

**UNIVERSITY OF CAPE TOWN FUND, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2018 AND 2017**



## 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, 2018 and 2017, and the related statements of activities, functional expenses 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, 2018 and 2017, and the changes in its net assets, functional expenses 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 18, 2019

## UNIVERSITY OF CAPE TOWN FUND, INC.

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Cash and cash equivalents (Notes 1c and 4)	\$288,731	\$2,235,245
Unconditional promises to give - with donor restrictions (Notes 1d and 5)	88,844	155,249
Prepaid expenses and other assets	<u>2,041</u>	<u>2,018</u>
<b>Total Assets</b>	<u>\$379,616</u>	<u>\$2,392,512</u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 32,532</u>	<u>\$ 31,357</u>
Net Assets		
Without donor restrictions	195,482	174,190
With donor restrictions (Note 3)	<u>151,602</u>	<u>2,186,965</u>
Total Net Assets	<u>347,084</u>	<u>2,361,155</u>
<b>Total Liabilities and Net Assets</b>	<u>\$379,616</u>	<u>\$2,392,512</u>

See notes to financial statements.

## UNIVERSITY OF CAPE TOWN FUND, INC.

## STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>Changes in Net Assets Without Donor Restrictions</b>		
Revenue and Other Support		
Contributions (Notes 1a and 1d)	\$ 582,228	\$ 728,717
Operating grant (Note 7)	168,400	169,818
Alumni event registration fees	2,105	720
Interest income	74	50
	<u>752,807</u>	<u>899,305</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	<u>2,074,716</u>	<u>823,765</u>
 Total Revenue and Other Support	 <u>2,827,523</u>	 <u>1,723,070</u>
Expenses		
Program Services		
Grantmaking program	2,658,714	1,554,867
Alumni and communications program	91,171	96,947
Total Program Services	<u>2,749,885</u>	<u>1,651,814</u>
Supporting Services		
Management and general	<u>56,346</u>	<u>50,577</u>
 Total Expenses	 <u>2,806,231</u>	 <u>1,702,391</u>
 Increase in Net Assets Without Donor Restrictions	 <u>21,292</u>	 <u>20,679</u>
 <b>Changes in Net Assets With Donor Restrictions</b>		
Contributions (Notes 1a and 1d)	103,853	2,095,215
Net assets released from restrictions	(2,074,716)	(823,765)
Reduction of prior year restricted funds	<u>(64,500)</u>	<u>(29,208)</u>
 Increase (Decrease) in Net Assets With Donor Restrictions	 <u>(2,035,363)</u>	 <u>1,242,242</u>
 Increase (decrease) in net assets	 (2,014,071)	 1,262,921
Net assets, beginning of year	<u>2,361,155</u>	<u>1,098,234</u>
 <b>Net Assets, End of Year</b>	 <u><u>\$ 347,084</u></u>	 <u><u>\$2,361,155</u></u>

See notes to financial statements.

**UNIVERSITY OF CAPE TOWN FUND, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2018**

	<b>Program Services</b>			<b>Supporting Services</b>	<b>Total Expenses</b>
	<b>Grantmaking</b>	<b>Alumni and Communications</b>	<b>Total</b>	<b>Management and General</b>	
Grant distributions	\$ 2,658,714	\$ -	\$2,658,714	\$ -	\$2,658,714
Professional fees	-	76,820	76,820	50,596	127,416
Printing, production and postage	-	823	823	2,610	3,433
Bank and transaction fees	-	1,674	1,674	681	2,355
Business insurance	-	-	-	899	899
Travel and meetings	-	22	22	231	253
Equipment and supplies	-	-	-	896	896
Alumni events	-	11,774	11,774	-	11,774
Other expenses	-	58	58	433	491
<b>Total Expenses</b>	<b>\$ 2,658,714</b>	<b>\$ 91,171</b>	<b>\$2,749,885</b>	<b>\$ 56,346</b>	<b>\$2,806,231</b>

See notes to financial statements.

## UNIVERSITY OF CAPE TOWN FUND, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program Services			Supporting Services	Total Expenses
	Grantmaking	Alumni and Communications	Total	Management and General	
Grant distributions	\$ 1,554,867	\$ -	\$1,554,867	\$ -	\$1,554,867
Professional fees	-	75,419	75,419	49,135	124,554
Printing, production and postage	-	3,906	3,906	-	3,906
Bank and transaction fees	-	2,186	2,186	340	2,526
Business insurance	-	674	674	225	899
Travel and meetings	-	325	325	167	492
Equipment and supplies	-	626	626	147	773
Alumni events	-	12,123	12,123	-	12,123
Other expenses	-	1,688	1,688	563	2,251
Total Expenses	<u>\$ 1,554,867</u>	<u>\$ 96,947</u>	<u>\$1,651,814</u>	<u>\$ 50,577</u>	<u>\$1,702,391</u>

See notes to financial statements.

