

WORDWORKS

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

NPO Number: 044-766-NPO

PBO Number: 930022252

WORDWORKS

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

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THE FOLLOWING SUPPLEMENTARY INFORMATION DOES NOT FORM PART OF THE ANNUAL FINANCIAL STATEMENTS AND IS UNAUDITED:

| | |
|--|----|
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|--|----|

APPROVAL

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


Chairperson


Member

27/3/2018
Date

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 2017, 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 2017 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 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.

THE POWER OF BEING UNDERSTOOD AUDIT | TAX | CONSULTING

Directors 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), 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 Kooi, B Compt (Hons), M Com (GFA), CA(SA), C D Maytham, B Compt (Hons), AGA (SA), L Pinnock, BA LLB, H Dip Tax Law, Cert Adv Company Law, L Quintal, B Com (Hons), CA(SA), R Rawoot, B Compt (Hons), CA(SA), J M Scholtz, B Bus Sc, 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 SA Consulting (Pty) Ltd, Registration No. 2013/160759/07 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 practises 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.



RSM South Africa Incorporated
Registered Auditors

Per Andrew Craig Galloway CA(SA) RA
Director

27 MARCH 2018

Date

Cape Town

WORDWORKS

REPORT OF THE BOARD MEMBERS FOR THE YEAR ENDED 31 DECEMBER 2017

The board members present their report for the year ended 31 December 2017.

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

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

| | Notes | DECEMBER 2017 R | DECEMBER 2016 R |
|---|-------|--------------------|--------------------|
| ASSETS | | | |
| <u>Non Current Assets</u> | | | |
| Property, plant and equipment | 2 | 92 423 | 68 781 |
| | | 4 247 331 | 3 864 730 |
| <u>Current assets</u> | | | |
| Cash and cash equivalents | | 3 621 050 | 3 292 687 |
| Trade and other receivables | | 197 901 | 172 814 |
| Stock materials | | 384 737 | 338 912 |
| Vat refund | | 43 643 | 60 317 |
| | | 4 339 754 | 3 933 511 |
| <u>Total assets</u> | | | |
| FUNDS AND LIABILITIES | | | |
| <u>Funds and reserves</u> | | | |
| Accumulated funds | | 2 801 950 | 2 193 143 |
| | | 1 537 804 | 1 740 368 |
| <u>Current liabilities</u> | | | |
| O'Carroll bursary fund | 4 | 224 984 | 226 024 |
| Accounts payable | | 138 838 | 398 120 |
| Deferred Income | | 1 173 982 | 1 116 224 |
| | | 4 339 754 | 3 933 511 |
| <u>Total funds and liabilities</u> | | | |

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**STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2017**

| | Accumulated Funds |
|---------------------------------------|------------------------------|
| | R |
| Balance as at 1 January 2016 | 1 252 301 |
| Surplus for the year | 940 842 |
| Balance as at 31 December 2016 | <u>2 193 143</u> |
| Balance as at 1 January 2017 | 2 193 143 |
| Surplus for the year | 608 807 |
| Balance as at 31 December 2017 | <u>2 801 950</u> |

