

UNIVERSITY OF CAPE TOWN FUND, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2017 AND 2016

UNIVERSITY OF CAPE TOWN FUND, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
University of Cape Town Fund, Inc.

We have audited the accompanying financial statements of University of Cape Town Fund, Inc. (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University of Cape Town Fund, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Lotz + Carr, LLP

New York, New York
March 28, 2018

UNIVERSITY OF CAPE TOWN FUND, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|---|---------------------------|---------------------------|
| Assets | | |
| Cash and cash equivalents (Notes 1b and 3) | \$2,235,245 | \$ 518,267 |
| Unconditional promises to give - temporarily restricted (Notes 1c and 4) | 155,249 | 606,458 |
| Prepaid expenses and other assets | <u>2,018</u> | <u>1,389</u> |
| Total Assets | <u><u>\$2,392,512</u></u> | <u><u>\$1,126,114</u></u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable and accrued expenses | <u>\$ 31,357</u> | <u>\$ 27,880</u> |
| Net Assets | | |
| Unrestricted | 174,190 | 153,511 |
| Temporarily restricted (Note 2) | <u>2,186,965</u> | <u>944,723</u> |
| Total Net Assets | <u><u>2,361,155</u></u> | <u><u>1,098,234</u></u> |
| Total Liabilities and Net Assets | <u><u>\$2,392,512</u></u> | <u><u>\$1,126,114</u></u> |

See notes to financial statements.

UNIVERSITY OF CAPE TOWN FUND, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|---|---------------------------|---------------------------|
| Changes in Unrestricted Net Assets | | |
| Revenue and Other Support | | |
| Contributions (Notes 1a and 1c) | \$ 729,437 | \$2,297,719 |
| Operating grant (Note 6) | 169,818 | 143,948 |
| Interest income | 50 | 80 |
| | <u>899,305</u> | <u>2,441,747</u> |
| Net assets released from restrictions | | |
| Satisfaction of time and program restrictions | <u>823,765</u> | <u>255,139</u> |
| | <u>1,723,070</u> | <u>2,696,886</u> |
| Expenses | | |
| Program Services | | |
| Grantmaking program | 1,554,867 | 2,549,897 |
| Alumni and communications program | 96,947 | 89,325 |
| Total Program Services | <u>1,651,814</u> | <u>2,639,222</u> |
| Supporting Services | | |
| Management and general | <u>50,577</u> | <u>58,915</u> |
| | <u>1,702,391</u> | <u>2,698,137</u> |
| | <u>20,679</u> | <u>(1,251)</u> |
| Changes in Temporarily Restricted Net Assets | | |
| Contributions (Notes 1a and 1c) | 2,095,215 | 758,636 |
| Net assets released from restrictions | (823,765) | (255,139) |
| Reduction of prior year restricted funds | <u>(29,208)</u> | <u>-</u> |
| | <u>1,242,242</u> | <u>503,497</u> |
| Increase in net assets | 1,262,921 | 502,246 |
| Net assets, beginning of year | <u>1,098,234</u> | <u>595,988</u> |
| Net Assets, End of Year | <u><u>\$2,361,155</u></u> | <u><u>\$1,098,234</u></u> |

See notes to financial statements.

UNIVERSITY OF CAPE TOWN FUND, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|--|-------------------------------|------------------------------|
| Cash Flows From Operating Activities | | |
| Increase in net assets | \$1,262,921 | \$ 502,246 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Bad debt expense | 27,573 | 424 |
| (Increase) decrease in: | | |
| Unconditional promises to give | 423,636 | (421,575) |
| Prepaid expenses and other assets | (629) | 1,137 |
| Increase (decrease) in accounts payable and accrued expenses | <u>3,477</u> | <u>(3,578)</u> |
| Net Cash Provided By Operating Activities - Net | | |
| Increase in Cash and Cash Equivalents | 1,716,978 | 78,654 |
| Cash and cash equivalents, beginning of year | <u>518,267</u> | <u>439,613</u> |
| Cash and Cash Equivalents, End of Year | <u><u>\$2,235,245</u></u> | <u><u>\$ 518,267</u></u> |

See notes to financial statements.

UNIVERSITY OF CAPE TOWN FUND, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2017 AND 2016****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

University of Cape Town Fund, Inc. ("the Fund") is a not-for-profit organization incorporated in 1984 under the laws of New York State. The purposes of this Fund are to promote, further and advance the interests of The University of Cape Town, South Africa, its students and its faculty in providing university education on a racially non-discriminatory basis in South Africa.

