

THE COMMUNITY CHEST OF THE WESTERN CAPE SECTION 18A

(REGISTRATION 016-287 NPO)

AUDITED ANNUAL FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

THE COMMUNITY CHEST OF THE WESTERN CAPE SECTION 18A

ANNUAL FINANCIAL STATEMENTS 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 016 – 287 NPO

REGISTERED OFFICE

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Cape Town
South Africa
8001

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APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 3 to 10 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 S18A

Report on the financial statements

We have audited the financial statements of The Community Chest of the Western Cape S18A set out on pages 5 to 10 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

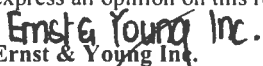
Cash donations and fundraising income are a significant source of income for The Community Chest of the Western Cape S18A. The directors have determined that it is impracticable to establish internal controls over the collection of cash donations and fundraising prior to the initial entry into the financial 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 S18A 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.
Ernst & Young Int.
Director: Tina Lesley Rookledge
Registered Auditor
Chartered Accountant (SA)
Cape Town
7 September 2016

THE COMMUNITY CHEST OF THE WESTERN CAPE SECTION 18A

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.

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

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

Donors to The Chest S18A entity are entitled to tax relief on their contributions.

OPERATING REVIEW AND FINANCIAL PERFORMANCE

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

During this reporting year, fundraising income in The Chest S18A decreased to R2 701 818 (2015: R7 582 155). This is largely due to decreased income in Corporates and the timing of the corporate income.

For both reporting periods, grants to beneficiaries are for the welfare year 1 April to 31 March. As many of our beneficiaries have registered as Section 18A organisations, we have been able to payout 100% of our reserves to beneficiaries. Grants paid out for the year were R2 472 686 (2015: R6 964 055).

The firm resolve of The Chest S18A is to ensure that it remains committed to its task of providing funding to non-profit organisations to impact strategically selected projects in order to combat the devastating consequences of poverty.

The Chest S18A leadership team and staff are aligned to ensuring that the mission and the mandate drive the outcomes of The Chest S18A. The Chest S18A will represent its funders and their interests in a professional and accountable manner. And the needs of communities will be upper most when considering grant applications.

The Chest S18A staff and Board are deeply grateful to those who help support our work of combatting poverty and helping to rebuild human dignity. Our partnerships with government, business and communities are the essential elements of why we have survived year on year. Even in tough economic climates as experienced in the last few years, we have not stepped back from increasing our commitments to those we serve.

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

THE COMMUNITY CHEST OF THE WESTERN CAPE SECTION 18A

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

CORPORATE GOVERNANCE

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

DIRECTORS

Details of the directorate are shown on page 1.

EVENTS AFTER THE REPORTING PERIOD

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

RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

In order to fulfil this responsibility The Chest S18A maintains and continuously monitors the accounting and administrative control systems designed to provide assurance that assets are safeguarded and that transactions are executed and recorded in accordance with The Chest S18A's policies and procedures.

The directors comprise of independent non-executive volunteers, who meet periodically with the Chief Executive to manage the strategic direction of the organisation. The audit and risk committee comprises of independent non-executive volunteers who meet periodically with external auditors and senior management to assist in determining that internal controls provide reasonable assurance that The Chest S18A's assets are safeguarded and that the financial records may be relied upon for the preparation of the annual financial statements. The finance committee comprises of independent non-executive volunteers who meet quarterly with senior management to review operating results and to monitor matters relative to The Chest S18A's control environment.

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

The directors confirm that The Chest S18A has adequate resources to operate for the foreseeable future and will remain a viable going concern in the 12 months from the date of signing the annual financial statements.

THE COMMUNITY CHEST OF THE WESTERN CAPE SECTION 18A

STATEMENT OF COMPREHENSIVE INCOME AND ACCUMULATED FUNDS
FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 R	2015 R
REVENUE		2 702 603	7 583 257
Fundraising		2 701 818	7 582 155
Corporates		461 189	5 049 734
Individuals		777 925	918 064
Give As You Earn (GAYE) Staff schemes		1 462 704	1 607 357
Foundation		-	7 000
Investment income		785	1 102
Interest		785	1 102
ADMINISTRATIVE OVERHEADS		(229 917)	(619 202)
NET INCOME BEFORE COMMUNITY INVESTMENT EXPENSES	2	2 472 686	6 964 055
COMMUNITY INVESTMENT EXPENSES			
Grants awarded to Community Organisations		(2 472 686)	(6 964 055)
SURPLUS FOR THE YEAR		-	-
ACCUMULATED FUNDS AT BEGINNING OF YEAR		-	-
ACCUMULATED FUNDS AT END OF YEAR		-	-

THE COMMUNITY CHEST OF THE WESTERN CAPE SECTION 18A

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Note	2016 R	2015 R
ASSETS			
Current assets			
Trade and other receivables	3	179 945	625 032
Cash and cash equivalents	4	<u>77 861</u>	<u>77 861</u>
Total assets		<u>257 806</u>	<u>702 893</u>
FUNDS AND LIABILITIES			
Accumulated funds			
		<u>-</u>	<u>-</u>
Current liabilities			
Trade and other payables	5	<u>257 806</u>	<u>702 893</u>
Total funds and liabilities		<u>257 806</u>	<u>702 893</u>

