

THE COMMUNITY CHEST OF THE WESTERN CAPE
(REGISTRATION 003-040 NPO)
AUDITED ANNUAL FINANCIAL STATEMENTS
AS AT 31 MARCH 2019

THE COMMUNITY CHEST OF THE WESTERN CAPE

AUDITED ANNUAL FINANCIAL STATEMENTS AS AT 31 MARCH 2019

DIRECTORS

NON-EXECUTIVE

C Fleurs-Goddard (Chairman)
E Adams
M Blomkamp (Resigned 22 October 2018)
M Bosazza (Vice-chairman)
H Hirsch (Deceased 06 June 2019)
A Woolfson
M Cornelius
C Daries
C Duncan
G Gunston
J Levendal
M Magida
S Zinn

EXECUTIVE

L Davids

LEGAL ADVISERS

Cliffe Dekker Horney Inc.

BANKERS

First National Bank of Southern Africa Limited

AUDITORS

Ernst & Young Inc.

REGISTRATION NUMBER

003-040 NPO

REGISTERED OFFICE

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Cape Town
South Africa
8001

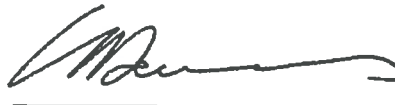
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APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 4 to 22 have been approved and are signed on behalf of the board by:


C FLEURS-GODDARD
CHAIRMAN


L DAVIDS
CHIEF EXECUTIVE

26 September 2019



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE COMMUNITY CHEST OF THE WESTERN CAPE

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of The Community Chest of the Western Cape set out on pages 6 to 22, which comprise the statement of financial position as at 31 March 2019, and the statement of comprehensive income and accumulated funds, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of The Community Chest of the Western Cape as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-Sized Entities.

Basis for Qualified Opinion

Cash donations and fundraising income are a significant source of revenue for The Community Chest of the Western Cape. The directors have determined that it is impracticable to establish internal controls over the collection of cash donations and fundraising income prior to the initial entry into its financial records. We were therefore unable to confirm whether all cash donations and fundraising income were recorded.

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 sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the 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 Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Directors Report included on page 4 and 5 of the annual financial statements. The other information that will be available after the date of this report is the Annual Report of The Community Chest of the Western Cape. The 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.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors 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 directors 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 directors 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 directors.
- Conclude on the appropriateness of the directors' 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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.

Ernst & Young Inc.
Ernst & Young Inc.
Director: Tina Lesley Rookledge
Registered Auditor
Chartered Accountant (SA)
26 September 2019

THE COMMUNITY CHEST OF THE WESTERN CAPE

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2019

NATURE OF BUSINESS

The Community Chest of the Western Cape ("The Chest") is a philanthropic organisation which was founded in Cape Town in 1928 as a conduit for philanthropy in response to a poverty problem in the Western Cape. Funding was directed to organisations providing social relief to those affected by poverty and those living with mental or physical disabilities. Over time The Chest became the first point of call for funding in social welfare and has funded many hundreds of organisations. The Chest also develops and facilitates philanthropy through partnerships with a wide range of donors and social development of donor resources. The Chest acts as an objective and professional community partner to ensure accountability for utilisation of donor resources.

The Chest provides services and advice to enhance the management, financial and skills capacity of 153 Non-Governmental and Community based organisations in the Western and Southern Cape that are engaged in social development.

As The Chest has been approved as a public benefit organisation in terms of Section 30 of the Income Tax Act its receipts and accruals are exempt from income tax in terms of Section 10(1)(cN).

The Chest operates in conjunction with its sister body, The Community Chest of the Western Cape S18A. Donors to the S18A entity enjoy tax relief on their contributions.

OPERATING REVIEW AND FINANCIAL PERFORMANCE

The leadership of The Chest has embraced the mandate to transform the organisation into a leading centre of philanthropy. The key objective of The Chest is to make grant funding available to vetted and approved non-profit organisations and in turn the fulfilment of this objective must lead to a safer, prosperous and growing South African society. Therefore, the upholding of this mandate has become the foundation of the critical design changes within The Chest. The Chest is dedicated to adding increased value to the grant making process by moving from a broadly defined charity mind-set to a deeper and more structured business mind-set based on intentional development of more meaningful education, health, income generation and community development solutions and impact measurement. This transformation strategy is both costly and necessary to enable the organisation to meet its constitutionally enshrined obligations to non-profit organisations.

During this reporting period total revenue increased by approximately R5 million (2018: R9.4 million increase). This increase is largely due to increase in income received from Legacies, Trusts, Partnerships entered into and Government Special Projects Income received in the current financial year.