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY 2017 TO 31 DECEMBER 2017

| | JANUARY TO DECEMBER 2017 | JANUARY TO DECEMBER 2016 |
|--|-----------------------------|-----------------------------|
| Income | 11 173 929 | 10 662 333 |
| Grants | 9 384 009 | 8 695 125 |
| DG Murray Trust | 1 648 000 | 1 059 000 |
| USAID/ELMA Foundation/JP Morgan | 3 487 109 | 3 884 044 |
| The ELMA Foundation | 1 500 000 | 1 500 000 |
| Oppenheimer Memorial Trust | 350 000 | 350 000 |
| Claude Leon Foundation | 750 000 | 700 000 |
| Solon Foundation | 101 173 | 175 000 |
| Fynbos Foundaton | 86 625 | 82 500 |
| The Childwick Trust - Jim Joel Fund | 360 000 | 360 000 |
| Innovation Edge - DGMT | 300 000 | 172 973 |
| The Learning Trust | 300 000 | 277 781 |
| Frank Jackson Foundation | 149 500 | - |
| Community Chest | 140 240 | - |
| Ackermans | 104 201 | - |
| RCL FOODS LTD | 107 161 | 133 828 |
| Donations received | 234 669 | 450 409 |
| Wynberg Rotary Club | - | 10 000 |
| Canon | 3 500 | - |
| Pro-Print (Pty) Ltd | - | 180 000 |
| Masicorporation and Trust | - | 10 000 |
| Hout Bay & Llandudno Education Trust | 58 000 | 55 000 |
| UWP Consulting (Pty) Ltd | - | 60 000 |
| Davies Foundation | 10 000 | 10 000 |
| Creamer Media | - | 5 000 |
| 3CMetal SA | 50 000 | 3 100 |
| Donations from private individuals: | | |
| Donations to Book Fund | 12 930 | 25 950 |
| Bursary Fund - Contribution to Masi Library | 89 598 | 82 000 |
| Woolworths My School Card | 10 641 | 9 359 |
| Other | 439 027 | 599 297 |
| Administration fee - O'Carroll Bursary Fund | - | 24 000 |
| Bank interest | 191 773 | 157 663 |
| Sale of resources | 210 125 | 212 163 |
| Services charged | 37 129 | 205 471 |
| <i>Children in the Wilderness</i> | - | 60 150 |
| <i>Western Cape Provincial Sport Council</i> | 3 650 | - |
| <i>Shine Literacy</i> | 4 550 | 46 388 |
| <i>The Learning Initiative</i> | - | 21 000 |
| <i>Ackermans (Ububele)</i> | - | 77 933 |
| <i>The Reach Trust</i> | 28 929 | - |
| Deferred Income from prior year | 1 116 224 | 917 502 |

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY 2017 TO 31 DECEMBER 2017

| | JANUARY TO DECEMBER 2017 R | JANUARY TO DECEMBER 2016 R |
|---|----------------------------------|----------------------------------|
| EXPENDITURE | 9 391 141 | 8 605 267 |
| Programmes Expenditure | 8 124 585 | 7 488 074 |
| Training, venues & catering | 105 060 | 200 129 |
| Cost of programme materials | 326 757 | 1 557 547 |
| Designs, illustrations & translations | 721 498 | 812 300 |
| Monitoring & Evaluation | 130 915 | 222 366 |
| Project salaries | 5 821 541 | 4 358 576 |
| Permanent Staff | 5 502 798 | 4 096 791 |
| Contractual Freelancers | 318 743 | 261 785 |
| Conferences & Knowledge Sharing | 8 700 | 66 753 |
| Events for initial training | 81 261 | - |
| Resources and start-up kits | 547 699 | - |
| Travelling and accommodation | 251 557 | 171 848 |
| Volunteer & facilitator stipends | 129 598 | 98 556 |
| | 99 098 | 62 273 |
| Cost of sales | 384 828 | 405 227 |
| Resources distributed | (483 926) | (342 953) |
| Organisational | 176 029 | 74 824 |
| Website Development costs | 23 425 | 33 336 |
| Communication, Promotions & newsletters | 128 242 | 18 201 |
| AGM - Public | 10 362 | - |
| Staff Training/ capacity building | 14 000 | 23 287 |
| Administration | 1 185 785 | 978 229 |
| Accounting Fees | 36 654 | 3 853 |
| Audit Fees | 53 000 | 39 726 |
| Bank Charges | 20 552 | 15 170 |
| Cleaning | 33 290 | 16 485 |
| Computer Expenses | 70 934 | 64 457 |
| Depreciation | 36 808 | 25 295 |
| Electricity & Water | 14 649 | 10 224 |
| Insurance | 4 324 | 5 591 |
| Internet Expenses | 7 555 | 6 229 |
| IT Upgrade | - | 9 253 |
| Legal & consulting costs | - | 20 578 |
| Office costs | 15 399 | 3 338 |
| Office Rent | 180 000 | 127 776 |
| Photocopier Hire | 20 388 | 20 712 |
| Postage & Courier | 1 653 | 621 |
| Printing & Stationery | 8 514 | 10 759 |
| Repairs & office costs | 6 492 | 4 486 |
| Recruitment adverts costs | - | 1 800 |
| Salaries Administration | 608 830 | 540 514 |
| Sage-Payroll costs | 4 175 | 1 692 |
| Security | 4 133 | 3 775 |
| Staff teas/refreshments | 21 768 | 10 334 |
| Staff welfare | 4 888 | 5 111 |
| Subscriptions & Licenses | 3 299 | 6 267 |
| Telephone costs | 23 909 | 20 317 |
| Travel | 4 571 | 3 866 |
| Assets Less than 7K written off | 3 840 | 1 867 |
| Surplus /Deficit | 1 782 788 | 2 057 066 |
| Income deferred to 2017 | (1 173 982) | (1 116 224) |
| DG Murray Trust | (536 398) | (450 825) |
| Claude Leon Foundation | (61 572) | - |
| Frank Jackson Foundation | (138 711) | - |
| Innovation Edge | (32 997) | - |
| Oppenheimer Memorial Trust | - | (350 000) |
| USAID/ELMA Foundation/JP Morgan | (132 112) | - |
| RCL - Do More Foundation | (11 800) | - |
| Solon Foundation | - | (17 419) |
| The Childwick Trust - Jim Joel Fund | (260 392) | (297 980) |
| Surplus /Deficit after deferred income | 608 806 | 940 842 |

