

THE BUTTERFLY ART PROJECT

(Registration number NPO 124-968)

**Annual Financial Statements
for the year ended 31 December 2018**

SWEMMER MACINNES & ASSOCIATES

Registered Auditors

9 April 2019

THE BUTTERFLY ART PROJECT

(Registration Number NPO 124-968)

Annual Financial Statements for the year ended 31 December 2018

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

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Annual Financial Statements for the year ended 31 December 2018

General Information

COUNTRY OF INCORPORATION AND DOMICILE

South Africa

NATURE OF BUSINESS

The organisation provides art based activities to contribute to the psychosocial health and wellbeing of children and adults

BOARD MEMBERS

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

BUSINESS ADDRESS

Capricorn Primary School
1115 Vrygrond Avenue
Vrygrond
7945

BANKERS

First National Bank Limited

INDEPENDENT AUDITORS'

SWEMMER MACINNES & ASSOCIATES

REGISTRATION NUMBER

NPO 124-968

SWEMMER MACINNES & ASSOCIATES

CHARTERED ACCOUNTANTS (S.A.)
REGISTERED AUDITORS

UNIT D14 WESTLAKE SQUARE, WESTLAKE 7945
P O BOX 552 CONSTANTIA 7848
TEL: 021-701 0220 FAX: 021-701 0226
E-MAIL: sma@smaccounting.co.za
Partner: P V Swemmer
Practice no: 936413

Independent Auditor's Report

To the Board Members of The Butterfly Art Project

Qualified Opinion

We have audited the financial statements of The Butterfly Art Project set out on pages 7 to 15, which comprise the statement of financial position as at 31 December 2018, 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 organisation as at 31 December 2018, 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 Members for the Financial Statements

The board members 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 members 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

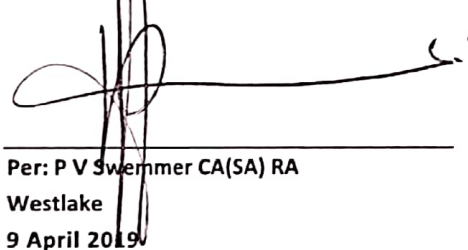
Our objectives are to obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an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

Registered Auditors



Per: P V Swemmer CA(SA) RA
Westlake
9 April 2019

THE BUTTERFLY ART PROJECT

(Registration Number NPO 124-968)

Annual Financial Statements for the year ended 31 December 2018

Board Members Responsibilities and Approval

The board members are required to oversee the maintenance of 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.

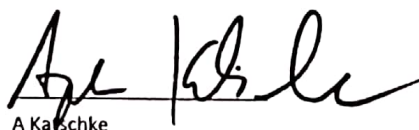
The board members acknowledge that they are ultimately responsible for the system of internal financial control established by the organisation and place considerable importance on maintaining a strong control environment. To enable the board members to meet these responsibilities, the board members set 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 members 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 members 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 & ASSOCIATES, who have been given unrestricted access to all financial records and related data. The board members 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 15 were approved by the board members on 9 April 2019 and were signed on their behalf by:



A Karschke

THE BUTTERFLY ART PROJECT

(Registration Number NPO 124-968)

Annual Financial Statements for the year ended 31 December 2018

Report of the Board Members

The Board Members present their report for the year ended 31 December 2018

1. Review of Activities

Main Business and Operations

The principal activity of the organisation is to provide art based activities to contribute to the psychosocial health and wellbeing of children and adults.

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 2018 and the result of its activities for the year then ended.

3. Board Members

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

4. Independent Auditors

Swemmer Macinnes & Associates were the independent auditors for the year under review.

THE BUTTERFLY ART PROJECT

(Registration Number NPO 124-968)

Financial Statements for the year ended 31 December 2018

Statement of Financial Position

Figures in ZAR	Notes	2018	2017
Assets			
Non-Current Assets			
Property, plant and equipment	3	90,723	120,264
		90,723	120,264
Current Assets			
Trade and other receivables	4	299,552	82,223
Cash and cash equivalents	5	842,853	757,287
		1,142,405	839,510
Total Assets		1,233,128	959,774
Equity and Liabilities			
Equity			
Retained earnings		785,299	784,866
		785,299	784,866
Current Liabilities			
Trade and other payables	6	116,366	24,908
Grants received in advance	7	331,463	150,000
		447,829	174,908
Total Funds and Liabilities		1,233,128	959,774

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Statement of Comprehensive Income

Figures in ZAR	Note	2018	2017
Income	8	3,444,823	3,035,885
Operating costs		<u>(3,444,390)</u>	<u>(3,030,007)</u>
Net surplus for the year		<u>433</u>	<u>5,878</u>

THE BUTTERFLY ART PROJECT

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Financial Statements for the year ended 31 December 2018

Statement of Changes in Equity

Figures in ZAR	Retained Earnings	Total
Balance at 1 January 2017	778,988	778,988
Total comprehensive income for the year		
Surplus for the year	5,878	5,878
Total comprehensive income for the year	5,878	5,878
Balance at 31 December 2017	784,866	784,866
Balance at 1 January 2018	784,866	784,866
Total comprehensive income for the year		
Surplus for the year	433	433
Total comprehensive income for the year	433	433
Balance at 31 December 2018	785,299	785,299

THE BUTTERFLY ART PROJECT

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Financial Statements for the year ended 31 December 2018

Statement of Cash Flows

Figures in ZAR	Note	2018	2017
Cash flows from operating activities			
Profit for the year		433	5,878
<i>Adjustments for:</i>			
Depreciation of tangible assets		54,198	90,172
Operating cash flow before working capital changes		54,631	96,050
<i>Working capital changes</i>			
Increase in trade and other receivables		(217,329)	(62,243)
Increase in trade and other payables		272,921	171,633
Net cash flows from operations		110,223	205,440
Net cash flows from operating activities		110,223	205,440
 Cash flows used in investing activities			
Property, plant and equipment acquired	3	(24,657)	(99,892)
Net cash flows used in investing activities		(24,657)	(99,892)
 Net increase in cash and cash equivalents		85,566	105,548
Cash and cash equivalents at beginning of the year		757,287	651,739
Cash and cash equivalents at end of the year	5	842,853	757,287

THE BUTTERFLY ART PROJECT

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Financial Statements for the year ended 31 December 2018

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:

2.1.1 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.

