

WORDWORKS

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

WORDWORKS

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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

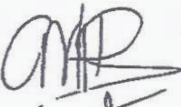
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THE FOLLOWING SUPPLEMENTARY INFORMATION DOES NOT FORM PART OF THE ANNUAL FINANCIAL STATEMENTS AND IS UNAUDITED:


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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

17 MAY 2021

Date

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD MEMBERS OF WORDWORKS

Opinion

We have audited the financial statements of Wordworks set out on pages 7 to 11, which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, 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 for the year ended 31 December 2020 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 Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, 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 corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – basis of accounting

We draw attention to note 1 to 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 board 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), 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), 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.

Emphasis of matter – auditor’s report

These financial statement supersede the previously issued financial statements for the year ended 31 December 2020, on which we issued a qualified auditor’s report dated 25 May 2021. Subsequent to 25 May 2021 more audit evidence was provided around ad hoc donations and the controls around them that resulted in this unmodified audit opinion.

Other information

The board 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.

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 on the other information obtained prior to the date of this auditor’s report, 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 and 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 International Standards on Auditing 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 International Standards on Auditing, 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 Inc

**Andrew Galloway
Chartered Accountant (SA)
Registered Auditor
Director**

03-Jun-2021

**Date
Cape Town**

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REPORT OF THE BOARD MEMBERS FOR THE YEAR ENDED 31 DECEMBER 2020

The board members present their report for the year ended 31 December 2020.

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.

Wordworks has secured a four year grant agreement (2021-2024) with The Liberty Community Trust amounting to R6.483m and another four year (2021-2024) grant agreement with The Gauteng Education Collaboration Trust - JET valued at R21m is to be finalised before end of May 2021. Wordworks has also built a strong relationship with regular funders and most of these have strengthened their support during this period of the pandemic.

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 are as follows:

Ms Mignon Hardie
Ms Shelley Von Seidel
Dr Shelley O'Carroll
Tracey Chiappini-Young
Babalwayashe Molate

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REPORT OF THE BOARD MEMBERS FOR THE YEAR ENDED 31 DECEMBER 2020

Events after the reporting period

The board members are not aware of any material event which occurred after the reporting date and up to the date of this report which requires disclosure in the financial statements.

Going concern

The annual financial statements have been prepared on the basis of accounting applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and the settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Notes	DECEMBER 2020	DECEMBER 2019
ASSETS			
<u>Non Current Assets</u>			
Property , Plant and equipment	2	167 862	115 640
		6 194 196	2 768 840
<u>Current assets</u>			
Cash and cash equivalents		5 373 511	1 874 160
Trade and other receivables		478 358	425 405
Stock materials		337 740	463 711
Sars vat refund		4 587	5 564
		6 362 058	2 884 480
<u>Total assets</u>			
CAPITAL AND LIABILITIES			
<u>Capital and reserves</u>			
Accumulated funds		3 262 877	2 390 079
		3 262 877	2 390 079
<u>Current liabilities</u>			
		3 099 181	494 401
O'Carroll bursary fund		27 075	185 786
Accounts payable		17 990	18 981
Deferred income		3 054 116	289 634
		6 362 058	2 884 480
<u>Total capital and liabilities</u>			

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**STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	R
	Accumulated Funds
Balance as at 1 January 2019	2 377 613
Surplus for the year	12 466
Balance as at 31 December 2019	<u>2 390 079</u>
Balance as at 1 January 2020	2 390 079
Surplus for the year	872 798
Balance as at 31 December 2020	<u><u>3 262 877</u></u>

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STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY 2020 TO 31 DECEMBER 2020

	JANUARY TO DECEMBER 2020 R	JANUARY TO DECEMBER 2019 R
Income	16 101 369	8 755 458
Grants	13 836 075	6 736 554
DG Murray Trust	2 600 000	2 657 000
The ELMA Foundation	1 500 000	1 500 000
Oppenheimer Memorial Trust	450 000	400 000
Solon Foundation	185 000	179 850
Fynbos Foundation	117 398	106 725
The Childwick Trust - Jim Joel Fund	620 000	550 000
Frank Jackson Foundation	476 469	171 415
Ackermans	275 000	310 000
Khobab Wind Farm	255 695	193 453
ABAX Development Trust	-	240 000
JET Education Services	800 923	228 111
HCI Foundation	200 000	200 000
U.S Agency for International Development	2 056 863	-
British Academy	1 942 382	-
The Liberty Community Trust	2 356 346	-
Donations received	773 523	419 131
Community Chest	50 000	-
Hout Bay & Llandudno Education Trust	68 000	76 000
Davies Foundation	15 000	15 000
3CMetal SA	20 000	-
Donations from private individuals:	620 523	328 131
Donations to Book Fund	12 329	31 294
Donations - General	361 095	-
O'Carroll	240 000	288 844
Woolworths My School Card	7 099	7 993
Other	1 202 137	960 776
Bank interest	239 966	151 638
Sale of resources	775 469	648 081
Services charged	186 702	161 057
Workshop fees	186 702	68 217
Content development & services rendered	-	92 840
Deferred Income from prior year	289 634	638 997

