



UNIVERSITY OF THE
WITWATERSRAND,
JOHANNESBURG

UNIVERSITY OF THE WITWATERSRAND FOUNDATION

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2019

GENERAL INFORMATION

Trust Number	IT 4082/2009
Establishment	The University of the Witwatersrand Foundation was established by Deed of Trust on 6 April 1978 as a non-profit Trust, for the sole purpose of collecting and administering donations for the benefit of the University.
Governors	AI Basserable* (Acting Chair) DC Brink* (Chair - Resigned 09 March 2020) P Desai* A Elster A Gore A Habib* A Jammie B Joffe (Resigned on 21 March 2020) JE Klaaren* MT Lategan* (Resigned 31 December 2019) T Majozi* B Mohale L Mothata S Noor C Ramon T Sexwale BLW Sparks A Stein *Governors who are also Trustees
Registered office	1 Jan Smuts Avenue Braamfontein Johannesburg 2001
Postal Address:	PO Box 107 Wits 2050
Holding company	The University of Witwatersrand, Johannesburg
Auditors	PricewaterhouseCoopers Inc. Registered Auditors
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Trust Deed and IFRS.
Preparer	The annual financial statements were internally compiled by: MG Mboya Professional Accountant (SA)
Published	20 May 2020

The reports and statements set out below comprise the annual financial statements presented to the Board of Governors:

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STATEMENT OF RESPONSIBILITY OF THE BOARD OF GOVERNORS

The Board of Governors is responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The auditors are responsible for reporting on the fair presentation of the financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards.

The Board of Governors is also responsible for the Foundation's systems of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and adequately safeguard, verify and maintain accountability of the assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the Board of Governors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on the going-concern basis, since the Board of Governors has every reason to believe that the Foundation has adequate resources in place to continue in operation for the foreseeable future.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements, which appear on pages 8 to 29, were approved by the Board of Governors and signed on their behalf by:



AI BASSERABIE
ACTING CHAIRMAN
BOARD OF GOVERNORS
03 JUNE 2020



Independent auditor's report

To the Board of Governors of the University of Witwatersrand Foundation

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the University of Witwatersrand Foundation (the Trust) as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The University of Witwatersrand Foundation's financial statements set out on pages 8 to 29 comprise:

- the statement of financial position as at 31 December 2019;
- the statement of profit and loss and other comprehensive income for the year then ended;
- the statement of changes in funds for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Trust 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.

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Chief Executive Officer: L S Machaba
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.

Other information

The Board of Governors are responsible for the other information. The other information comprises the information included in the document titled “University of the Witwatersrand Foundation Annual Financial Statements for the year ended 31 December 2019”. The other information does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Governors for the financial statements

The Board of Governors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and for such internal control as the Board of Governors determine 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 of Governors are responsible for assessing the Trust’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 trustees either intend to liquidate the Trust or to cease operations, or have 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 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 Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Governors.
- Conclude on the appropriateness of the Board of Governor'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 Trust'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 Trust 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 of Governors 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.

PRICEWATERHOUSECOOPERS INC.

PricewaterhouseCoopers Inc.
Director: Saffiyah Boothia
Registered Auditor
Johannesburg
4 June 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2019 R	2018 R
Donations received		327 255 799	286 405 452
Donor contributions received on behalf of the University		270 887 950	284 609 452
Other donor contributions	3	56 367 848	1 796 000
Donations allocated to		(270 887 950)	(284 609 452)
Specific projects indicated by donor (administered by the University)		(270 887 950)	(284 609 452)
Capital grants and donations retained by the Foundation		56 367 848	1 796 000
Income			
Profit on sale of financial assets	4	13 314 504	3 804 893
Net changes in fair value on financial assets at fair value through profit or loss	5	3 254 932	(15 372 492)
Interest income	6	17 064 930	18 016 711
Dividend income	7	6 506 528	3 669 265
Total Income		96 508 742	11 914 377
Expenses			
Investment Management fee	8	(1 022 346)	(1 614 256)
Operating expenses	9	(1 194 590)	(2 016 755)
Donations to Wits University	10	(42 150 000)	(42 327 723)
Total expenses		(44 366 936)	(45 958 734)
NET SURPLUS / (DEFICIT) FOR THE YEAR		52 141 806	(34 044 357)
Student Endowment Reserve		53 503 695	-
Foundation Deficit		(1 361 889)	(34 044 357)
Total comprehensive Income / (loss) for the year		52 141 806	(34 044 357)

