

EASTERN PROVINCE CHILDREN'S HOME

ANNUAL FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2020

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Approval:

The annual financial statements set out on pages 5 to 10 were approved by the Management Board on 7/05/2020 and signed by:



Treasurer

Chairperson



chartered accountants
& business advisers

INDEPENDENT AUDITOR'S REPORT

To the committee of Eastern Province Children's Home (003-589NPO)

Opinion

We have audited the financial statements of Eastern Province Children's Home set out on pages 5 to 10, which comprise the statement of financial position as at 31 March 2020, and the statement of comprehensive income 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, the financial statements of Eastern Province Children's Home for the year ended 31 March 2020 have been prepared, in all material respects, in accordance with the basis of accounting as stated 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 organisation 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 opinion.

Emphases of Matter – Basis of Accounting and impact of uncertainty of COVID-19

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 organisation's own accounting policies to satisfy the financial information needs of the committee. As a result, the financial statements may not be suitable for another purpose.

We draw attention to note 7 in the financial statements which deals with events after the reporting period and specifically the possible effects of the future implications of COVID-19 on the organisation's future prospects, performance and cashflows.

Our opinion is not modified in respect of these matters.

Other information

The committee is responsible for the other information. The other information comprises the supplementary information set out on pages 11 to 13. The other information does not include the financial statements and our auditor's report thereon.

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PKF (PE) Inc. • Registered Auditors • Chartered Accountants (SA) • A member of PKF International Ltd • Reg No 2002/004678/21
Directors • LD van Goeverden • L Battle • MC Daverin • J du Preez • S Kerr • M Mohamed • DJ Robertson • GP van Zyl
Office Manager • T Botes

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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 committee for the financial statements

The committee is responsible for the preparation and fair presentation of the financial statements in accordance the basis of accounting described in note 1 to the financial statements, for determining that the basis of preparation is acceptable in the circumstances and for such internal control as the committee determines 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 committee is responsible for assessing the organisation'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 committee either intends to liquidate the organisation 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 organisation's internal control.
- Conclude on the appropriateness of the committee's 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 organisation'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 organisation to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the committee.



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We communicate with the committee 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.

Report on other legal and regulatory requirements

As required by section 17(2) of the Non-Profit Organisations Act No. 71 of 1997, we report that:

- a) the financial statements are in agreement with the accounting records;
- b) the accounting policies which have been applied in the preparation of the financial statements are considered to be appropriate to the business; and
- c) the provisions of the constitution of the council and of the Non-Profit Organisations Act No. 71 of 1997, in so far as they relate to financial affairs, have been complied with.

PKF(PE) Inc.

PKF (PE) Inc.

Chartered Accountants (SA)
Registered Auditors

Director: Samantha Kerr CA (SA)

Registered Auditor

Port Elizabeth

Date: 7 August 2020

EASTERN PROVINCE CHILDREN'S HOME
STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2020

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	Notes	2020 R	2019 R
ASSETS			
Non-Current Assets			
Property, plant and equipment	2	3 041 162	2 513 327
Current Assets			
Investment of funds			
Fixed deposit		6 946	6 946
Savings and call accounts		19 826 745	18 243 109
		19 833 691	18 250 055
Accounts receivable	3	436 446	282 978
Cash and cash equivalents		166 330	275 036
Inventory		22 678	22 075
		20 459 145	18 830 144
TOTAL ASSETS		23 500 307	21 343 471
EQUITY AND LIABILITIES			
Funds and Reserves			
Accumulated funds	4	16 133 379	14 440 557
Resource centre		1 369 697	1 369 697
Ray Joubert Endowment Fund		429 755	429 755
		17 932 831	16 240 009
Current Liability			
Trade and other payables	5	5 567 476	5 103 462
TOTAL FUNDS AND LIABILITIES		23 500 307	21 343 471

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 R	2019 R
REVENUE			
Subsidy			
Department of Social Welfare – Maintenance Grant		4 576 000	2 838 704
Fundraising		181 388	128 720
Donations			
Estimated value of gifts in kind		170 682	122 784
Other		2 040 385	1 607 901
		2 211 067	1 730 685
Rental income			
Rental income received		722 929	607 786
Rent – other income		71 792	108 491
Rental – expenses		(248 996)	(78 909)
		545 725	637 368
Interest income		1 339 668	1 269 198
Commission		933	1 029
Profit on sale of property, plant and equipment		263 000	-
		9 117 681	6 605 704
EXPENDITURE			
Domestic expenditure		1 911 185	1 580 057
Staff expenditure		4 196 338	3 925 357
Property, plant and equipment		545 777	412 119
Transport and office		506 486	430 872
Depreciation		362 266	282 590
		7 522 052	6 630 995
SURPLUS (DEFICIT) FOR YEAR		1 595 629	(25 291)
SURPLUS FOR YEAR – RESOURCE CENTRE (Page 12)		97 193	92 149
		1 692 822	66 858
TAXATION PAID	6	-	(18 338)
TRANSFERRED FROM ASSET REPLACEMENT FUND		-	90 401
		1 692 822	138 921