## UNIVERSITY OF CAPE TOWN FUND, INC.

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$(2,014,071)	\$1,262,921
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Bad debt expense	60,800	27,573
(Increase) decrease in:		
Unconditional promises to give	5,605	423,636
Prepaid expenses and other assets	(23)	(629)
Increase in accounts payable and accrued expenses	<u>1,175</u>	<u>3,477</u>
Net Cash Provided (Used) By Operating Activities - Net		
Increase (Decrease) in Cash and Cash Equivalents	(1,946,514)	1,716,978
Cash and cash equivalents, beginning of year	<u>2,235,245</u>	<u>518,267</u>
 <b>Cash and Cash Equivalents, End of Year</b>	 <u><u>\$ 288,731</u></u>	 <u><u>\$2,235,245</u></u>

See notes to financial statements.



**UNIVERSITY OF CAPE TOWN FUND, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2018 AND 2017****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 22% and 79% of the Fund's contributions and grants were from one corporation in 2018 and 2017, respectively.

**b - Financial Statement Presentation**

The financial statements of the Fund have been prepared in accordance with U.S. generally accepted accounting principles, which require the Fund to report information regarding its financial position and activities according to the following net asset classifications:

**Net Assets Without Donor Restrictions**

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Fund. These net assets may be used at the discretion of the Fund's management and board of directors.

**Net Assets With Donor Restrictions**

Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Fund or the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

**c - 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.

**d - 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 net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

**UNIVERSITY OF CAPE TOWN FUND, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2018 AND 2017****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****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 - Functional Allocation of Expenses**

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses are applied directly to programs where applicable or allocated on a reasonable and consistent basis. A substantial portion of the Fund's expenses are directly related to program activities, which are made up of the grantmaking and alumni and communications programs.

**h - New Accounting Pronouncement**

In 2018, the Fund adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the former reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions;" (b) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (c) requiring that all nonprofits present an analysis of expenses by function and nature and disclose the methods used to allocate costs; and (d) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. As permitted under the ASU in the year of adoption, the Fund opted to not disclose liquidity and availability information for 2017.

**i - Subsequent Events**

The Fund has evaluated subsequent events through March 18, 2019, the date that the financial statements are considered available to be issued.

## UNIVERSITY OF CAPE TOWN FUND, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

**Note 2 - Information Regarding Liquidity and Availability**

The Fund operates with a balanced budget for each fiscal year based on the revenues expected to be available to fund anticipated expenses. A substantial portion of annual revenue is comprised of contribution revenue raised during the current year, and an operating grant from the University of Cape Town (Note 7). The Fund considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to general and administrative undertaken to support those services.

The Fund's budget for alumni and communications program services and management and general expenses ("Operating Expenses") is funded by its operating grant. There is no formal agreement between the Fund and the University of Cape Town which guarantees award of the operating grant each year. The Fund regularly monitors the balance of the University of Cape Town grant to ensure sufficient liquidity to meet its operating needs and other commitments and obligations, and maintains liquid financial assets on an ongoing basis sufficient to cover at least 365 days of Operating Expenses. As a supporting organization, financial assets raised from donors (excluding the University of Cape Town annual operating grant) are distributed to the University of Cape Town quarterly. The resulting short time frame for which the Fund holds amounts raised from donors, reduces the Fund's scope to invest those funds.

The Fund's assets as of December 31, 2018, and those available within one year to meet cash needs for general expenditures are summarized as follows:

Financial assets at year end:	
Cash and cash equivalents	\$ 288,731
Unconditional promises to give	<u>88,844</u>
Total Financial Assets	377,575
Less amounts not available to be used within one year:	
Net assets with donor restrictions subject to expenditure for specific purposes or passage of time	(151,602)
Plus: Net assets with donor restrictions expected to be met in less than one year	<u>80,759</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 306,732</u>

## UNIVERSITY OF CAPE TOWN FUND, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

**Note 3 - Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted to the following future programs and periods at December 31:

	<u>2018</u>	<u>2017</u>
University of Cape Town bursary fund	\$ 12,157	\$ 6,769
University of Cape Town endowment fund	17,992	26,464
Other University of Cape Town purposes	32,609	1,998,483
Future periods	<u>88,844</u>	<u>155,249</u>
	<u>\$151,602</u>	<u>\$2,186,965</u>

**Note 4 - 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 5 - Unconditional Promises to Give**

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

	<u>With Donor Restrictions</u>	
	<u>2018</u>	<u>2017</u>
Due within one year	\$ 18,000	\$ 61,500
Due within two to five years	65,500	86,000
Due within six to ten years	<u>20,000</u>	<u>30,000</u>
	103,500	177,500
Less: Allowance for uncollectibles	(5,175)	(8,875)
Less: Discount to present value	<u>(9,481)</u>	<u>(13,376)</u>
	<u>\$ 88,844</u>	<u>\$155,249</u>

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, 2018 AND 2017****Note 6 - 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 had been received and recognized. The remaining pledges of \$252,425 were received and recognized in the accompanying financial statements in 2018.

**Note 7 - Operating Grant**

The Fund obtained grants during 2018 and 2017 from the University of Cape Town, South Africa in the amount of \$168,400 and \$169,818, respectively. The purpose of these grants is to reimburse the Fund for the cost of its daily operations.