525</u>	<u>56 535 462</u>
<b>Current assets</b>			
Inventory		75 000	171 653
Trade and other receivables	6	3 033 897	1 573 142
Cash and cash equivalents	7	2 189 189	1 700 406
		<u>5 298 086</u>	<u>3 445 201</u>
<b>Total assets</b>		<u><b>80 999 611</b></u>	<u><b>59 980 663</b></u>
<b>FUNDS AND LIABILITIES</b>			
Accumulated funds		<u>76 188 618</u>	<u>53 359 706</u>
		<u>76 188 618</u>	<u>53 359 706</u>
<b>Non-current liabilities</b>			
Post retirement benefit obligation	8	395 001	381 715
Income received in advance	11	1 674 529	2 486 303
		<u>2 069 530</u>	<u>2 868 018</u>
<b>Current liabilities</b>			
Trade and other payables	9	1 461 303	2 710 294
Provision for leave pay	10	554 910	559 145
Income received in advance	11	725 250	483 500
		<u>2 741 463</u>	<u>3 752 939</u>
<b>Total liabilities</b>		<u>4 810 993</u>	<u>6 620 957</u>
<b>Total funds and liabilities</b>		<u><b>80 999 611</b></u>	<u><b>59 980 663</b></u>

THE COMMUNITY CHEST OF THE WESTERN CAPE

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 R	2015 R
<b>Cash flows from operating activities</b>			
Cash generated/(utilised) by operations	12.1	19 733 216	(15 866 441)
Investment income		1 766 784	1 633 253
Dividend income		624 913	459 313
Interest income		1 141 871	1 173 940
Working capital changes	12.2	(3 183 117)	(1 732 478)
Net cash inflow/(outflow) from operating activities		18 316 883	(15 965 666)
<b>Cash flows from investing activities</b>			
Additions to intangible assets	3	(3 775 887)	-
Additions to property, plant and equipment	4	(53 251)	(1 536 779)
Proceeds on sale of investments in equity instruments		2 325 000	4 283 500
Withdrawals from money market investments		13 223 284	14 383 333
Additions to investments in equity instruments		(29 547 246)	(2 067 701)
Net cash (outflow)/inflow from investing activities		(17 828 100)	15 062 353
Net movement in cash and cash equivalents for year		488 783	(903 313)
Cash and cash equivalents at beginning of year		1 700 406	2 603 719
Cash and cash equivalents at end of year	7	2 189 189	1 700 406



## THE COMMUNITY CHEST OF THE WESTERN CAPE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

#### 1 ACCOUNTING POLICIES

The financial statements set out on pages 3 to 18 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.

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

##### 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 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.

## THE COMMUNITY CHEST OF THE WESTERN CAPE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

#### 1 ACCOUNTING POLICIES (CONTINUED)

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

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.

##### 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.

##### 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.

## THE COMMUNITY CHEST OF THE WESTERN CAPE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

#### 1 ACCOUNTING POLICIES (CONTINUED)

##### 1.6 Revenue recognition (continued)

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 loss) 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

Financial assets 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.

###### 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.

**1 ACCOUNTING POLICIES (CONTINUED)**

**1.8 Financial instruments (continued)**

**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 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 2016 (CONTINUED)

2 SURPLUS/(DEFICIT) FOR THE YEAR	2016 R	2015 R
The surplus/(deficit) for the year is stated after:		
Professional services fees	1 447 960	1 459 333
Auditor remuneration		
- current year fee	295 570	245 707
- prior period under provision	55 309	150 222
Financial consulting	94 286	148 053
Legal and other	193 451	115 668
Investment management fee	809 344	799 683
Amortisation (See note 3)	(403 169)	-
Depreciation (See note 4)	(356 927)	(386 116)
Operating lease expense	837 516	511 028
- Premises	630 191	353 134
- Office machinery	207 325	157 894
Salaries costs	13 348 890	13 366 997
- Management personnel	6 428 374	5 834 939
- Other personnel	6 920 516	7 532 058
Provident fund contribution (included in salary costs above)	1 184 863	1 066 817
Number of employees	40	42

