

ASHESI UNIVERSITY FOUNDATION

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED DECEMBER 31, 2013 AND 2012



**ASHESI
UNIVERSITY
FOUNDATION**

ASHESI UNIVERSITY FOUNDATION

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

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INDEPENDENT AUDITOR'S REPORT

September 20, 2014

Board of Trustees
Ashesi University Foundation
Seattle, Washington

We have audited the accompanying financial statements of Ashesi University Foundation, a nonprofit corporation, which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activity, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to in the first paragraph of this letter present fairly, in all material respects, the financial position of Ashesi University Foundation as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Jacobson Jarvis & Co, PLLC

Jacobson Jarvis & Co, PLLC

ASHESI UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 3,599,910	\$ 1,234,321
Investments	7,980	575,984
Promises to Give	1,013,129	1,144,410
Prepaid Expenses	5,895	11,924
Endowment Cash	-	18,840
Endowment Investments	<u>138,928</u>	<u>119,832</u>
	<u>\$ 4,765,842</u>	<u>\$ 3,105,311</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable	\$ 33,950	\$ 4,904
Notes payable, net of discount (See Note F)	<u>158,599</u>	<u>-</u>
	Total Liabilities	<u>192,549</u> <u>4,904</u>
Net Assets		
Unrestricted	2,628,374	932,160
Temporarily restricted	1,819,919	2,043,247
Permanently restricted	<u>125,000</u>	<u>125,000</u>
	Total Net Assets	<u>4,573,293</u> <u>3,100,407</u>
	<u>\$ 4,765,842</u>	<u>\$ 3,105,311</u>

ASHESI UNIVERSITY FOUNDATION

STATEMENTS OF ACTIVITY

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue								
Contributions	\$ 1,649,005	\$ 1,799,551	\$ -	\$ 3,448,556	\$ 522,688	\$ 1,257,832	\$ 15,000	\$ 1,795,520
Grants from government agencies	156,320			156,320	-			-
In-kind contributions	26,517	-	-	26,517	29,592	-	-	29,592
Interest and dividends	278	6,829	-	7,107	305	5,026	-	5,331
Total Public Support and Revenue	1,832,120	1,806,380	-	3,638,500	552,585	1,262,858	15,000	1,830,443
Net Assets Released from Restrictions								
Satisfaction of purpose restrictions	1,248,334	(1,248,334)	-	-	347,492	(347,492)	-	-
Satisfaction of time restrictions	781,269	(781,269)	-	-	213,353	(213,353)	-	-
Total Public Support, Revenue, and Other Support	3,861,723	(223,223)	-	3,638,500	1,113,430	702,013	15,000	1,830,443
Expenses								
Program services	1,993,443			1,993,443	761,450			761,450
Management and general	105,017			105,017	106,252			106,252
Fundraising	176,244			176,244	177,081			177,081
Total Expenses	2,274,704			2,274,704	1,044,783			1,044,783
Gains and losses								
Donor-initiated funds transfer		-	-	-		(10,000)	10,000	-
Net gain (loss) on investments	145,895	(105)	-	145,790	2,363	4,937	-	7,300
Net recovery (loss) on uncollectible promises to give	(36,700)	-	-	(36,700)	(18,035)	-	-	(18,035)
Changes in Net Assets	1,696,214	(223,328)	-	1,472,886	52,975	696,950	25,000	774,925
Net Assets – beginning of year	932,160	2,043,247	125,000	3,100,407	879,185	1,346,297	100,000	2,325,482
Net Assets – end of year	\$ 2,628,374	\$ 1,819,919	\$ 125,000	\$ 4,573,293	\$ 932,160	\$ 2,043,247	\$ 125,000	\$ 3,100,407

