BULUNGULA INCUBATOR

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

NON PROFIT ORGANISATION NUMBER	057-666 - NPO
PUBLIC BENEFIT ORGANISATION NUMBER	930 029 899
BOARD MEMBERS	V Jaxa (Chairperson) D Martin (Secretary) D Andrews (Treasurer) R Woodroffe (Director) C Orderson L Poswell L Greyling L Mthiyo S Giese L Mpuntsha-Motau R Tukane
PHYSICAL ADDRESS	Nqileni Village Elliotdale District Eastern Cape
AUDITORS	Harry Curtis & Co.
E-MAIL	rejane@bulungulaincubator.org
WEBSITE	www.bulungulaincubator.org

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

BOARDS RESPONSIBILITIES AND APPROVAL

The Board is required by the organisation's constitution to maintain adequate accounting records and is responsible for the content and integrity of the financial statements . It is their responsibility to ensure that the financial statements fairly present the state of affairs of the organisation as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with the organisation's accounting policies. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with the accounting policies of the organisation and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Board acknowledges that it is ultimately responsible for the system of internal financial control established by the organisation and places considerable importance on maintaining a strong control environment. To enable the Board to meet these responsibilities, it 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 employees 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 is of the opinion, based on the information and explanations given by management, that the systems of internal control provide reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any systems of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Board is satisfied that the organisation has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

The independent auditors are engaged to express an independent opinion on the annual financial statements, and were given unrestricted access to all financial records and related data, including minutes of all meetings of the Board. The Board believes that all representations made to the independent auditors during their audit were valid and appropriate. The audit report is presented on pages 4 and 5.

The annual financial statements set out on pages 6 to 13, which have been prepared on the going concern basis, were approved by the Board and signed accordingly.

CHAIRPERSON

TREASURER

26 February 2021

SIGNATURE
CONSULTING (PTY) LTD
CHARTERED ACCOUNTANTS (SA)

Company Reg No: 2019/036209/07
SAICA Reg No : 20014195

P O Box 53067, Kenilworth, 7745
4 Adelaide Road, Plumstead, 7800

Telephone : (021) 762 0255
Facsimile : (021) 797 6041
Email : office@signacons.co.za

COMPILERS REPORT

To the Board of

BULUNGULA INCUBATOR

We have compiled the accompanying annual financial statements of Bulungula Incubator based on information you have provided. These annual financial statements comprise the statement of financial position as at 31 December 2020, the statement of income and retained earnings and the statement of cash flows for the year then ended, a summary of significant accounting policies and notes to the financial statements.

We performed this compilation engagement in accordance with the International Standard on Related Services 4410 (Revised) on Compilation Engagements.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements in accordance with the organisation's accounting policies. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion on whether these financial statements are prepared in accordance with the organisation's accounting policies.

J Oelofse
Chartered Accountant (SA)

26 February 2021

HARRY CURTIS & CO

Chartered Accountants (SA)
Registered Auditors
SAICA Reg No : 001 30106
IRBA Reg No : 935050

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INDEPENDENT AUDITORS REPORT

To the Board of

BULUNGULA INCUBATOR

Opinion

We have audited the financial statements of Bulungula Incubator set out on pages 6 to 13, which comprise the statement of financial position as at 31 December 2020, the statement of income and retained earnings and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bulungula Incubator as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with the organisation's accounting policies.

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

Responsibilities of the Board for the Financial Statements

The Board is responsible for the preparation and fair presentation of the financial statements in accordance with the organisation's accounting policies, 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 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 Board either intends to liquidate the organisation or to cease operations, or has 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.

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.

- 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 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 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.

H D CURTIS
Registered Auditor
(Registration No : 639206)

26 February 2021

4 Adelaide Road
PLUMSTEAD
7800

BULUNGULA INCUBATOR

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

STATEMENT OF FINANCIAL POSITION

	Notes	2020 R	2019 R
ASSETS			
NON CURRENT ASSETS		1,921,986	520,372
Property, Plant and Equipment	1	1	1
Investments	2	1,921,985	520,371
CURRENT ASSETS		1,356,727	2,269,618
Cash and Cash Equivalents	3	778,479	875,399
Trade and Other Receivables	4	578,248	1,394,219
		3,278,713	2,789,990
RESERVES AND LIABILITIES			
FUNDS		1,069,255	1,889,820
Accumulated Fund	5	-	-
Sustainability Fund	6	1,069,255	1,889,820
NON CURRENT LIABILITIES	7	448,863	338,473
CURRENT LIABILITIES		1,760,595	561,697
Current Portion of Non Current Liabilities	7	173,839	71,353
Receipts in Advance	8	1,586,756	490,344
		3,278,713	2,789,990

