

ASHESI UNIVERSITY FOUNDATION

FINANCIAL STATEMENTS  
With Independent Auditor's Report

YEARS ENDED DECEMBER 31, 2015 AND 2014



**ASHESI  
UNIVERSITY  
FOUNDATION**

ASHESI UNIVERSITY FOUNDATION

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	2
STATEMENTS OF FINANCIAL POSITION December 31, 2015 and 2014	4
STATEMENTS OF ACTIVITY Years ended December 31, 2015 and 2014	5
STATEMENTS OF FUNCTIONAL EXPENSES Years ended December 31, 2015 and 2014	6
STATEMENTS OF CASH FLOWS Years ended December 31, 2015 and 2014	7 - 8
NOTES TO FINANCIAL STATEMENTS	9 - 19

INDEPENDENT AUDITOR'S REPORT

June 1, 2016

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, 2015 and 2014, 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, 2015 and 2014, 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

DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 4,921,248	\$ 3,249,125
Promises to Give	967,007	1,291,711
Interest Receivable	30,437	14,271
Prepaid Expenses	10,768	14,247
AFM Scholarship Fund Investments	370,306	-
Notes Receivable, net of discount (See Note F)	1,213,997	788,445
Equipment, net of accumulated depreciation	12,136	-
Endowment Investments	<u>178,546</u>	<u>137,924</u>
	<u>\$ 7,704,445</u>	<u>\$ 5,495,723</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable	\$ 4,805	\$ 5,721
Accrued liabilities	39,931	26,769
Loans payable, net of discount (See Note H)	<u>1,263,478</u>	<u>846,727</u>
	Total Liabilities	<u>1,308,214</u> <u>879,217</u>
Net Assets		
Unrestricted		
Undesignated	819,997	1,676,683
Board designated	<u>3,070,000</u>	<u>1,410,781</u>
	Total Unrestricted Net Assets	3,889,997      3,087,464
Temporarily restricted	2,331,234	1,404,042
Permanently restricted	<u>175,000</u>	<u>125,000</u>
	Total Net Assets	<u>6,396,231</u> <u>4,616,506</u>
	<u>\$ 7,704,445</u>	<u>\$ 5,495,723</u>

ASHESI UNIVERSITY FOUNDATION

STATEMENTS OF ACTIVITY

YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public Support and Revenue</b>								
Contributions	\$ 1,183,078	\$ 2,235,706	\$ 50,000	\$ 3,468,784	\$ 1,248,981	\$ 1,318,380	\$ -	\$ 2,567,361
Grants from government agencies	-	-	-	-	250,000	-	-	250,000
Discount on loans payable	-	110,028	-	110,028	-	175,952	-	175,952
In-kind contributions	15,755	-	-	15,755	23,056	-	-	23,056
Interest on notes receivable	63,961	-	-	63,961	20,303	-	-	20,303
Investment interest and dividends	399	8,337	-	8,736	699	7,599	-	8,298
<b>Total Public Support and Revenue</b>	<b>1,263,193</b>	<b>2,354,071</b>	<b>50,000</b>	<b>3,667,264</b>	<b>1,543,039</b>	<b>1,501,931</b>	<b>-</b>	<b>3,044,970</b>
<b>Net Assets Released from Restrictions</b>								
Satisfaction of purpose restrictions	1,131,168	(1,131,168)	-	-	1,732,114	(1,732,114)	-	-
Satisfaction of time restrictions	278,332	(278,332)	-	-	183,883	(183,883)	-	-
<b>Total Public Support, Revenue, and Other Support</b>	<b>2,672,693</b>	<b>944,571</b>	<b>50,000</b>	<b>3,667,264</b>	<b>3,459,036</b>	<b>(414,066)</b>	<b>-</b>	<b>3,044,970</b>
<b>Expenses</b>								
Program services	1,559,874	-	-	1,559,874	2,714,976	-	-	2,714,976
Management and general	117,198	-	-	117,198	103,832	-	-	103,832
Fundraising	200,000	-	-	200,000	181,744	-	-	181,744
<b>Total Expenses</b>	<b>1,877,072</b>	<b>-</b>	<b>-</b>	<b>1,877,072</b>	<b>3,000,552</b>	<b>-</b>	<b>-</b>	<b>3,000,552</b>
<b>Gains and losses</b>								
Net gain (loss) on investments	1,228	(17,379)	-	(16,151)	606	(1,811)	-	(1,205)
Net recovery on uncollectible promises to give	5,684	-	-	5,684	-	-	-	-
<b>Changes in Net Assets</b>	<b>802,533</b>	<b>927,192</b>	<b>50,000</b>	<b>1,779,725</b>	<b>459,090</b>	<b>(415,877)</b>	<b>-</b>	<b>43,213</b>
Net Assets – beginning of year	3,087,464	1,404,042	125,000	4,616,506	2,628,374	1,819,919	125,000	4,573,293
Net Assets – end of year	\$ 3,889,997	\$ 2,331,234	\$ 175,000	\$ 6,396,231	\$ 3,087,464	\$ 1,404,042	\$ 125,000	\$ 4,616,506