STATEMENT OF FINANCIAL POSITION

	Note	2019 R	2018 R
ASSETS			
Non-current assets			
Investment financial assets	11	398 512 836	791 973 725
Loan to WDGMC (Pty) Ltd	12	393 512 836	786 973 725
		5 000 000	5 000 000
Current assets			
Cash and cash equivalents	13	81 892 891	21 073 519
		81 892 891	21 073 519
TOTAL ASSETS		480 405 727	813 047 244
FUNDS AND LIABILITIES			
Foundation funds			
Initial capital		437 426 889	385 285 083
Accumulated surplus		1 000 000	1 000 000
Student Endowment Reserve		382 923 194	384 285 083
		53 503 695	-
LIABILITIES			
Non-current liabilities			
University funds			
Third party fund	14	11 531 629	390 189 263
Pooled equity fund	15	11 198 561	11 642 047
		333 068	378 547 216
Current liabilities			
Amounts due to the University	17	31 447 209	37 572 898
Donor contributions received and held on behalf of the WDGMC (Pty) Ltd		29 074 659	36 319 728
Accounts payable	16	2 372 550	1 250 077
		-	3 093
TOTAL FUNDS AND LIABILITIES		480 405 727	813 047 244

STATEMENT OF CHANGES IN FUNDS

	Initial capital R	Capital reserve R	Accumulated surplus R	Special Endowment reserve R	Sub Total R	Student Endowment reserve R	Total R
31 December 2019							
At beginning of year	1 000 000	76 959 449	302 761 677	4 563 957	384 285 083	-	385 285 083
Net surplus for the year	-	-	52 141 806	-	52 141 806	-	52 141 806
*Transfer to the Student Endowment Reserve	-	-	(53 503 695)	-	(53 503 695)	53 503 695	-
At the end of the year	1 000 000	76 959 449	301 399 788	4 563 957	382 923 194	53 503 695	437 426 889

*As part of the University Centenary Campaign, the Foundation has established Student Bursary and Academic Endowment.

STATEMENT OF CHANGES IN FUNDS

	Initial capital R	Capital reserve R	Accumulated surplus R	Special Endowment reserve R	Sub Total R	Fair value reserve R	Total R
31 December 2018							
At beginning of year	1 000 000	76 959 449	284 183 799	4 563 957	365 707 205	52 622 235	419 329 440
Reclassification investments from available-for-sale to fair value through profit or loss	-	-	52 622 235	-	52 622 235	(52 622 235)	-
At beginning of year – restated 01 January IFRS 9	1 000 000	76 959 449	336 806 034	4 563 957	418 329 440	-	419 329 440
Net deficit for the year	-	-	(34 044 357)	-	(34 044 357)	-	(34 044 357)
At the end of the year	1 000 000	76 959 449	302 761 677	4 563 957	384 285 083	-	385 285 083

STATEMENT OF CASH FLOWS

	Note	2019 R	2018 R
Cash flows from operating activities			
Cash generated from / (used in) operations	23	64 642 042	(65 487 584)
Net cash outflow from operating activities		<u>64 642 042</u>	<u>(65 487 584)</u>
Cash flows from investing activities			
Purchases of financial assets - investments	11	(621 352 655)	(494 163 643)
Proceeds on disposal of financial assets - investments	11	610 328 621	518 101 782
Proceeds on disposal in pooled equity funds		443 739 818	-
-Transfer of pooled equity investment to university		(443 739 818)	-
Capital redeemed in pooled equity funds	15	(6 416 016)	(10 351 857)
Capital invested in pooled equity	15	13 617 380	4 196 308
Net cash (outflow) / inflow from investing activities		<u>(3 822 670)</u>	<u>17 782 590</u>
Increase / (decrease) in cash and cash equivalents during the year		60 819 372	(47 704 994)
Cash and cash equivalents at beginning of year		<u>21 073 519</u>	<u>68 778 513</u>
Cash and cash equivalents at end of year	13	<u>81 892 891</u>	<u>21 073 519</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

ACCOUNTING POLICIES

GLOSSARY OF TERMS

FVOCI	– Fair Value Through Other Comprehensive Income
FVPL	– Fair Value Through Profit or Loss
IAS	– International Accounting Standard
IFRS	– International Financial Reporting Standards
UIC	– University Investment Committee, a Committee of the University of Witwatersrand, Johannesburg
WDGMC	– Wits University Donald Gordon Medical Centre (Pty) Ltd

1. GENERAL INFORMATION

The University of the Witwatersrand Foundation was established by Deed of Trust on 6 April 1978 as a non-profit Trust, for the sole purpose of collecting and administering donations for the benefit of the University.

The Foundation's affairs are managed by a Board of Governors consisting of Trustees appointed by the University Council in accordance with the Deed of Trust and supported by Governors appointed by the Trustees.

The Foundation is recognised as a public benefit organisation in terms of section 30 of the Income Tax Act No 58 of 1962, as amended, and operates exclusively for charitable and educational purposes.

1.1 IAS 21 – Functional and presentation currency

The financial statements of the Trust are presented in South African Rand (Rand), which is the Trust's functional and presentation currency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in preparing these financial statements are set out below and are consistent, in all material respects, with those applied in the previous year, unless otherwise stated.