EXPENDITURE	12 683 713	8 453 358
Programme expenditure	11 295 466	7 371 437
Personnel	7 931 760	6 071 320
Management, Finance & Admin personnel	2 555 333	2 234 028
Programme personnel	5 309 640	3 829 539
Contractual freelancers	39 740	-
Staff welfare & development	27 048	7 753
Programme travel & accommodation	28 046	83 497
Communication, advocacy and public education	147 564	109 319
Training and capacity building	1 341 890	658 912
Resources for our networks	404 468	495 193
Covid response - lockdown programmes	795 085	-
Events for our networks	142 337	163 719
Materials development	1 838 026	375 019
Design, Illustration, Editing, Proofreading, Translation	1 838 026	375 019
Quality assurance and knowledge production	8 180	73 370
Programme Monitoring & Evaluation	8 180	66 800
Knowledge sharing, conferences & seminars	-	6 570
	445 504	345 711
Cost of sales	1 312 826	783 627
Resources distributed	(867 322)	(437 916)
Administration and overheads	915 270	710 348
Consulting fees	6 158	4 600
Audit fees	61 655	51 650
Bank charges	29 162	23 940
Depreciation of fixed investment deposit	70 341	-
Cleaning costs	7 112	16 510
Computer expenses	134 483	122 973
Printing & stationery	7 832	3 199
Electricity & water	19 196	16 269
Insurance	21 119	15 826
Internet expenses	13 338	19 123
Repairs & maintenance	7 520	21 340
Office rent	284 283	226 580
Board & staff meeting costs	2 719	6 796
Photocopier hire	26 136	23 295
Local travel - admin	1 032	6 469
Postage & courier	728	3 424
Security	4 403	3 886
Staff teas/refreshments	6 072	11 374
Subscriptions	4 230	2 500
Telephone costs	25 559	23 402
Sage-Payroll costs	6 360	5 898
Casual wages	31 282	35 294
Depreciation	53 664	25 953
Resource mobilisation	-	29 133
Loss on disposal of assets	-	10 914
Office covid related costs	34 795	-
G Suite migration costs	51 930	-
Organisational publishing	4 160	-
Assets Less than R2 000 written off	27 472	25 862
Surplus /Deficit for the year	3 417 656	302 100
Less		
Income deferred to subsequent year	(2 544 858)	(289 634)
ABAX Development Trust	-	(100 000)
Grindrod Family Centenary Trust	-	(17 175)
The Childwick Trust - Jim Joel Fund	(333 210)	(172 459)
U.S Agency for International Development - (USAID)	(351 417)	-
DG Murray Trust	(17 240)	-
HCI Foundation	(110 760)	-
The University of Sussex - British Academy	(826 747)	-
The Liberty Community Trust	(905 484)	-
Surplus /Deficit after deferred income	872 798	12 466

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 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

	2020		
	Cost	Accumulated depreciation	Carrying value
Owned assets	R	R	R
Furniture & Office Equipment	170 559	(111 485)	59 074
Computer Software	41 534	(41 534)	-
Computer Equipment	251 388	(142 600)	108 788
	<u>463 481</u>	<u>(295 619)</u>	<u>167 862</u>

Reconciliation of property, plant and equipment 2020

	Carrying value at beginning of year	2020 Additions	2020 Depreciation	Carrying value at end of year
	R	R	R	R
Owned assets				
Owned Assets-- Purchased				
Furniture & Office Equipment	75 218	-	(16 144)	59 074
Computer Software	-	-	-	-
Computer Equipment	40 422	105 886	(37 520)	108 788
	<u>115 640</u>	<u>105 886</u>	<u>(53 664)</u>	<u>167 862</u>

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.

4 DONATIONS IN KIND

During the current year, donations in kind were received from Barrows Khula Proprietary Limited for the amount of R304 297.

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SUNDRY INFORMATION TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 R	2019 R
RECONCILIATION OF O'CARROLL BURSARY FUND		
Opening Balance	185 786	256 984
Funds received	-	-
Less: Disbursements for the year		
Bursaries	158 711	71 198
Fish Hoek School- Vuyiswa	26 125	24 415
Fish Hoek High	25 650	24 415
St James School Fees	1 550	22 368
Transfer of unused funds to general funds	105 386	-
Closing Balance	27 075	185 786

The supplementary information presented does not form part of the annual financial statements and is unaudited.