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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.

| Item | Average useful life |
|--------------------|---------------------|
| 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

| | 2017 | | |
|--------------------|----------------|--------------------------|----------------|
| | Cost | Accumulated depreciation | Carrying value |
| Owned assets | R | R | R |
| Office Equipment | 135 127 | 93 238 | 41 889 |
| Computer Equipment | 41 534 | 41 534 | - |
| Computer Software | 108 132 | 57 598 | 50 534 |
| | <u>284 793</u> | <u>192 370</u> | <u>92 423</u> |

Reconciliation of property, plant and equipment 2017

| | Carrying value at beginning of year | 2017 Additions | 2017 Depreciation | Carrying value at end of year |
|--------------------|-------------------------------------|----------------|-------------------|-------------------------------|
| Owned assets | R | R | R | R |
| Office Equipment | 48 104 | 23 377 | 29 592 | 41 889 |
| Computer Equipment | - | - | - | - |
| Computer Software | 20 677 | 37 073 | 7 216 | 50 534 |
| | <u>68 781</u> | <u>60 450</u> | <u>36 808</u> | <u>92 423</u> |

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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 2017**

| | 2017 | 2016 |
|---|-----------------------|-----------------------|
| | R | R |
| 4 RECONCILIATION OF O'CARROLL BURSARY FUND | | |
| Opening Balance | 226 024 | 228 397 |
| Funds received | 240 000 | 240 000 |
| Less: Disbursements for the year | | |
| Bursaries | 151 442 | 186 373 |
| Alunga fees & stationery | 43 010 | 39 105 |
| Betty- school stationery | 800 | 1 200 |
| Faith uniforms/stationery-b/fare | 800 | 7 200 |
| Fish Hoek school- Vuyiswa | 20 947 | 19 475 |
| Fish Hoek school-- Michelle | - | 21 423 |
| Lungi uniforms/stationery-b/fare | 800 | 13 130 |
| NE Ngcwana school stationery | 800 | 1 100 |
| nombeke edith-bus fare/fees | 4 760 | 4 200 |
| fish hoek-Zimasa | 26 323 | 8 330 |
| Silvermine-school fees | - | 23 918 |
| Nobuntu uniforms/stationery-b/fare | 5 560 | 3 900 |
| khunyulwa school stationery | 800 | 600 |
| ntomboxolo school stationery | - | 600 |
| sindiswa school stationery | 7 920 | 600 |
| nomha | - | 600 |
| nontsikelelo | - | 600 |
| Rejoice- Mary A Compson | 4 200 | 1 200 |
| Fish Hoek High- students tour | 5 850 | - |
| Notsikelelo- school uniforms | 800 | - |
| Nosakhe- school stationery | - | 600 |
| Nothemba- school stationery | 800 | 600 |
| Sheila school stationery | - | 600 |
| Siphokazi school stationery | 800 | 600 |
| Nesiswa school stationery | 800 | 1 200 |
| St James school fees | 25 172 | 35 592 |
| Fish Hoek-Kolisa | 500 | - |
| Other Bursary support | 89 598 | 56 000 |
| Donation to book fund | - | 10 000 |
| Masi Library Support | 89 598 | 22 000 |
| Administration fee @ 10% | - | 24 000 |
| Closing Balance | <u>224 984</u> | <u>226 024</u> |