2.1 Basis of preparation

The annual financial statements are prepared in accordance with and comply with International Financial Reporting Standards.

2.2 Basis of measurement

The Annual Financial Statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value, and incorporate the principal accounting policies set out below. The going concern basis has been used in preparing the Annual Financial Statements as the Board of Governors have a reasonable expectation that the Trust will continue as a going concern for the foreseeable future.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

ACCOUNTING POLICIES

2.3 Significant judgements

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The Foundation applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped together on shared risk characteristics and the days past due. The expected loss rates are based on the underlying make-up of the receivable, payment trends and history of the market, political and social conditions for each category.

Fair value estimation

The carrying value less provision for loss allowance of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Foundation for similar financial instruments.

2.4 New Standards, Amendments and Interpretations issued and effective in the current period, that are relevant to the Foundation

There are no new standards, amendments and interpretations issued and effective in the current period that are relevant to the Foundation.

2.5 New Standards, Amendments and Interpretations issued and not yet effective, relevant to the Foundation

The Foundation has chosen not to adopt any standards and interpretations before their effective dates, which have been published and are only mandatory for the Foundation's accounting periods beginning on or after 01 January 2019 or later periods.

There were no new standards applicable to the Foundation that were issued and not yet effective.

2.6 Revenue recognition

Revenue is recognised as follows:

Interest income is recognised over time, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Foundation.

Dividend income is recognised when the right to receive payment is established, at a point in time.

Donor contributions received are those primarily received for the purposes and on behalf of the University of the Witwatersrand, Johannesburg. Donor contributions are recognised upon receipt, at a point in time and when the University's contractual right of entitlement to the funds is confirmed. Foundation pays these funds over to the University as soon as the contractual right of entitlement is confirmed. Amounts unpaid are due to timing differences in confirmation.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

ACCOUNTING POLICIES

2.7 Foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income in the year in which they arise. Balances denominated in a foreign currency and outstanding at year end are translated at year end exchange rates.

2.8 Financial instruments

The Foundation applies IFRS 9 'Financial Instruments' statement with respect to the treatment of financial instruments. This statement addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in the previous IAS 39 statement.

Financial instruments carried on the statement of financial position include cash and cash equivalents, investments, receivables, accounts payable and liabilities. The classification of financial instruments depends on the purpose for which the financial instruments were acquired. Management determines the classification at initial recognition.

Financial instruments are initially recognised when the Foundation becomes party to the contractual terms of the instruments and are measured at fair value, including transaction costs, through profit or loss. Subsequent to initial recognition, these instruments are measured as set out in the applicable accounting policies.

Debt instruments

Subsequent measurement of debt instruments depends on the Foundation's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Foundation classifies its debt instruments

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

FVPL: Assets that do not meet the criteria for amortised cost are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised directly in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Foundation measures all equity investments at fair value and a gain or loss is recognised directly in profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

ACCOUNTING POLICIES

2.8 Financial instruments (continued)

Impairment

The Foundation assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Financial assets (or a portion thereof) are derecognised when the Foundation realises the rights to the benefits specified in the contract, the rights expire or the Foundation surrenders or otherwise loses control of the contractual rights that comprise the financial asset.

On derecognition, the difference between the carrying amount of the financial asset and the consideration received and any cumulative gain or loss are included in the statement of profit or loss.

Financial liabilities (or a portion thereof) are derecognised when the obligation specified in the contract is discharged, cancelled or expired. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs and amount paid for it is included in the statement of profit or loss.

The fair value of financial instruments traded in an active financial market is measured at the applicable quoted prices. The fair value of financial instruments not traded in an organised financial market, is determined using a variety of methods and assumptions that are based on market conditions and risk existing at statement of financial position date, including independent appraisals and discounted cash flow methods.

The carrying amounts of financial assets and liabilities with maturity of less than one year are assumed to approximate their fair value.

Where a legally enforceable right of set-off exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

Investments

Investment Mandates confer to the Asset Managers complete (or sole and absolute) discretion, subject to the restrictions imposed by law, by the Foundation or the agreements themselves, to manage the investment portfolios by purchasing and selling investments as well as investing or reinvesting of cash proceeds, dividends and interest accruing from the investments, within the ambit of the Investment Mandates so as to attain the investment objectives.

Classification and Measurement

All investments are classified as investment financial assets. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Foundation investments are made in unit trusts, global balanced funds, non-discretionary tailored funds, deposit notes and shares.

Equity instruments are held for trading and are classified as FVPL, with dividend income recognised in profit or loss, as Management has not made an irrevocable choice to categorize equity instruments as FVOCI.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

ACCOUNTING POLICIES

2.8 Financial instruments (continued)

Investments categorised as debt instruments have been assessed by Management as not qualifying for measurement at either amortised cost or as FVOCI as they are held for trading and are therefore classified as FVPL, with interest income recognised in profit or loss.