3 INTANGIBLE ASSETS	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 2016 (CONTINUED)

4 PROPERTY, PLANT AND EQUIPMENT

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	1 815 729	17 383	1 623 942	373 913	127 212	3 958 179
Current year movements	-	-	38 384	14 867	-	53 251
- additions	-	-	(1 335 641)	(49 292)	-	(1 384 933)
- transfers to intangible assets (note 3)	-	-	(11 564)	11 564	-	-
- depreciation of assets reallocated	(90 917)	(7 193)	(132 440)	(73 458)	(52 919)	(356 927)
- depreciation	1 724 812	10 190	182 681	277 594	74 293	2 269 570
Balance at end of year	3 070 975	140 553	1 276 489	982 922	639 266	6 110 205
Made up as follows:	(1 346 163)	(130 363)	(1 093 808)	(705 328)	(564 973)	(3 840 635)
- cost	1 724 812	10 190	182 681	277 594	74 293	2 269 570
- accumulated depreciation						
Carrying value						

The original cost of the property including improvements is R2 604 974. The property had a valuation of R10,600,000 at 31 July 2015 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 2016 (CONTINUED)

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2015

	Property and improvements R	Motor vehicles R	Computer equipment R	Furniture & other equipment R	Carnival equipment R	Total R
Beginning of year	3 070 974	140 553	1 126 292	945 309	621 980	5 905 108
- cost	(1 164 327)	(115 977)	(806 076)	(567 723)	(443 489)	(3 097 592)
- accumulated depreciation	1 906 647	24 576	320 216	377 586	178 491	2 807 516
Current year movements	-	-	1 447 454	72 038	17 286	1 536 779
- additions	(90 919)	(7 193)	(143 728)	(75 711)	(68 565)	(386 116)
- depreciation	1 815 729	17 383	1 623 942	373 913	127 212	3 958 179
Balance at end of year	3 070 975	140 553	2 573 746	1 017 347	639 266	7 441 887
Made up as follows:	(1 255 246)	(123 170)	(949 804)	(643 434)	(512 054)	(3 483 708)
- cost	1 815 729	17 383	1 623 942	373 913	127 212	3 958 179
- accumulated depreciation						
Carrying value						

THE COMMUNITY CHEST OF THE WESTERN CAPE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

	2016 R	2015 R
<b>5 INVESTMENTS IN EQUITY INSTRUMENTS</b>		
Listed shares	27 021 067	-
Unit trusts	41 646 821	52 571 001
Money market accounts	6 416	6 282
	<u>68 674 304</u>	<u>52 577 283</u>
<b>6 TRADE AND OTHER RECEIVABLES</b>		
Carnival deposit	1 745 440	-
Sundry debtors	534 810	56 761
Receivables from:	491 108	935 997
The Community Chest of the Western Cape S18A	257 806	702 893
The Community Chest of South Africa	233 302	233 104
VAT receivable	218 698	504 364
Prepayments	41 931	59 242
Staff loans	1 910	16 778
	<u>3 033 897</u>	<u>1 573 142</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.

**7 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise:

Daily call accounts	529 005	77 432
Current accounts	1 660 184	1 622 974
	<u>2 189 189</u>	<u>1 700 406</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.

	2016 R	2015 R
Net benefit expense:		
Interest cost	30 949	29 734
Actuarial losses on obligation	36 664	33 513
Net benefit expense	<u>67 613</u>	<u>63 247</u>
Net benefit obligation:		
Defined benefit obligation	<u>395 001</u>	<u>381 715</u>



THE COMMUNITY CHEST OF THE WESTERN CAPE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (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 2016, are as follows:

	2016 R	2015 R
Opening defined benefit obligation	381 715	368 004
Interest cost	30 949	29 734
Benefit payments	(54 327)	(49 536)
Actuarial losses on obligation	36 664	33 513
Closing defined benefit obligation	<u>395 001</u>	<u>381 715</u>

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

	2016	2015
Discount rate	9.3%	8.0%
Medical inflation rate	8.0%	6.6%

Sensitivity analysis:

