

Durbanville Children's Home

Auditors' report

QUALIFIED REPORT OF THE INDEPENDENT AUDITORS TO THE CHAIRMAN AND THE MEMBERS OF THE MANAGEMENT BOARD

DURBANVILLE CHILDRENS' HOME - DURBANVILLE

We have audited the annual financial statements of **DURBANVILLE CHILDRENS' HOME - DURBANVILLE**, which comprise of the balance sheet as at 31 March 2009, the Income Statement and Cashflow Statement for the year ended on that date, a summary of the accounting policies and other explanatory notes as set out on page 3 to 11.

Management Board's Responsibility for the Annual Financial Statements

The Management Board is responsible for the preparation and fair presentation of these annual financial statements in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Non-profit Organisations Act (Act 71, of 1997). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors Responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with South African Statements of Generally Accepted Accounting Practice. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management board, as well as evaluating the overall presentation of the annual financial statements.

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

Qualification

In common with similar organisations, it is not customary for the organisation to institute accounting controls over cash collections from voluntary contributions and fundraising activities, prior to the initial entry of the collections in the accounting records. Accordingly it was impractical for us to extend our examination beyond the receipts actually recorded.

Audit Opinion

Apart from the effect from any adjustments which might have been necessary had we been able to extend our audit of cash collections, in our opinion the financial statements fairly present, in all material aspects the financial position of the **DURBANVILLE CHILDRENS' HOME - DURBANVILLE** at 31 March 2009 and the results of its operations for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Non-profit Organisations Act (Act 71, of 1997).

Emphasis of Matter

Without qualifying our opinion, we draw your attention to the fact that the accounting policies and disclosures in the financial statements do not attempt to comply with all the requirements of International Standards of Auditing.

HENRI GROVÉ & PARTNERS

HENRI GROVÉ & PARTNERS
REGISTERED AUDITORS

BELLVILLE
1 June 2009

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Balance sheet

for the year ended 31 March 2009

	<u>Notes</u>	<u>2009</u> R	<u>2008</u> R
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets	2	5,828,906	4,986,191
Investments	3	630,286	306,327
		5,198,620	4,679,864
CURRENT ASSETS			
Account receivable	4	36,630	86,121
Petty cash		35,130	84,621
		1,500	1,500
TOTAL ASSETS		<u>5,865,536</u>	<u>5,072,312</u>
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Retained income	5	5,615,626	4,732,911
Special reserves		1,284,869	1,366,055
		4,330,757	3,366,856
CURRENT LIABILITIES			
Accounts payable	6	249,910	339,401
		249,910	339,401
TOTAL EQUITY AND LIABILITIES		<u>5,865,536</u>	<u>5,072,312</u>

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Income statement

for the year ended 31 March 2009

	<u>Note</u>	<u>2009</u> R	<u>2008</u> R
INCOME			
DONATIONS AND BEQUESTS			
		4,530,342	4,685,259
Individuals		1,595,743	1,953,585
Congregations		271,351	373,537
Businesses		805,402	1,087,512
Bequests		1,227,894	940,745
Donations in kind		629,952	329,880
FUNDRAISING AND MARKETING			
		963,998	602,028
INTEREST RECEIVED		61,426	81,942
RENT RECEIVED		289,236	119,543
INSURANCE CLAIM		25,428	12,083
SOCIAL PROJECTS		246,380	84,946
ALLOTMENTS: NLDTF	9	64,888	64,888
COMMUNITY CHEST		55,200	52,000
RECOUPMENT OF MUNICIPAL CHARGES		140,226	-
BAD DEBTS RECOVERED		5,558	23,585
SUBTOTAL		<u>6,382,682</u>	<u>5,726,274</u>
GRANT	7	3,109,291	2,628,288
OPERATING INCOME		<u><u>9,491,973</u></u>	<u><u>8,354,562</u></u>
EXPENSES			
SALARIES			
		4,629,545	4,052,520
Administrative		336,177	404,322
Domestic		2,252,699	2,009,450
Professional		1,065,998	732,199
Bonuses		288,743	299,315
Medical fund		121,935	134,111
Pension fund		410,834	343,083
Unemployment Insurance Fund		38,180	32,541
Compensation Commissioner		19,424	16,367
Leave pay		23,089	21,991
Increase in leave pay provision		31,294	21,377
Staff development		41,172	37,764
TRANSPORT EXPENSES			
		257,315	249,021
Fuel		136,853	126,518
Insurance and licenses		41,776	43,526
Loss on sale of vehicle		16,852	-
Maintenance vehicles		61,834	78,977
Subtotal carried forward		<u>4,886,860</u>	<u>4,301,541</u>

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Income statement

for the year ended 31 March 2009 (continued)

