

THE BUTTERFLY ART PROJECT

(Registration number NPO 124-968)

**Annual Financial Statements
for the year ended 31 December 2017**

SWEMMER MACINNES & ASSOC.

Registered Auditors

1 June 2018

THE BUTTERFLY ART PROJECT

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Annual Financial Statements for the year ended 31 December 2017

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Annual Financial Statements for the year ended 31 December 2017

General Information

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS	The organisation provides therapeutic, educational and other support to children
BOARD MEMBERS	A Katschke N De Villiers N Bonxo T Wrona N Jappie W Dawood Dr. B Brandes Y Burton
BUSINESS ADDRESS	Capricorn Primary School 115 Vrygrond Avenue Vrygrond 7945
BANKERS	First National Bank Limited
INDEPENDENT AUDITORS'	SWEMMER MACINNES & ASSOC.
REGISTRATION NUMBER	NPO 124-968

**CHARTERED ACCOUNTANTS (S.A.)
REGISTERED AUDITORS**

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P O BOX 552 CONSTANTIA 7848
TEL: 021-701 0220 FAX: 021-701 0226
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Partner: P V Swemmer
Practice no: 936413

Independent Auditor's Report

To the Board member's of The Butterfly Art Project

Qualified Opinion

We have audited the financial statements of The Butterfly Art Project set out on pages 7 to 14, which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, the statement of changes in equity and the 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 board members as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities.

Basis for Qualified Opinion

In common with similar organisations, it is not feasible for the organisation to institute controls over collections for income prior to the initial entry in the accounting records. Accordingly, it was impractical for us to extend our examination beyond receipts actually recorded for income.

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 board members in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of the Board member's for the Financial Statements

The board member's are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and for such internal control as the board member's determine is necessary to enable the preparation of financial statements that are free from material misstatement.

Auditor's Responsibilities for the Audit of the Financial Statements

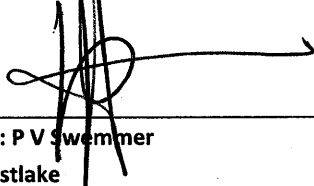
Our objectives are to obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an 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 controls.
- Obtain an understanding of internal controls 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 board member's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board member's.
- Conclude on the appropriateness of the board member'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 board member'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 board members 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 board member's 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.

SWEMMER MACINNES & ASSOC.

Registered Auditors

A handwritten signature in black ink, appearing to read 'P V Swemmer', is written over a horizontal line. The signature is stylized and somewhat illegible.

Per: P V Swemmer

Westlake

1 June 2018

THE BUTTERFLY ART PROJECT

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Annual Financial Statements for the year ended 31 December 2017

Board member's Responsibilities and Approval

The board members are required to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements satisfy the financial reporting standards as to form and content and present fairly the statement of financial position, results of operations of the organisation, and explain the transactions and financial position of the business of the organisation at the end of the financial year. The annual financial statements are based upon appropriate accounting policies consistently applied throughout the organisation and supported by reasonable and prudent judgements and estimates.

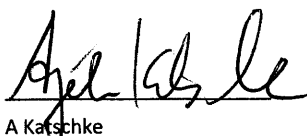
The board members acknowledge that they are ultimately responsible for the system of internal financial control established by the organisation and place considerable importance on maintaining a strong control environment. To enable the board members to meet these responsibilities, the board member's sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the organisation and all board members are required to maintain the highest ethical standards in ensuring the organisation's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the organisation is on identifying, assessing, managing and monitoring all known forms of risk across the organisation. While operating risk cannot be fully eliminated, the organisation endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The board member's are of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. The going-concern basis has been adopted in preparing the financial statements. Based on forecasts and available cash resources the board member have no reason to believe that the organisation will not be a going concern in the foreseeable future. The financial statements support the viability of the organisation.

The financial statements have been audited by the independent auditing firm, SWEMMER MACINNES & ASSOC., who have been given unrestricted access to all financial records and related data. The board member believe that all representations made to the independent auditor during the audit were valid and appropriate. The external auditors' qualified audit report is presented on page 3 to 4.

The annual financial statements have been prepared on the going concern basis and are not subject to any material changes to the present financial status. The annual financial statements as set out on pages 7 to 14 were approved by the board member's on 1 June 2018 and were signed on their behalf by:



A Katschke

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Annual Financial Statements for the year ended 31 December 2017

Report of the Board members

The Board members presents their report for the year ended 31 December 2017

1. Review of activities

Main business and operations

The principal activity of the organisation is to provide therapeutic, educational and other support to children.