Direct expenditure and administrative overheads increased by R4.44 million (2018: R0.83 million increase). This increase is mainly due to the inclusion of the Impumelelo Social Innovation Awards, increased Marketing Activities and renovations done to the building. Community investment expenses amounted to R35 million (2018: R20.4 million). This resulted in a deficit for the year of R11.5 million (2018: surplus of R2.1 million).

The total investments into Communities of R35 million (2018: R20.4 million) for the year, represents an increase of 71.53% over the previous year. The increase is due to the new Partnerships and Government Projects entered into in the current financial year. The Chest's long term commitment is to see strategic changes in Education, Income Generation, Health and Community Development which will allow our targeted communities to break free from the restricting poverty cycles that they have been in for generations.

The firm resolve of The Chest is to ensure that it remains committed to its task of providing funding to non-profit organisations to impact strategically selected projects in order to combat the devastating consequences of poverty.

The Chest leadership team and staff are aligned to ensuring that the mission and the mandate drive the outcomes of The Chest. The Chest will represent its funders and their interests in a professional and accountable manner. And the needs of communities will be upper most when considering grant applications.

The Chest staff and Board are deeply grateful to those who help support our work of combatting poverty and helping to rebuild human dignity. Our partnerships with government, business and communities are the essential elements of why we have survived year on year. Even in tough economic climates as experienced in the last few years, we have not stepped back from increasing our commitments to those we serve.

THE COMMUNITY CHEST OF THE WESTERN CAPE

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

South Africa will need a brave and robust philanthropic sector in order to impact poverty. The Chest will seek to lead that sector with continued bravery, good governance and accountable and professional service.

CAPITAL AND RESERVES

The Chest maintains reserves to ensure that it can continue its operations in the event of adverse economic and fundraising conditions. It is essential that we are able to maintain the level of financial support that we provide to a multitude of needy organisations as far as is possible.

During the current year the investment portfolio provided both income and growth to support our operations. Investments are realised either when it is appropriate to make changes to the structure of the portfolio or when funding is required to sustain operations. Profits on the sale of investments, which are taken to income, can therefore vary both in timing and quantum. Included in the accumulated funds are unrealised gains and losses on the investment portfolio.

CORPORATE GOVERNANCE

Details of our governance are set out in the section of responsibility for the financial statements below.

DIRECTORS

Details of the directors are shown on page 1.

RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the integrity of the annual financial statements.

In order to fulfil this responsibility, The Chest maintains and continuously monitors the accounting and administrative control systems designed to provide assurance that assets are safeguarded and that transactions are executed and recorded in accordance with The Chest's policies and procedures.

The Directors comprise of independent non-executive volunteers who meet periodically with the Chief Executive to manage the strategic direction of the organisation. The audit and risk committee comprises of independent non-executive volunteers, who meet periodically with the external auditors and senior management to assist in determining that internal controls provide reasonable assurance that The Chest's assets are safeguarded and that the financial records may be relied upon for the preparation of the financial statements. The finance committee comprises of independent non-executive volunteers who meet quarterly with senior management to review operating results and to monitor matters relative to The Chest's control environment.

The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, as approved by the International Accounting Standards Board (IASB) as set out in the accounting policies on pages 9 to 13 of the annual financial statements and are examined by our auditors in accordance with International Standards on Auditing.

The Directors confirm that The Chest has adequate resources to operate for the foreseeable future and will remain a viable going concern in the 12 months from the date of signing the annual financial statements.

EVENTS AFTER REPORTING DATE

No material fact or circumstance has come to the attention of the directors between the reporting date and the date of this report that would require disclosure in or adjustment of the annual financial statements.

THE COMMUNITY CHEST OF THE WESTERN CAPE

STATEMENT OF COMPREHENSIVE INCOME AND ACCUMULATED FUNDS
FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 R	Restated 2018 R
REVENUE		48 099 535	43 088 646
Fundraising		45 238 917	40 104 833
Government special projects income	18	19 787 752	19 728 137
Corporates		1 714 366	1 903 565
Legacies		3 906 561	1 551 972
Partnerships		2 539 107	725 251
Management fees		259 446	316 290
Capacity building programme		1 009 104	519 000
Special events		281 633	614 397
Trusts		15 740 948	14 596 221
National lotteries		-	150 000
Investment income		2 860 618	2 983 813
Dividend income		1 107 433	1 023 949
Interest income from financial assets		1 753 185	1 959 864
Other income		492 799	183 627
Fair value gains on investments in financial assets		356 308	164 034
Miscellaneous income		136 491	19 593
DIRECT EXPENDITURE		(10 481 808)	(8 913 567)
OPERATING INCOME		38 110 526	34 358 706
ADMINISTRATIVE OVERHEADS		(14 647 550)	(11 774 026)
NET INCOME BEFORE COMMUNITY INVESTMENT EXPENSES		23 462 976	22 584 680
COMMUNITY INVESTMENT EXPENSES		(35 001 490)	(20 405 486)
Government special projects expenses	18	(18 256 759)	(9 912 092)
Grants awarded to Community Organisations		(6 952 678)	(4 882 530)
Capacity building programme		(1 341 302)	(1 301 784)
Special projects		(4 597 097)	(1 492 052)
Donations in kind – administration expenses		(1 217 231)	(1 352 192)
Bursary allocations		(2 636 423)	(1 464 836)
(DEFICIT)/SURPLUS FOR THE YEAR	3	(11 538 514)	2 179 194
ACCUMULATED FUNDS AT BEGINNING OF YEAR		76 325 948	74 146 754
ACCUMULATED FUNDS AT END OF YEAR		64 787 434	76 325 948

