

WORDWORKS

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

**NPO Number: 044-766-NPO
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WORDWORKS

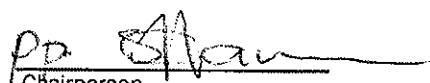
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

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APPROVAL

The financial statements which appear on pages 5 to 10 were approved by the members and signed on their behalf by:


Chairperson


Director

27-07-2015
Date

RSM Betty & Dickson (Cape Town)
Chartered Accountants (SA)
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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WORDWORKS

Report on the Annual Financial Statements

We have audited the annual financial statements of Wordworks as set out on pages 5 to 10, which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in funds for the year ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Annual Financial Statements

The board is responsible for the preparation and fair presentation of these annual financial statements in accordance with the basis of accounting as set out in Note 1 to the annual financial statements, and for such internal control as the board determines is necessary to enable the preparation of annual financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the annual 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 annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessments of the risk of material misstatement of the annual 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 annual 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 policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the annual financial statements.

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

Basis for Qualified Opinion

The audit report for the year ended 31 December 2013 included a qualification with regards to the completeness of grant and donations income as it was not feasible for the entity to institute accounting controls over this prior to initial recognition in the accounting records. Subsequently the organisation has managed to institute enhanced controls over grant income, thereby allowing removal of the qualification in the current year for grant income. It is still not feasible for the organisation to institute similar controls over donations income prior to initial entry of these amounts in the accounting records. Accordingly it was impracticable for us to extend our examination beyond the receipts of donations only actually recorded.

Qualified Opinion

In our opinion, except for the effects of the matters described in the preceding paragraphs, the annual financial statements have been prepared, in all material respects, in accordance with the basis of accounting described in Note 1 of the accounting policy notes of the organisation.

Other Reports

As part of our audit of the annual financial statements for the year ended 31 December 2014, we have read the Report of the Members for the purpose of identifying whether there are material inconsistencies between this report and the audited annual financial statements. This report is the responsibility of the respective preparer. Having read this report we have not identified any material inconsistencies between this report and the audited annual financial statements. However, we have not audited this report and accordingly do not express an opinion thereon.



RSM Betty & Dickson (Cape Town)
Registered Auditors

Per Andrew Galloway CA (SA) RA
Partner

27 July 2015

Date

Cape Town

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REPORT OF THE MEMBERS FOR THE YEAR ENDED 31 DECEMBER 2014

REPORT OF THE MEMBERS

The members present their report for the year ended 31 December 2014. This report forms part of the annual financial statements.

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 non-profit organisation that aims to support the early literacy and language development of children from disadvantaged communities. The organisation works with local communities to establish reading "centres" at schools, libraries and community halls. Volunteers are trained to work with small groups of young children who have difficulties with reading and writing. The majority of these children are learning to read in a second language. In addition to working with children, the organisation works directly with parents to empower them to support their children's early learning in the home environment. Wordworks also runs programmes for pre-school teachers to assist them with teaching of basic concepts and emergent literacy. Through getting to know the participants in our projects, the organisation has come to recognise the resilience and courage of children and families in impoverished communities. The organisation recognises the need to provide opportunities for children from disadvantaged communities to participate in therapeutic activities to attend to the consequences of trauma, violence, abuse and/or loss.

Wordworks aims to produce accessible, affordable materials and to contribute to research about early literacy and language development and therapeutic practices in disadvantaged communities.

Statement of responsibility

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

The 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.

Damian Conway
Mantoa Smouse
Nuraan Davids
Pam Picken
Rethabile Mashale
Sandra Hamman
Shelley O'Carroll

Appointed on 12 November 2014
Resigned on 12 November 2014
Appointed on 12 November 2014

