The Mico Foundation

Financial Statements
31 December 2019

The Mico Foundation
Index
31 December 2019

Independent Auditor's Report

To the Members of The Mico Foundation

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of The Mico Foundation (the Foundation) as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

What we have audited

The Foundation's financial statements comprise:

- The statement of financial position as at 31 December 2019;
- The statement of comprehensive income for the year then ended;
- The statement of changes in equity 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 Foundation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Foundation'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 management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

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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 judgment 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 Foundation’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’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 Foundation’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 Foundation 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 those charged with governance 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.

Report on Other Legal and Regulatory requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

PricewaterhouseCoopers

Chartered Accountants
27 January 2021
Kingston, Jamaica

The Mico Foundation
Statement of Comprehensive Income
Year ended 31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
Income	2(l)	129,481	105,552
Cost of goods sold	6	(3,916)	(4,116)
Administrative expenses	6	(108,949)	(87,014)
Operating Surplus		16,616	14,422
Finance income	8	2,599	1,111
Finance costs	8	(797)	(1,859)
Surplus for the Year being Total Comprehensive Income		18,418	13,674

The Mico Foundation

Statement of Financial Position

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
Assets			
Non-Current Assets			
Property, plant and equipment	9	875,249	865,476
Current Assets			
Inventories	10	2,809	2,378
Receivables	11	5,340	5,646
Due from related parties	15	7,674	240
Taxation recoverable		501	393
Investments	12	34,861	36,825
Cash in hand and at bank	13	25,420	29,739
		76,605	75,221
Total Assets		951,854	940,697
Liabilities and Reserves			
Current Liabilities			
Payables	14	12,920	11,100
Due to related parties	15	6,659	6,494
Current portion of borrowings	16	4,569	7,400
		24,148	24,994
Non-Current Liabilities			
Borrowings	16	20,582	25,183
Unexpended fund balance	17	14,159	14,318
		34,741	39,501
Reserves			
General capital fund	18	9,084	9,084
Capital reserve fund	19	760,243	761,898
Accumulated surplus		123,638	105,220
		892,965	876,202
		951,854	940,697

Approved for issue by the Board of Directors on 27 January 2021 and signed on its behalf by:

Dr. Roderick Karl James — Director

Dr. Arthur Geddes — Director

The Mico Foundation

Statement of Changes in Equity

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Capital Grant Fund $'000	General Capital Fund $'000	Accumulated Surplus $'000	Total $'000
Adjusted balances as at 1 January 2018	763,553	9,084	91,546	864,183
Comprehensive income for year	-	-	13,674	13,674
Transfer to revenue	(1,655)	-	-	(1,655)
Balance as at 31 December 2018	761,898	9,084	105,220	876,202
Comprehensive income for year	-	-	18,418	18,418
Transfer to revenue	(1,655)	-	-	(1,655)
Balance as at 31 December 2019	760,243	9,084	123,638	892,965

The Mico Foundation

Statement of Cash Flows

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
Cash Flows from Operating Activities			
Surplus for year		18,418	13,674
Adjustments for:			
Interest income	8	(550)	(915)
Interest expenses	8	797	1,173
Depreciation	9	27,657	30,058
Capital reserve	19	(1,655)	(1,655)
(Decrease)/increase in unexpended fund		(159)	1,479
		44,508	43,814
Changes in operating assets and liabilities:			
Inventories		(431)	916
Receivables		306	(915)
Taxation recoverable		(108)	55
Payables		1,820	557
Related parties		(7,269)	1,158
Cash provided by operating activities		38,826	45,585
Cash Flow from Investing Activities			
Purchase of property, plant and equipment	9	(37,430)	(36,955)
Investments		1,946	(314)
Interest received		568	915
Cash used in investing activities		(34,916)	(36,354)
Cash Flow from Financing Activities			
Borrowings, net		(7,432)	2,691
Interest paid		(797)	(1,173)
Cash (used in)/provided by financing activities		(8,229)	1,518
(Decrease)/increase in cash and cash equivalents		(4,319)	10,749
Cash and cash equivalents at beginning of year		29,739	18,990
Cash and Cash Equivalents at End of the Year	13	25,420	29,739

Reconciliation of movement in borrowings (see note 16 (c))

The Mico Foundation

Notes to the Financial Statements
Year ended 31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Activities

The Mico Foundation (the Foundation) is incorporated and domiciled in Jamaica. The Foundation was incorporated on 13 October 1981 under the Jamaica Companies Act as a Foundation limited by guarantee not having a share capital. The registered office of the Foundation is 1A Marescaux Road, Kingston 5.