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

	2020 R	2019 R
Profit before taxation	1 692 822	66 858
Adjustments for:		
Depreciation	362 266	282 590
Profit on sale of property, plant and equipment	(263 000)	-
Interest received	(1 339 668)	(1 269 198)
Taxation paid	-	(18 338)
Changes in working capital:		
Inventories	(603)	(9 499)
Accounts receivable	(153 468)	(52 652)
Trade and other payables	464 013	700 006
Cash absorbed by operations	<u>762 362</u>	<u>(300 233)</u>
Interest income	1 339 668	1 269 198
Net cash from operating activities	<u>2 102 030</u>	<u>968 965</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(890 100)	(389 901)
Proceeds on sale of property, plant and equipment	263 000	-
Movement in investment of funds	(1 583 636)	(419 067)
Net cash from investing activities	<u>(2 210 736)</u>	<u>(808 968)</u>
Total cash movement for the year	<u>(108 706)</u>	<u>159 997</u>
Cash at the beginning of the year	275 036	115 039
Total cash at the end of the year	<u><u>166 330</u></u>	<u><u>275 036</u></u>

1. ACCOUNTING POLICIES

The financial statements are prepared on the historical cost basis and incorporate the following principal accounting policies which are consistent with those applied in the previous year.

1.1 Property, plant and equipment

All property, plant and equipment is initially stated at cost. Buildings, motor vehicles, furniture and equipment are written off on a straight-line basis to their residual values over their useful lives.

All assets with a cost price below R10 000 are written off.

Buildings	25 years
Motor vehicles	5 years
Furniture and equipment	6 years
Netball courts	25 years

1.2 Revenue

Revenue comprises government subsidies, monies from fundraising and donations received and is recognised on the accrual basis.

1.3 Accounts receivable

Receivables consist mainly of subsidies receivable and rental income.

1.4 Accounts payable

Payables comprise of creditors, accruals, provisions and other payables owed by the home. These payables are recognised at cost.

	2020 R	2019 R
2. PROPERTY, PLANT AND EQUIPMENT		
LAND AND BUILDINGS		
At cost – 1923	66 230	66 230
Additions		
- 1984	72 302	72 302
- 1985	497 552	497 552
- 1986	566 999	566 999
- 1989	376 706	376 706
- 1990	95 811	95 811
- 1991	263 849	263 849
- 1993	280 807	280 807
- 1994	13 527	13 527
- 1998	143 570	143 570
- 1999	116 245	116 245
- 2015	76 180	76 180
- 2017	131 000	131 000
	<u>2 700 778</u>	<u>2 700 778</u>
RESOURCE CENTRE		
Capitalised costs	1 646 349	1 646 349
Freehold land and buildings situated on Erf 175 and 171 and remainder of Erf 174, Port Elizabeth.		
	<u>4 347 127</u>	<u>4 347 127</u>
Accumulated depreciation	(2 478 337)	(2 304 454)
Balance carried forward	<u>1 868 790</u>	<u>2 042 673</u>

	2020 R	2019 R
2. PROPERTY, PLANT AND EQUIPMENT (Continued)		
Balance brought forward	1 868 790	2 042 673
Motor vehicles		
Cost	2 103 699	1 599 380
Accumulated depreciation	(931 327)	(1 128 726)
	1 172 372	470 654
Office equipment		
Cost	-	90 441
Accumulated depreciation	-	(90 441)
	-	-
TOTAL	3 041 162	2 513 327
The municipal value of land and buildings as at 31 March 2020 is R17 400 000.		
3. ACCOUNTS RECEIVABLE		
Value added taxation	23 082	82 162
Other	32 160	30 840
Customer control account	30 870	54 779
Conyngham Coffee Shop	350 334	115 197
	436 446	282 978
4. FUNDS		
ACCUMULATED FUNDS		
Opening balance at 1 April 2019	14 440 557	14 301 638
Surplus for the year	1 692 822	138 919
Balance at 31 March 2020	16 133 379	14 440 557
RESOURCE CENTRE	1 369 697	1 369 697
RAY JOUBERT ENDOWMENT FUND	429 755	429 755
5. TRADE AND OTHER PAYABLES		
Trade payables		
- Accruals	94 076	113 548
- Income received in advance	5 270 262	4 893 958
- Rent deposits	37 375	20 165
- Sundry payables	160 549	71 413
- Sundry payables – Conyngham Coffee Shop	1 214	-
- Other payables	4 000	4 378
	5 567 476	5 103 462