2.1.2 Donations

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

2.1.3 Interest Income

Interest income is recognised using the effective interest rate method.

2.2 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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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

2.3 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.

2.4 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.

2.5 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 2018

Notes to the Annual Financial Statements

Figures in ZAR

2018

2017

3. Property, plant and equipment

	Cost	Accumulated depreciation	2018 Carrying value	Cost	Accumulated depreciation	2017 Carrying value
<i>Owned assets</i>						
Plant and equipment	4,800	(4,800)	-	4,800	(4,800)	-
Furniture and fittings	207,191	(141,613)	65,578	207,191	(113,577)	93,614
Water tanks	7,521	(7,521)	-	-	-	-
Office equipment	33,949	(24,436)	9,513	33,949	(17,898)	16,051
Computer equipment	32,618	(16,986)	15,632	15,482	(4,883)	10,599
	286,079	(195,356)	90,723	261,422	(141,158)	120,264

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

	Carrying value at beginning of year	Additions	Disposals	Depreciation	2018 Carrying value at end of year
<i>Owned assets</i>					
Furniture and fittings	93,614	-	-	(28,036)	65,578
Water tanks	-	7,521	-	(7,521)	-
Office equipment	16,051	-	-	(6,538)	9,513
Computer equipment	10,599	17,136	-	(12,103)	15,632
	120,264	24,657	-	(54,198)	90,723

4. Trade and other receivables

Trade debtors	254,022	54,536
Sundry debtors	984	4,485
Deposits	9,000	-
VAT	33,146	20,402
Staff loan	2,400	2,800
	<u>299,552</u>	<u>82,223</u>

5. Cash and cash equivalents

Favourable cash balances

Bank balances	842,853	757,287
	<u>842,853</u>	<u>757,287</u>

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Financial Statements for the year ended 31 December 2018

Notes to the Annual Financial Statements

Figures in ZAR	2018	2017
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6. Trade and other payables

Trade creditors	926	24,908
Invoice in advance	115,440	-
	<u>116,366</u>	<u>24,908</u>

7. Grants received in advance

Smiling Heart e.V.	35,000	150,000
Towson University	296,463	-
	<u>331,463</u>	<u>150,000</u>

8. Donations received

An analysis of donations received is as follows:

Chic Mamas Do Care	120,000	150,000
Bischöfliches Hilfswerk Misereor e.V.	360,275	347,858
The Sophia Foundation	200,000	200,000
The Learning Trust	145,000	-
Peter Ustinov Stiftung	468,125	121,796
Smiling Heart e.V.	437,721	275,204
Western Cape Government Department of Cultural Affairs and Sport	27,845	41,207
Mary Oppenheimer & Daughters Foundation	305,000	250,000
National Lotteries Commission	-	130,000
The Rolf-Stephan Nussbaum Foundation	470,000	450,000
Towson University	-	359,832
Claude Leon Foundation	400,000	400,000
Freunde der Erziehungskunst e.V.	143,159	-
Lorenzo & Stella Chiappini Trust	25,000	-
Rotary Club of Claremont	50,000	-
Stiftung Kinderhilfe	42,752	-
Ackerman Family Foundation	50,000	-
Other donors	63,037	125,848
	<u>3,307,914</u>	<u>2,851,745</u>

THE BUTTERFLY ART PROJECT

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Financial Statements for the year ended 31 December 2018

Notes to the Annual Financial Statements

Figures in ZAR	2018	2017
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9. Event after the balance sheet date

No events occurred between 31 December 2018 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.

THE BUTTERFLY ART PROJECT

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Financial Statements for the year ended 31 December 2018

Detailed Income Statement

Figures in ZAR	2018	2017
Income		
Donations received	3,307,914	2,851,745
Interest received	55,220	44,683
Other income	81,689	139,457
	<u>3,444,823</u>	<u>3,035,885</u>
Expenditure		
Accommodation - volunteers	91,950	56,808
Accounting fees	9,184	6,275
Advertising	12,234	16,128
Bank charges	13,074	13,645
Cleaning	6,922	9,424
Computer expenses	6,555	7,532
Depreciation - tangible assets	54,198	90,172
Development & training	43,730	43,902
Donations	16,826	13,951
Electricity and water	5,352	2,880
Food stipend volunteers	36,680	10,950
General expenses	7,478	10,647
Independent contractors	365,369	289,519
Insurance	26,065	24,106
Internet expenses	25,878	13,962
Lease rental on operating lease	66,550	92,605
Materials	197,108	254,920
Permit fees	3,591	99,653
Postage	2,113	1,130
Printing and stationery	46,738	40,728
Refreshments & catering	95,551	83,754
Repairs and maintenance	28,627	6,271
Salaries	2,149,695	1,730,985
Security	4,834	4,189
Telephone and fax	22,318	13,964
Transport	105,770	91,907
	<u>3,444,390</u>	<u>3,030,007</u>
Surplus/(Deficit) for the year	<u>433</u>	<u>5,878</u>