

**WORDWORKS**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

**WORDWORKS**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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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 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 members and signed on their behalf by:

  
Chairperson

  
Member

16/05/2017  
Date

## **INDEPENDENT AUDITOR'S REPORT**

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

#### **Opinion**

We have audited the financial statements of Wordworks set out on pages 5 to 11, which comprise the statement of financial position as at 31 December 2016, and 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 2016 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.

#### **Other Information**

The Members are responsible for the other information. The other information comprises the Board Members' Report, 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.

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.

#### **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 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.

## **THE POWER OF BEING UNDERSTOOD**

AUDIT | TAX | CONSULTING

**Directors** E Bergh, B Com (Hons), CA(SA), C D Betty, B Acc, CA(SA), A Bignon-de Waal, B Com, B Compt (Hons), M Com (FORP), CA(SA), M G O de Faria, B Bus Sc, CA(SA), B J Eaton, B Acc, H Dip Tax Law, CA(SA), C J Flynn, B Compt (Hons), CA(SA), A C Galloway, B Sc Mech Eng, CA(SA), E Gerber, B Acc (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 Wootton, B Com (Hons), CA(SA), A D Yeung, B Compt (Hons), CA(SA)

RSM SA 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.

## **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.

A handwritten signature in cursive script that reads 'RSM SA Inc.'.

**RSM SA Inc.  
Registered Auditors**

**Per A C Galloway CA(SA) RA  
Partner**

16 MAY 2017

**Date  
Cape Town**

## **WORDWORKS**

### **REPORT OF THE BOARD MEMBERS FOR THE YEAR ENDED 31 DECEMBER 2016**

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#### **REPORT OF THE BOARD MEMBERS**

The board members present their report for the year ended 31 December 2016.

##### **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:

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

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Notes	DECEMBER 2016 R	DECEMBER 2015 R
<b>ASSETS</b>			
<b><u>Non Current Assets</u></b>			
Property, plant and equipment	2	68 781	32 806
<b><u>Current assets</u></b>		<b>3 864 730</b>	<b>2 405 308</b>
Cash and cash equivalents		3 292 687	1 929 155
Trade and other receivables		172 814	92 777
Stock materials		338 912	378 129
Vat refund		60 317	5 248
<b><u>Total assets</u></b>		<b>3 933 511</b>	<b>2 438 114</b>
<b>FUNDS AND LIABILITIES</b>			
<b><u>Funds and reserves</u></b>			
Accumulated funds		2 193 143	1 252 301
<b><u>Current liabilities</u></b>		<b>1 740 368</b>	<b>1 185 813</b>
O'Carroll bursary fund	3	226 024	228 397
Accounts payable		398 120	39 915
Deferred Income	4	1 116 224	917 502
<b><u>Total funds and liabilities</u></b>		<b>3 933 511</b>	<b>2 438 114</b>

**WORDWORKS**

**STATEMENT OF CHANGES IN FUNDS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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	<b>Accumulated Funds</b>
	<b>R</b>
<b>Balance as at 1 January 2015</b>	888 238
Surplus for the year	364 063
<b>Balance as at 31 December 2015</b>	<u>1 252 301</u>
<b>Balance as at 1 January 2016</b>	1 252 301
Surplus for the year	940 842
<b>Balance as at 31 December 2016</b>	<u>2 193 143</u>