Regular purchases and sales of investments are recognised on trade-date. Trade-date is the date on which the Foundation commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Foundation has transferred substantially all risks and rewards of ownership. Investment financial assets are subsequently carried at fair value.

Gains and losses arising from changes in fair value of investment financial assets are recognised in profit or loss.

Interest and dividend income are taken to the statement of profit or loss in the period in which they arise.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments and bank overdrafts.

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Trade and other payables

Trade payables and other payables, excluding amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

They are recognised when the Trust becomes party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method used to calculate the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or a shorter period to the amortised cost of a financial liability.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

ACCOUNTING POLICIES

2.8 Financial instruments (continued)

Loans, receivables and prepayments

Borrowings and loans from related parties are recognised when the company becomes party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus any transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method used to calculate the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future financial liability.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs.

The Foundation considers loans and receivables impaired as set out in the Notes to the Annual Financial Statements.

2.8 Pooled equity fund

The pooled equity fund is an investment vehicle through which endowments and other funds belonging to the University, which is administered by the Foundation on behalf of the University. These funds are invested in a separate portfolio and are included in Investment financial assets.

The pooled equity fund was migrated to the University by the end of the current year, transferring the investment financial assets and liabilities.

2.9 Reserves and funds

Equity is divided into capital, accumulated funds (unrestricted) and funds for specific purposes (restricted).

Restricted funds are for student bursary endowment and academic endowment purposes. These endowments have been setup by the Foundation as part of the University Centenary Campaign and are administered, invested and governed by the Foundation Board of Governors (the Board).

Unrestricted funds comprise of the Foundation capital reserves and accumulated funds, these are utilised for the purposes of the Foundation and are invested, administered and governed by the Board.

Transfers between reserves

Income recognition and treatment is processed through the normal statement of comprehensive income and consequently flows to the accumulated funds. In order to reflect the true income nature against the designated reserves or funds, transfers are then effected between the accumulated funds and the specific reserves.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
3. OTHER DONOR CONTRIBUTIONS		
Student Endowment Reserve (restricted)	53 503 695	-
Unrestricted donor contributions	<u>2 864 153</u>	<u>1 796 000</u>
	<u>56 367 848</u>	<u>1 796 000</u>

The income from the Student Endowment Reserve, as approved by the Board will be used to support students needs.

4. PROFIT ON SALE OF FINANCIAL ASSETS

Investment Financial Assets

Fair value gains on debt instruments at FVPL	703 319	2 493 880
Fair value gains on equity instruments at FVPL	<u>12 611 185</u>	<u>1 311 013</u>
	<u>13 314 504</u>	<u>3 804 893</u>

5. NET CHANGES IN FAIR VALUE ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investment Financial Assets

Gains/(Losses) on market value adjustments	<u>3 254 932</u>	<u>(15 372 492)</u>
	<u>3 254 932</u>	<u>(15 372 492)</u>

6. INTEREST INCOME

Interest income from bond instruments	7 993 081	11 011 895
Interest income from cash and cash equivalents	<u>9 071 849</u>	<u>7 004 816</u>
	<u>17 064 930</u>	<u>18 016 711</u>

7. DIVIDEND INCOME

Investment Financial Assets

Dividend income from equity instruments	<u>6 506 528</u>	<u>3 669 265</u>
	<u>6 506 528</u>	<u>3 669 265</u>

8. INVESTMENT MANAGEMENT FEE

Investment management fees – current year	1 022 346	1 227 613
Investment management fees – prior years	<u>-</u>	<u>386 643</u>
	<u>1 022 346</u>	<u>1 614 256</u>

The Fund is managed by Stanlib Asset Management (Pty) Ltd and Investec Asset Management (Pty) Ltd. Asset Managers have mandates under which they manage the investment of the funds of the Foundation in various investment portfolios.

Mandates specify the basis on which each Asset Manager earns a management fee.

Investment management fees have an average base of 0.42% (2018 - 0.42%) of funds invested, excluding VAT.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
9. OPERATING EXPENSES		
Interest attributed to funds administered on behalf of the University	706 014	1 601 128
Bank charges	238 633	233 639
Auditor's remuneration	249 943	181 988
	<u>1 194 590</u>	<u>2 016 755</u>

10. DONATIONS TO WITS UNIVERSITY

Frankenwald Project	1 300 000	1 532 723
Treasurer Post	850 000	795 000
Contribution: ICT Network Project	40 000 000	40 000 000
	<u>42 150 000</u>	<u>42 327 723</u>

The Foundation Board has approved a 5 year-term support for the University Wide Network Solution (ICT Network project). The funding support is R40 million for the current year and R40 million for the remaining final year of support, subject to annual confirmation by the Foundation Board.