ASHESI UNIVERSITY FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013				2012			
	Program Services	Management and General	Fundraising	Total Expenses	Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 37,098	\$ 49,332	\$ 101,954	\$ 188,384	\$ 45,090	\$ 45,795	\$ 95,763	\$ 186,648
Payroll taxes	3,168	4,208	8,684	16,060	3,753	3,856	8,033	15,642
Employee benefits	7,047	8,642	21,651	37,340	10,363	8,436	18,219	37,018
	<u>47,313</u>	<u>62,182</u>	<u>132,289</u>	<u>241,784</u>	<u>59,206</u>	<u>58,087</u>	<u>122,015</u>	<u>239,308</u>
Grants to Ashesi University College	1,905,494	910	1,750	1,908,154	691,292	-	-	691,292
Travel	30,366	403	22,143	52,912	4,825	4,511	25,397	34,733
Professional fees	2,016	28,558	679	31,253	-	26,318	5,000	31,318
Occupancy	2,737	8,135	5,754	16,626	2,781	8,775	6,647	18,203
Equipment	-	907	6,717	7,624	111	2,242	4,070	6,423
Copying and printing	3,481	320	3,132	6,933	1,932	653	5,026	7,611
Local events and transportation	260	67	1,977	2,304	910	586	2,511	4,007
Miscellaneous	1,104	140	789	2,033	151	520	4,052	4,723
Insurance	-	1,752	-	1,752	-	1,804	-	1,804
Postage	608	143	593	1,344	240	422	2,149	2,811
Bank fees	-	604	416	1,020	-	291	160	451
Supplies	64	896	5	965	2	1,074	54	1,130
Depreciation	-	-	-	-	-	969	-	969
Total Expenses	<u>\$ 1,993,443</u>	<u>\$ 105,017</u>	<u>\$ 176,244</u>	<u>\$ 2,274,704</u>	<u>\$ 761,450</u>	<u>\$ 106,252</u>	<u>\$ 177,081</u>	<u>\$ 1,044,783</u>

ASHESI UNIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities		
Cash received from:		
Donors	\$ 2,833,156	\$ 958,262
Government agencies	156,320	-
Investment income	278	305
Cash paid for:		
Grants to Ashesi University College	(1,868,008)	(681,787)
Employees	(241,784)	(239,308)
Services and supplies	(103,320)	(89,464)
Net Cash Provided (Used) by Operating Activities	<u>776,642</u>	<u>(51,992)</u>
Cash Flows from Investing Activities		
Decrease (increase) in endowment cash	18,840	(18,840)
Purchase of investments	(25,127)	-
Proceeds from sale of investments	1,395,234	432,472
Net Cash Provided by Investing Activities	<u>1,388,947</u>	<u>413,632</u>
Cash Flows from Financing Activities		
Proceeds from issuance of notes payable	200,000	-
Proceeds from contribution restricted to endowment	-	15,000
Net Cash Provided by Financing Activities	<u>200,000</u>	<u>15,000</u>
Change in Cash and Cash Equivalents	2,365,589	376,640
Cash and Cash Equivalents - beginning of year	<u>1,234,321</u>	<u>857,681</u>
Cash and Cash Equivalents - end of year	<u>\$ 3,599,910</u>	<u>\$ 1,234,321</u>

ASHESI UNIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Reconciliation of Changes in Net Assets to Net Cash		
Flows from Operating Activities		
Changes in net assets	\$ 1,472,886	\$ 774,925
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities		
Depreciation	-	969
Net gain on investments	(145,790)	(7,300)
Reinvested dividends	(6,829)	(5,026)
Donated securities	(668,580)	(542,773)
Contributions restricted to endowment	-	(15,000)
Discount on below market rate notes payable	(41,401)	-
Change in:		
Promises to give	131,281	(261,450)
Prepaid expenses	6,029	3,969
Accounts payable	<u>29,046</u>	<u>(306)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 776,642</u>	<u>\$ (51,992)</u>

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Ashesi University Foundation (the Foundation) was founded in 1999 to provide educational opportunities in Ghana. It accomplishes this purpose by forming and providing operating and capital support to Ashesi University College (the University) in Ghana. The University's mission is to educate a new generation of ethical, entrepreneurial leaders in Africa; to cultivate within our students the critical thinking skills, the concern for others and the courage it will take to transform their continent.

