

AUDITOR'S COPY

ANNUAL FINANCIAL STATEMENTS

MORNING STAR CHILDREN'S CENTRE

(Non profit organisation : 009-016)

For the year ended 28 February 2023

MORNING STAR CHILDREN'S CENTRE**ANNUAL FINANCIAL STATEMENTS**

28 February 2023

CONTENTS

	<u>Page</u>
Boards' responsibilities and approval of annual financial statements	1 - 2
General information	2
Report of the independent auditors	3 - 5
Annual financial statements	
Statement of financial position	6
Statement of comprehensive income	7
Statement of changes in equity	7
Statement of cash flows	8
Notes to the annual financial statements	9 - 12
Additional information	
Detailed income and expenditure statements	13

BOARDS' RESPONSIBILITIES AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

28 February 2023

The board is 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 fairly present the state of affairs of the entity as at the financial year and the results of their operations and cashflows for the year then ended, in conformity with the International Financial Reporting Standards for Small and Medium Sized Entities (IFRS for SME's), International Financial Reporting Interpretations Committee (IFRIC), interpretations issued and effective at the time of preparing these financial statements. The external auditors are engaged to express an independent opinion on the entity's annual financial statements.

The entity's annual financial statements are prepared in accordance with the International Financial Reporting Standards for Small and Medium Sized Entities (IFRS for SME's), International Reporting Interpretations Committee (IFRIC), interpretations issued and effective at the time of preparing these financial statements and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The board acknowledges that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the board to meet these responsibilities, the board 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 entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

MORNING STAR CHILDREN'S CENTRE**BOARDS' RESPONSIBILITIES AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS** (continued)
28 February 2023

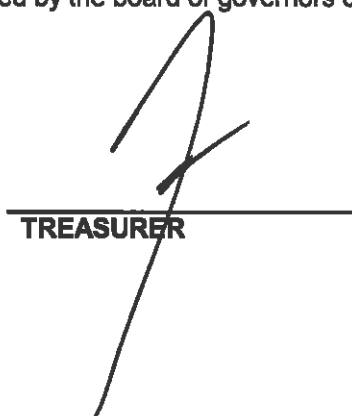
The board is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The external auditors are responsible for independently auditing and reporting on the entity's annual financial statements. The entity's annual financial statements have been examined by the entity's external auditors and their report is presented on pages 3 to 5.

The entity's annual financial statements and additional information set out on pages 6 to 13, which have been prepared on the going concern basis, were approved by the board of governors on 28 July 2023 and were signed on its behalf by :



CHAIRMAN



TREASURER

GENERAL INFORMATION
28 February 2023**1. BOARD OF GOVERNORS**

Manager :	A Duvenhage
Chairman :	J Bolaji
Vice-Chairperson :	J Pauw
Treasurer :	K Lombard
Ambassador and secretary :	J Adams

Other : N Marumo
Dr R Nhiwatiwa
M Tavares

2. PHYSICAL ADDRESS

Kopano Complex
Meulen Street
Welkom
9459

3. POSTAL ADDRESS

P.O. Box 2459
Welkom
9460



MORNING STAR CHILDREN'S CENTRE**REPORT OF THE INDEPENDENT AUDITOR**

28 February 2023

To the Board of Governors of MORNING STAR CHILDREN'S CENTRE

Report on the audit of the financial statements :**Opinion**

We have audited the annual financial statements of Morning Star Children's Centre set out on pages 6 to 12, which comprise the statement of financial position as at 28 February 2023, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and other explanatory notes including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Morning Star Children's Centre as at 28 February 2023, 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 (IFRS for SME's).

Basis of 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 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 opinion.

Emphasis of matter

Without further qualifying our opinion, we draw attention to the fact that, the organisation has the policy of writing off all additions to fixed assets at year end. Although this is in contrast with the International Financial Reporting Standards, the said policy nevertheless enables the organisation to effectively match its annual inflows with the annual outflows of funds.

In addition, we were unable to obtain the fair values of the fixed assets as required by IAS 16 and no alternative procedures could be performed. The fixed assets were accordingly recorded at net book value.

The supplementary schedule set out on page 13 does not form part of the annual financial statements and is presented as additional information. We have not audited this schedule and accordingly we do not express an opinion thereon.

Our opinion is not modified in respect of these matters.