THE COMMUNITY CHEST OF THE WESTERN CAPE

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Note	2019 R	2018 R
ASSETS			
Non-current assets			
Intangible assets	4	3 983 878	4 096 268
Property, plant and equipment	5	1 925 815	1 783 155
Investments at fair value through surplus or deficit	6	62 278 466	67 370 193
		<u>68 188 159</u>	<u>73 249 616</u>
Current assets			
Trade and other receivables	7	2 281 288	1 164 976
Cash and cash equivalents	8	677 264	8 963 042
		<u>2 958 552</u>	<u>10 128 018</u>
Total assets		<u>71 146 711</u>	<u>83 377 634</u>
FUNDS AND LIABILITIES			
Accumulated funds		<u>64 787 434</u>	<u>76 325 948</u>
		<u>64 787 434</u>	<u>76 325 948</u>
Non-current liabilities			
Post retirement benefit obligation	9	422 744	437 539
Income received in advance	12	-	306 072
		<u>422 744</u>	<u>743 611</u>
Current liabilities			
Trade and other payables	10	1 813 687	1 769 566
Provision for leave pay	11	1 423 503	773 259
Income received in advance	12	354 273	725 250
Government grants liability	18	2 345 070	3 040 000
		<u>5 936 533</u>	<u>6 308 075</u>
Total liabilities		<u>6 359 277</u>	<u>7 051 686</u>
Total funds and liabilities		<u>71 146 711</u>	<u>83 377 634</u>

THE COMMUNITY CHEST OF THE WESTERN CAPE

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 R	2018 R
Cash flows (utilised)/generated by operating activities			
Cash (utilised)/generated by operations	13.1	(12 354 438)	1 627 340
Investment income		2 860 618	2 983 813
Dividend income		1 107 433	1 023 949
Interest income		1 753 185	1 959 864
Working capital changes	13.2	(2 444 170)	2 597 169
Net cash (outflow)/inflow from operating activities		<u>(11 937 990)</u>	<u>7 208 322</u>
Cash flows from investing activities			
Additions to intangible assets	4	(797 344)	-
Additions to property, plant and equipment	5	(255 817)	(52 045)
Proceeds on sale of property, plant and equipment		4 384	15 000
Withdrawals from investments at fair value through surplus or deficit		11 026 810	3 725 250
Additions to investments at fair value through surplus or deficit		(6 325 821)	(2 626 651)
Net cash inflow from investing activities		<u>3 652 212</u>	<u>1 061 554</u>
Net movement in cash and cash equivalents for year		(8 285 778)	8 269 876
Cash and cash equivalents at beginning of year		8 963 042	693 166
Cash and cash equivalents at end of year	8	<u>677 264</u>	<u>8 963 042</u>

THE COMMUNITY CHEST OF THE WESTERN CAPE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1 ACCOUNTING POLICIES

The financial statements set out on pages 4 to 22 are prepared on the going concern basis and are consistent with the prior year. The items in the annual financial statements are measured on a historical cost basis, except for some financial instruments, which are measured at fair value through profit and loss. The annual financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-size Entities (IFRS for SME's) as issued by the International Accounting Standards Board (IASB).

The significant accounting policies are as stated below:

1.1 Significant accounting judgements and estimates

Estimations

Estimations are made concerning the future at the reporting date regarding the post-retirement medical obligation as well as regarding the useful lives, depreciation rates and residual values of depreciable assets. The estimates and assumptions made by the actuaries are disclosed in Note 8. Amortisation and depreciation rates are disclosed in notes 1.2 and 1.3.

1.2 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. The identifiability criterion is met when the intangible asset is separable (that is, it can be sold, transferred, licensed, rented or exchanged), or where it arises from contractual or other legal rights or where it is acquired as part of a business combination.