COMMUNITY CHEST OF THE WESTERN CAPE SECTION 18A

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 R	2015 R
Cash flows from operating activities			
Cash utilised by operations	6.1	(785)	(1 102)
Interest income		785	1 102
Working capital changes	6.2	<u>-</u>	<u>-</u>
Net cash flows from operating activities		<u>-</u>	<u>-</u>
Cash and cash equivalents at beginning of year		<u>77 861</u>	<u>77 861</u>
Cash and cash equivalents at end of year	4	<u>77 861</u>	<u>77 861</u>

THE COMMUNITY CHEST OF THE WESTERN CAPE SECTION 18A

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

1 ACCOUNTING POLICIES

The financial statements set out on pages 3 to 10 are prepared on the going concern basis and are consistent with the prior year. The items in the financial statements are measured on a historical cost basis. The financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SME's) as issued by the International Accounting Standards Board (IASB). The significant accounting policies are as stated below:

1.1 Significant accounting judgements and estimates

Judgements

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

Estimations

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

1.2 Revenue recognition

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

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

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

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

Revenue from fundraising is recognised on receipt.

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

1.3 Financial instruments

Financial instruments recognised in the Statement of Financial Position include cash and cash equivalents, trade and other receivables (including a loan receivable) and trade and other payables. Financial assets and financial liabilities are initially recognised in the Statement of Financial Position when The Chest S18A becomes bound by the contractual provisions of the instrument.

When a financial asset or a financial liability is recognised initially, it is measured at transaction price plus directly attributable transaction costs (except in the initial measurement of financial assets and liabilities that are measured at fair value through profit and loss) unless the arrangement constitutes, in effect a financing transaction. If the arrangement constitutes a financing transaction, The Chest S18A measures the financial instruments at present value of the future cash flows discounted at a market rate of interest. The Chest S18A determines the classification of its financial assets on initial recognition. Subsequent to initial recognition, financial instruments are measured as set out below:

Trade and other receivables

Trade and other receivables are subsequently measured at amortised cost.

THE COMMUNITY CHEST OF THE WESTERN CAPE SECTION 18A

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

1 ACCOUNTING POLICIES (CONTINUED)

1.3 Financial instruments (Continued)

Cash and cash equivalents

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

Trade and other payables

Trade and other payables are subsequently measured at amortised cost.

Derecognition

A financial asset is derecognised when:

- The rights to the cash flows from the financial asset expire or are settled or,
- The Chest S18A transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or
- The Chest S18A has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

A financial liability is derecognised when:

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

Impairment

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

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

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the Chest S18A will reverse the previously recognised impairment loss either directly or by adjusting an allowance account. The reversal will not result in a carrying amount of the financial asset (net of any allowance account) that exceeds what the carrying amount would have been had the impairment not previously been recognised. The Chest S18A will recognise the amount of the reversal in the statement of comprehensive income and accumulated funds immediately.

1.4 Grants awarded to community organisations

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

1.5 Expenses

Expenses are recognised when incurred.

THE COMMUNITY CHEST OF THE WESTERN CAPE SECTION 18A

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

	2016 R	2015 R
2 NET INCOME BEFORE COMMUNITY INVESTMENT EXPENSES		
Net income is stated after:		
Management fees paid to The Community Chest of the Western Cape	216 145	606 573
Auditor's remuneration	10 000	10 000
3 TRADE AND OTHER RECEIVABLES		
Loan account: The Community Chest of the Western Cape	148 285	479 465
Sundry debtors – VAT receivable	31 660	145 567
	<u>179 945</u>	<u>625 032</u>
The loan account is interest free, unsecured and is payable on demand. The opening balance of R479 465 (2015: R311 112), was received during the year from The Community Chest of the Western Cape and the closing balance comprises inter entity charges incurred during the year.		
4 CASH AND CASH EQUIVALENTS		
Daily call accounts	77 861	77 861
	<u>77 861</u>	<u>77 861</u>
The rates of interest earned on the call and current accounts are floating rates linked to the prime lending rate.		
5 TRADE AND OTHER PAYABLES		
The Community Chest of the Western Cape	257 806	702 893
	<u>257 806</u>	<u>702 893</u>
The loan payable account is interest free, unsecured and is payable on demand.		
6 NOTES TO THE STATEMENT OF CASH FLOWS		
6.1 Cash utilised by operations		
Surplus for the year	-	-
Interest income	(785)	(1 102)
	<u>(785)</u>	<u>1 102</u>
6.2 Working capital changes		
Decrease/(Increase) in trade and other receivables	445 087	(191 923)
(Decrease)/Increase in trade and other payables	(445 087)	191 923
	<u>-</u>	<u>-</u>

7 RELATED PARTY

Related parties exist between The Community Chest of the Western Cape S18A and The Community Chest of the Western Cape, as these entities are under common control. The directors of The Community Chest of the Western Cape are also the directors of The Community Chest of the Western Cape S18A. Refer to notes 3 and 5 for the details of the amount owing between both parties. An administration fee (excluding VAT) of R216 145 (2015: R606 573) was charged during the year by The Community Chest of the Western Cape. The loan balance as at 31 March 2016 is R148 285 (2015: R479 465). The loan account is interest free, unsecured and is payable on demand.

8 TAXATION

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