Its main activities comprise the promotion of the Mico College situated in Kingston, and the hostels for students associated therewith.

To enable the Foundation to carry out its function, certain properties and assets owned by the Trustees of Mico College have been transferred to the Foundation.

The financial statements include the consolidated operating results and financials of the following sub-entities of the Foundation:-

(i) The General Fund
(ii) The Campus Bookshop
(iii) Post Diploma Programme
(iv) Teacher Education (formerly Examination)
(v) Degree Programme
(vi) Special Projects
(vii) Advanced Placements Programme
(viii) E learning

These financial statements are presented in Jamaican dollars unless otherwise indicated.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and have been prepared under the historical cost convention as modified by the valuation of certain property, plant and equipment at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Foundation's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

The Mico Foundation

Notes to the Financial Statements
31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Interpretations and amendments to published standards effective in the current year
Certain interpretations and amendments to existing standards have been published that became effective during the current year. The Foundation has assessed the relevance of all such interpretations and amendments and has concluded that the following are relevant to its operations.

- ***IFRS 16 'Leases'*** (effective for annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15**, '**Revenue from Contracts with Customers', is also applied). This standard replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The standard includes an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. There was no impact on the Foundation's financial statements from the adoption of this amendment.

- ***Amendment*** **to IFRS 9, 'Financial Instruments on prepayment features with negative compensation'** (effective for annual periods beginning on or after 1 January 2019). This amendment confirms that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. There was no impact on the Foundation's financial statements from the adoption of this amendment.

Standards, interpretations and amendments to published standards that are not yet effective
At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which are mandatory for the Foundation's accounting periods beginning on or after 1 January 2020 or later periods, but were not effective at date of the statement of financial position, and which the Foundation has not early adopted. The Foundation has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations, and has concluded as follows:

- ***Amendments*** **to IAS 1 'Presentation of financial statements' and IAS 8 'Accounting policies, changes in accounting estimates and errors**' (effective for annual periods beginning on or after 1 January 2020). These amendments clarify the definition of materiality and the meaning of primary users of general-purpose financial statements by defining them as existing and potential investors, lenders and other creditors. The Foundation is currently assessing the impact of this standard.

- ***Amendments*** **to IFRS 9, IAS 39 and IFRS 7 (**effective for annual periods beginning or after January 1, 2020) – Interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR based contracts, the reliefs will affect companies in all industries. The adoption of these amendments are not expected to have a significant impact on the Foundation.

- ***Revised*** **Conceptual Framework for Financial Reporting** (effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework will be used in standard-setting decisions with immediate effect, however no changes will be made to any of the current accounting standards. Entities that apply the Conceptual Framework in determining accounting policies, will need to consider whether their accounting policies are still appropriate under the revised Framework. The Foundation is currently assessing the impact of this standard.

3. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective (continued)

There are no other IFRS or IFRIC interpretations that are not effective that would be expected to have a material impact on the Foundation.

(b) Foreign currency translation

(i) Functional and presentation currency

The Foundation trades primarily in Jamaica, as such the functional and presentation currency is Jamaican dollars.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(c) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation.

The carrying value of property, plant and equipment, with the exception of freehold land on which no depreciation is provided, is written off on a straight-line basis over the expected useful life of each asset at the following annual rates:

Freehold building	2.5%
Computers	25%
Furniture, fixtures and equipment	10-20%

Freehold land is not depreciated.

Repairs and maintenance are charged to the income and expenditure account during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits are in excess of the originally assessed standard of performance of the existing asset that will flow to the Foundation. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating surplus.

(d) Impairment of non-current assets

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the higher of an asset’s net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

The Mico Foundation
Notes to the Financial Statements
31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(e) Provisions
Provisions are recognised when the Foundation has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.
Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date.

(f) Inventories
Inventories are valued at the lower of cost determined on the first-in, first-out basis and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

(g) Trade receivables
Prior to 1 January 2018
Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of these receivables is established when there is objective evidence that the Foundation will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

Accounting policies applied from 1 January 2018
Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Foundation holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Management assess whether there has been any indicator of change of the credit risk. Additionally, a comprehensive evaluation is performed with the objective of identifying individual accounts that may be subject of impairment. Those accounts identified are either written off from the records or provided for by the total of its carrying value.

(h) Cash and cash equivalents
Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and at bank net of bank overdraft.

(i) Borrowings
Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings.

(j) Capital grants fund
The fair value of items of property, plant and equipment received as gift is credit to capital grant reserve. Capital grants are released to income over the estimated useful life by reference to relevant depreciation charges of the asset to which the grant pertains.