MORNING STAR CHILDREN'S CENTRE**REPORT OF THE INDEPENDENT AUDITOR**

(continued)

28 February 2023

Responsibilities of the Board's for the Annual Financial Statements

The Board is 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 the requirements of the Non-profit Organisations Act of South Africa, and for such internal control as the Board 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 Board is 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 Board either intends liquidating the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Annual 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 Board.
- Conclude on the appropriateness of the Board'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 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.



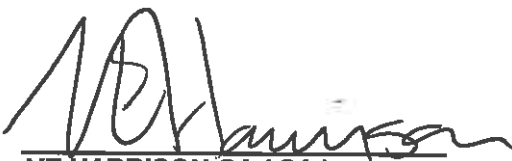
MORNING STAR CHILDREN'S CENTRE

REPORT OF THE INDEPENDENT AUDITOR (continued)
28 February 2023

Auditor's Responsibility for the Audit of the Annual Financial Statements (continued)

- 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 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.



VE HARRISON CA (SA)
IRBA NUMBER : 863998

GAMBALE HARRISON & PARTNERS
Registered Accountants and Auditors
Chartered accountants (SA)

WELKOM
28 July 2023

MORNING STAR CHILDREN'S CENTRE**STATEMENT OF FINANCIAL POSITION**

28 February 2023

	<u>Notes</u>	<u>2023</u> <u>R</u>	<u>2022</u> <u>R</u>
ASSETS			
NON-CURRENT ASSETS			
		2 549 165	2 460 458
Property, plant and equipment	2	1 863 981	1 863 980
Investment	3	685 184	596 478
CURRENT ASSETS			
		509 992	639 689
Accounts receivable		29 737	95 862
Cash on hand		10 134	61 593
Cash at bank		470 121	482 234
		3 059 157	3 100 147
EQUITY AND LIABILITIES			
ACCUMULATED FUNDS			
		3 015 701	2 976 001
CURRENT LIABILITIES			
		43 456	124 146
Accounts payable		43 456	124 146
		3 059 157	3 100 147

MORNING STAR CHILDREN'S CENTRE**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 28 February 2023

	<u>2023</u> <u>R</u>	<u>2022</u> <u>R</u>
INCOME	6 509 509	6 195 898
EXPENDITURE	6 456 541	5 814 767
SURPLUS before capital expenditure	52 968	381 131
CAPITAL EXPENDITURE		
:- Furniture and fittings	(13 268)	(66 226)
:- Motor vehicles	-	(464 999)
SURPLUS / (DEFICIT) for the year	39 700	(150 094)
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE SURPLUS / (DEFICIT) for the year	<u>39 700</u>	<u>(150 094)</u>

STATEMENT OF CHANGES IN EQUITY

For the year ended 28 February 2023

	<u>Accumulated</u> <u>Funds</u>	<u>2023</u> <u>R</u>	<u>2022</u> <u>R</u>
Balance at the beginning of the year	2 976 001	2 976 001	3 126 095
Total comprehensive surplus / (deficit) for the year	<u>39 700</u>	<u>39 700</u>	<u>(150 094)</u>
Balance at the end of the year	<u>3 015 701</u>	<u>3 015 701</u>	<u>2 976 001</u>

MORNING STAR CHILDREN'S CENTRE**STATEMENT OF CASH FLOWS**

For the year ended 28 February 2023

	<u>Notes</u>	<u>2023</u> <u>R</u>	<u>2022</u> <u>R</u>
CASH FLOWS FROM OPERATING ACTIVITIES		38 403	193 353
Cash receipts from customers		6 536 928	6 005 013
Cash paid to suppliers and employees		(6 537 231)	(5 828 597)
Cash (utilised) / generated by operations	1	(303)	176 416
Interest received		38 706	16 937
CASH FLOWS FROM INVESTING ACTIVITIES		(101 975)	(947 767)
Increase in investments		(88 706)	(576 537)
Proceeds on the disposal of fixed assets		-	160 000
Additions to fixed assets		(13 269)	(531 230)
Net change in cash and cash equivalents		(63 572)	(754 414)
Cash and cash equivalents at beginning of year		543 827	1 298 241
Cash and cash equivalents at end of year	2	480 255	543 827