	2020 R	2019 R
6. TAXATION		
The association has been granted exemption in terms of Section 10(1)(CN) of the Income Tax Act. However, certain activities of the association are regarded as commercial activities and these are taxable.		
Major components of tax expense		
Current		
Local income tax – recognised in current tax for prior period	-	18 338
7. EVENTS AFTER THE REPORTING PERIOD		
Prior to year-end, as a result of a local and global coronavirus COVID-19 infectious disease pandemic, a national state of disaster was declared in South Africa on 15 March 2020. As a preventive measure, except for certain essential services, a strictly regulated 5 week nationwide stay-at-home total lockdown was implemented from 26 March 2020.		
Subsequent to year-end, once the regulated 5 week nationwide stay-at-home total lockdown ended, a gradual and phased recovery of economic activity and an easing of the lockdown restrictions has begun with a 5 coronavirus alert level approach adopted by the government on 1 May 2020, where level 5 means only essential services can operate and level 1 means that most normal activities can resume. The alert level is determined by the government and is based on its assessment of the infection rate and the capacity of the country's health system.		
As at the date of this report, the country is at alert level 3. As an essential service provider, the organisation has been permitted to operate throughout the lockdown albeit at significantly reduced demand conditions.		
The lockdown and the phased recovery of economic activity, has had a severe negative impact on the organisation's business and cash flow. The short to medium term financial effect and the impact on the profitability of the organisation remains uncertain and cannot be estimated at this time.		
Apart from the above, the committee is not aware of any other material event which occurred after the reporting date and up to the date of this report.		
8. GOING CONCERN		
Notwithstanding the operational and financial effects of the nationwide lockdown, the committee believes that the organisation has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.		

SCHEDULES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020

	2020 R	2019 R
DOMESTIC EXPENDITURE		
Clothing, linen and blankets	133 305	139 163
Education and recreation	191 679	138 385
Food	822 474	675 394
Household requirements	90 756	78 292
Lights, water and sanitation	388 055	309 442
Medical expenses	37 751	24 076
Pocket money and functions	17 275	17 490
School and Technikon fees	78 280	78 685
Therapy	151 610	119 130
	<u>1 911 185</u>	<u>1 580 057</u>
STAFF EXPENDITURE		
Staff related expenses	73 388	37 904
Pension fund	515 926	497 037
Salaries	3 533 084	3 302 902
Unemployment Insurance and Workmen's Compensation	73 940	87 514
	<u>4 196 338</u>	<u>3 925 357</u>
PROPERTY, PLANT AND EQUIPMENT		
Equipment and vehicle repairs	59 032	103 637
Gardens and building maintenance	454 551	281 917
Security	32 194	26 565
	<u>545 777</u>	<u>412 119</u>
TRANSPORT AND OFFICE		
Accounting fees	2 050	2 000
Bank charges	11 962	28 555
Computer expenses	34 682	15 532
Courier and postage	499	784
In service training	13 516	3 320
Insurance	101 411	77 842
Printing and stationery	81 184	57 059
Subscriptions	4 210	4 169
Telephones and postage	73 491	66 245
Transport and office expenses	183 481	175 366
	<u>506 486</u>	<u>430 872</u>

SCHEDULES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020

	2020 R	2019 R
RESOURCE CENTRE - REVENUE		
Fundraising income	4 179 817	4 199 532
Fundraising income received in advance (reversal)	(276 304)	(948 480)
	3 903 513	3 251 052
Rental income	24 348	18 151
Conference income	161 178	91 397
Coffee shop profit (loss)	15 054	26 961
Needlework project profit	7 574	(10 825)
	208 154	125 684
	4 111 667	3 376 736
RESOURCE CENTRE – EXPENSES INCURRED		
Bakery training	189 552	456 395
Butchery	61 562	111 110
Conference Centre	31 455	38 110
Early Learning Development	9 139	195 000
Woodwork	275 508	249 677
E'Zethu Business Project	440 123	125 724
Hospitality	1 301 965	829 722
Sewing	296 095	108 627
Hairdressing salon project	-	(145)
HIV training and life skills	157 069	70 433
	2 762 468	2 184 653
Operating costs:		
Office expenses	129 559	74 361
Electricity and rates	110 219	161 368
Fundraising	58 319	44 854
Insurance	35 825	25 661
Maintenance	66 484	42 808
Enterprise Hub	92 580	87 600
Salaries	680 495	638 612
Security	54 722	3 182
Telephone	17 174	14 561
Petrol	6 629	6 927
	1 252 006	1 099 934
	4 014 474	3 284 587
SURPLUS FOR YEAR	97 193	92 149

SCHEDULES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020

	2020 R	2019 R
COFFEE SHOP – STATEMENT OF COMPREHENSIVE INCOME		
Sales	592 763	509 178
Cost of sales	(278 729)	(234 887)
Gross profit	314 034	274 291
Other expenses	(298 980)	(247 330)
NET PROFIT AVAILABLE FOR DISTRIBUTION	15 054	26 961