The Mico Foundation
Notes to the Financial Statements
31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(k) Financial instruments
A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity of another entity.

Financial assets
Classification as of 1 January 2018
The Foundation classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value and those to be measured at amortised cost. The classification depends on the business model used for managing the financial assets and, in respect of debt instruments, the contractual terms of the cash flows.

Recognition and measurement as of 1 January 2018
Debt instruments held for the collection of contractual cash flows, where those represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in the statement of comprehensive income using the effective interest rate method. Any gains or losses arising on derecognition are recognised directly in the statement of comprehensive income. Impairment losses are presented as a separate line in the statement of comprehensive income.

Debt instruments that are held for the collection of contractual cash flows and for the selling of financial assets, where the asset's cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income and impairment gains and losses are recognised in the statement of comprehensive income. When the debt instrument is derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss. Interest income from these financial assets is included in the statement of comprehensive income using the effective interest rate method. Any gains or losses arising on derecognition are recognised in the statement of comprehensive income. Impairment losses are presented as a separate line in the statement of comprehensive income.

Debt instruments that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. Gains and losses on such instruments are recognised in profit or loss in the period in which they arise.

Application of the General Model to financial assets other than trade receivables
Under this model, the Foundation assesses, on a forward-looking basis, the expected credit losses (ECL) associated with its debt instruments carried at amortised cost and at fair value through other comprehensive income. The ECL will be recognized in profit or loss before a loss event has occurred. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. The probability-weighted outcome considers multiple scenarios based on reasonable and supportable forecasts. The impairment amount represents the single best outcome; the time value of money; and reasonable and supportable information. That is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The impairment model uses a three-stage approach based on the extent of credit deterioration since origination:

Stage 1 – 12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk since origination and are not credit impaired. The ECL will be computed using a 12-month PD – the probability of default occurring over the next 12 months.

2. Significant Accounting Policies (Continued)

(k) Financial instruments (continued)

Impairment as of 1 January 2018 (continued)

Application of the General Model to financial assets other than trade receivables (continued)
Stage 2 – When a financial asset experiences a significant increase in credit risk subsequent to origination but is not credit impaired, it is considered to be in Stage 2. This requires the computation of ECL based on lifetime PD – the probability of default occurring over the remaining estimated life of the financial asset. Provisions are higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.

Stage 3 – Financial assets that have an objective evidence of impairment are included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime ECL.

The Foundation uses judgement when considering the following factors that affect the determination of impairment:

Assessment of significant increase in credit risk
To assess whether the credit risk on a financial asset has increased significantly since origination, the Foundation compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Foundation's existing risk management processes. At each reporting date, the assessment of a change in credit risk will be individually assessed for those considered individually significant. This assessment is symmetrical in nature, allowing credit risk of financial assets to move back to Stage 1 if the increase in credit risk since origination has reduced and is no longer deemed to be significant.

Macroeconomic factors, forward looking information and multiple scenarios
The Foundation applies an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions. Macroeconomic factors and forward looking information are incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination. Measurements of ECLs at each reporting period reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected life
When measuring ECL, the Foundation considers the maximum contractual period over which the Foundation is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Foundation exposed to credit risk and where the credit losses would not be mitigated by management actions.

Application of the Simplified Approach to trade receivables
For trade receivables other than those deemed specifically impaired, the Foundation applies the simplified approach which requires that the impairment provision is measured at initial recognition and throughout the life of the receivables using a lifetime ECL. As a practical expedient, a provision matrix is utilised in determining the lifetime ECLs for trade receivables. The lifetime ECLs are determined by taking into consideration historical rates of default for each category of aged receivables as well as the estimated impact of forward looking information.

2. Significant Accounting Policies (Continued)

(k) Financial instruments (continued)

Impairment as of 1 January 2018 (continued)

Application of the General Model to financial assets other than trade receivables (continued)

Classification prior to 1 January 2018
The Foundation classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the year end date. Loans and receivables include due from related parties, long term receivables and receivables and are included in non-current assets and current assets in the statement of financial position.

Loans and receivables are carried at amortised cost using the effective interest method. The Foundation assesses at each year end date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial liabilities
The Foundation's financial liabilities are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method. These liabilities include due to related parties, payables, bank overdrafts and borrowings and are included in non-current liabilities and current liabilities in the statement of financial position.

The fair values of the Foundation's financial instruments are discussed in Note 3.

(l) Revenue recognition
Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Foundation's activities. Revenue is shown net of applicable value added taxes, returns, rebates and discounts.