11. INVESTMENT FINANCIAL ASSETS

Fair Value at the beginning of the year	786 973 725	817 112 496
Purchases	621 352 655	493 979 145
Disposals	(610 328 624)	(518 101 782)
Transfer of Pooled Equity fund to the University	(443 739 818)	-
Investment income received	38 673 009	33 300 333
Investment management fees - Foundation	(1 210 540)	(1 614 256)
Investment management fees - Pooled equity	(1 462 504)	(2 613 156)
Market value adjustments	3 254 932	(35 089 055)
Fair value at the end of the year	<u>393 512 836</u>	<u>786 973 725</u>

INVESTMENT FINANCIAL ASSETS

Asset classes

Equity (listed) – domestic	151 883 607	307 055 685
Hedge funds – domestic	3 599 512	4 266 002
Equity (listed) – foreign*	44 703 295	136 331 499
Bonds – domestic	91 786 616	237 224 103
Property – domestic	5 519 066	5 417 302
Unit trust funds – foreign*	50 439 346	41 793 724
Other foreign funds*	515 671	6 275 472
Money market and Cash – domestic	45 065 724	48 609 939
Fair value at the end of the year	<u>393 512 836</u>	<u>786 973 725</u>

* Foreign total – R95 658 313 (2018: R184 400 695) – (Note 19)

The fair values of the publicly traded financial instruments are based on stock exchange market prices as at the reporting date. A register of investments is available for inspection at the University offices.

Due to the nature of the pooled equity fund, the Foundation ring fenced these funds from the pooled equity investments until the date of migration from the Foundation to the University.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

11. INVESTMENT FINANCIAL ASSETS (CONTINUED)

Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication of the reliability of the inputs used in determining fair value, the Foundation has classified its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1. Level 1 applies to Foundation.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Foundation has no financial instruments under this level.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities. Not applicable for Foundation. Foundation has no financial instruments under this level.

Recurring fair value measurements at 31 December 2019

	2019 R Level 1 FVPL	2018 R Level 1 FVPL
Financial assets		
Equity (listed) – domestic	151 883 607	307 055 685
Hedge funds – domestic	3 599 512	4 266 002
Equity (listed) – foreign*	44 703 295	136 331 499
Bonds – domestic	91 786 616	237 224 103
Property – domestic	5 519 066	5 417 302
Unit trust funds – foreign*	50 439 346	41 793 724
Other foreign funds*	515 671	6 275 472
Money market and Cash – domestic	45 065 724	48 609 939
Total	393 512 836	786 973 725

12. LOAN TO WITS UNIVERSITY DONALD GORDON MEDICAL CENTRE (PTY) LTD

	2019 R	2018 R
Loan to the Wits University Donald Gordon Medical Centre (Pty) Ltd	11 000 000	11 000 000
Less: Provision for impairment	(6 000 000)	(6 000 000)
	5 000 000	5 000 000

The loan is unsecured and is interest free. There are conditions attached to the loan even though it has no fixed terms of repayment. The loan is not expected to be called in the next twelve (12) months.

The Foundation applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all loan receivables. The expected loss rates are based on the underlying make-up of the receivable, shareholders agreement entered into between the University, Foundation and the Donald Gordon. The loss allowance at 31 December 2019 was determined to be at 55% (2018: 55%).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
13. CASH AND CASH EQUIVALENTS		
Long-term local currency deposit scale rating	Baa3	Baa3
Cash at bank – Standard Bank South Africa	<u>81 892 891</u>	<u>21 073 519</u>
	81 892 891	21 073 519

The above information summarises the credit ratings of the Standard Bank South Africa as determined by Moody's Investor Services credit ratings agency, as reflected on the local currency deposit rating long-term scale, with a negative (2018: stable) outlook.

14. THIRD PARTY FUND

The Third Party Fund is administered by the Foundation on behalf of the University. These funds are included in Investments, as per Note 10.