ASHESI UNIVERSITY FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015				2014			
	Program Services	Management and General	Fundraising	Total Expenses	Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 45,170	\$ 48,935	\$ 94,105	\$ 188,210	\$ 36,194	\$ 45,895	\$ 98,252	\$ 180,341
Payroll taxes	3,820	4,138	7,959	15,917	3,085	3,905	8,347	15,337
Employee benefits	7,546	8,175	15,721	31,442	5,580	6,585	16,789	28,954
	<u>56,536</u>	<u>61,248</u>	<u>117,785</u>	<u>235,569</u>	<u>44,859</u>	<u>56,385</u>	<u>123,388</u>	<u>224,632</u>
Grants to Ashesi University College	1,387,212	-	-	1,387,212	2,565,699	-	-	2,565,699
Interest expense	82,112	-	-	82,112	44,747	-	-	44,747
Travel	17,527	5,492	37,736	60,755	46,430	102	27,541	74,073
Professional fees	170	41,061	2,176	43,407	2,500	38,346	210	41,056
Local events and transportation	4,346	930	17,665	22,941	2,672	218	5,343	8,233
Occupancy	4,917	5,010	9,609	19,536	3,808	4,501	9,902	18,211
Equipment	572	1,039	6,862	8,473	-	748	6,049	6,797
Copying and printing	3,443	571	4,325	8,339	3,252	-	5,129	8,381
Postage	739	196	933	1,868	602	170	1,218	1,990
Bank fees	-	519	1,276	1,795	-	510	2,160	2,670
Insurance	420	456	876	1,752	-	1,752	-	1,752
Miscellaneous	910	389	200	1,499	371	250	804	1,425
Supplies	256	287	557	1,100	36	850	-	886
Depreciation	714	-	-	714	-	-	-	-
Total Expenses	<u>\$ 1,559,874</u>	<u>\$ 117,198</u>	<u>\$ 200,000</u>	<u>\$ 1,877,072</u>	<u>\$ 2,714,976</u>	<u>\$ 103,832</u>	<u>\$ 181,744</u>	<u>\$ 3,000,552</u>

ASHESI UNIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from:		
Donors	\$ 3,799,174	\$ 2,288,779
Government agencies	-	250,000
Investment income	399	699
Cash paid for:		
Grants to Ashesi University College	(1,264,079)	(2,372,217)
Employees	(236,660)	(224,364)
Services and supplies	(153,119)	(151,060)
Interest	<u>(42,000)</u>	<u>(8,000)</u>
Net Cash Provided (Used) by Operating Activities	<u>2,103,715</u>	<u>(216,163)</u>
<b>Cash Flows from Investing Activities</b>		
Issuance of notes receivable from Ashesi University College	(500,000)	(1,000,000)
Purchase of equipment	(12,850)	-
Purchase of investments	(565,728)	-
Proceeds from sale of investments	<u>146,986</u>	<u>7,398</u>
Net Cash Used by Investing Activities	<u>(931,592)</u>	<u>(992,602)</u>
<b>Cash Flows Provided by Financing Activities</b>		
Proceeds from issuance of loans payable	<u>500,000</u>	<u>850,000</u>
Change in Cash and Cash Equivalents	1,672,123	(358,765)
Cash and Cash Equivalents - beginning of year	<u>3,249,125</u>	<u>3,607,890</u>
Cash and Cash Equivalents - end of year	<u>\$ 4,921,248</u>	<u>\$ 3,249,125</u>