Approximately 79% and 61% of the Fund's contributions and grants were from one corporation in 2017 and 2016, respectively.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Fund considers all highly liquid debt instruments, purchased with a maturity of three months or less, including money market accounts, to be cash equivalents.

c - Contributions and Promises to Give

Contributions are recognized when the donor makes a promise to give to the Fund, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

d - Financial Statement Presentation

The Fund reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

e - Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

f - Tax Status

The Fund is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

g - Subsequent Events

The Fund has evaluated subsequent events through March 28, 2018, the date that the financial statements are considered available to be issued.

UNIVERSITY OF CAPE TOWN FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 2 - Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted to the following future programs and periods at December 31:

| | 2017 | 2016 |
|--|--------------------|------------------|
| University of Cape Town bursary fund | \$ 6,769 | \$ 12,140 |
| University of Cape Town endowment fund | 26,464 | 26,907 |
| Other University of Cape Town purposes | 1,998,483 | 299,218 |
| Future periods | 155,249 | 606,458 |
| | \$2,186,965 | \$944,723 |

Note 3 - Concentration of Credit Risk

The Fund maintains its cash and cash equivalents in a financial institution in New York City. The cash balances, at times, may exceed federally insured limits.

Note 4 - Unconditional Promises to Give

Unconditional promises to give as of December 31 consist of the following:

| | Temporarily Restricted | |
|------------------------------------|-----------------------------------|------------------|
| | 2017 | 2016 |
| Due within one year | \$61,500 | \$505,208 |
| Due within two to five years | 86,000 | 84,500 |
| Due within six to ten years | 30,000 | 42,500 |
| | 177,500 | 632,208 |
| Less: Allowance for uncollectibles | (8,875) | (10,510) |
| Less: Discount to present value | (13,376) | (15,240) |
| | \$155,249 | \$606,458 |

Unconditional promises to give for periods due after one year are discounted to present value using a discount rate of 3%. Uncollectible promises were estimated based on prior years' experience.

UNIVERSITY OF CAPE TOWN FUND, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2017 AND 2016****Note 5 - Conditional Promises to Give**

During 2016, the Fund obtained conditional pledges from donor advised funds in the amount of \$863,425. As of December 31, 2017, \$611,000 of these pledges have been received and recognized. The remaining pledges of \$252,425 have not been recognized in the accompanying financial statements.

Note 6 - Operating Grant

The Fund obtained grants during 2017 and 2016 from the University of Cape Town, South Africa in the amount of \$169,818 and \$143,948, respectively. The purpose of these grants is to reimburse the Fund for the cost of its daily operations.

Note 7 - Functional Allocation of Expenses

The cost of providing the various program and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

SUPPLEMENTARY INFORMATION



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**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors of
University of Cape Town Fund, Inc.

We have audited the financial statements of University of Cape Town Fund, Inc. as of and for the years ended December 31, 2017 and 2016, and our report thereon dated March 28, 2018, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses for the year ended December 31, 2017 with comparative totals for 2016 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lutz + Carr, LLP

New York, New York
March 28, 2018

UNIVERSITY OF CAPE TOWN FUND, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017 WITH COMPARATIVE TOTALS FOR 2016

| | Program Services | | | Supporting Services | 2017 | 2016 |
|----------------------------------|---------------------|---------------------------|--------------------|------------------------|--------------------|--------------------|
| | Grantmaking | Alumni and Communications | Total | Management and General | Total Expenses | Total Expenses |
| Grant distributions | \$ 1,554,867 | \$ - | \$1,554,867 | \$ - | \$1,554,867 | \$2,549,897 |
| Professional fees | - | 75,419 | 75,419 | 49,135 | 124,554 | 125,242 |
| Printing, production and postage | - | 3,906 | 3,906 | - | 3,906 | 3,810 |
| Bank and transaction fees | - | 2,186 | 2,186 | 340 | 2,526 | 3,929 |
| Business insurance | - | 674 | 674 | 225 | 899 | 899 |
| Travel and meetings | - | 325 | 325 | 167 | 492 | 1,298 |
| Equipment and supplies | - | 626 | 626 | 147 | 773 | 1,438 |
| Alumni events | - | 12,123 | 12,123 | - | 12,123 | 5,710 |
| Other expenses | - | 1,688 | 1,688 | 563 | 2,251 | 5,914 |
| Total Expenses, 2017 | <u>\$ 1,554,867</u> | <u>\$ 96,947</u> | <u>\$1,651,814</u> | <u>\$ 50,577</u> | <u>\$1,702,391</u> | |
| Total Expenses, 2016 | <u>\$ 2,549,897</u> | <u>\$ 89,325</u> | <u>\$2,639,222</u> | <u>\$ 58,915</u> | | <u>\$2,698,137</u> |

See independent auditors' report on supplementary information.