BULUNGULA INCUBATOR

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

STATEMENT OF INCOME AND RETAINED EARNINGS

	Notes	2020 R	2019 R
INCOME		12,537,061	9,665,240
Dividends Received		31,250	-
Employment Tax Incentive Refunds		53,156	52,636
Fees Received - BI Own Contributions		-	60,000
Gain in Fair Value on Investments		24,157	20,371
Grants, Donations and Support Received	9	11,518,446	8,978,855
Interest Received		82,243	110,329
Project Generated and Fund Income		689,410	443,049
Value Added Tax Refunds for Prior Years		138,399	-
EXPENDITURE	10	13,357,626	9,281,085
Audit Fee		48,000	44,850
Bank Charges		55,577	33,945
Board and Management Meetings		45,276	82,666
Bookkeeping, Compiler and Payroll Services		87,488	76,383
Capital Expenditure	11	645,855	122,111
Contractors and Consultants Fees		1,276,192	831,514
Insurance		136,752	132,132
Interest and Finance Charges		78,655	69,028
Local Development and Job Creation		4,943	140,020
Motor Vehicle Expenses		314,601	219,105
Project Materials and Provisions		2,100,485	1,366,447
Rent		116,058	89,085
Salaries, Wages and Stipends		8,111,318	5,343,597
Staff Training, Development and Recruitment		10,385	55,892
Telephone and Communications		232,843	234,722
Travel and Accommodation		93,198	439,588
SURPLUS / (DEFICIT) FOR THE YEAR		(820,565)	384,155
TRANSFER FROM / (TO) SUSTAINABILITY FUND	6	820,565	(384,155)
ACCUMULATED FUNDS AT END OF YEAR		-	-

BULUNGULA INCUBATOR

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

STATEMENT OF CASH FLOWS

	2020 R	2019 R
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus / (Deficit) for the Year	(820,565)	384,155
Adjustments	(58,995)	(61,672)
Dividends Received	(31,250)	-
Interest Received	(82,243)	(110,329)
Interest Paid	78,655	69,028
Gain in Fair Value on Investments	(24,157)	(20,371)
Working Capital Changes	2,014,869	(411,502)
Trade and Other Receivables	815,971	(438,009)
Trade and Other Payables	102,486	(7,337)
Receipts in Advance	1,096,412	33,844
Cash Generated from Operating Activities	1,135,309	(89,019)
Investment Income	113,493	110,329
Finance Costs	(78,655)	(69,028)
	1,170,147	(47,718)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments Purchased	(1,377,457)	(500,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Non Current Liabilities Raised	110,390	(74,495)
CHANGE IN CASH AND CASH EQUIVALENTS	(96,920)	(622,213)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	875,399	1,497,612
CASH AND CASH EQUIVALENTS AT END OF YEAR	778,479	875,399

ACCOUNTING POLICIES

Presentation of Financial Statements

The annual financial statements have been prepared in accordance with the accounting policies of the organisation. The financial statements are prepared on the historical cost basis and incorporate the principal accounting policies set out below. These accounting policies are consistent, in all material respects, with those applied in the previous period.

Property, Plant and Equipment

Property, plant and equipment are written off on acquisition, as a capital expense, in the statement of income and retained earnings, and reflected in the accounts at a nominal value R1.

Investments

Investments comprise listed investments consisting of unit trusts. Subsequent to initial recognition, these investments are accounted for at fair value determined directly by reference to published price quotations in an active market. Realised and unrealised gains and losses arising from changes in fair value are accounted for in the period in which they arise in the statement of income and retained earnings. Unit trust fair values are based on regulated exchange quoted prices at the close of business on the last trading day on or before the date of the statement of financial position.

Financial Instruments

Financial instruments recognised on the statement of financial position include trade receivables, cash and cash equivalents and trade payables.

Trade and Other Receivables

Trade and other receivables are stated at cost less an allowance for doubtful debts. The allowance raised is the amount needed to reduce the carrying value to the expected future cash flows.

Cash and Cash Equivalents

Cash comprises cash on hand and deposits on call with banks. Cash equivalents comprise highly liquid investments that are convertible to cash with insignificant risk of changes in value. Cash and cash equivalents are measured at fair value.