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Intangible assets are amortised on a systematic basis over the expected useful lives of the intangibles using the straight-line basis. This life is determined based on the contractual period of the asset or on the period of expected use of the asset. Amortisation begins when the intangible asset is available for use, ie when it is in the location and condition necessary for it to be usable in the manner intended by management. Amortisation ceases when the asset is derecognised. Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The residual value of such assets at the end of their useful lives is assumed to be zero, unless there is either a commitment by a third party to purchase the asset or there is an active market for the asset.

The annual rates applied are as follows:

- | | |
|------------|---------------|
| • Website | 16% per annum |
| • Database | 16% per annum |

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from their use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income and accumulated funds in the period the asset is derecognised.

1.3 Property, plant and equipment

Property, plant and equipment are initially recognised at cost, being the cash price equivalent at the recognition date. The cost of an asset comprises any costs incurred in bringing the asset to the location and condition necessary for it to operate as intended by management.

Property, plant and equipment are subsequently stated at cost, less accumulated depreciation and any accumulated impairment. Subsequent costs are included in the assets' carrying amounts or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the items

THE COMMUNITY CHEST OF THE WESTERN CAPE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

1.3 Property, plant and equipment (continued)

will flow to The Chest and the cost of the items can be measured reliably. All other repairs and maintenance expenditures are expensed to the statement of comprehensive income and accumulated funds during the financial period in which they are incurred. Expenditure incurred to replace or modify a significant component of plant and equipment is capitalised and any remaining carrying value of the component replaced is derecognised in the statement of comprehensive income and accumulated funds.

Property, plant and equipment are depreciated on a straight-line basis at rates estimated to write each asset down to its estimated residual value over the term of its useful life.

The annual rates applied are as follows:

• Motor vehicles	20% per annum
• Furniture and other equipment	10% per annum
• Computer equipment	33% per annum
• Carnival equipment	14 - 16% per annum
• Property and improvements	2 - 8.33% per annum

The assets' residual values, useful lives and rates of depreciation are reviewed if there are indications that the residual value or useful life of an asset has changed since the most recent annual reporting date and adjusted prospectively, if appropriate, at the end of each financial period.

Depreciation commences when assets are available for their intended use.

An assessment is made at each reporting date as to whether there is an indication that an asset may be impaired. If such an indication exists, an impairment test of the asset is performed and The Chest makes an estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use.

Any item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income and accumulated funds in the period the asset is derecognised.

1.4 Retirement benefits

The Chest operates a defined contribution plan, based on a percentage of pensionable earnings funded by both The Chest and employees, the assets of which are held in separate trustee-administered funds. Contributions to this plan are charged to the statement of comprehensive income and accumulated funds in the period to which they relate.

Post-retirement medical benefit

The Chest has agreed to provide certain post-retirement medical benefits to a retired senior employee. These benefits are not funded. The present value of future medical aid subsidies in respect of past services is actuarially determined using the projected unit credit method, on an annual basis, and the liability is reflected in the Statement of Financial Position. Any curtailment of benefits or settlement amounts is recognised in the statement of comprehensive income and accumulated funds. Actuarial gains and losses are recognised in the statement of comprehensive income and accumulated funds in the period in which they occur.

Short term employee benefit

Short-term employee benefits are recognised in the period of service and are measured on an undiscounted basis. Short-term employee benefits paid in advance are treated as prepayments and are expensed over the period of the benefit.

1.5 Inventory

Inventory, consisting of carnival stock, is valued at the lower of cost, determined on the first-in first-out basis, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

THE COMMUNITY CHEST OF THE WESTERN CAPE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

1.6 Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to The Chest and the revenue can be reliably measured. Revenue from legacies and trusts consist of donations that The Chest receives from deceased estates and trusts.

The following specific recognition criteria must also be met before revenue is recognised:

Revenue from fundraising is recognised on receipt.
Revenue from competitions is recognised on receipt.
Management fees are recognised when due and receivable.

Donations, which are designated for a specific purpose, including capacity building programmes and partnerships are treated as deferred revenue until expended. Unspent amounts are disclosed as income received in advance.

Interest is recognised on a time apportionment basis, which takes into account the effective yield on the asset over the period it is expected to be held.

Dividends are recognised when The Chest's right to receive the payment is established.

Donations in kind relating to inventory and/or property, plant and equipment are recognised at fair value on receipt. This fair value is determined with reference to invoiced amounts received from the relevant donor.

1.7 Leased assets

The determination of whether an arrangement is or contains a lease, is based on the substance of the arrangement at inception date.

All leases are classified as operating leases as none of the risks and rewards incidental to ownership, are transferred to The Chest. The relevant rentals are charged to income on a straight-line basis according to the period of use of the assets concerned. The resulting difference arising from the straight-line basis and contractual cash flows is recognised as an operating lease obligation or asset.