Revenue is recognised as follows:

Stationery, books and uniform products
Stationery, books and school uniform products are sold either on a wholesale or retail basis. Revenue is recognised when control of the goods has been established – being when the goods are delivered to the customers. Delivery occurs when the customer take possession of the goods, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed or the Foundation has objective evidence that all criteria for acceptance have been satisfied. A receivable is recognised when the goods are delivered, at which point in time the consideration is deemed unconditional and only the passage of time is required before the payment is due.

Rental income
Rental income is recognised on the accrual basis, which are based on a contractual agreement.

Interest income
Interest income is recognised on the accrual basis on the effective interest basis, except when collectability is considered doubtful. In such cases, income is recorded when economic benefits are received.

The Mico Foundation
Notes to the Financial Statements
31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(l) Revenue recognition (continued)

Revenue is recognised as follows: (continued)

Donation income
Donation income is recognised on the actual basis.

3. Financial Risk Management

The Foundation's activities expose it 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 and liquidity risk. The Foundation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Foundation's financial performance.

The Foundation's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Foundation regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the Foundation's risk management framework. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity.

The Mico Foundation
Notes to the Financial Statements
31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management

(a) Credit risk

The Foundation takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the Foundation by failing to discharge their contractual obligations. Credit risk is the most important risk for the Foundation's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from the Foundation's receivables from customers, cash at bank and investment activities. The Foundation structures the levels of credit risk it undertakes by placing limit on the amount of risk accepted in relation to a single counterparty or groups of related counterparties and to geographical and industry segments.

Credit review process

Management performs ongoing analyses of the ability of borrowers and other counterparties to meet repayment obligations.

(i) Trade receivables

The Foundation's exposure to credit risk is high, this is so as some students might not fulfill their contractual arrangements in relation to school fees.

The Foundation's policy is not to give credit. Terms of paying school fees were breached during the year.

(ii) Fair value through profit or loss investments

Investments are limited to high credit quality financial institutions.

(iii) Cash

Cash transactions are limited to high credit quality financial institutions.

Worst case scenario of credit risk exposure

The worst case scenario of the Foundation exposure to credit risk is as follows:

	2019	**2018**
	$'000	**$'000**
Receivables	3,917	4,284
Related party	7,674	240
Investments	34,861	36,825
Cash in hand and at bank	25,420	29,739
	71,872	71,088

The Mico Foundation
Notes to the Financial Statements
31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Trade receivables that are past due but not impaired
Loss Allowance

As of 31 December 2019, to measure expected credit losses, trade receivables are grouped by aging buckets. Lifetime expected credit losses are determined by taking into consideration historical rates of default for the totals of aged receivables as well as the estimated impact of forward looking information. In determining historical rates of default, trade receivables were assessed individually under each aging bucket and were used as a proxy for historical losses. On this basis, the Foundation's loss allowance for trade receivables was determined as follows:

31 December 2019	31 days to 60 days	61 day to 90 days past due	91 days to 365 days past due	More than 365 days past due	Total
Expected loss rate	-	-	-	100%	
Gross carrying amount $	-	-	-	40,013	40,013
Loss allowance provision $	-	-	-	40,013	40,013

31 December 2018	31 days to 60 days	61 day to 90 days past due	91 days to 365 days past due	More than 365 days past due	Total
Expected loss rate	-	-	-	100%	
Gross carrying amount $	-	-	-	40,153	40,153
Loss allowance provision $	-	-	-	40,153	40,153

Movement analysis of provision for impairment of trade receivables
The movement on the provision for impairment of trade receivables was as follows:

	2019	2018
	$'000	$'000
At 1 January	40,153	40,370
Bad debts recovered	(215)	(217)
Increase in loan loss allowance recognised in profit or loss during the year	75	-
At 31 December (Note 11)	40,013	40,153

The creation and release of provision for impaired receivables have been included in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

There are no financial assets other than trade receivables that were individually impaired.

The Mico Foundation

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the Foundation is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Liquidity risk management process

The Foundation's liquidity management process includes:

(i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required.

(ii) Optimising cash returns on investment;
The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Foundation and its exposure to changes in interest rates and exchange rates.

Undiscounted cash flows of financial liabilities

The maturity profile of the Foundation's financial liabilities at year end based on contractual undiscounted payments was as follows:

	Within 3 Month	4 to 12 Months	1 to 5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000	$'000
			2019		
Payables	12,920	-	-	-	12,920
Related parties	6,659	-	-	-	6,659
Borrowings	2,331	6,993	31,440	-	40,764
Unexpended fund balance	-	-	14,159	-	14,159
	21,910	6,993	45,599	-	74,502
			2018		
Payables	11,100	-	-	-	11,100
Related parties	6,494	-	-	-	6,494
Borrowings	2,331	6,992	33,362	1,079	43,764
Unexpended fund balance	-	-	14,318	-	14,318
	19,925	6,992	47,680	1,079	75,676

Assets available to meet all of the liabilities and to cover some of the financial liabilities include cash and short-term investments.