ASHESI UNIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<b>Reconciliation of Changes in Net Assets to Net Cash</b>		
<b>Flows from Operating Activities</b>		
Changes in net assets	\$ 1,779,725	\$ 43,213
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities		
Depreciation	714	-
Net loss on investments	16,151	1,205
Reinvested dividends	(8,337)	(7,599)
Discount on below-market rate notes receivable	74,448	211,555
Discount on below-market rate loans payable	(83,249)	(161,872)
Change in:		
Promises to give	324,704	(278,582)
Interest receivable	(16,166)	(14,271)
Prepaid expenses	3,479	(8,352)
Accounts payable	(916)	3,525
Accrued liabilities	<u>13,162</u>	<u>(4,985)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,103,715</u>	<u>\$ (216,163)</u>

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

**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, program, scholarship, 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. The Board of Trustees has designated certain otherwise unrestricted net assets as follows as of December 31:

	<u>2015</u>	<u>2014</u>
University Capital Reserve	\$ 1,000,000	\$ 610,781
Engineering Program	760,000	800,000
Foundation Operating Reserve	500,000	-
University Operating Reserve	400,000	-
Student Housing	410,000	-
	<u>\$ 3,070,000</u>	<u>\$ 1,410,781</u>

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>2015</u>	<u>2014</u>
University Capital Fund	\$ 763,020	\$ 572,969
AFM Scholarship Fund	370,306	-
Engineering Program	328,779	-
Scholarships	299,918	165,100
Unamortized Discount on Loans Payable	286,521	203,273
Time Restricted Pledges	269,144	446,776
University Programs	10,000	3,000
Endowment Earnings	3,546	12,924
	<u>\$ 2,331,234</u>	<u>\$ 1,404,042</u>

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are stated at fair value and include investments held for scholarships 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.

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 on a straight-line basis over its estimated useful life. Accumulated depreciation as of December 31, 2015 and 2014 totaled \$27,500 and \$26,786, respectively.

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.

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015, outstanding pledges from one donor represent 45% of total promises to give. For the year ended December 31, 2015, 26% of total contributions was provided by this donor.

Reclassifications

Certain accounts in the 2014 financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on the net assets or change in net assets as of or for the year ended December 31, 2014.

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 thirteen 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.

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE B - ASHESI UNIVERSITY COLLEGE (Continued)

As stated in Note A, the Foundation accomplishes its mission of providing educational opportunities in Ghana by providing operating, program, scholarship, and capital support to the University. During the years ended December 31, 2015 and 2014, \$1,282,688 and \$2,342,101, respectively, in cash grants was provided to the University. The President of the Foundation also currently serves as the President of the University.

NOTE C - DONATIONS SENT DIRECTLY TO ASHESI UNIVERSITY COLLEGE

Ashesi University Foundation and Ashesi University College both have staff who cultivate and solicit gifts. On occasion, a donor or grantor who has been working with Foundation staff to develop their gift may prefer to make their gift directly to the University. Those gifts are acknowledged in the Foundation's reports because they resulted from Foundation efforts. However, they are not included in the Foundation's financial statements. In 2015, gifts that were cultivated and solicited by Foundation staff, but were sent directly to the University by the donors, included a gift from the ELMA Growth Foundation in the amount of \$370,000 for engineering equipment.