Trade and Other Payables

Trade and other payables are measured at fair value.

Revenue Recognition

Grants and donations received as referred to in the statement of income and retained earnings, are amounts received from donors to be expended during the financial year. Monies received in respect of grants and donations for subsequent years are treated as receipts in advance and are carried forward to the next financial year.

Interest income earned on investments is recognised on receipt of the interest from the financial institution.

Taxation

The organisation has been approved as a public benefit organisation (PBO) by the Commissioner of the South African Revenue Service. In terms of section 30(3) of the Income Tax Act, the income of any PBO is exempt from income tax to the extent that it has not arisen from any integral, occasional or approved business or trading activity. In terms of section 10(1)(cN) regarding any taxable business or trading income of a PBO, the greater of 5% of the trading income, or R200,000, is tax free. The taxable portion of a PBO's trading income is taxed at 28%.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R
1. PROPERTY, PLANT AND EQUIPMENT		
Property, Plant and Equipment	1	1

Property, plant and equipment are written off on acquisition and reflected as a nominal value of R1. The contents of the organisations buildings are insured for R243,695, the electronic equipment for R500,342 and its vehicles for R1,194,518.

The organisation owns buildings which it constructed for an office, two pre-schools and a rural skills centre. The organisation has also constructed boreholes and erected water tanks. The costs of these buildings and structures have been written off as a capital expense in the statement of income and retained earnings and not capitalised as the assets are located on communal land and therefore have no resale value. The buildings are insured for a total of R4,627,433.

	2020 R	2019 R
2. INVESTMENTS		
Aeon Balanced Prescient Fund	1,921,985	520,371

The investment is reflected at market value at the reporting date.

	2020 R	2019 R
3. CASH AND CASH EQUIVALENTS		
Current Accounts	326,889	760,953
Marketlink Account	39,244	98,397
Money Market Call Account	405,061	4,309
Petty Cash	7,285	11,740
	778,479	875,399
4. TRADE AND OTHER RECEIVABLES		
Prepayments	412,606	284,169
SA Revenue Service - Value Added Tax	49,312	-
Trade Receivables	116,330	1,110,050
	578,248	1,394,219
5. ACCUMULATED FUND		
Balance at 1 January 2020	-	-
Surplus / (Deficit) for the Year	(820,565)	384,155
Transfer from / (to) Sustainability Fund	820,565	(384,155)
Balance at 31 December 2020	-	-

The Accumulated Fund represents unspent grants and donations received that do not have a contracted time period or purpose but have been ring-fenced for a specific purpose. Annual surpluses or deficits are transferred to or from the Sustainability Fund referred to in note 6.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(Continued)

	2020 R	2019 R
6. SUSTAINABILITY FUND		
Balance at 1 January 2020	1,889,820	1,505,665
Transfer from / (to) Accumulated Fund	(820,565)	384,155
Balance at 31 December 2020	1,069,255	1,889,820

The Sustainability Fund is a fund used primarily to sustain the organisation and is managed at the discretion of the Board. Accumulated Fund yearly surpluses and deficits are transferred to or from this fund.

	2020 R	2019 R
7. NON CURRENT LIABILITIES		
Instalment Sale Agreement - Liquid Vehicle Finance	106,912	211,140
Capital Balance Outstanding	187,097	250,768
Current Portion included in Current Liabilities	80,185	39,628

The liability is secured over a motor vehicle, attracted interest at 11.5% per annum and is repayable over a remaining period of 28 months in monthly instalments of R8,087 inclusive of finance charges.

	2020 R	2019 R
Instalment Sale Agreements - Standard Bank	341,951	127,333
Capital Balance Outstanding	435,605	159,058
Current Portion included in Current Liabilities	93,654	31,725

The liabilities are secured over motor vehicles, attracted interest at rates between 8% and 11,62% per annum and are repayable over a remaining period of 54 months in monthly instalments totalling R10,463 inclusive of finance charges.