The Mico Foundation

Notes to the Financial Statements
31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk

The Foundation takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk exposures are measured using sensitivity analysis.

There has been no change to the Foundation's exposure to market risks or the manner in which it manages and measures the risk.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The entity is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and UK sterling. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Foundation's exposure to foreign currency exchange rate risk at year end was as follows:

	Jamaican$	GBR	US$	Total
	J$'000	J$'000	J$'000	J$'000
		2019		
Financial Assets				
Receivables	3,917	-	-	3,917
Due from related parties	7,674	-	-	7,674
Investments	16,467	10,922	7,472	34,861
Cash in hand and at bank	12,520	1,021	11,879	25,420
Total financial assets	40,578	11,943	19,351	71,872
Financial Liabilities				
Payables	12,920	-	-	12,920
Due to related parties	6,659	-	-	6,659
Borrowings	25,151	-	-	25,151
Unexpended fund balance	14,159	-	-	14,159
Total financial liabilities	58,889	-	-	58,889
Net financial position	(18,311)	11,943	19,351	12,983

The Mico Foundation
Notes to the Financial Statements
31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Currency risk (continued)

	Jamaican$	GBR	US$	Total
	J$'000	J$'000	J$'000	J$'000
		2018		
Financial Assets				
Receivables	4,284	-	-	4,284
Due from related parties	240	-	-	240
Investments	16,100	10,523	10,202	36,825
Cash in hand and at bank	15,248	6,548	7,943	29,739
Total financial assets	35,872	17,071	18,145	71,088
Financial Liabilities				
Payables	11,100	-	-	11,100
Due to related parties	6,494	-	-	6,494
Borrowings	32,583	-	-	32,583
Unexpended fund balance	14,318	-	-	14,318
Total financial liabilities	64,495	-	-	64,495
Net financial position	(28,623)	17,071	18,145	6,593

The following table indicates the effect on operating surplus arising from changes in foreign currency rates, primarily with respect to the US dollar and UK sterling. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 4% (2018 – 4%) depreciation and a 6% (2018 – 6%) appreciation of the Jamaican dollar against the US dollar and the UK sterling, which represents management's assessment of a reasonably possible change in foreign exchange rates. The sensitivity was primarily as a result of foreign exchange gains and losses on translation of US dollar and UK sterling denominated investments, trade accounts receivable and cash at bank.

	Effect on Net Surplus 2019	Effect on Net Surplus 2018
Currency:	**$'000**	**$'000**
USD	744	726
USD	(1,161)	(1,089)
GBR	478	683
GBR	(717)	(1,024)

The Mico Foundation
Notes to the Financial Statements
31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Interest rate risk
Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Foundation to cash flow interest risk, whereas fixed interest rate instruments expose the Foundation to fair value interest risk.

The following table summarises the Foundation's exposure to interest rate risk. It includes the Foundation's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Within 3 Months $'000	4 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
				2019		
Assets						
Receivables	-	-	-	-	3,917	3,917
Due from related parties	-	-	-	-	7,674	7,674
Investments	28,419	-	-	-	6,442	34,861
Cash in hand and at bank	12,981	-	-	-	12,439	25,420
Total financial assets	41,400	-	-	-	30,472	71,872
Liabilities						
Payables	-	-	-	-	12,920	12,920
Due to related parties	-	-	-	-	6,659	6,659
Borrowings	-	-	25,151	-	-	25,151
Unexpended fund balance	-	-	-	-	14,159	14,159
Total financial liabilities	-	-	25,151	-	33,738	58,889
Total interest repricing gap	41,400	-	(25,151)	-	(3,266)	12,983

The Mico Foundation

Notes to the Financial Statements
31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Interest rate risk (continued)

	Within 3 Months $'000	4 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
			2018			
Assets						
Receivables	-	-	-	-	4,284	4,284
Due from related parties	-	-	-	-	240	240
Investments	30,687	-	-	-	6,138	36,825
Cash in hand and at bank	14,491	-	-	-	15,248	29,739
Total financial assets	45,178	-	-	-	25,910	71,088
Liabilities						
Payables	-	-	-	-	11,100	11,100
Due to related parties	-	-	-	-	240	240
Borrowings	-	-	16,130	16,453	-	32,583
Unexpended fund balance	-	-	-	-	14,318	14,318
Total financial liabilities	-	-	16,130	16,453	31,912	64,495
Total interest repricing gap	45,178	-	(16,130)	(16,453)	(6,002)	6,593

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the Foundation's income and expenditure account and equity.