Basis of Presentation

In accordance with financial accounting standards, the Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The net assets of the Foundation are classified as follows:

Unrestricted net assets are available without restriction for support of the Foundation's mission.

Temporarily restricted net assets are restricted by the donors to be used for certain purposes or in future periods. Temporarily restricted net assets are available as follows as of December 31:

	<u>2013</u>	<u>2012</u>
University Capital Improvements	\$ 1,000,000	\$ 17,480
Engineering Program	546,780	944,485
Time Restricted Pledges	182,380	950,635
Unamortized Discount on Notes Payable	41,401	-
Scholarships	35,430	101,975
University Programs	-	15,000
Endowment Earnings	13,928	13,672
	<u>\$ 1,819,919</u>	<u>\$ 2,043,247</u>

Permanently restricted net assets represent endowment gifts given with the intent that the principal will be maintained intact in perpetuity, and the income used for various restricted and unrestricted purposes.

Federal income taxes

The Internal Revenue Service has recognized the Foundation as exempt from federal income taxes under provision of Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3) and not as a private foundation.

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents represent checking, savings, and money market accounts held at various regional financial institutions.

Fair value measurement

In accordance with financial accounting standards, a three-tiered hierarchy of input levels is used for measuring fair value. Financial accounting standards defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques utilized to determine fair value are consistently applied. The three tiers of inputs used for fair value measurements are as follows:

Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets.

Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

Investments

Investments are stated at fair value and include investments held for general operations and endowment fund investments.

Promises to give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are shown net of an allowance for uncollectibility.

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The fair value of promises to give is estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities. Amortization of the discount is reported as contribution revenue. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Equipment

Equipment is recorded at cost or, if donated, at the estimated fair value at date of donation. Equipment purchases that exceed \$2,000 are capitalized as assets. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, typically five years. Equipment is depreciated based on months in service and was fully depreciated as of December 31, 2013 and 2012.

Restricted support

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

In-kind goods and services

Contributed materials and use of facilities have been recorded on the basis of rates that otherwise would have been paid for similar items. Donated services are recorded as in-kind contributions and are recognized as revenue at estimated fair values at the date of receipt if they (a) create or enhance non-financial assets, or (b) require specialized skills and would need to be purchased if not provided by donation. Corresponding expenses are recognized as the assets and services are utilized.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activity and of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Concentrations

The Foundation maintains cash deposits in bank accounts which exceed federally insured limits. The Foundation has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

As of December 31, 2013, 62% of outstanding pledges were due from one donor. For the year ended December 31, 2013, 53% of total public support and revenue was provided by two donors.

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE B - ASHESI UNIVERSITY COLLEGE

Ashesi University College (the University) was founded in 2002 by Patrick Awuah, a Ghanaian who chose to return to Ghana after a successful career in the U.S. software industry. He believed that for Africa to move forward, it needed a new kind of university, one that focused on quality, ethics and personal empowerment.

The University hopes to be a catalyst for change not only in the lives of the students but in the manner education is conducted in Ghana and other parts of Africa. The University has built an impressive track record over the past twelve years and is widely considered the highest quality private university in the country. The University's curriculum combines a liberal arts core that emphasizes critical thinking, communication skills and ethics with in-depth major programs in Business Administration, Computer Science and Management Information Systems.

The University is the only university in Ghana to feature a student honor code which places responsibility for reporting exam malpractice on the students. Relationships with top Universities in the United States including the University of Washington, University of California, Berkeley and Swarthmore College help ensure that the University's classes are meeting global standards.

Top Ghanaian and international companies are now actively recruiting students from the University. Graduates typically find employment, gain admission to graduate school, or start their own businesses within three months of graduation. In addition to academic quality, the University is committed to diversity in its classrooms and offers scholarships to women and students from disadvantaged backgrounds.

As stated in Note A, the Foundation accomplishes its stated mission of providing educational opportunities in Ghana by providing operating and capital support to the University. During the years ended December 31, 2013 and 2012, \$1,898,154 and \$681,787, respectively, in grants were provided to the University. The President of the Foundation also currently serves as the President of the University.