Third Party Fund	<u>11 198 561</u>	<u>11 642 047</u>
	11 198 561	11 642 047
Balance at 1 January	11 642 047	12 146 251
Interest	706 014	723 796
Withdrawal	<u>(1 149 500)</u>	<u>(1 228 000)</u>
Balance 31 December	<u>11 198 561</u>	<u>11 642 047</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
15. POOLED EQUITY FUND		
The pooled equity fund is administered by the Foundation on behalf of the University. These funds are included in Investments, as per Note 10. The fund is made up as follows:		
Investments administered by the Foundation	333 068	392 618 813
Current liabilities of the fund	-	(14 071 597)
	333 068	378 547 216
Balance at 1 January	378 547 216	389 535 539
Distribution	41 816 174	(4 832 774)
Investment income	45 454 914	17 456 164
Fair value loss through profit or loss	-	(19 717 564)
Operating expenses	(3 638 740)	(2 571 374)
Net (distribution) / investment	7 201 364	(6 155 549)
Net withdrawals and transfer of fund to the University	(6 416 016)	(10 351 857)
Units in transit	1 967	481 372
Investment	13 615 413	3 714 936
Transfer of pooled equity to the University	(427 231 686)	
- Transfer in December	(420 300 607)	
- Distribution	(7 264 147)	
- Cash balance to be transferred	333 068	
	333 068	378 547 216
16. ACCOUNTS PAYABLE		
Trade payables – Foundation	-	3 093
	-	3 093
17. AMOUNTS DUE TO THE UNIVERSITY		
Amounts due to the University include the following:		
ICT Network Project Payable to the University	-	20 000 000
Donor contributions received and held on behalf of the University	24 954 614	8 154 352
Income from Pooled Equity held on behalf of the University	-	8 165 376
Inter-company amounts due	4 120 045	-
	29 074 659	36 319 728

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

18. FINANCIAL INSTRUMENTS BY CATEGORY

	Amortised cost	Fair Value through Profit or Loss	Total
	R	R	R
31 December 2019			
Assets as per statement of financial position			
Investment Financial Assets (note 11)		393 512 836	393 512 836
Loan to the WDGMC (Pty) Ltd (note 12)	5 000 000	-	5 000 000
Cash and cash equivalents (note 13)	81 892 891	-	81 892 891
Total	86 892 891	393 512 836	480 405 727

	Financial liabilities at amortised cost	Total
	R	R
31 December 2019		
Liabilities as per Statement of financial position		
Pooled equity fund (note 15)	333 068	333 068
Third Party Fund (note 14)	11 198 561	11 198 561
Amounts due to the University (note 17)	29 074 659	29 074 659
Donor contributions received and held on behalf of the WDGMC (Pty) Ltd	2 372 550	2 372 550
Total	42 978 838	42 978 838

	Amortised cost	Fair Value through Profit or Loss	Total
	R	R	R
31 December 2018			
Assets as per statement of financial position			
Investment Financial Assets (note 11)		786 973 725	786 973 725
Loan to the WDGMC (Pty) Ltd (note 12)	5 000 000	-	5 000 000
Cash and cash equivalents (note 13)	21 073 519	-	21 073 519
Total	26 073 519	786 973 725	813 047 244

	Financial liabilities at amortised cost	Total
	R	R
31 December 2018		
Liabilities as per Statement of financial position		
Pooled equity fund (note 15)	378 547 216	378 547 216
Third Party Fund (note 14)	11 642 047	11 642 047
Amounts due to the University (note 17)	36 319 728	36 319 728
Accounts payable (note 16)	3 093	3 093
Donor contributions received and held on behalf of the WDGMC (Pty) Ltd	1 250 077	1 250 077
Total	427 762 160	427 762 160

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

19. RISK MANAGEMENT

The Foundation is exposed to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, liquidity risk and capital risk.

The Foundation has delegated the management and administration of its investment to the University Investment Committee that identifies, evaluates, co-ordinates the management of the above-mentioned risks and has an oversight over all the investments on behalf of the Foundation. The management of these risks is carried out under UIC Treasury Policy. These risks are reviewed regularly for continuing relevance and effectiveness. The UIC also reports to the Foundation Board of Governors on a regular basis.

The Foundation varies its investment philosophy depending on the term of the instruments and the risk profile. To this end four portfolios have been established, with investments in bonds, equities and money market investments. The portfolios have specific investment and return on investment mandates, which are monitored and adjusted where necessary by the UIC.

The Asset Managers report to the UIC on a quarterly basis.

Financial Risk Factors

Market Risk

Currency Risk

The Foundation has foreign exchange exposure to the extent of foreign investments. The Foundation manages foreign exchange exposure through the UIC who mandates the Asset Managers.

Amounts invested offshore at year end are US Dollar denominated

	2019 R	2018 R
Foreign Cash	515 671	837 877
Foreign Equity	44 703 295	136 331 499
Foreign Bonds	-	5 437 595
Foreign Unit Trusts	50 439 347	41 793 724
	<u>95 658 313</u>	<u>184 400 695</u>

At 31 December 2019, if the USD had strengthened by 10% against the Rand with all other variables held constant, the value as at year end would have been R9 565 831 (2018: R18 440 070) higher, mainly as a result of a Rand increase in the carrying value of the USD denominated investments. If the USD had weakened by 10% against the Rand with all other variables held constant, the value as at year end would have been R9 565 831 (2018: R18 440 070) lower, mainly as a result of a Rand decrease in the carrying value of USD denominated investments.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

