

**WORDWORKS**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**NPO Number: 044-766-NPO  
PBO Number: 930022252**

**WORDWORKS**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**


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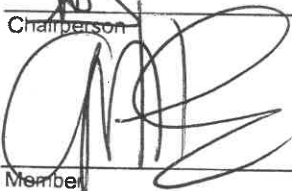
The reports and statements set out below comprise the annual financial statements presented to the members:

<b>CONTENTS</b>	<b>Page</b>
INDEPENDENT AUDITOR'S REPORT	2 - 3
REPORT OF THE BOARD MEMBERS'	4
STATEMENT OF FINANCIAL POSITION	5
STATEMENT OF CHANGES IN FUNDS	6
STATEMENT OF COMPREHENSIVE INCOME	7 - 8
NOTES TO THE ANNUAL FINANCIAL STATEMENTS	9 - 10
THE FOLLOWING SUPPLEMENTARY INFORMATION DOES NOT FORM PART OF THE ANNUAL FINANCIAL STATEMENTS AND IS UNAUDITED:	
RECONCILIATION OF O'CARROLL BURSARY FUND	11

**APPROVAL**

The financial statements which appear on pages 5 to 11 were approved by the board and signed on their behalf by:

  
Chairperson

  
Member

17/04/2019  
Date

**RSM South Africa Inc.**  
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## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE BOARD MEMBERS OF WORDWORKS**

#### **Opinion**

We have audited the financial statements of Wordworks set out on pages 5 to 10, which comprise the statement of financial position as at 31 December 2018, the statement of comprehensive income and the statement of changes in funds for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of Wordworks as at 31 December 2018 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1 to the financial statements.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the entity in accordance with the Independent Regulatory Board for Auditors 'Code of Professional Conduct for Registered Auditors (IRBA Code)' and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants 'Code of Ethics for Professional Accountants' (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Emphasis of matter**

We draw attention to the basis of accounting described in Note 1 of the financial statements which describes the basis of accounting. The financial statements are prepared in accordance with the entity's own accounting policies to satisfy the financial information needs of the entity's members. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

#### **Other Information**

The Members are responsible for the other information. The other information comprises the Report of the board members' and the reconciliation of O' Carroll Bursary Fund, which we obtained prior to the date of this report. 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.

## **THE POWER OF BEING UNDERSTOOD** **AUDIT | TAX | CONSULTING**

**Directors** E Bergh, B Com (Hons), CA(SA), C D Betty, B Acc, CA(SA), A Blignaut-de Waal, B Com, B Compt (Hons), M Com (FORP), CA(SA), M G Q de Faria, B Bus Sc, CA(SA), B J Eaton, B Acc, H Dip Tax Law, CA(SA), A C Galloway, B Sc Mech Eng, CA(SA), M Greisdorfer, B Com (Hons), CA(SA), H Heymans, B Compt (Hons), M Com, FCCA, CA(SA), N C Hughes, B Compt (Hons), PG Cert Adv Tax, CA(SA), J Jones, B Com, B Acc, H Dip Tax Law, H Dip Int Tax Law, CA(SA), J Kitching, B Compt (Hons), CA(SA), B Kool, B Compt (Hons), M Com (GFA), CA(SA), L Mac Donald, B Compt (Hons), CA(SA), L Quintal, B Com (Hons), CA(SA), R Rawoot, B Compt (Hons), CA(SA), P D Schulze, B Acc Sc (Hons), PG Dip Tax Law, CA(SA), M Steenkamp, B Compt (Hons), CA(SA), L M van der Merwe, B Com (Hons), CA(SA), A D Young, B Compt (Hons), CA(SA)

RSM South Africa Inc. Registration No. 2016/324649/21. Practice No. 900435 is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

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 Board members for the Financial Statements**

The board members are responsible for the preparation of the financial statements in accordance with the basis of accounting described in Note 1 of the financial statements and for such internal control as the board members 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 board members 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 board members either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board members.
- Conclude on the appropriateness of the board members' 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.

We communicate with the board members 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.