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Notes	<u>2014</u>	<u>2013</u>
		R	R
ASSETS			
<u>Non Current Assets</u>			
Property, plant and equipment	2	19 614	-
<u>Current assets</u>			
Cash and cash equivalents		2 588 979	938 715
Inventory		2 182 324	661 895
Trade and other receivables		325 409	-
SARS		40 748	245 547
		40 498	31 273
Total assets		<u>2 608 593</u>	<u>938 715</u>
FUNDS AND LIABILITIES			
<u>Funds</u>			
Accumulated funds		746 036	94 061
Donations Earmarked for 2014		746 036	37 922
		-	56 139
<u>Current liabilities</u>			
		1 862 557	844 654
O'Carroll bursary fund	3	238 497	185 873
Trade and other payables		71 262	27 377
Deferred Income (funds received in advance)	4	1 552 798	631 405
Total funds and liabilities		<u>2 608 593</u>	<u>938 715</u>

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**STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Accumulated Funds R	Donations earmarked for 2015 R	Total Funds R
Balance as at 1 January 2013	54 084	104 500	158 584
Surplus / (Deficit) for the year	(16 162)	-	(16 162)
Net movement during the year	-	(48 361)	(48 361)
Balance as at 31 December 2013	<u>37 922</u>	<u>56 139</u>	<u>94 061</u>
Balance as at 1 January 2014	37 922	56 139	94 061
Surplus / (Deficit) for the year	708 114	-	708 114
Net movement during the year		(56 139)	(56 139)
Balance as at 31 December 2014	<u>746 036</u>	<u>-</u>	<u>746 036</u>

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

		2014	2013
	Notes	R	R
INCOME		6 959 656	3 415 499
Grants received		5 288 138	2 670 365
Anglo American Chairman's Fund		-	94 784
Breadline Africa		-	50 000
Claude Leon Foundation		700 000	331 685
DG Murray Trust		1 700 000	1 860 201
DG Murray Trust - Advocacy		273 000	-
Hout Bay & Liandudno Ed Trust		50 050	60 005
Joint Education Trust		-	24 100
Oppenheimer Memorial Trust		200 000	-
SA National Lotteries Board Fund		178 500	-
The Atlantic Philanthropies		105 938	-
The Learning Trust		145 000	43 650
USAID/ELMA Foundation/JP Morgan		1 935 650	205 940
Donations received		272 686	352 369
3c Metal (Pty) Ltd		-	52 000
Creamer Media (Pty) Ltd		20 000	-
Davis Foundation		10 000	10 000
Donations from Individuals		4 510	27 589
Itron (Pty) Ltd		75 880	54 200
J Langley		-	68 773
Masiphumelele Corporation & Trust (Masi Corp)		11 000	10 000
My School Card		9 196	3 807
Peoples Education Support Fund - Japan		-	24 000
Proprint (Pty) Ltd		65 000	70 000
UWP Consulting (Pty) Ltd		77 100	32 000
Deferred income brought forward 2013		687 544	377 725
Anglo American Chairman's Fund		5 216	-
Claude Leon Foundation		452 140	183 825
DG Murray Trust		119 299	95 500
Donation from J Langley		35 727	-
Donation from Mark Bell		12 411	-
Rotary Club		8 000	-
The Learning Trust		54 750	98 400
Other Income		711 289	392 765
Administration fee - O' Carroll Bursary Fund		18 710	36 716
Bank interest		57 696	40 718
Inventory adjustment	6	349 772	-
Sale of resources		201 962	145 102
Services charged		76 794	-
Sundry income		6 355	170 229
Income Deferred to 2015	4	1 552 798	687 544

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
	R	R
EXPENDITURE	4 698 744	3 431 661
Cost of sales	271 110	-
Programmes Expenditure	3 346 021	2 257 493
Catering training and workshops	17 942	18 363
Designs illustrations & translations	259 009	147 687
Evaluation & monitoring	15 606	13 856
Policy advocacy & knowledge sharing	32 874	263 295
Programme salaries	2 619 202	1 523 811
Staff development & conferences	88 366	21 400
Travelling and accommodation	102 796	88 073
Volunteer & facilitator stipends	210 226	181 008
Programme Resources	311 203	341 740
Programme material purchased	430 184	341 740
Resource distributed	-118 981	-
Organisational	-	64 315
Communications newsletter & website	-	64 315
Administration	739 185	736 525
Accounting Fees	1 816	4 692
Assets less than 7k written off (See below)	-	-
Audit fees	28 135	22 287
Bank charges	10 946	11 437
Computer expenses	22 093	9 055
Courier & postage	1 344	1 125
Depreciation	3 163	-
Electricity & water	10 397	10 473
Internet	3 835	-
Office rent	105 600	88 000
Office Supplies	37 709	-
Photocopier rental	13 729	3 420
Printing & stationery	9 449	27 153
Project materials	-	137 959
Repairs & maintenance	1 794	4 826
Salaries administration	457 354	373 811
Security- WCSS alarm	3 432	2 990
Staff welfare	9 484	9 372
Subscription & licences	6 076	1 382
Telephone & fax	12 829	16 686
UIF Company contribution	-	11 857
Equipment, Furniture & Fittings	31 225	31 588
Surplus / (Deficit)	708 114	-16 162

