

UNIVERSITY OF CAPE TOWN FUND, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018



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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, 2019 and 2018, 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 from 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, 2019 and 2018, 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
November 2, 2020

UNIVERSITY OF CAPE TOWN FUND, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents (Notes 1c and 4)	\$306,067	\$288,731
Unconditional promises to give - with donor restrictions (Notes 1d and 5)	145,546	88,844
Prepaid expenses and other assets	<u>3,275</u>	<u>2,041</u>
Total Assets	<u><u>\$454,888</u></u>	<u><u>\$379,616</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 26,043</u>	<u>\$ 32,532</u>
Net Assets		
Without donor restrictions	215,931	195,482
With donor restrictions (Note 3)	<u>212,914</u>	<u>151,602</u>
Total Net Assets	<u><u>428,845</u></u>	<u><u>347,084</u></u>
Total Liabilities and Net Assets	<u><u>\$454,888</u></u>	<u><u>\$379,616</u></u>

See notes to financial statements.

UNIVERSITY OF CAPE TOWN FUND, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Changes in Net Assets Without Donor Restrictions		
Revenue and Other Support		
Contributions (Note 1a)	\$ 134,563	\$ 582,228
Operating grant (Note 7)	172,612	168,400
Alumni event registration fees	1,385	2,105
Interest income	863	74
	<u>309,423</u>	<u>752,807</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	<u>80,759</u>	<u>2,074,716</u>
	<u>390,182</u>	<u>2,827,523</u>
Total Revenue and Other Support		
Expenses		
Program Services		
Grantmaking program	212,123	2,658,714
Alumni and communications program	95,807	91,171
Total Program Services	<u>307,930</u>	<u>2,749,885</u>
Supporting Services		
Management and general	<u>61,803</u>	<u>56,346</u>
	<u>369,733</u>	<u>2,806,231</u>
Total Expenses		
	<u>20,449</u>	<u>21,292</u>
Increase in Net Assets Without Donor Restrictions		
Changes in Net Assets With Donor Restrictions		
Contributions (Note 1a)	142,071	103,853
Net assets released from restrictions	(80,759)	(2,074,716)
Reduction of prior year restricted funds	<u>-</u>	<u>(64,500)</u>
	<u>61,312</u>	<u>(2,035,363)</u>
Increase (Decrease) in Net Assets With Donor Restrictions		
	<u>81,761</u>	<u>(2,014,071)</u>
Increase (decrease) in net assets		
Net assets, beginning of year	<u>347,084</u>	<u>2,361,155</u>
	<u>\$ 428,845</u>	<u>\$ 347,084</u>
Net Assets, End of Year		

See notes to financial statements.

UNIVERSITY OF CAPE TOWN FUND, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019 WITH COMPARATIVE TOTALS FOR 2018

	Program Services			Supporting Services	2019	2018
	Grantmaking	Alumni and Communications	Total	Management and General	Total Expenses	Total Expenses
Grant distributions	\$ 212,123	\$ -	\$ 212,123	\$ -	\$212,123	\$2,658,714
Professional fees	-	71,656	71,656	52,228	123,884	127,416
Printing, production and postage	-	4,062	4,062	67	4,129	3,433
Bank and transaction fees	-	741	741	1,539	2,280	2,355
Business insurance	-	-	-	956	956	899
Travel and meetings	-	3,956	3,956	267	4,223	253
Equipment and supplies	-	-	-	1,148	1,148	896
Alumni events	-	15,392	15,392	-	15,392	11,774
Other expenses	-	-	-	5,598	5,598	491
Total Expenses, 2019	<u>\$ 212,123</u>	<u>\$ 95,807</u>	<u>\$ 307,930</u>	<u>\$ 61,803</u>	<u>\$369,733</u>	
Total Expenses, 2018	<u>\$ 2,658,714</u>	<u>\$ 91,171</u>	<u>\$2,749,885</u>	<u>\$ 56,346</u>		<u>\$2,806,231</u>

See notes to financial statements.