Contingent rental income and expenses are recognised when accrued or incurred.

1.8 Financial instruments

Financial instruments recognised in the Statement of Financial Position include cash and cash equivalents, investments in equity instruments, trade and other receivables and trade and other payables. Financial assets and financial liabilities are initially recognised in the Statement of Financial Position when The Chest becomes bound by the contractual provisions of the instrument.

When a financial asset or a financial liability is recognised initially, it is measured at transaction price plus directly attributable transaction costs (except in the initial measurement of financial assets and liabilities that are measured at fair value through surplus or deficit) unless the arrangement constitutes, in effect a financing transaction. If the arrangement constitutes a financing transaction, The Chest measures the financial instruments at present value of the future cash flows discounted at a market rate of interest. The Chest determines the classification of its financial assets on initial recognition. Subsequent to initial recognition, financial instruments are measured as set out below:

Investments in equity instruments

Investments are subsequently measured at fair value with changes in fair value being recognised in the statement of comprehensive income and accumulated funds.

The fair value of investments in equity instruments is determined by reference to quoted market bid prices at the close of business on the statement of financial position date.

Trade and other receivables

Trade and other receivables are subsequently measured at amortised cost, less provision for impairment.

THE COMMUNITY CHEST OF THE WESTERN CAPE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

1.8 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents, consisting of cash on daily call and cash in bank current accounts, are subsequently measured at amortised cost.

Trade and other payables

Trade and other payables are subsequently measured at amortised cost.

Derecognition

A financial asset is derecognised when:

- The rights to the cash flows from the financial asset expire or are settled or,
- The Chest transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or
- The Chest has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

A financial liability is derecognised when:

- The obligation under the liability is discharged or cancelled or expires

Impairment

At the end of each reporting period financial assets measured at amortised cost are assessed for evidence of impairment.

For an instrument measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If such a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, The Chest will reverse the previously recognised impairment loss either directly or by adjusting an allowance account. The reversal will not result in a carrying amount of the financial asset (net of any allowance account) that exceeds what the carrying amount would have been had the impairment not previously been recognised. The Chest will recognise the amount of the reversal in the statement of comprehensive income and accumulated funds immediately.

Offset of financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to set off the recognised amounts and there is an intention on a net basis to realise the assets and settle the liabilities.

1.9 Grants awarded to Community Organisations

Grants comprise allocations made to beneficiaries and are recognised as expenses when paid.

1.10 Provisions

A provision is recognised where The Chest has present legal or constructive obligations as a result of past events, reliable estimates of the obligations can be made, and it is probable that outflows of resources embodying economic benefits will be required to settle the obligations. The expense relating to any provision is presented in the statement of comprehensive income and accumulated funds net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using the rate that reflects, where appropriate, the risks specific to the liabilities. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

THE COMMUNITY CHEST OF THE WESTERN CAPE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

1.11 Expenses

Expenses are recognised when incurred.

1.12 Government grants

Government grants are recognised as follows:

- A grant that does not impose specified future performance conditions on the recipient is recognised in income when the grant proceeds are received.
- A grant that imposes specified future performance conditions on the recipient is recognised in income only when the performance conditions are met, and
- Grants received before the revenue recognition criteria are satisfied are recognised as a liability.
- Grants are measured as the fair value of the asset received or receivable.

2 CHANGE IN ACCOUNTING ESTIMATE

At 31 March 2019, as a result of annual reassessment of the useful lives of the intangible assets, The Community Chest revised the estimate of the useful life of the website to 6 years (previously 3 years). This had the effect of decreasing the depreciation expense for the year ended 31 March 2019 by R513 087 (previously R561 940, now R48 853). Depreciation for each of the next 3 years is expected to be similarly affected by this change in accounting estimate.

THE COMMUNITY CHEST OF THE WESTERN CAPE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

	2019 R	2018 R
3 DEFICIT FOR THE YEAR		
The deficit for the year is stated after:		
Professional services fees	1 515 007	1 215 874
Auditor remuneration		
- current year fee	372 700	310 200
- prior period under provision	22 500	-
Financial consulting	201 800	30 675
Legal and other	170 961	88 470
Investment management fee	747 046	786 529
Amortisation (See note 4)	909 734	1 349 440
Depreciation (See note 5)	226 408	234 714
Operating lease expense	584 372	785 000
- Premises	411 896	577 675
- Office machinery	172 476	207 325
Salaries and contributions	16 796 772	13 629 123
- Management personnel	7 799 198	7 548 505
- Other personnel	8 997 574	6 080 618
Management personnel are considered key management personnel		
Inventory written down	-	73 436
Number of employees	39	30