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY 2016 TO 31 DECEMBER 2016

	JANUARY TO DECEMBER 2016	JANUARY TO DECEMBER 2015
<b>Income</b>	<b>10 662 333</b>	<b>8 386 121</b>
<b>Grants</b>	<b>8 695 125</b>	<b>6 000 611</b>
DG Murray Trust	1 059 000	1 704 000
USAID/ELMA Foundation/JP Morgan	3 884 044	3 795 742
The ELMA Foundation	1 500 000	-
Oppenheimer Memorial Trust	350 000	200 000
National Lotteries Board	-	178 500
Claude Leon Foundation	700 000	-
Solon Foundation	175 000	-
Fynbos Foundaton	82 500	75 000
The Childwick Trust - Jim Joel Fund	360 000	-
Innovation Edge - DGMT	172 973	-
The Learning Trust	277 781	47 369
RCL FOODS LTD	133 828	-
<b>Donations received</b>	<b>450 409</b>	<b>381 004</b>
Wynberg Rotary Club	10 000	12 800
Oxford University Press & Sponsors	-	78 426
Pro-Print (Pty) Ltd	180 000	65 000
Masicorporation and Trust	10 000	20 000
Hout Bay & Llandudno Education Trust	55 000	55 000
UWP Consulting (Pty) Ltd	60 000	-
Davies Foundation	10 000	10 000
Creamer Media	5 000	10 000
3CMetal SA	3 100	-
<b>Donations from private individuals:</b>	<b>-</b>	<b>70 340</b>
Donations to Book Fund	25 950	1 243
Bursary Fund - Contribution to Masi Library	82 000	47 323
Woolworths My School Card	9 359	10 873
<b>Other</b>	<b>599 297</b>	<b>451 708</b>
Administration fee - O'Carroll Bursary Fund	24 000	20 342
Bank interest	157 663	97 918
Sale of resources	212 163	200 484
<b>Services charged</b>	<b>205 471</b>	<b>132 964</b>
Rotary (Montagu)	-	22 113
Children in the Wilderness	60 150	33 000
REPSSI	-	22 368
Shine Literacy	46 388	-
The Learning Initiative	21 000	-
Ackermans (Ububele)	77 933	13 740
Services charged - other	-	4 778
VAT refund	-	33 755
Other (Electricity )	-	3 210
<b>Deferred income from prior year</b>	<b>917 502</b>	<b>1 552 798</b>



STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY 2016 TO 31 DECEMBER 2016

	JANUARY TO DECEMBER 2016 R	JANUARY TO DECEMBER 2015 R
<b>EXPENDITURE</b>	<b>8 605 267</b>	<b>7 104 556</b>
<b>Programmes Expenditure</b>	<b>7 488 074</b>	<b>5 520 849</b>
Training, venues & catering	200 129	33 649
Cost of programme materials	1 557 547	1 442 312
Designs, illustrations & translations	812 300	478 181
Monitoring & Evaluation	222 366	113 140
Policy advocacy & liaison	-	30 616
Project salaries	4 358 576	2 969 135
Permanent Staff	4 096 791	2 429 455
Contractual Freelancers	261 785	539 680
Conferences & Knowledge Sharing	66 753	94 780
Travelling and accommodation	171 848	108 133
Volunteer & facilitator stipends	98 556	250 903
	<b>62 273</b>	<b>181 270</b>
Cost of sales	405 227	400 887
Resources distributed	(342 953)	(219 617)
	<b>74 824</b>	<b>88 149</b>
<b>Organisational</b>	<b>33 336</b>	<b>-</b>
Website Development costs	18 201	40 732
Communication, Promotions & newsletters	-	26 868
AGM - Public	-	750
PR - SANLDF Logo	-	-
Staff Training/ capacity building	23 287	19 800
	<b>978 229</b>	<b>1 305 147</b>
<b>Administration</b>	<b>3 853</b>	<b>849</b>
Accounting Fees	39 726	36 638
Audit Fees	15 170	13 871
Bank Charges	16 485	7 870
Cleaning	64 457	31 084
Computer Expenses	-	6 000
Computer staff allowance	25 295	10 469
Depreciation	10 224	13 192
Electricity & Water	5 591	1 397
Insurance	6 229	3 076
Internet Expenses	9 253	-
IT Upgrade	20 578	-
Legal & consulting costs	3 338	5 265
Office costs	127 776	116 160
Office Rent	20 712	19 665
Photocopier Hire	621	1 887
Postage & Courier	10 759	10 361
Printing & Stationery	4 486	4 817
Repairs & office costs	1 800	1 200
Recruitment adverts costs	540 514	977 209
Salaries Administration	1 692	-
Sage-Payroll costs	3 775	4 804
Security	10 334	9 620
Staff teas/refreshments	5 111	2 584
Staff welfare	6 267	5 048
Subscriptions & Licenses	20 317	19 663
Telephone costs	3 866	2 419
Travel	-	-
	<b>1 867</b>	<b>9 141</b>
Assets Less than 7K written off	-	-
	<b>2 057 066</b>	<b>1 281 565</b>
<b>Surplus /Deficit</b>	<b>(1 116 224)</b>	<b>(917 502)</b>
<b>Income deferred to 2017</b>	<b>(450 825)</b>	<b>(313 267)</b>
DG Murray Trust	-	-
The ELMA Foundation	(350 000)	(191 816)
Oppenheimer Memorial Trust	-	(105 936)
The Atlantic Philanthropies	-	(306 482)
USAID/ELMA Foundation/JP Morgan	-	-
Solon Foundation	(17 419)	-
The Childwick Trust - Jim Joel Fund	(297 980)	-
	<b>940 842</b>	<b>364 063</b>
<b>Surplus /Deficit after deferred income</b>	<b>940 842</b>	<b>364 063</b>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**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>2016</b>		
	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Carrying value</b>
<b>Owned assets</b>	R	R	R
Office Equipment	111 749	63 645	48 104
Computer Equipment	41 534	41 534	-
Computer Software	71 059	50 381	20 677
	<u>224 342</u>	<u>155 561</u>	<u>68 781</u>