19. RISK MANAGEMENT (CONTINUED)

Price Risk

The Foundation is exposed to equity securities price risk because of investments held by the Foundation and classified on the statement of financial position as investments. The Foundation is not directly exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Foundation diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the UIC. At 31 December, the fair value of equities exposed to price risk were as follows:

	2019 R	2018 R
Listed Domestic Equities	151 883 607	307 055 685
Listed International Equities	44 703 295	136 331 499
	<u>196 586 902</u>	<u>443 387 184</u>

At 31 December 2019, if the FTSE/JSE CAPI index, together with international indices, increased/decreased by 10% with all other variables held constant and all the Foundation's equity instruments, equity values would have been R19 658 690 (2018: R44 338 718) higher/lower. Due to the unpredictability of equity market returns, a general indicative percentage of 10% is used to highlight the changes in market value on equity instruments.

Cash Flow and Fair Value Interest Rate Risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets, interest rates on the fair value of financial assets and liabilities and future cash flow. The Foundation, however, holds no fixed interest securities that expose the Foundation to fair value interest rate risk. The Foundation also holds cash and cash equivalents that expose the Fund to cash flow interest rate risk.

The Foundation has no significant interest bearing liabilities and the donation income and operating cash flows are substantially independent of changes in market interest rates. Therefore no formal interest rate risk management policy exists.

	2019 R	2018 R
Cash and cash equivalents (Current account)	81 892 891	21 073 519
Investments – Cash	45 065 724	48 609 940
Investments – Property Units	5 519 066	5 417 302
Investments – Bonds	91 786 616	237 224 103
	<u>224 264 297</u>	<u>312 324 864</u>

If the average interest rate during the year had been 25 basis points (2018: 25 basis points) higher/lower, as an indication, the interest earned would have been R670 736 (2018: R859 491) higher/lower. The increase/decrease of 25 basis points in the interest rate was based on the change in the repurchase rate during the financial year by the SA Reserve Bank.

Credit Risk

Investments Financial assets: at fair value through profit or loss

The Foundation is exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments (2019: R394m; 2018: R787m)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

19. RISK MANAGEMENT (CONTINUED)

Credit risk is the risk of financial loss to the Foundation if a member or counterparty to a financial instrument fails to meet its contractual obligations. Potential concentrations of credit risk consist mainly of short-term cash and cash equivalent investments.

The approach to the management of investments that is followed by using two investment managers spreads the investment risk. Funds are invested in four separate portfolios.

2019	Investec Asset Management	Stanlib Asset Management	Standard Bank SA	Other assets	Total
Investments	155 649 874	237 572 878	-	290 084	393 512 836
Other non-current assets	-	-	-	5 000 000	5 000 000
Cash and cash equivalents	-	-	81 892 891	-	81 892 891
Total Assets	155 649 874	237 572 878	81 892 891	5 290 084	480 405 727

2018	Investec Asset Management	Stanlib Asset Management	Standard Bank SA	Other non-current assets	Total
Investments	160 004 824	626 658 530	-	310 371	786 973 725
Other non-current assets	-	-	-	5 000 000	5 000 000
Cash and cash equivalents	-	-	21 073 519	-	21 073 519
	160 004 824	626 658 530	21 073 519	5 310 371	813 047 244

Liquidity Risk

Liquidity risk is the risk that the Foundation may not be able to generate sufficient cash resources to settle its obligations in full as they fall due.

The Foundation has minimised liquidity risk as shown by its substantial cash and cash equivalents.

The table below summarises the Foundation's exposure to liquidity risk. Included in the table are the liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	R	R	R	R	R
	Up to 1 month	1-3 months	4-12 months	1-5 Years	Total
2019 Liquidity Analysis Liabilities	2 372 550	-	29 074 659	11 198 561	42 645 770
Pooled Equity Funds	-	-	-	-	-
Third Party Fund	-	-	-	11 198 561	11 198 561
Pooled Equity WDGMC (Pty) Ltd	2 372 550	-	-	-	2 372 550
University of the Witwatersrand	-	-	29 074 659	-	29 074 659
Accounts payable	-	-	-	-	-
Total liabilities	2 372 550	-	29 074 659	11 198 561	42 645 770

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

19. RISK MANAGEMENT (CONTINUED)

	R	R	R	R	R
	Up to 1 month	1-3 months	4-12 months	1-5 Years	Total
2018 Liquidity Analysis					
Liabilities	1 250 077	-	36 319 727	390 189 263	427 759 067
Pooled Equity Funds	-	-	-	378 547 216	378 547 216
Third Party Fund	-	-	-	11 642 047	11 642 047
Pooled Equity withdrawal	-	-	8 165 375	-	8 165 375
WDGMC (Pty) Ltd	1 250 077	-	-	-	1 250 077
University of the Witwatersrand	-	-	28 154 352	-	28 154 352
Accounts payable	3 093	-	-	-	3 093
Total liabilities	1 253 170	-	36 319 727	390 189 263	427 762 160

Capital risk management

The Foundation's objectives when managing capital are to ensure that funds are available to disburse to the University as required.