*RSM South Africa Inc.*

**RSM South Africa Incorporated**  
**Registered Auditors**

**Per Andrew Craig Galloway CA(SA) RA**  
**Director**

**Cape Town**  
**Date**

*17 APRIL 2019*

## **WORDWORKS**

### **REPORT OF THE BOARD MEMBERS' FOR THE YEAR ENDED 31 DECEMBER 2018**

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The board members present their report for the year ended 31 December 2018.

#### **General review**

The organisation's operations and the results thereof are clearly reflected in the attached financial statements. No material fact or circumstance has occurred between the accounting date and the date of this report.

#### **Nature of business**

Wordworks is a South African non-profit organisation that focuses on early language and literacy development in the first eight years of children's lives. Since 2005 we have worked in under-resourced communities with those adults best positioned to impact on young children's language and literacy development – parents and caregivers, family and community members, home-visitors, early childhood development practitioners and Grade R teachers. We support a growing network of individuals, schools, organisations and institutions that promote the importance, and work for the improvement of children's early language and literacy, through their association with our programmes and materials. We provide initial training and support for those using our resource-based programmes that can be implemented in homes, classrooms and community settings. Programmes are sustained through ongoing connections with Wordworks, including refresher training and events, input and guidance, access to resources and opportunities, sharing of learning and support for programme monitoring and evaluation.

#### **Statement of responsibility**

The board members are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information.

The board members are also responsible for the organisation's systems of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the members to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on the going concern basis, since the members have every reason to believe that the organisation has adequate resources in place to continue in operation for the foreseeable future.

#### **Board Members**

The board members of the organisation during the year and to date of this report is as follows:

Dr Mantoa Rose Motinyane-Masoko  
Pam Picken  
Rethabile Mashale  
Sandra Hamman  
Shelly von Seidel  
Mignon Hardie  
Dr Shelley O'Carroll

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Notes	DECEMBER 2018 R	DECEMBER 2017 R
<b>ASSETS</b>			
<b><u>Non Current Assets</u></b>			
Property, plant and equipment	2	75 122	92 423
		<b>3 279 575</b>	<b>4 247 331</b>
<b><u>Current assets</u></b>			
Cash and cash equivalents		2 404 715	3 621 050
Trade and other receivables		116 340	197 901
Stock materials		758 520	384 737
Vat refund		-	43 643
		<b>3 354 697</b>	<b>4 339 754</b>
<b><u>Total assets</u></b>			
<b>FUNDS AND LIABILITIES</b>			
<b><u>Funds and reserves</u></b>			
Accumulated funds		2 377 614	2 801 950
		<b>977 083</b>	<b>1 537 804</b>
<b><u>Current liabilities</u></b>			
O'Carroll bursary fund	4	256 984	224 984
Accounts payable		81 102	138 838
Deferred Income		638 997	1 173 982
		<b>3 354 697</b>	<b>4 339 754</b>
<b><u>Total funds and liabilities</u></b>			

**WORDWORKS**

**STATEMENT OF CHANGES IN FUNDS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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	<b>Accumulated Funds</b>
	<b>R</b>
<b>Balance as at 1 January 2017</b>	2 193 143
Surplus for the year	608 807
<b>Balance as at 31 December 2017</b>	<u>2 801 950</u>
<b>Balance as at 1 January 2018</b>	2 801 950
Deficit for the year	(424 337)
<b>Balance as at 31 December 2018</b>	<u>2 377 613</u>