Reconciliation of property, plant and equipment 2016

	<b>Carrying value at beginning of year</b>	<b>2016 Additions</b>	<b>2016 Depreciation</b>	<b>Carrying value</b>
<b>Owned assets</b>	R	R	R	R
Office Equipment	32 806	39 318	24 020	48 104
Computer Equipment	-	-	-	-
Computer Software	-	21 952	1 275	20 677
	<u>32 806</u>	<u>61 270</u>	<u>25 295</u>	<u>68 781</u>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**3 PRIOR YEAR EXPENSES**

Donations received and certain expenses relating to Organisational and Programme Expenditure have been classified differently in the current year in the Statement of Comprehensive Income in order to enhance presentation. The comparatives have been reclassified accordingly.

**4 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 2016**

	2016 R	2015 R
<b>5 RECONCILIATION OF O'CARROLL BURSARY FUND</b>		
Opening Balance	228 397	238 497
Funds received	240 000	203 420
Less: Disbursements for the year		
Bursaries	186 373	193 178
Alunga fees & stationery	39 105	-
Betty- school stationery	1 200	800
Brian - NWU registration fees	-	3 756
Faith uniforms/stationery-b/fare	7 200	7 450
Fish Hoek school- Vuyiswa	19 475	18 950
Fish Hoek school-- Michelle	21 423	-
Lungi uniforms/stationery-b/fare sheila	13 130	10 830
NE Ngcwana school stationery	1 100	1 200
sarah Cookney	-	2 610
nombeke edith-bus fare/fees	4 200	3 300
fish hoek-Zimasa	8 330	6 300
Silvermine-school fees	23 918	16 886
Masi Library support	-	47 323
Nobuntu uniforms/stationery-b/fare	3 900	3 700
khunyulwa school stationery	600	2 300
ntomboxolo school stationery	600	800
sindiswa school stationery	600	800
nomha	600	800
nontsikelelo	600	800
Rejoice- Mary A Compson	1 200	-
Nolubabalo- school stationery	-	800
Mandisa Pula	-	1 000
Nosakhe- school stationery	600	800
Nothemba- school stationery	600	800
Sheila school stationery	600	-
Siphokazi school stationery	600	-
Siphokazi fees Zimasa	-	1 800
Nesiswa school stationery	1 200	800
St James school fees	35 592	38 374
Fish Hoek-Kolisa	-	18 950
Other Bursary support	56 000	20 342
Donation to book fund	10 000	-
Masi Library Support	22 000	-
Administration fee @ 10%	24 000	20 342
<b>Closing Balance</b>	<b>226 024</b>	<b>228 397</b>