The operating results and statement of financial position of the organisation are fully set out in the attached financial statements and do not in my opinion require any further comment.

2. Financial results

The financial statements reflect the financial position of the organisation at 31 December 2017 and the result of its activities for the year then ended.

3. Board members

A Katschke
N De Villiers
N Bonxo
Dr. B Brandes
Y Burton
W Dawood
N Jappie
T Wrona

4. Independent Auditors

Swemmer Macinnes & Assoc. were the Independent auditors for the year under review.

THE BUTTERFLY ART PROJECT

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Financial Statements for the year ended 31 December 2017

Statement of Financial Position

Figures in R	Notes	2017	2016
Assets			
Non-Current Assets			
Property, plant and equipment	3	120,264	110,544
Current Assets			
Trade and other receivables	4	82,223	19,980
Cash and cash equivalents	5	757,287	651,739
		839,510	671,719
Total Assets		959,774	782,263
Equity and Liabilities			
Equity			
Retained earnings		784,868	778,990
Current Liabilities			
Trade and other payables	6	24,906	3,273
Grants received in advance	7	150,000	-
		174,906	3,273
Total Funds and Liabilities		959,774	782,263

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Financial Statements for the year ended 31 December 2017

Statement of Comprehensive Income

10 months

Figures in R	Note	2017	2016
Income	8	3,035,885	1,683,004
Operating costs		(3,030,007)	(1,611,607)
Net profit for the year		5,878	71,397

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Financial Statements for the year ended 31 December 2017

Statement of Changes in Equity

Figures in R	Retained earnings	Total
Balance at 1 March 2016	707,593	707,593
Total comprehensive income for the year		
Profit for the year	71,397	71,397
Total comprehensive income for the year	<u>71,397</u>	<u>71,397</u>
Balance at 31 December 2016	<u>778,990</u>	<u>778,990</u>
Balance at 1 January 2017	778,990	778,990
Total comprehensive income for the year		
Profit for the year	5,878	5,878
Total comprehensive income for the year	<u>5,878</u>	<u>5,878</u>
Balance at 31 December 2017	<u>784,868</u>	<u>784,868</u>

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Financial Statements for the year ended 31 December 2017

Statement of Cash Flows

10 months

Figures in R	Note	2017	2016
Cash flows from operating activities			
Profit for the year		5,878	71,397
<i>Adjustments for:</i>			
Depreciation of tangible assets		90,172	15,802
Operating cash flow before working capital changes		96,050	87,199
<i>Working capital changes</i>			
Increase in trade and other receivables		(62,243)	(8,573)
Increase / (decrease) in trade and other payables		171,633	(11,212)
Net cash flows from operations		205,440	67,414
Net cash flows from operating activities		205,440	67,414
Cash flows used in investing activities			
Property, plant and equipment acquired	3	(99,892)	(72,226)
Net cash flows used in investing activities		(99,892)	(72,226)
Net increase / (decrease) in cash and cash equivalents		105,548	(4,812)
Cash and cash equivalents at beginning of the year		651,739	656,551
Cash and cash equivalents at end of the year	5	757,287	651,739

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Financial Statements for the year ended 31 December 2017

Accounting Policies

1. General information

The Butterfly Art Project is a non profit organisation founded in South Africa.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with the International Financial Reporting Standards for Small and Medium-sized Entities issued by the International Accounting Standards Board. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared under the historical cost convention and are presented in South African Rand.

2.1 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and/or services in the ordinary course of the organisation's activities. Revenue is shown net of value-added tax, returns, and discounts.

The organisation recognises revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the organisation's activities, as described below:

2.0.1 Sales

Sales of goods are recognised when a entity sells a product to the customer as control passes to the customer on the day the transaction takes place. Retail sales are usually in cash or by credit card.

2.0.2 Donations

Donations are recorded as revenue when the funds are received from the donor.

2.0.3 Interest income

Interest income is recognised using the effective interest rate method.

2.1 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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Financial Statements for the year ended 31 December 2017

Accounting Policies

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The following rates are used for the depreciation of property, plant and equipment:

Plant and equipment	6 Years
Furniture and fittings	6 Years
Office equipment	5 Years
Computer equipment	3 Years

2.2 Trade and other receivables

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the trust will not be able to collect all amounts due according to the original terms of the receivables.

2.3 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown in current liabilities on the statement of financial position.

2.4 Trade payables

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest rate method.