Effect on the aggregate current interest cost of

	Increase 1% R	Decrease 1% R
Discount rate	36 138	32 447
Medical inflation	36 290	32 658
Effect on the defined benefit obligation		
Discount rate	381 096	421 254
Medical inflation	420 527	381 427

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

	2016 R	2015 R	2014 R	2013 R
Defined benefit obligation	395 001	381 715	368 004	379 376
Experience adjustments on plan liabilities	36 664	33 513	6 465	37 032

9 TRADE AND OTHER PAYABLES

The Community Chest of the Western Cape Section 18A  
Trade creditors  
Sundry creditors and accruals  
Staff savings

	2016 R	2015 R
The Community Chest of the Western Cape Section 18A	148 285	479 465
Trade creditors	743 075	2 002 622
Sundry creditors and accruals	562 493	226 607
Staff savings	7 450	1 600
	<u>1 461 303</u>	<u>2 710 294</u>

The amount payable to The Community Chest of the Western Cape 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 2016 (CONTINUED)

	2016 R	2015 R
<b>10 PROVISIONS</b>		
<b>Provision for leave pay</b>		
Balance at beginning of year	559 145	460 017
Increase in provision	958 712	874 544
Amount utilised during the year	(962 947)	(775 416)
Balance at end of the year	<u>554 910</u>	<u>559 145</u>
<b>11 INCOME RECEIVED IN ADVANCE</b>		
<b>Anonymous donor</b>		
Balance at beginning of year	2 969 803	3 095 696
Investment growth	129 636	327 875
Reinvested investment income	64 886	74 838
Administration fees paid	(39 546)	(45 106)
Grants paid	(725 000)	(483 500)
Subtotal	2 399 779	2 969 803
Transferred to current liabilities	(725 250)	(483 500)
Balance at end of year	<u>1 674 529</u>	<u>2 486 303</u>
<b>12 NOTES TO THE STATEMENT OF CASH FLOWS</b>		
<b>12.1 Cash utilised by operations</b>		
Surplus/(deficit) for the year	22 828 912	(10 428 410)
Adjustments for:		
Amortization	403 169	-
Depreciation	356 927	386 116
Dividend income	(624 913)	(459 313)
Interest income from financial assets	(1 141 871)	(1 173 940)
Fair value gains on investments in financial assets	(2 907 403)	(5 103 417)
Management fee income capitalised to investments	(8 963)	(27 031)
Investment management fees deducted from investments	818 307	826 715
Post retirement benefit obligation movement	13 286	13 711
Provision for leave pay	(4 235)	99 128
	<u>19 733 216</u>	<u>(15 866 441)</u>
<b>12.2 Working capital changes</b>		
Decrease/(increase) in inventory	96 653	(53 677)
Decrease/(increase) in trade and other receivables	(1 460 755)	(654 359)
Increase/(decrease) in trade and other payables	(1 248 991)	(540 942)
Increase/(decrease) in income received in advance	(570 024)	(483 500)
	<u>(3 183 117)</u>	<u>(1 732 478)</u>

**THE COMMUNITY CHEST OF THE WESTERN CAPE**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (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 184 863 (2015: R1 066 817).

**14 OPERATING LEASE COMMITMENT**

The Chest has entered into various operating leases in respect of equipment and premises. The monthly lease payments amount to R744 384 (2015: R453 038). Future minimum rentals under non-cancellable leases are as follows:

	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
Within one year	874 331	402 721
Between two and five years	861 880	951 315
Future lease payments	<u>1 736 211</u>	<u>1 354 036</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 R216 145 (2015: R606 573) was charged to The Community Chest of the Western Cape Section 18A during the year. The outstanding balance as at 31 March 2016 is R148 285 (2015: R479 465).

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 Western Cape incurred costs on behalf of The Community Chest of South Africa. The outstanding balance as at 31 March 2016 is R233 302 (2015: R233 104).

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 R3 150 000 (2015: R325 000). The transaction was subjected to a rigorous tender process and is therefore considered to be at arm's length.