NOTE C - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are due as follows as of December 31, 2013 :

Receivable in less than one year	\$ 704,989
Receivable in one to five years	<u>344,716</u>
Total unconditional promises to give	1,049,705
Less:	
Discounts to net present value (0.13% - 0.38% discount rate)	(906)
Allowance for uncollectible pledges	<u>(35,670)</u>
	<u>\$ 1,013,129</u>

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE D - FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis as of December 31, 2013 and 2012 are as follows:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
As of December 31, 2013 :				
Donated equities held for sale	\$ 7,980	\$ -	\$ -	\$ 7,980
Manning and Napier Pro Fund	106,662	-	-	106,662
Pimco Total Return Fund	<u>32,266</u>	-	-	<u>32,266</u>
Investments	<u>\$ 146,908</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,908</u>
	(Level 1)	(Level 2)	(Level 3)	Total
As of December 31, 2012:				
Money market funds	\$ 113	\$ -	\$ -	\$ 113
Donated equities held for sale	575,984	-	-	575,984
Manning and Napier Pro Fund	89,635	-	-	89,635
Pimco Total Return Fund	<u>30,084</u>	-	-	<u>30,084</u>
Investments	<u>\$ 695,816</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 695,816</u>

Assets and liabilities carried at fair value on a nonrecurring basis using level 2 inputs generally include donated goods, facilities and services. Long-term promises to give are valued on a nonrecurring basis using the net present value of future cash flows discounted at a risk-free rate of return which is a level 3 input.

NOTE E - ENDOWMENTS

The Foundation's endowment fund was established in November 2009 and consists of one fund that is donor-restricted for student scholarships. In March 2010, the Board adopted an Endowment Investment and Spending Policy in an attempt to provide a predictable stream of funding for programs supported by the endowment while seeking to maintain the purchasing power of endowed assets and honor the donor's desired restrictions. The Foundation's investment policy guidelines and performance of invested assets are reviewed by the Foundation's Investment Committee no less than annually. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The Foundation accounts for its endowments in accordance with the "Uniform Prudent Management of Institutional Funds Act," (UPMIFA) as stated in the Revised Code of Washington (RCW) 24.55.

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE E - ENDOWMENTS (Continued)

Interpretation of Relevant Law

The Foundation has determined that requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary is appropriate. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment, as applicable, made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the foundation and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investment;
- (6) Other resources of the foundation; and
- (7) The investment policies of the foundation.

Return Objectives and Risk Parameters

The Foundation has adopted investment policies for endowment assets that focus on long-term results. At a minimum, these policies attempt to provide a predictable stream of funding to programs supported by The Foundation while seeking to maintain the purchasing power of the endowment assets. Under the policy, the endowment assets are invested in a manner that is intended to produce maximum long-term total returns consistent with reasonable risk to principal for their asset category.

Strategies Employed for Achieving Objectives

To satisfy its long term total return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield.

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE E - ENDOWMENTS (Continued)

To enhance return and reduce risk, the endowment portfolio is composed of diversified assets, including both equities and fixed-income investments. The equities are intended to provide current income, growth of income and appreciation of principal. The fixed-income investments are intended to provide a predictable and reliable source of interest income while reducing the volatility of the portfolio. The current allocation ratio goal is 0%-30% cash, 20%-60% equities and 40%-80% fixed income. The Foundation's investment policy guidelines are reviewed and reconfirmed or revised on at least an annual basis. Performance of the Foundation's investments is reviewed on a regular basis by the Investment Committee.

Spending Policy and How the Investment Objectives Relate to Spending Policy

As of the end of each fiscal year, the Board, upon recommendation by the Investment Committee, shall approve a Spending Rate which shall determine the amount that may be withdrawn from the Endowment during the succeeding fiscal year, to be spent for the Foundation's purposes in accordance with the terms of each endowment fund.