**WORDWORKS**

**STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY 2018 TO 31 DECEMBER 2018**

	<b>JANUARY TO DECEMBER 2018 R</b>	<b>JANUARY TO DECEMBER 2017 R</b>
<b>Income</b>	<b>9 198 877</b>	<b>11 173 929</b>
<b>Grants</b>	<b>6 781 584</b>	<b>9 384 009</b>
DG Murray Trust	1 593 000	1 648 000
USAID/ELMA Foundation/ JP Morgan	-	3 487 109
The ELMA Foundation	1 500 000	1 500 000
Oppenheimer Memorial Trust	400 000	350 000
Claude Leon Foundation	800 000	750 000
Solon Foundation	160 000	101 173
Fynbos Foundation	95 288	86 625
The Childwick Trust - Jim Joel Fund	549 924	360 000
Innovation Edge	40 000	300 000
The Learning Trust	-	300 000
Frank Jackson Foundation	149 500	149 500
Community Chest	50 000	140 240
Ackermans-Ububele	200 000	104 201
The Do More Foundation Trust	95 632	107 161
David & Elaine Potter Foundation	500 000	-
Johann & Gaynor Rupert Foundation	43 240	-
ABAX Development Trust	200 000	-
Grindrod Family Centenary Trust	305 000	-
HCI Foundation	100 000	-
<b>Donations received</b>	<b>570 779</b>	<b>234 669</b>
Canon	-	3 500
Coronation Asset Management	8 000	-
Wynberg Rotary Club	15 000	-
Hout Bay & Llandudno Education Trust	62 000	58 000
Davies Foundation	10 000	10 000
3CMetal SA	10 000	50 000
<b>Donations from private individuals:</b>		
Donations to Book Fund	45 811	12 930
O'Carroll	410 000	89 598
Woolworths My School Card	9 969	10 641
<b>Other</b>	<b>672 532</b>	<b>439 027</b>
Bank interest	182 927	191 773
Sale of resources	419 958	210 125
<b>Services charged</b>	<b>69 646</b>	<b>37 129</b>
Workshop fees	18 646	-
Content development & services rendered	51 000	37 129
<b>Deferred Income from prior year</b>	<b>1 173 982</b>	<b>1 116 224</b>



<b>EXPENDITURE</b>	<b>8 984 217</b>	<b>9 391 140</b>
<b>Programme expenditure</b>	<b>7 927 131</b>	<b>8 300 614</b>
<b>Personnel</b>	<b>6 436 423</b>	<b>5 965 139</b>
Management and Finance personnel	1 757 476	1 795 161
Programme personnel	4 310 321	3 837 235
Contractual freelancers	360 454	318 743
Staff welfare & development	8 171	14 000
Programme travel & accommodation	170 558	251 557
Communication, advocacy and public education	99 079	162 029
<b>Training and capacity building</b>	<b>362 662</b>	<b>431 816</b>
Resources and start-up kits (incl postage and courier)	244 817	326 757
Events for initial training, year 1	117 845	105 060
<b>Wordnetworks</b>	<b>612 445</b>	<b>628 960</b>
Resources and start-up kits (incl postage and courier)	525 662	547 699
Events for initial training	86 784	81 261
<b>Materials development</b>	<b>79 279</b>	<b>721 498</b>
Design, Illustration, Editing, Proofreading, Translation	79 279	721 498
<b>Quality assurance and knowledge production</b>	<b>166 686</b>	<b>139 615</b>
Programme Monitoring & Evaluation	129 623	130 915
Knowledge sharing, conferences & seminars	37 063	8 700
	<b>(156 879)</b>	<b>(99 098)</b>
Cost of sales	508 026	384 828
Resources distributed	(664 905)	(483 926)
<b>Administration and overheads</b>	<b>1 201 547</b>	<b>1 185 785</b>
Accounting consulting fees	20 087	36 654
Audit fees	55 810	53 000
Bank Charges	28 508	20 551
Cleaning costs	37 357	33 290
Computer Expenses	88 437	70 934
Printing & Stationery	6 715	8 514
Electricity & Water	16 034	14 649
Insurance	6 492	4 324
Internet expenses	18 021	7 555
Repairs & Maintenance	6 944	6 492
Office Rent	198 000	180 000
Board & staff meeting costs	11 294	10 745
Office General costs	-	4 654
Photocopier Hire	20 388	20 388
Local Travel - Admin	11 155	4 571
Postage & Courier	2 179	1 653
Security	5 095	4 133
Staff Welfare	-	4 888
Staff teas/refreshments	14 540	21 768
Subscriptions	2 000	3 299
Telephone costs	20 859	23 909
Sage-Payroll costs	7 080	4 175
Salaries Administration	579 593	608 830
Resource mobilisation	7 446	-
Depreciation	37 513	36 808
Assets Less than 7K written off	12 417	3 840
<b>Surplus /Deficit for the year</b>	<b>214 660</b>	<b>1 782 789</b>
<b>Less income deferred to 2019</b>	<b>(638 997)</b>	<b>(1 173 982)</b>
DG Murray Trust	-	(536 398)
Innovation Edge	-	(32 997)
Claude Leon Foundation	-	(61 572)
USAID/ELMA Foundation/JP Morgan	-	(132 112)
Frank Jackson Foundation	-	(138 711)
ABAX Development Trust	(100 000)	-
Grindrod Family Centenary Trust	(205 000)	-
The Childwick Trust - Jim Joel Fund	(333 997)	(260 392)
RCL - Do More Foundation	-	(11 800)
<b>Surplus /Deficit after deferred income</b>	<b>(424 337)</b>	<b>608 807</b>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**1 SUMMARY OF ACCOUNTING POLICIES**

The following are the principal accounting policies of the project.