The Foundation's interest rate risk arises from cash at bank, fair value through profit or loss investments and borrowing. The sensitivity of the surplus or deficit is the effect of the assumed changes in interest rates on net income based on variable rate investments. The correlation of variables will have a significant effect in determining the ultimate impact on market risk.

	Effect on Net Surplus 2018 $'000	Effect on Net Surplus 2018 $'000
Change in basis points:		
2019 – 100 (2018 – 100)	33	42
2019 + 100 (2018 + 100)	(33)	(42)

The Mico Foundation
Notes to the Financial Statements
31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(d) Capital management

The Foundation's objectives when managing capital are to safeguard the Foundation's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital, which the Foundation defines as net operating income divided by total shareholders' equity.

Consistent with others in the industry, the Foundation monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratios at 31 December 2019 and 31 December 2018 were as follows:

	2019 $'000	2018 $'000
Total borrowings (Note 16)	25,151	32,583
Less: cash and cash equivalents (Note 13)	(25,420)	(29,739)
Net debt	(269)	2,844
Total equity	892,965	876,202
Total capital	892,696	879,046
Gearing ratio	-0.03%	0.32%

There were no changes to the Foundation's approach to capital management during the year. The Foundation is not subject to externally imposed capital requirements.

The Mico Foundation

Notes to the Financial Statements
31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

4. Fair Value Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The following table provides an analysis of financial instruments held as at 31 December 2018 that, subsequent to initial recognition, are measured at fair value. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instruments. The fair value of financial instruments traded in active markets is based on quoted market prices at the year end date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the instrument, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The fair value of financial instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available 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; and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the instrument that are not based on observable market data (unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

There are no financial instruments classified as Level 1 and Level 3 and there were no transfers between levels during the year.

	Level 2 $'000
	2019
Assets	
Investments	34,861
	2018
Assets	
Investments	36,825

The amounts included in the financial statements for receivables, fair value through profit or loss investments, due from related parties, cash in hand and at bank, payables and due to related party reflect their approximate fair values because of the short-term maturity of these instruments.

The Mico Foundation
Notes to the Financial Statements
31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The Foundation makes judgements and estimates concerning the future. Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. At the year end, in the opinion of management, there are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

6. Expenses by Nature

Total operating and administrative expenses:

	2019 $'000	**2018 $'000**
Auditors' remuneration	2,415	2,300
Depreciation and amortization (Note 9)	27,642	30,058
Directors fees	320	150
Salaries and related costs (Note 7)	27,807	23,955
Insurance	2,092	1,568
Occupancy – rent, utilities, etc.	208	201
Repairs, maintenance and renewals	4,998	12,508
Donation and subscriptions	237	650
Stationery and office supplies	2,036	2,471
Travelling and entertainment	174	1,338
Legal and professional fees	463	148
Bank charges	419	269
Bad debts:		
Expenses	216	-
Recovery	(215)	(152)
Advertisement	182	331
Graduation	436	500
Rental of premises	50	155
Amortisation/write off of gowns	-	249
Scholarship and awards	441	120
CXC expenses	660	-
Security	37,942	9,110
Other	426	1,085
	108,949	87,014
Cost of goods sold	3,916	4,116
	112,865	91,130

The Mico Foundation
Notes to the Financial Statements
31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

7. Salaries and Related Costs

	2019 $'000	2018 $'000
Wages and salaries	23,244	20,403
Redundancy	656	-
Payroll taxes – employer's portion	1,156	1,212
Pension costs	528	495
Other	2,223	1,845
	27,807	23,955

The number of persons employed by the Foundation at the year end:

	2019 No.	2018 No.
Full-time	14	15
Part-time	4	6
	18	21

8. Finance Income/(Costs)

	2019 $'000	2018 $'000
Income -		
Interest income	550	915
Exchange gains	2,049	196
	2,599	1,111
Costs -		
Loan interest	(797)	(1,173)
Exchange losses	-	(686)
	(797)	(1,859)