	<u>2009</u> R	<u>2008</u> R
Subtotal brought forward	4,886,860	4,301,541
OFFICE EXPENSES	498,238	548,158
Municipality services		
- Electricity	149,376	193,531
- Water and sanitation	90,593	114,469
Telephone and postage	102,169	120,863
Printing and stationery	98,790	69,649
Advertising	15,062	15,445
Books and magazines	1,550	1,879
Levies, registration and affiliation fees	20,327	13,498
Insurance	7,070	4,096
Maintenance office equipment	13,301	14,728
LAND AND BUILDINGS	792,344	331,909
Repairs & maintenance	765,434	308,719
Insurance	26,910	23,190
DOMESTIC EXPENSES	1,845,990	1,437,533
Washing and cleaning	158,894	117,381
Groceries	1,204,101	1,067,629
Clothing/Uniforms	348,923	67,381
Medical	11,043	6,595
Education and recreation	43,106	34,589
Tertiary education	50,403	116,432
Pocket-money	10,718	11,233
Consumable equipment	3,399	-
Maintenance machinery	15,403	16,293
SPECIAL SERVICES	567,151	620,842
Audit fees	1,140	2,315
Bank charges	24,773	17,454
Fundraising	260,510	343,112
Social projects	171,371	47,810
Donor projects	12,087	72,400
Transport	17,010	6,946
Consultation fees	15,564	25,438
Market value adjustment to investment	64,696	
Bad debts	-	105,367
EXPENSES BEFORE DEPRECIATION	8,590,583	7,239,983
DEPRECIATION	175,802	65,646
Furniture and equipment	7,017	7,796
Computer equipment	18,588	3,454
Motor vehicles	150,197	54,396
OPERATING EXPENSES	8,766,385	7,305,629
OPERATING PROFIT FOR THE YEAR	725,588	1,048,933
carried forward to page 6	<u>9,491,973</u>	<u>8,354,562</u>

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Income statement

for the year ended 31 March 2009 (continued)

	<u>2009</u> R	<u>2008</u> R
NET PROFIT/(LOSS) FOR THE YEAR		
OPERATING PROFIT FOR THE YEAR	725,588	1,048,933
Less: Movement in Reserve Funds	(806,774)	(1,047,485)
Contributions to:	(1,224,894)	(1,047,485)
- Piet du Toit Bursary fund	(1,224,894)	(940,745)
- Maintenance fund	-	(53,370)
- Vehicle replacement fund	-	(53,370)
Recoveries from:	418,120	-
- Piet du Toit Bursary fund	418,120	-
NET PROFIT/(LOSS) FOR THE YEAR	<u><u>(81,186)</u></u>	<u><u>1,448</u></u>

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Reserve funds

for the year ended 31 March 2009

	Maintenance fund R	Piet du Toit Bursary fund R	Vehicle Replacement fund R	2009 Total R	2008 Total R
Balance 01.04.2008	53,370	3,080,993	232,493	3,366,856	2,279,517
Plus:	-	1,378,201	3,820	1,382,021	1,087,339
Contribution	-	1,224,894	-	1,224,894	1,047,485
Interest	-	153,307	3,820	157,127	39,854
	53,370	4,459,194	236,313	4,748,877	3,366,856
Less:	-	(418,120)	-	(418,120)	-
Recoveries	-	(418,120)	-	(418,120)	-
Balance 31.03.2009	<u>53,370</u>	<u>4,041,074</u>	<u>236,313</u>	<u>4,330,757</u>	<u>3,366,856</u>

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Cash flow statement

for the year ended 31 March 2009

	<u>Notes</u>	<u>2009</u> R	<u>2008</u> R
CASH FLOW FROM OPERATING ACTIVITIES		71,468	312,152
Cash receipts from clients		9,833,462	8,307,948
Cash payments to employees and suppliers		(9,823,420)	(8,077,738)
Cash generated by operating activities	1.	10,042	230,210
Interest received		61,426	81,942
CASH FLOW FROM INVESTING ACTIVITIES		(71,468)	(311,652)
Acquisition of fixed assets		(526,613)	(22,042)
Proceeds from sale of fixed assets		10,000	-
(Increase) / Decrease in investments		445,145	(289,610)
NET INCREASE IN CASH AND CASH EQUIVALENTS		-	500
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		1,500	1,000
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		1,500	1,500
1. RECONCILIATION OF CASH UTILISED BY OPERATING ACTIVITIES WITH THE NET PROFIT/(LOSS) FOR THE YEAR			
Net profit/(Loss) for the year		(81,186)	1,448
Adjustments for:			
- Depreciation		175,802	65,646
- Loss on sale of vehicle		16,852	-
- Interest received		(61,426)	(81,942)
Operating profit / (loss) before working capital changes		50,042	(14,848)
Changes in working capital			
- Decrease in accounts receivable		49,491	35,328
- Increase/(Decrease) in accounts payable		(89,491)	209,730
Cash generated by operating activities		10,042	230,210