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Financial Statements for the year ended 31 December 2017

Notes to the Annual Financial Statements

Figures in R

2017

2016

3. Property, plant and equipment

	Cost	Accumulated depreciation	2017 Carrying value	Cost	Accumulated depreciation	2016 Carrying value
<i>Owned assets</i>						
Plant and equipment	4,800	(4,800)	-	4,800	(2,720)	2,080
Furniture and fittings	207,191	(113,577)	93,614	156,730	(48,266)	108,464
Office equipment	33,949	(17,898)	16,051	-	-	-
Computer equipment	15,482	(4,883)	10,599	-	-	-
	261,422	(141,158)	120,264	161,530	(50,986)	110,544

The carrying amounts of property, plant and equipment can be reconciled as follows:

	Carrying value at beginning of year	Additions	Disposals	Depreciation	2017 Carrying value at end of year
<i>Owned assets</i>					
Furniture and fittings	108,464	50,461	-	(65,311)	93,614
Office equipment	-	33,949	-	(17,898)	16,051
Computer equipment	-	15,482	-	(4,883)	10,599
	110,544	99,892	-	(90,172)	120,264

4. Trade and other receivables

Trade debtors	54,536	8,690
Sundry debtors	4,485	2,800
VAT	20,402	8,490
Staff loan	2,800	-
	82,223	19,980

5. Cash and cash equivalents

Favourable cash balances		
Bank balances	757,287	651,739
	757,287	651,739

6. Trade and other payables

Trade creditors	24,906	3,273
	24,906	3,273

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Financial Statements for the year ended 31 December 2017

Notes to the Annual Financial Statements

Figures in R	2017	2016
7. Grants received in advance		
Smiling Heart	150,000	-
	<u>150,000</u>	<u>-</u>
8. Donations received		
An analysis of donations received is as follows:		
Small donors	125,848	174,697
Chic Mamas Do Care	150,000	91,000
Misereor e.V.	347,858	227,543
Smiling Heart Donations	-	60,617
Stiftung Kinder-Hilfe	-	26,705
Sophia Foundation	200,000	200,000
The Learning Trust		150,000
Vrygrond Community Development Trust	-	220,000
Peter Ustinov Stiftung	121,796	55,183
Smiling Heart e.V.	275,204	205,246
Western Cape Department of Sports and Culture	441,207	-
Mary Oppenheimer & Daughters Foundation	250,000	240,000
National Lottery Commission	130,000	-
Rolf Stephan Nussbaum Foundation	450,000	-
Towson University	359,832	-
	<u>2,851,745</u>	<u>1,650,991</u>

9. Event after the balance sheet date

No events occurred between 31 December 2017 and the date the board members approved the financial statements that would have a material impact on the results as disclosed in the financial statements as set out on pages 7 to 14 or the continued existence of the organisation going forward as a going concern.

10. Comparative figures

The comparative figures for 31 December 2016 are for a period of ten months.

THE BUTTERFLY ART PROJECT

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Financial Statements for the year ended 31 December 2017

Detailed Income Statement

10 months

Figures in R	2017	2016
Income		
Donations received	2,851,745	1,650,991
Interest received	44,683	-
Other income	139,457	32,013
	<u>3,035,885</u>	<u>1,683,004</u>
Expenditure		
Accounting fees	6,275	10,360
Advertising	16,128	8,247
Bank charges	13,645	6,340
Cleaning	9,424	2,873
Computer expenses	7,532	6,077
Depreciation - Tangible assets	90,172	15,802
Development & training	43,902	24,400
Donations	13,951	7,223
Electricity and water	2,880	70
Entertainment	-	1,775
Equipment & toys	-	2,232
Food Stipend Volunteers	10,950	-
General expenses	10,647	10,891
Hire - Equipment	-	711
Independent contractors	289,519	250,277
Insurance	24,106	19,293
Interest & penalties - SARS	-	1,035
Internet expenses	13,962	-
Lease rental on operating lease	92,605	16,280
Levies	-	86,256
Materials	254,920	-
Permit fees	99,653	5,337
Postage	1,130	117
Printing and stationery	40,728	31,770
Refreshments & catering	83,754	36,380
Repairs and maintenance	6,271	17,166
Replacements	-	605
Salaries	1,730,985	974,745
Security	4,189	2,684
Staff welfare	-	96
Subscriptions	-	9,355
Telephone and fax	13,964	4,766
Transport	91,907	27,728
Travel - local	56,808	30,716
	<u>3,030,007</u>	<u>1,611,607</u>
Profit for the year	<u>5,878</u>	<u>71,397</u>