The Mico Foundation

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

9. Property, Plant and Equipment

	Freehold Land and Buildings	Computers	Furniture, Fixtures and Equipment	Total
	$'000	$'000	$'000	$'000
At Deemed Cost -				
At 31 December 2017	1,066,059	84,782	77,954	1,228,795
Additions	34,441	24	2,490	36,955
At 31 December 2018	1,100,500	84,806	80,444	1,265,750
Additions	35,659	57	1,714	37,430
At 31 December 2019	1,136,159	84,863	82,158	1,303,180
Depreciation -				
At 31 December 2017	224,570	83,358	62,288	370,216
Charge for the year	24,544	1,255	4,259	30,058
At 31 December 2018	249,114	84,613	66,547	400,274
Charge for the year	24,724	42	2,891	27,657
At 31 December 2019	273,838	84,655	69,438	427,931
Net Book Value -				
31 December 2019	862,321	208	12,720	875,249
31 December 2018	851,386	193	13,897	865,476

Additions to land in a previous year, which are carried at deemed cost were estimated by the Directors to be valued at $4,500,000 (Note 19).

10. Inventories

	2019	2018
	$'000	$'000
Stationery	1,899	1,313
Gowns	910	1,065
	2,809	2,378

The Mico Foundation

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

11. Receivables

	2019 $'000	2018 $'000
Trade	40,601	40,153
Other	5,380	7,606
	45,981	47,759
Less: Expected credit loss/provision for impairment		
Trade (note 3(a))	(40,013)	(40,153)
Other	(628)	(1,960)
	5,340	5,646

12. Investments

Investments comprise primarily, short-term Repurchase Agreements and Units Trust, which are held with following institutions:

	2019 $'000	2018 $'000
Barita Investments Limited	10,028	9,918
Barita Unit Trust Management Limited	675	665
N C B Capital Markets Limited	5,666	5,470
Jamaica Money Market Brokers Limited	7,472	10,202
Bank of Nova Scotia Jamaica Limited	10,921	10,522
	34,762	36,777
Interest receivable	99	48
	34,861	36,825

13. Cash and Cash Equivalents

	2019 $'000	2018 $'000
Cash in hand and at bank	25,420	29,739

14. Accounts Payable

	2019 $'000	2018 $'000
Trade	969	1,053
Statutory liabilities	403	382
Accruals	11,548	9,665
	12,920	11,100

The Mico Foundation

Notes to the Financial Statements
31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

15. Related Parties Balances and Transactions

(a) Year end balances arising from transactions with related parties:

	2019 $'000	2018 $'000
Assets		
The Mico University College	11,303	-
The Mico Old Student Association (MOSA)	240	240
	11,543	240
Less: Expected credit losss	(3,869)	-
	7,674	240
Liabilities		
The Mico Care Centre	5,991	5,826
The Mico University College	668	668
	6,659	6,494

The amount due to The Mico Care Centre relates to net advances received toward the refurbishing of The Mico Counseling Centre building.

(b) The statement of comprehensive income includes the following transactions with related parties:

	2019 $'000	2018 $'000
Trustees remittance received	6,552	6,926
Rental income received	85,924	56,740

(c) Key management includes directors, senior executives and the Foundation's secretary. The compensation paid or payable to key management for employee services is as shown below:

	2019 $'000	2018 $'000
Salaries and other short-term benefits	15,956	15,307
Payroll taxes – employer's portion	763	678
	16,719	15,985
Directors' emoluments		
Fees	320	150
Management compensation (included above)	4,625	4,351
	4,945	4,501

The Mico Foundation
Notes to the Financial Statements
31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

16. Borrowings

	2019 $'000	2018 $'000
National Housing Trust Loan (a)	11,340	16,130
National Commercial Bank Jamaica Limited (b)	13,811	16,453
	25,151	32,583
Current portion	(4,569)	(7,400)
Non-Current portion	20,582	25,183

(a) National Housing Trust Loan

The loan represents a long-term loan with National Housing Trust and is secured by the following:

(i) A first legal mortgage on property situated at 62 to 64 Arnold Road, Kingston 5;
(ii) the assignment of students' fees held at Bank of Nova Scotia Jamaica Limited;
(iii) guarantee from the Ministry of Finance & Planning.

This loan is repayable over 25 years at an interest rate of 8%.

(b) National Commercial Bank Jamaica Limited

The loan represents a long-term loan with National Commercial Bank Jamaica Limited and is secured by the following:

(i) A first legal mortgage on property situated at 2 Royes Street, St. Ann.

The total loan is $21,000,000 for $10,500,000 were received during 2018 and the 1st amount for $10,500,000 were received in 2017. This loan is repayable over 8 years. The interest rate on this loan is 11.00%.