NOTES TO THE STATEMENT OF CASH FLOWS

For the year ended 28 February 2023

1. CASH (UTILISED) / GENERATED BY OPERATIONS

Net income / (loss) before taxation	39 700	(150 094)
Adjustment for		
Interest received	(38 706)	(16 937)
Profit on disposal of fixed asset	-	(159 999)
Write off of fixed assets	13 268	531 225
Operating income before working capital changes	14 262	204 195
Working capital changes	(14 565)	(27 779)
Decrease / (increase) in accounts receivable	66 125	(13 949)
Decrease in accounts payable	(80 690)	(13 830)
	(303)	176 416

2. CASH AND CASH EQUIVALENTS

Cash at bank	470 121	482 234
Cash on hand	10 134	61 593
	480 255	543 827

MORNING STAR CHILDREN'S CENTRE**NOTES TO THE FINANCIAL STATEMENTS**

28 February 2023

1. ACCOUNTING POLICIES

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

1.1 Significant accounting judgements, estimates and assumptions

In preparing the Association's financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets and liabilities and disclosure of contingent assets and liabilities.

Estimates and judgements made predominantly relate to impairment provisions for loans and advances and residual values, useful lives and depreciation methods for property and equipment. Other judgements made relate to classifying financial assets and liabilities into their relevant categories.

A change in accounting estimate is defined as an adjustment to the carrying value of an asset, liability or the amount of the periodic consumption of an asset that results from new information or new developments. Changes in accounting estimates are recognised in the statement of comprehensive income during the period in which the change is made.

1.2 Gross revenue

Revenue from the rendering of services is recognised when the significant risks and rewards of ownership are transferred to the buyer. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer. Donations are recognised when the funds are received.

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

1.3 Property, Plant and Equipment

All property, plant and equipment are initially recorded at cost and are not adjusted for any impairment in value.

The entity has the policy of writing fixed assets off at the time of acquisition as capital expenditure.

Land and building, and improvements thereon are not depreciated nor are they disclosed at fair value but these assets are recorded at cost.

1.4 Financial instruments***Recognition of assets and liabilities***

Assets are only recognised if they meet the definition of an asset, it is probable that future economic benefits associated with the asset will flow to the entity and the cost or fair value can be measured reliably.

MORNING STAR CHILDREN'S CENTRE**NOTES TO THE FINANCIAL STATEMENTS** (continued)
28 February 2023**1. ACCOUNTING POLICIES** (continued)**1.4 Financial instruments** (continued)

Liabilities are recognised if they meet the definition of a liability, it is probable that future economic benefits associated with the liability will flow from the entity and the cost or fair value can be measured reliably.

Financial instruments are recognised when the entity becomes a party to the contractual provisions of the instrument. Financial assets and liabilities as a result of firm commitments are only recognised when one of the parties has performed under the contract.

Regular way purchases and sales are recognised using the date that the entity commits itself to purchases or sales of assets.

Derecognition of assets and liabilities

Financial assets are derecognised when the contractual rights to receive cash flows have been transferred or have expired or when substantially all the risks and rewards of ownership have passed.

All other assets are derecognised on disposal or when no future benefits are expected from their use or disposal.

Financial liabilities are derecognised when the relevant obligation has either been discharged or cancelled or has expired.

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

Financial instruments carried on the statement of financial position include :-

Trade and other receivables

Trade and other receivables originated by the entity are stated at cost less provision for doubtful debts.

Cash and cash equivalents

Cash comprises cash at bank and on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consists of cash and cash equivalents defined above, net of outstanding bank overdrafts.

Financial liabilities

Non - derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation's. Finance charges are accounted for on the accrual basis and are added to the carrying amount to the extent that they are not settled in the period in which they arise.

MORNING STAR CHILDREN'S CENTRE**NOTES TO THE FINANCIAL STATEMENTS** (continued)
28 February 2023**1. ACCOUNTING POLICIES** (continued)**1.4 Financial instruments** (continued)*Trade and other payables*

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the entity prior to the end of the financial year that are unpaid and arise when the entity becomes obliged to make future payments in respect of the purchase of these goods and services.

1.5 Other investments

Investments are stated at cost unless there is a permanent diminution in the value of the investment in which case the loss is written off directly to the statement of comprehensive income. Where investments are interest bearing, interest calculated using the effective interest method is recognised in the statement of comprehensive income. In certain instances interest is accounted for only when the investment matures.