In order to maintain the capital structure the Foundation has governance processes in place on disbursement of funds from capital funds and operating surpluses to ensure funds are available when they are needed.

	2019 R	2018 R
Non-Current Investments	393 512 836	786 973 725
Cash and Cash Equivalents	81 892 891	21 073 519
	<u>475 405 727</u>	<u>808 047 244</u>

20. ICT NETWORK PROJECT COMMITMENT

	2019 R	2018 R
Capital commitment	40 000 000	80 000 000
	<u>40 000 000</u>	<u>80 000 000</u>

The Foundation previously approved a 5 year-term support for the University Wide Network Solution (ICT Network project). The funding support is R40 million for the current year and R40 million for the remaining final year of support, subject to approval by the Foundation. Refer to Note 10 for further details.

21. TAXATION

The Foundation has received Income Tax exemption in terms of Section 10(1)(cN) of the Income Tax Act.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

22. RELATED PARTIES

The University of the Witwatersrand, Johannesburg and all its associated affiliates are related parties to the University of the Witwatersrand Foundation.

Related Party Balances

	2019 R	2018 R
Loan accounts – Owing (to) / by related parties		
The University of the Witwatersrand, Johannesburg		
Amounts due to the University	(29 074 659)	(36 319 728)
The WDGMC (Pty) Ltd	5 000 000	5 000 000
Donor contributions received and held on behalf of the WDGMC (Pty) Ltd	(2 372 550)	(1 250 077)
Pooled Equity Fund	(333 068)	(378 547 216)

Related Party Transactions

	2019 R	2018 R
Donations made to The University of the Witwatersrand, Johannesburg	42 150 000	42 327 723
Donor contributions received on behalf of the University allocated to specific projects	327 255 799	284 609 452

List of Trustees and Governors

2019	2018
Al Basserabie* (Acting Chair)	M Bashe (Resigned 31 August 2018)
DC Brink* (Chair - Resigned 09 March 2020)	Al Basserabie*
P Desai*	DC Brink* (Chair)
A Elster	A Elster
A Gore	A Gore
A Habib*	A Habib*
A Jammie	A Jammie
B Joffe (Resigned 21 March 2020)	B Joffe
JE Klaaren*	JE Klaaren*
MT Lategan* (Resigned 31 December 2019)	T Kupe* (Resigned 31 December 2018)
T Majozi*	MT Lategan*
B Mohale	T Majozi*
L Mothata	B Mohale
S Noor	S Noor
C Ramon	C Ramon
T Sexwale	A Romanis
BLW Sparks	T Sexwale
A Stein	BLW Sparks
	A Stein

* Governors who are also Trustees

Trustees and Governors do not receive any remuneration.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

23. CASH GENERATED FROM OPERATIONS

	2019 R	2018 R
Net surplus / (deficit) for the year	52 141 806	(34 044 357)
Net income / (loss) received from pooled equity	41 816 174	(4 832 774)
Fair value adjustment - investments	(3 254 932)	15 372 492
Fair value adjustment – pooled equity	-	19 717 564
Donation accrued / (paid) to Wits University	22 150 000	(22 327 723)
Operating deficit before working capital changes	112 853 048	(26 114 798)
Working capital changes		
Decrease in trade and other payables	(3 093)	(197 133)
(Decrease) / increase in administered funds	(443 486)	877 332
Decrease in pooled equity	(41 816 174)	-
Decrease in funds held on behalf of the University	(7 070 726)	(38 748 295)
Increase / (decrease) in funds held on behalf of WDGMC	1 122 473	(1 304 690)
Cash generated from / (used in) operations	64 642 042	(65 487 584)

24. GOING CONCERN

The annual financial statements have been prepared on the basis of going concern.

The Foundation Board of Governors (FBOG) has assessed the potential impact of the COVID-19 Pandemic, and the Foundation's ability to continue as a going concern. Given the nature of the Foundation's business and the adequacy of its reserves, the FBOG is of the opinion that it will be able to continue as a going concern into the future.

25. EVENTS AFTER REPORTING PERIOD

The FBOG reports the COVID-19 Pandemic that has occurred after the financial reporting date, that it has assessed that there may be a potential material impact, but it does not require an adjustment for the financial results at 31 December 2019.

The market volatility experienced subsequent to year-end has affected the market value of the Foundation's equity investments. The estimated impact as at 30 April 2020 is a reduction in market value of investments of R13m.

Foundation assets are long term investments with a long term investment mandate, with an expected market volatility from time to time.

The FBOG are not aware of any other matter or circumstance arising since the end of the financial year which would materially impact these Annual Financial Statements.