4 INTANGIBLE ASSETS

	2019		
	Website R	Database R	Total R
Beginning of year			
- cost	1 685 820	4 725 000	6 410 820
- accumulated amortisation	(1 527 052)	(787 500)	(2 314 552)
	158 768	3 937 500	4 096 268
Current year movements			
- additions	-	797 344	797 344
- amortisation	(48 853)	(860 881)	(909 734)
Balance at end of year	109 915	3 873 963	3 983 878
Made up as follows:			
- cost	1 685 820	5 522 344	7 208 164
- accumulated amortisation	(1 575 905)	(1 648 381)	(3 224 286)
Net book value	109 915	3 873 963	3 983 878

THE COMMUNITY CHEST OF THE WESTERN CAPE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

4 INTANGIBLE ASSETS (CONTINUED)

	2018		
	Website R	Database R	Total R
Beginning of year			
- cost	1 685 820	4 725 000	6 410 820
- accumulated amortisation	(965 112)	-	(965 112)
	720 708	4 725 000	5 445 708
Current year movements			
- amortisation	(561 940)	(787 500)	(1 349 440)
Balance at end of year	158 768	3 937 500	4 096 268
Made up as follows:			
- cost	1 685 820	4 725 000	6 410 820
- accumulated amortisation	(1 527 052)	(787 500)	(2 314 552)
Net book value	158 768	3 937 500	4 096 268

THE COMMUNITY CHEST OF THE WESTERN CAPE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

5 PROPERTY, PLANT AND EQUIPMENT

2019

	Property and improvements R	Motor vehicles R	Computer equipment R	Furniture & other equipment R	Carnival equipment R	Total R
Beginning of year						
- cost	3 070 975	140 553	1 291 339	808 966	25 671	5 337 504
- accumulated depreciation	(1 527 997)	(140 553)	(1 248 979)	(619 308)	(17 512)	(3 554 349)
	1 542 978	-	42 360	189 658	8 159	1 783 155
Current year movements						
- additions	-	115 300	183 710	72 107	-	371 117
- disposals/scrapped	-	-	(675 138)	(108 677)	-	(783 815)
- reallocations	-	-	-	3 904	(3 904)	-
- depreciation of assets scrapped	-	-	680 519	101 247	-	781 766
- depreciation of assets reallocated	-	-	-	(2 060)	2 060	-
- depreciation	(90 914)	(23 060)	(58 351)	(51 858)	(2 225)	(226 408)
Balance at end of year	1 452 064	92 240	173 100	204 321	4 090	1 925 815
Made up as follows:						
- cost	3 070 975	255 853	799 911	776 300	21 767	4 924 806
- accumulated depreciation	(1 618 911)	(163 613)	(626 811)	(571 979)	(17 677)	(2 998 991)
Carrying value	1 452 064	92 240	173 100	204 321	4 090	1 925 815

The original cost of the property including improvements is R2 604 974. The property had a valuation of R14 220 000 at 31 March 2019 as assessed by a professional valuer. The property comprises Erf 2090, Cape Town situated at Borwick House, 82 Bree Street, Cape Town.

THE COMMUNITY CHEST OF THE WESTERN CAPE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

5 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2018

	Property and improvements R	Motor vehicles R	Computer equipment R	Furniture & other equipment R	Carnival equipment R	Total R
Beginning of year	3 070 975	140 553	1 266 591	891 515	639 266	6 008 900
- cost	(1 437 080)	(137 556)	(1 202 407)	(658 341)	(602 228)	(4 037 612)
- accumulated depreciation	1 633 895	2 997	64 184	233 174	37 038	1 971 288
Current year movements						
- additions	-	-	24 748	27 297	-	52 045
- disposals/scrapped	-	-	-	(109 846)	(613 595)	(723 441)
- depreciation of assets scrapped	-	-	-	109 846	608 131	717 977
- depreciation	(90 917)	(2 997)	(46 572)	(70 813)	(23 415)	(234 714)
Balance at end of year	1 542 978	-	42 360	189 658	8 159	1 783 155
Made up as follows:						
- cost	3 070 975	140 553	1 291 339	808 966	25 671	5 337 504
- accumulated depreciation	(1 527 997)	(140 553)	(1 248 979)	(619 308)	(17 512)	(3 554 349)
Carrying value	1 542 978	-	42 360	189 658	8 159	1 783 155

The property had a valuation of R11 500 000 at 31 March 2017 as assessed by a professional valuer.