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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.

2 PROPERTY, PLANT AND EQUIPMENT

	2014		
	Cost	Accumulated depreciation	Carrying value
Owned assets	R	R	R
Office Equipment	22 777	3 163	19 614
Computer Equipment	-	-	-
Computer Software	-	-	-
	<u>22 777</u>	<u>3 163</u>	<u>19 614</u>

Reconciliation of property, plant and equipment 2014

	Carrying value at beginning of year	2014 Additions	2014 Depreciation	Carrying value
Owned assets	R	R	R	R
Office Equipment	-	22 777	3 163	19 614
Computer Equipment	-	-	-	-
Computer Software	-	-	-	-
	<u>-</u>	<u>22 777</u>	<u>3 163</u>	<u>19 614</u>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

	2014	2013
	R	R
3 RECONCILIATION OF O'CARROLL BURSARY FUND		
Opening Balance	185 873	130 220
Funds received	187 100	230 400
Less: Disbursements for the year		
Bursaries	115 766	151 707
Alunga fees& stationery	2 250	4 000
Betty- school stationery	800	-
Brian - NWU registration fees	750	40 450
Faith uniforms/stationery-b/fare	6 500	5 530
Fish Hoek school- Alunga/Kholisa	37 820	15 010
Fish Hoek school-- Siphokazi Katamzi	4 000	15 010
Igali- Wordworks Tshirts	20 500	-
Kleinberg School	260	400
Lungi uniforms/stationery-b/fare	6 550	6 675
Michelle- school stationery	800	-
NN Mpane- school stationery	800	-
Nobuntu uniforms/stationery-b/fare	4 000	2 300
Nolubabalo- school stationery	800	1 300
Nosakhe- school stationery	800	800
Nothemba- school stationery	800	-
P Ngcwama- Kholisa stationery	926	-
Sheila school stationery	800	500
Shelley vol kit 80*5	400	-
Siphokazi school stationery	800	1 000
Siphokazi fees Zimasa	1 200	-
St Anthony L Katambwe	-	3 740
St James school fees	24 210	22 492
UWC- ALMA	-	32 500
Administration fee @ 10%	18 710	23 040
Closing Balance	238 497	185 873

4 DEFERED INCOME

	2014	2013
	R	R
Funds received in advance	1 552 798	631 405
Anglo American Chairman's Fund	-	5 216
Claude Leon Foundation	636 333	452 140
DG Murray Trust	216 068	119 299
DG Murray Trust- Advocacy	174 984	-
HBL CET	17 317	-
Masiphumelele Corporation & Trust	65 431	-
Oppenhemier Memorial Trust	200 000	-
The Atlantic Philanthropies	105 938	-
The Learning Trust	61 241	54 750
United States Agency for International Development/ ELMA	75 485	-

5 TAXATION

The organisation is exempt from income tax under 10(1)(cN) as read with Section 30 of the Income Tax Act. No provision has been made for taxation in the current year.

6 CHANGE IN ACCOUNTING POLICY FOR INVENTORY ON HAND

During the year, the entity changed its accounting policy with respect to the treatment of materials on hand. The entity now recognises materials as inventory at cost. In the prior year, all materials purchased by the entity were written off in the year acquired. The entity will make a prospective adjustment of materials to the value of R349 772 and comparatives are not restated.