	<u>2023</u> R	<u>2022</u> R
2. PROPERTY, PLANT AND EQUIPMENT		
2.1 Land and buildings	1 538 601	1 538 601
Land and buildings comprises :		
Erf 1786 and Erf 1787, Odendaalsrus : At cost	100 000	100 000
Improvements : 2007	36 380	36 380
Improvements : 2008	373 834	373 834
Erf 665, Welkom : At cost	1 028 387	1 028 387
2.2 Leasehold improvements	325 224	325 224
Balance as at 1 March 2010	3	3
Additions 2013	170 646	170 646
Additions 2014	30 291	30 291
Additions 2015	19 901	19 901
Additions 2016	7 040	7 040
Additions 2017	11 627	11 627
Additions 2019	51 187	51 187
Additions 2020	34 529	34 529
Balance carried forward	1 863 825	1 863 825

MORNING STAR CHILDREN'S CENTRE**NOTES TO THE FINANCIAL STATEMENTS (continued)**
28 February 2023

	<u>2023</u> R	<u>2022</u> R
2. PROPERTY, PLANT AND EQUIPMENT (continued)		
Balance brought forward	1 863 825	1 863 825
2.3 Furniture and fittings		
Carrying value at beginning of year	145	141
Gross carrying value	553 777	487 547
Accumulated depreciation	553 632	487 406
Additions	13 269	66 230
Depreciation	(13 268)	(66 226)
Carrying value at end of year	146	145
Gross carrying value	567 046	553 777
Accumulated depreciation	566 900	553 632
2.4 Motor vehicles		
Carrying value at beginning of year	10	10
Gross carrying value	1 936 974	1 801 974
Accumulated depreciation	1 936 964	1 801 964
Additions	-	465 000
Disposals at net book value	-	(1)
Depreciation	-	(464 999)
Carrying value at end of year	10	10
Gross carrying value	1 606 975	1 936 974
Accumulated depreciation	1 606 965	1 936 964
TOTAL	1 863 981	1 863 980
3. INVESTMENT		
3.1 Standard Bank - Money market fund	685 184	596 478

MORNING STAR CHILDREN'S CENTRE**DETAILED INCOME AND EXPENDITURE STATEMENT**

For the year ended 28 February 2023

	<u>Notes</u>	<u>2023</u> R	<u>2022</u> R
INCOME		6 509 509	6 195 898
Donations		6 318 078	5 874 474
Rental income		110 647	106 892
Interest received		38 706	16 937
Insurance claim received		27 750	17 845
Profit on disposal of fixed asset		-	159 999
Sundry income		14 328	19 751
EXPENDITURE		6 456 541	5 814 767
Advertising		3 453	6 154
Bank charges		37 939	39 566
Building maintenance		344 468	102 346
Cash deficit		55 330	-
Children's birthdays and trips		236 954	103 276
Cleaning materials		47 313	90 928
Clothing - children		29 839	53 650
Computer expenses		40 101	34 357
Covid-19 expenses - food parcels		-	45 627
Covid-19 expenses - other		-	9 598
Electricity and water		31 130	60 270
Electricity and housing assistance		66 753	41 176
Equipment maintenance		20 484	23 833
Food		319 593	319 652
Food parcels		471 385	324 671
Funeral assistance		7 400	7 410
Garden expenses		60 492	17 080
Gifts		207 685	240 084
Insurance and security		225 053	204 267
Medical assistance		7 168	26 336
Medicine		25 136	59 088
Morning Star children's expenses		73 066	-
Motor vehicle expenses		705 989	667 335
Printing, stationery and postage		53 462	47 385
Professional fundraiser fees		-	35 699
Refreshments, staff welfare and travelling		38 802	42 835
Salaries and wages		2 636 382	2 534 535
School assistance		282 733	264 057
Sundry expenses		64 652	58 349
Telephone		51 787	58 125
Training		11 758	5 088
Transport		267 860	281 092
Uniforms		9 112	10 898
Workmen's compensation fund and compliance fees		23 262	-
SURPLUS before capital expenditure		52 968	381 131
CAPITAL EXPENDITURE			
Furniture and fittings		(13 268)	(66 226)
Motor vehicles		-	(464 999)
SURPLUS / (DEFICIT) for the year		39 700	(150 094)