**1.1 Basis of preparation**

The Annual Financial Statements are prepared on the historical cost basis and incorporate the following accounting policies which have been consistently applied.

Income is recorded on a cash received basis. The exception to this treatment is where income is received in advance, which must be refunded if not utilised. This revenue is not recognised on the cash basis as there is a present obligation to return the funds if not fully utilised as per contractual agreement.

All known liabilities of the organisation have been included.

**1.2 Inventories are measured at cost, on the last-in, first-out (LIFO) basis.**

**1.3 Property, Plant and Equipment**

The cost of an item of property, plant and equipment is recognised as an asset when:

- \* It is probable that future economic benefits associated with the item will flow to the company; and
- \* The cost of the item can be measured reliably.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

<u>Item</u>	<u>Average useful life</u>
Office Equipment	3 years
Computer Equipment	3 years
Computer Software	2 years

Assets purchased for less than R7000-00 are depreciated in full in the year it was purchased.

**1.4 Financial Instruments**

Financial instruments are initially measured at the transaction price. This includes transaction costs, except for financial instruments which are measured at fair value through profit and loss.

Debt instruments are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At the end of each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If so, an impairment loss is recognised.

**2 PROPERTY, PLANT AND EQUIPMENT**

	<b>2018</b>		
	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Carrying value</b>
<b>Owned assets</b>	R	R	R
Computer Equipment	146 238	121 310	24 929
Computer Software	41 534	41 534	-
Office Equipment	133 489	83 295	50 194
	<u>321 261</u>	<u>246 139</u>	<u>75 122</u>

Reconciliation of property, plant and equipment 2018

	<b>Carrying value at beginning of year</b>	<b>2018 Additions</b>	<b>2018 Depreciation</b>	<b>Carrying value at end of year</b>
<b>Owned assets</b>	R	R	R	R
Computer Equipment	41 889	11 112	28 072	24 929
Computer Software	-	-	-	-
Office Equipment	50 534	21 517	21 858	50 193
	<u>92 423</u>	<u>32 629</u>	<u>49 930</u>	<u>75 122</u>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**3 TAXATION**

The organisation has obtained Public Benefit Organisation status in terms of 10(1)(cN) as read with Section 30 of the Income Tax Act. No provision has been made for taxation in the current year.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>2018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>
<b>4 RECONCILIATION OF O'CARROLL BURSARY FUND</b>		
<b>Opening Balance</b>	224 984	226 024
Funds received	200 000	240 000
Less: Disbursements for the year		
Bursaries	168 000	151 442
Ashanti International-Alunga	44 000	43 010
Betty- school stationery	-	800
sindiswa school stationery	7 700	800
Fish Hoek school- Vuyiswa	-	20 947
W Van- Schalkwyk	-	-
Lungi uniforms/stationery-b/fare	-	800
NE Ngcwana school stationery	-	800
nombeke edith-bus fare/fees	-	4 760
fish hoek-Zimasa	-	26 323
Fish Hoek High	45 600	-
Nobuntu Lolwana	4 200	5 560
khunyulwa school stationery	-	800
Sindiswa school stationery	-	7 920
CAD4ALL- School fees	39 500	-
Rejoice- Mary A Compson	-	4 200
Fish Hoek High- students tour	-	5 850
Notsikelelo- school uniforms	-	800
Nothemba- school stationery	-	800
Siphokazi school stationery	-	800
Nesiswa school stationery	-	800
St James school fees	27 000	25 172
Fish Hoek-Kolisa	-	500
Other Bursary support		
Masi Library Support	-	89 598
<b>Closing Balance</b>	<b>256 984</b>	<b>224 984</b>