The approved Spending Rate will be applied to the average of the market value of all endowment funds for the preceding 12 quarters. To allow sufficient time for review and calculation, the Investment Committee may choose to base the 12-quarter average on a period ending September 30th. Once the distribution amount has been determined, these funds will be withdrawn from exposure to market fluctuations as soon as practicable. Contributions received for the endowment fund in 2012 were transferred to the investment account subsequent to year end.

Change in Endowment Net Assets for the Year Ended December 31, 2013 :

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 13,672	\$ 125,000	\$ 138,672
Investment return:				
Investment income	-	6,829	-	6,829
Net unrealized loss	-	(105)	-	(105)
Total investment return	-	6,724	-	6,724
Contributions, net	-	-	-	-
Appropriated for expenditure	-	(6,468)	-	(6,468)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 13,928</u>	<u>\$ 125,000</u>	<u>\$ 138,928</u>

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE E - ENDOWMENTS (Continued)

Change in Endowment Net Assets for the Year Ended December 31, 2012:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 9,869	\$ 100,000	\$ 109,869
Investment return:				
Investment income	-	5,026	-	5,026
Net unrealized gain	-	4,937	-	4,937
Total investment return	-	9,963	-	9,963
Contributions, net	-	-	25,000	25,000
Appropriated for expenditure	-	(6,160)	-	(6,160)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 13,672</u>	<u>\$ 125,000</u>	<u>\$ 138,672</u>

NOTE F - NOTES PAYABLE

In 2013, Ashesi University Foundation (the Foundation) launched a new project that will raise funds to build housing on campus and allow more students to have full access to the Ashesi education experience. The Foundation will solicit and collect funds from investors through the issuance of Unsecured Student Housing Revenue Notes (Notes). The notes shall have a 15-year term and pay interest at a 4% annual rate. In 2014, the Foundation intends to loan the capital raised from the issuance of these notes to Ashesi University College (the University) which will use the loan proceeds to build a dormitory (approx. 96 beds) at the University. Repayment of the investor notes will be dependent upon the Foundation's receipt of repayment of the loan between the Foundation and the University.

The notes payable are considered below-market rate loans. As such, when the loan proceeds are advanced, the Foundation records contribution revenue and a loan discount for the difference between the stated rate of 4% and the estimated market rate of 7.36%. The loans are reported in the statement of financial position net of unamortized discounts. The discount on the loans is amortized to interest expense over the lives of the loans.

On December 31, 2013, the Foundation issued the first of the notes in the amount of \$200,000 net of unamortized discount of \$41,401. Interest only payments are due annually in 2014 and 2015. Annual principal payments on this note begin in 2016 in the amount of \$15,385 plus accrued interest and continue through 2028. Proceeds from this note are being held in cash and cash equivalents until loaned to the University which is expected to occur in 2014.

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE F - NOTES PAYABLE (Continued)

Minimum future principal payments on the notes are as follows for the years ending December 31:

2014	\$	-
2015		-
2016		15,385
2017		15,385
2018		15,385
Thereafter		<u>153,845</u>
	\$	<u>200,000</u>

On April 30, 2014, the Foundation issued six additional notes totaling \$850,000 net of unamortized discount of \$175,952. The terms of these additional notes are the same as above with interest only payments due annually in 2015 and 2016 and annual principle payments beginning in 2017 in the aggregate amount of \$65,385 plus accrued interest continuing through 2029.

NOTE G - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to December 31, 2013 through September 20, 2014, which is the date the financial statements were available to be issued and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at December 31, 2013, including the estimates inherent in the processing of financial statements. The following events arose after December 31, 2013 relating to conditions that did not exist as of December 31, 2013.

On April 30, 2014, the Foundation entered into a \$1,000,000 loan agreement whereby the capital raised from the issuance of the Unsecured Student Housing Revenue Notes discussed in Note F will be loaned to Ashesi University College (the University). The loan proceeds will be used by the University to build a dormitory (approx. 96 beds). The loan calls for monthly interest payments beginning April 2015 at a rate of 4.25% and additional principal payments beginning in April 2017 in the amount of \$76,923. In August 2014, the initial funding request was disbursed by the Foundation to the University in the amount of \$947,882.