THE COMMUNITY CHEST OF THE WESTERN CAPE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

	2019 R	2018 R
6 INVESTMENTS AT FAIR VALUE THROUGH SURPLUS OR DEFICIT		
Listed shares	27 484 478	27 540 074
Unit trusts	34 757 829	39 796 028
Money market accounts	36 159	34 091
	<u>62 278 466</u>	<u>67 370 193</u>
Investments at fair value through surplus or deficit are split as follows:		
Domestic	<u>62 278 466</u>	<u>67 370 193</u>
	<u>62 278 466</u>	<u>67 370 193</u>

7 TRADE AND OTHER RECEIVABLES		
Sundry debtors	156 442	194 962
Receivables from:		
The Community Chest of the Western Cape Section 18A	298 363	310 294
VAT receivable	1 730 880	618 080
Prepayments	41 625	29 049
Staff loans	53 978	12 591
	<u>2 281 288</u>	<u>1 164 976</u>

The amount receivable from the Community Chest of the Western Cape S18A is unsecured, interest free and payable on demand. The staff loans are interest free, unsecured and are payable on demand.

8 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents comprise:		
Daily call accounts	36 790	7 310 572
Current accounts	640 474	1 652 470
	<u>677 264</u>	<u>8 963 042</u>

The interest rates on the call and current accounts are floating rates linked to the prime lending rate.

9 POST RETIREMENT BENEFIT OBLIGATION		
The Chest has agreed to provide certain post-retirement medical aid benefits to a retired senior employee. These benefits are not funded.		
The following tables summarise the components of the net benefit expense recognised in the statement of comprehensive income and accumulated funds and the amounts recognised in the statement of financial position for the plan.		

	2019 R	2018 R
Net benefit expense:		
Actuarial (gain)/loss on obligation	(7 896)	34 640
Interest cost	32 530	34 105
Net benefit expense	<u>24 634</u>	<u>68 745</u>
Net benefit obligation:		
Defined benefit obligation	<u>422 744</u>	<u>437 539</u>

THE COMMUNITY CHEST OF THE WESTERN CAPE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

9 POST RETIREMENT BENEFIT OBLIGATION (CONTINUED)

Changes in the present value of the defined benefit obligation, as determined by the comprehensive actuarial valuation as at 31 March 2019, are as follows:

	2019 R	2018 R
Opening defined benefit obligation	437 539	412 159
Interest cost	32 530	34 105
Benefit payments	(39 429)	(43 365)
Actuarial losses on obligation	(7 896)	34 640
Closing defined benefit obligation	422 744	437 539

The principle assumptions used in determining the post retirement medical aid benefit obligation are shown below:

	2019	2018
Discount rate	8.9%	8.1%
Medical inflation rate	6.8%	7.4%

Sensitivity analysis:

Effect on the aggregate current interest cost of

	Increase 1% R	Decrease 1% R
Discount rate	36 298	31 786
Medical inflation	35 755	32 656
Effect on the defined benefit obligation		
Discount rate	405 566	441 390
Medical inflation	440 748	405 866

Amounts for the current and previous three periods are as follows:

	2019 R	2018 R	2017 R	2016 R
Defined benefit obligation	422 744	437 539	412 159	395 001
Experience adjustments on plan liabilities	(7 896)	34 640	42 092	36 664

10 TRADE AND OTHER PAYABLES

	2019 R	2018 R
The Community Chest of the Western Cape Section 18A	240 994	272 118
Trade creditors	549 247	734 377
Sundry creditors and accruals	906 445	745 771
Staff savings	117 001	17 300
	1 813 687	1 769 566

Staff savings are interest free, unsecured and payable on demand. The amount payable to The Community Chest of the Western Cape S18A is interest free, unsecured and is payable on demand. Terms of payment for trade creditors and sundry creditors and accruals are between 30 and 60 days.

THE COMMUNITY CHEST OF THE WESTERN CAPE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

	2019 R	2018 R
11 PROVISIONS		
Provision for leave pay		
Balance at beginning of year	773 259	637 199
Increase in provision	948 768	993 730
Amount utilised during the year	<u>(298 524)</u>	<u>(857 670)</u>
Balance at end of the year	<u>1 423 503</u>	<u>773 259</u>
12 INCOME RECEIVED IN ADVANCE		
Anonymous donor		
Balance at beginning of year	1 031 322	1 699 659
Investment growth	38 068	36 813
Reinvested investment income	19 984	37 510
Administration fees paid	(9 851)	(17 410)
Grants paid	<u>(725 250)</u>	<u>(725 250)</u>
Subtotal	354 273	1 031 322
Transferred to current liabilities	<u>(354 273)</u>	<u>(725 250)</u>
Balance at end of year	<u>-</u>	<u>306 072</u>
13 NOTES TO THE STATEMENT OF CASH FLOWS		
13.1 Cash (utilised)/generated by operations		
(Deficit)/surplus for the year	(11 538 514)	2 179 194
Adjustments for:		
Amortisation	909 734	1 349 440
Depreciation	226 408	234 714
Fair value gains on investments in financial assets	(356 308)	(164 034)
Dividend income	(1 107 433)	(1 023 949)
Interest income	(1 753 185)	(1 959 864)
Management fee income capitalised to investments	(7 133)	(4 721)
Investment management fees deducted from investments	754 179	791 250
Post retirement benefit obligation movement	(14 795)	25 380
Provision for leave pay	650 244	136 059
Profit on disposal assets	(2 335)	(9 565)
Inventory written down	-	73 436
Donation in kind	<u>(115 300)</u>	<u>-</u>
	<u>(12 354 438)</u>	<u>1 627 340</u>
13.2 Working capital changes		
Decrease in trade and other receivables	(1 116 312)	(381 745)
Decrease in trade and other payables	44 121	607 251
Decrease in income received in advance and government grants	<u>(1 371 979)</u>	<u>(2 371 663)</u>
	<u>(2 444 170)</u>	<u>2 597 169</u>