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Total $'000
Net debt as at 31 December 2017	29,892
Loans received	10,500
Repayment – principal	(7,809)
Repayment – interest	(1,173)
Non-cash movements	
Interest expenses	1,173
Net debt as at 31 December 2018	32,583
Repayment – principal	(7,432)
Repayment – interest	(1,672)
Non-cash movements	
Interest expenses	1,672
Net debt as at 31 December 2019	25,151

The Mico Foundation
Notes to the Financial Statements
31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

17. Unexpended Fund Balance

These balances represent funds received by the Foundation from donors for specific purposes and which are unexpended at the year end.

These amounts are transferred to income based on the terms and conditions attached to each fund. The balance is comprised as follows:

	2019 $'000	2018 $'000
Charles Snaith	8	8
Donor Welfare Fund	445	535
Library Project	667	667
The Mico Old Student Association	348	348
Bus Purchase Fund	270	270
Ethel V. Leslie- Campbell Fund	1,261	1,349
Batch 1961 Fund	415	415
Beverly Sailsman Fund	-	201
Batch 156 Reunion Fund	15	15
Norma Lee Ellis-Wright Scholarship Fund	10	10
Batch 1966 Fund	2	2
Batch 1963 Fund	548	548
Pre University Men Programme	3	3
Batch 157	38	38
The Mico University College e-Learning	2,945	2,945
Buxton Hill Scholl Past Students	1,022	1,063
Batch 158 Fund	99	99
The Mico University College Sport Department	239	447
The Mico University College Music Department	88	88
Early Childhood Centre Fund	1,281	1,850
The Mico Gate Project Fund	-	3,021
Renis & Mavis Johnson Student Welfare Fund	124	124
Student of the Year Award Fund	20	20
The Mico University College Physical Education Department	107	206
The Mico University College Business Department	115	46
Trust America Digital Programme Fund	3,964	-
The Mico/China Work Programme Fund	56	-
Nakumbuka Fund	69	-
	14,159	14,318

The Mico Foundation

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

18. General Capital Fund

This balance represents the valuation of assets transferred to the Foundation from The Mico College, broken down as follows:

	2019 $'000	2018 $'000
General Fund	3,618	3,618
Campus Bookshop	35	35
Teacher Education (formerly Examination)	642	642
Post Diploma	977	977
Hostel	88	88
Advance Placement Programme	1,581	1,581
Central Connecticut University	1,688	1,688
Nova South Eastern University	455	455
	9,084	9,084

19. Capital Reserve Fund

Donations received in the form of capital assets, or specifically for the acquisition of such assets are credited to the capital reserve fund and released over the economic useful life of the relevant assets in accordance with associated depreciation policy. The donations are outright gifts to the Foundation and as such are not treated as deferred income

Assets comprising land and buildings were received from Lady Mico Charity and Mico Care Centre.

Capital Reserve Movements:

	2019 $'000	2018 $'000
Balance as at 1 January	761,898	763,553
Transfer to revenue	(1,655)	(1,655)
31 December	760,243	761,898

20. Taxation

The Foundation's income is exempt from income tax under section 12(h) of the Income Tax Act.

21. Pension Plan

The Foundation participates in an individual pension contributory pension Plan, which is open to all permanent employees and is administered by Jamaica Money Market Brokers Limited.

The Plan is funded by employees' contributions at 5% of basic salary with the option to contribute additional 5% and employer contributions at 5% of basic salary. Once the employer paid his 5% of contributions, it has no further obligation to the Plan.

The Mico Foundation

22. Subsequent Events

The World Health Organization (WHO) declared the novel Coronavirus (COVID-19) a global pandemic on 11 March 2020. Subsequent to the year end, the pandemic has resulted in a significant downturn in economic activities worldwide as there is currently no vaccine available. The method most recommended to manage contagion is social distancing resulting in the implementation of global travel restrictions. The disruption caused by COVID-19 has set off an unprecedented shock to financial markets causing increasing volatility in global markets. Jamaica has been negatively affected by the global travel restrictions, which has had a significant impact on Tourism and Hospitality, on which the country is heavily dependent. Other key sectors being hit hard are School, Entertainment, Business Process Outsourcing (BPO), Remittances, Manufacturing and Logistics.

The Mico Foundation is impacted by the economic effects of COVID-19 through its investments in equities, bonds, unit trusts and real estate assets, both local and international, held at fair value.

The performance of the Foundation would be affected by a decline in the returns on the interest bearing investments and rental income from real estate properties. Interest bearing instruments and real estate has exposure to the following:

- Fixed income securities;
- Tenanted real estate properties.

However, the full extent of the impact of COVID-19 on The Mico Foundation performance will depend on certain developments, including the duration and spread of the outbreak of which are uncertain and cannot be predicted, as at the date of signing the financial statements.