UNIVERSITY OF CAPE TOWN FUND, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services			Supporting Services	Total Expenses
	Grantmaking	Alumni and Communications	Total	Management and General	
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
Total Expenses	<u>\$ 2,658,714</u>	<u>\$ 91,171</u>	<u>\$2,749,885</u>	<u>\$ 56,346</u>	<u>\$2,806,231</u>

See notes to financial statements.

UNIVERSITY OF CAPE TOWN FUND, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 81,761	\$(2,014,071)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Bad debt expense	3,100	60,800
(Increase) decrease in:		
Unconditional promises to give	(59,802)	5,605
Prepaid expenses and other assets	(1,234)	(23)
Increase (decrease) in accounts payable and accrued expenses	<u>(6,489)</u>	<u>1,175</u>
Net Cash Provided (Used) By Operating Activities - Net		
Increase (Decrease) in Cash and Cash Equivalents	17,336	(1,946,514)
Cash and cash equivalents, beginning of year	<u>288,731</u>	<u>2,235,245</u>
 Cash and Cash Equivalents, End of Year	 <u><u>\$306,067</u></u>	 <u><u>\$ 288,731</u></u>

See notes to financial statements.

UNIVERSITY OF CAPE TOWN FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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 the 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.

During 2019, the Fund received approximately 51% of its contributions from two foundations. During 2018, the Fund received approximately 65% of its contributions from two corporations and one foundation.

b - Financial Statement Presentation

The financial statements of the Fund have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), 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, whereby 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

The Fund recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with measurable performance or other barrier and right of return, are not recognized until the conditions on which they depend have been met.

UNIVERSITY OF CAPE TOWN FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

d - Contributions and Promises to Give (continued)

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are received. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions, and reported in the statement of activities as net assets released from restrictions.

The Fund uses the allowance method to determine uncollectible promises to give. Such allowance, if any, is based on prior years' experience and management's analysis of specific promises made.

e - Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 - Subsequent Events

The Fund has evaluated subsequent events through November 2, 2020, the date that the financial statements are considered available to be issued.

UNIVERSITY OF CAPE TOWN FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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 activities 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 financial assets as of December 31, 2019 and 2018, and those available within one year to meet cash needs for general expenditures are summarized as follows:

	<u>2019</u>	<u>2018</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$306,067	\$288,731
Unconditional promises to give	<u>145,546</u>	<u>88,844</u>
Total Financial Assets	451,613	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	(212,914)	(151,602)
Plus: Net assets with donor restrictions expected to be met in less than one year	<u>107,868</u>	<u>80,759</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$346,567</u>	<u>\$306,732</u>

UNIVERSITY OF CAPE TOWN FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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>2019</u>	<u>2018</u>
University of Cape Town bursary fund	\$ 12,025	\$ 12,157
University of Cape Town endowment fund	30,689	17,992
Other University of Cape Town purposes	24,654	32,609
Future periods	<u>145,546</u>	<u>88,844</u>
	<u>\$212,914</u>	<u>\$151,602</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>2019</u>	<u>2018</u>
	With Donor Restrictions	
Due within one year	\$ 40,500	\$ 18,000
Due within two to five years	115,000	65,500
Due within six to ten years	<u>10,000</u>	<u>20,000</u>
	165,500	103,500
Less: Allowance for uncollectible promises to give	(11,679)	(5,175)
Less: Discount to present value	<u>(8,275)</u>	<u>(9,481)</u>
	<u>\$145,546</u>	<u>\$ 88,844</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, 2019 AND 2018****Note 6 - Conditional Promises to Give**

During 2016, the Fund obtained conditional pledges from donor advised funds in the amount of \$863,425. 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 2019 and 2018 from the University of Cape Town, South Africa in the amount of \$172,612 and \$168,400, respectively. The purpose of these grants is to reimburse the Fund for the cost of its daily operations.