THE COMMUNITY CHEST OF THE WESTERN CAPE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

14 RETIREMENT BENEFIT INFORMATION

The Community Chest participates in a pension fund for eligible employees. The fund constitutes a defined contribution plan and is governed by the Pension Funds Act of South Africa (Act 24 of 1956, as amended). The Community Chest is committed in terms of the rules of the fund, to contribute 7.5% of the pensionable emoluments of the members in its employ. Contributions by The Chest to the fund for the current period amounted to R1 475 337 (2018: R1 366 651).

15 OPERATING LEASE COMMITMENT

The Chest has entered into various operating leases in respect of equipment and premises. The annual lease payments amount to R584 372 (2017: R825 888). Future minimum rentals under non-cancellable leases are as follows:

	2019 R	2018 R
Within one year	244 980	863 849
Between two and five years	452 640	239 220
Future lease payments	<u>697 620</u>	<u>1 103 069</u>

16 TAXATION

As The Chest is registered as a Public Benefit Organisation in terms of Section 30 of the Income Tax Act, its receipts and accruals are exempt from tax in terms of section 10(1)(cN) of the Income Tax Act.

17 RELATED PARTIES

Related parties exist between The Community Chest of the Western Cape and The Community Chest of The Western Cape Section 18A, as these entities are under common control. The directors of The Community Chest of the Western Cape are also the directors of The Community Chest of the Western Cape Section 18A. Refer to note 7 and note 10 for the loan amount due to The Community Chest of the Western Cape Section 18A. An administration fee of R249 446 (2018: R262 188) was charged to The Community Chest of the Western Cape Section 18A during the year. The outstanding balance as at 31 March 2019 is R240 994 (2018: R272 118).

A related party relationship exists between The Community Chest of the Western Cape and Computer Specialists (Pty) Ltd. The Chairperson of the Board is also a director and owner of Computer Specialists (Pty) Ltd. In the current year, The Community Chest purchased computer software from Computer Specialists (Pty) Ltd totalling R797 344 (2018: Rnil).

18 GOVERNMENT GRANTS LIABILITY

	2019 R	2018 R
Innovation Fund	1 916 660	3 040 000
STEMAC Coding	428 410	-
	<u>2 345 070</u>	<u>3 040 000</u>

Government Grants have been provided by the Department of Cultural Affairs and Support to The Community Chest of the Western Cape in order to facilitate after school programmes that provide educational support after school hours to certain learners of the Department of Education at identified schools in the Province of the Western Cape.

A liability of R2.3m (2018: R3m) has been recognised due to certain of the conditions not being met per the contracts. These grants are to be utilised for after school programmes in no and low fee schools, within the next financial year.

THE COMMUNITY CHEST OF THE WESTERN CAPE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

19 RESTATEMENT OF COMPARATIVE INFORMATION

		31 March 2018 Restated R	31 March 2018 As previously presented R
Fundraising			
Government special projects income	1	19 728 137	-
Partnerships fundraising revenue	1	725 251	20 453 388
Community Investment expenses			
Government special projects expenses	2	(9 912 092)	-
Special projects	2, 3	(1 496 052)	(12 282 130)
Bursary allocation	3	(1 464 836)	(586 850)

1. In the prior year, grants received from government in respect of special projects were included in fundraising revenue from partnerships. This has been restated to disclose government special projects income separately from partnership fundraising revenue.
2. Expenses relating to special projects for which government grants were received have been reclassified from expenses for special projects to a separate line item, government special projects expenses.
3. The special projects community investment expenditure previously included bursaries relating to the Thales project in error. This expenditure has been reclassified to bursary allocations community investment expense.
4. The split of direct expenditure has been collapsed into one line item as the separate categories are not considered to provide more meaningful information.