Durbanville Children's Home

Notes to the annual financial statements

for the year ended 31 March 2009

<u>2009</u>	<u>2008</u>
R	R

1. ACCOUNTING POLICIES

The Annual Financial Statements have been prepared on the historical cost basis. This is consistent with those of the previous year. The following accounting policies have been incorporated:

1.1 Fixed assets and depreciation

Depreciation on fixed assets are written off over the estimated useful lives of the assets. The following rates and methods were used:

Furniture and equipment - reducing balance - 10%

Motor vehicles - reducing balance - 20%

Computer equipment - straight line method - 33,3%

2. FIXED ASSETS

2.1 FURNITURE AND EQUIPMENT

Cost on 1 April 2008	368,944	346,902
<u>Plus: Acquisitions</u>	-	22,042
Cost on 31 March 2009	368,944	368,944
<u>Less: Accumulated depreciation</u>	(305,804)	(280,199)
Book value on 31 March 2009	63,140	88,745

2.2 MOTOR VEHICLES

Cost on 1 April 2008	741,439	741,439
<u>Plus: Acquisitions</u>	526,613	-
	1,268,052	741,439
<u>Less: Disposals</u>	(26,852)	-
Cost on 31 March 2009	1,241,200	741,439
<u>Less: Accumulated depreciation</u>	(674,054)	(523,857)
Book value on 31 March 2009	567,146	217,582

2.3 TOTAL ASSETS

Cost on 1 April 2008	1,110,383	1,088,341
<u>Plus: Purchases</u>	526,613	22,042
	1,636,996	1,110,383
<u>Less: Disposals</u>	(26,852)	-
Cost on 31 March 2009	1,610,144	1,110,383
<u>Less: Accumulated depreciation</u>	(979,858)	(804,056)
Book value on 31 March 2009	630,286	306,327

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Notes to the annual financial statements

for the year ended 31 March 2009 (continued)

	<u>2009</u> R	<u>2008</u> R
3. INVESTMENTS		
BADISA Management program	1,016,695	766,661
Dutch Reformed Church	4,041,074	3,080,993
Call Account:		
- ABSA	140,851	832,210
	<u>5,198,620</u>	<u>4,679,864</u>
Apportioned as follows:		
Durbanville Childrens' Home	867,863	1,313,008
Special reserves(Appendix 1)	4,330,757	3,366,856
Maintenance fund	53,370	53,370
Piet du Toit Bursary fund	4,041,074	3,080,993
Vehicle Replacement fund	236,313	232,493
	<u>5,198,620</u>	<u>4,679,864</u>
<p>The BADISA investment portfolio was invested in the money market up to 1 October 2008. On 1 October 2008 an amount of R166 661 was transferred to a capital market investment, while the remaining portion was kept on money market.</p> <p>The money market investments earned interest up to 31 March but the capital investments showed a reduction in market value of 2% to 5% up to 31 March 2009. This reduction and the allocation thereof to the different investing programs, have not yet been processed by BADISA, resulting in the capital market investment still being shown at its cost value, while the market value was in fact lower.</p> <p>The value of the BADISA investment is thus overstated by the decrease in market value of the capital market portfolio for the period 1 October 2008 to 31 March 2009.</p>		
4. ACCOUNTS RECEIVABLE		
Accounts receivable	2,880	6,122
VAT receivable	32,250	78,499
	<u>35,130</u>	<u>84,621</u>
5. RETAINED INCOME		
Balance beginning of year	1,366,055	1,364,607
Net profit/(Loss) for the year	(81,186)	1,448
Balance end of year	<u>1,284,869</u>	<u>1,366,055</u>
6. ACCOUNTS PAYABLE		
Accounts payable	128,324	249,109
Provision for leave pay	121,586	90,292
	<u>249,910</u>	<u>339,401</u>

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Notes to the annual financial statements

for the year ended 31 March 2009 (continued)

	<u>2009</u> R	<u>2008</u> R
7. GRANT - DEPARTMENT OF SOCIAL SERVICES		
- PRINCIPAL SUBSIDY	<u>3,109,291</u>	<u>2,628,288</u>
(Grant in respect of April 2008 to March 2009)		
8. FIXED PROPERTY		
The land and buildings of DURBANVILLE CHILDRENS' HOME is the property of the GOEIE HOOP BEHUISINGSMAATSKAPPY(GHBM), and are shown as such in their accounting records.		
9. NATIONAL LOTTERY DISTRIBUTION TRUST FUND		
STATEMENT OF RECEIPTS AND PAYMENTS		
INCOME		
Allotment received	64,888	64,888
EXPENSES	64,888	64,888
Replacements	17,631	13,373
Staff expenses	19,797	33,970
Transport	5,099	4,955
Municipal costs	2,933	9,675
Groceries	17,822	-
Telephone	1,606	2,915
FUNDS ON HAND	<u>-</u>	<u>-</u>

This statement of receipts and payments is an extraction from the annual financial statements.