	2020 R	2019 R
	448,863	338,473

	2020 R	2019 R
8. RECEIPTS IN ADVANCE		
Abax Development Trust	350,000	350,000
E² Investments (Pty) Ltd	449,920	
Lemonaid & ChariTea e.V.	-	22,239
South Coast Foundation Inc.	121,765	118,105
Viva con Agua South Africa	15,071	-
Wills Towers Watson (South Africa) Development Trust	400,000	-
Yellowwoods Social Investments NPC	250,000	-
	1,586,756	490,344

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(Continued)

9. GRANTS, DONATIONS AND SUPPORT RECEIVED

	2020 R	2019 R
Abax Development Trust	400,000	250,000
Aeon Investment Management	200,000	250,000
B Bohle	-	100,000
Bohle Conference and Language Services	18,000	15,000
B-Strong Foundation	18,000	-
Cape Costume Hire	-	15,000
Claude Leon Foundation	-	500,000
Deutsche Bank South Africa Foundation	-	1,100,000
DG Murray Trust	210,000	71,500
Donations Received < R15 000	209,532	127,034
Efficient Group	-	100,000
Environmental Impact Management Services	15,000	-
ELMA Foundation	1,300,000	500,000
E^2 Investments (Pty) Ltd	1,879,444	1,207,000
FirstRand Trust	-	990,000
Friends of Bulungula Inc.	1,391,038	1,114,289
Gift of Education	50,000	-
Investec Wealth & Investment	50,000	-
Kamvalethu Foundation	570,000	510,000
Lemonaid & ChariTea e.V.	237,868	266,131
Letsema	-	30,000
Maitri Trust	1,017,486	-
Media Development & Diversity Agency	95,000	-
Mercury Phoenix Trust	193,876	-
M Evans	35,000	80,000
Nelson Mandela Foundation	84,100	-
Old Mutual Life Assurance Company (South Africa) Ltd	320,900	680,900
Old Mutual (South Africa) Foundation	35,000	-
Paul Hanratty Foundation	-	110,000
Perspex South Africa (Pty) Ltd	173,000	-
R Kisten	30,350	30,000
R Duys	26,400	26,400
Sarah van Mill	36,000	33,000
Solon Foundation South Africa (RF) NPC	372,500	200,000
South Coast Foundation Inc.	118,105	113,501
Starfish Greathearts Foundation	465,200	465,200
T Allmang	20,000	-
Viva con Agua South Africa	94,497	-
Wills Towers Watson (South Africa) Development Trust	1,167,250	-
Zenex Foundation Trust	684,900	93,900
	11,518,446	8,978,855

Due to the limited space in the annual financial statements for the reporting of all grants and donations received by the organisation, only those amounts of R15,000 or more, have been individually stated.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(Continued)

10. EXPENDITURE ALLOCATION TO PROJECTS

	2020 R	2019 R
Agriculture Programme	560,845	353,597
Basic Services Tapini	-	7,914
Bulungula College	2,548,633	1,844,937
Community Pre-School Development and Support	554,064	508,677
Community Worker Programme	-	2,793
Core Administration and Project Overhead Costs	4,686,737	2,981,297
COVID - 19 Pandemic Costs	646,401	-
Equality Programme	30,000	-
Health and Nutrition Wellness Centre	992,347	869,552
Jujurha ELC and After-School Enrichment Programme	557,599	585,579
Job Skills Development Programme	214,989	-
Rural Schools Support	1,840,370	1,430,818
Scholarship Fund	461,480	494,815
Vibrant Villages Programme	264,161	201,106
	13,357,626	9,281,085

The Core Administration and Project Overhead Costs cover project support, office overheads, capital expenditure, management salaries, vehicle expenses, travel and staff benefits for all projects.

Over and above the amount reflected as COVID-19 Pandemic Costs, 20-25% of COVID-19 expenditure was allocated to Core expenditure as well as the other programmes in order to comply with the COVID-19 regulations.

11. CAPITAL EXPENDITURE

	2020 R	2019 R
Buildings and Structures	161,650	17,611
Bulungula Radio	43,309	-
Farming Equipment	24,537	
IT Tablets	40,978	104,500
Motor Vehicle	309,028	-
Solar System	66,353	-
	645,855	122,111

12. TAXATION

The organisation has been approved as a public benefit organisation (PBO) by the Commissioner of the South African Revenue Service. In terms of section 30(3) of the Income Tax Act, the income of any PBO is exempt from income tax to the extent that it has not arisen from any integral, occasional or approved business or trading activity. In terms of section 10(1)(cN) regarding any taxable business or trading income of a PBO, the greater of 5% of the trading income, or R200,000, is tax free. The taxable portion of a PBO's trading income is taxed at 28%. No provision has been made for taxation as the organisation had no business or trading income for the year, which was not approved.