NOTE D - FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis as of December 31, 2015 and 2014 are as follows:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
As of December 31, 2015:				
Prime Money Market Fund	\$ 152,846	\$ -	\$ -	\$ 152,846
Vanguard Total International Stock Index Fund Admiral Shares	79,532	-	-	79,532
Vanguard Total Bond Market Index Fund Admiral Shares	231,699	-	-	231,699
Vanguard Total Stock Market Index Fund Admiral Shares	84,775	-	-	84,775
Investments	<u>\$ 548,852</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 548,852</u>

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE D - FAIR VALUE MEASUREMENTS (Continued)

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
As of December 31, 2014:				
Manning and Napier Pro Fund	\$ 106,299	\$ -	\$ -	\$ 106,299
Pimco Total Return Fund	<u>31,625</u>	<u>-</u>	<u>-</u>	<u>31,625</u>
Investments	<u>\$ 137,924</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,924</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 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are due as follows as of December 31, 2015:

Receivable in less than one year	\$ 831,600
Receivable in one to five years	<u>167,945</u>
Total unconditional promises to give	999,545
Less:	
Discounts to net present value (0.65% - 1.54% discount rate)	(2,552)
Allowance for uncollectible pledges	<u>(29,986)</u>
	<u>\$ 967,007</u>

NOTE F - NOTES RECEIVABLE

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 H was loaned to Ashesi University College (the University). The loan proceeds were used by the University to build a dormitory (approximately 96 beds). Interest-only payments are due annually in 2015 and 2016. Annual principal payments on this note begin in April 2017, in the amount of \$76,923 plus accrued interest. In August 2014, the initial funding request was disbursed by the Foundation to the University in the amount of \$947,882, with the balance of \$52,118 disbursed in December 2014.

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE F - NOTES RECEIVABLE (Continued)

On April 30, 2015, the Foundation entered into an additional \$500,000 loan agreement whereby the additional capital raised from the issuance of the Unsecured Student Housing Revenue Notes discussed in Note H was loaned to Ashesi University College (the University). These loan proceeds will also be used by the University to help build the dormitory. The terms of this additional loan are the same as above, with interest-only payments due annually in 2016 and 2017. Annual principal payments on this note begin in April 2018, in the amount of \$38,462 plus accrued interest. In December 2015, the additional \$500,000 funding request was disbursed by the Foundation to the University.

The notes receivable are considered below-market rate notes. As such, when the note proceeds were advanced, the Foundation recorded a grant to the University and a note discount for the difference between the stated rate of 4.35% and the estimated market rate of 7.36%. The notes are reported in the statements of financial position net of unamortized discount of \$286,003 and \$211,555 as of December 31, 2015 and 2014, respectively.

The discount on the notes is amortized to interest income over the life of the note. Due to the nature of the notes receivable and the relationship between the Foundation and the University, no allowance has been made for estimated uncollectibility of the notes. Management believes the notes to be fully collectible.

NOTE G - ENDOWMENTS

The Foundation's endowment fund was established in November 2009 and consists of two funds that are 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, 2015 AND 2014

NOTE G - 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, 2015 AND 2014

NOTE G - ENDOWMENTS (Continued)

To enhance return and reduce risk, the endowment portfolio is composed of diversified assets, including 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 Finance 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.

**Change in Endowment Net Assets for the Year Ended December 31, 2015:**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 12,924	\$ 125,000	\$ 137,924
Investment return:				
Investment income	-	2,229	-	2,229
Net unrealized loss	-	(3,275)	-	(3,275)
Total investment return	-	(1,046)	-	(1,046)
Contributions, net	-	-	50,000	50,000
Appropriated for expenditure	-	(8,332)	-	(8,332)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 3,546</u>	<u>\$ 175,000</u>	<u>\$ 178,546</u>

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE G - ENDOWMENTS (Continued)

**Change in Endowment Net Assets for the Year Ended December 31, 2014:**

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 13,928	\$ 125,000	\$ 138,928
Investment return:				
Investment income	-	7,599	-	7,599
Net unrealized loss	-	(1,811)	-	(1,811)
Total investment return	-	5,788	-	5,788
Contributions, net	-	-	-	-
Appropriated for expenditure	-	(6,792)	-	(6,792)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 12,924</u>	<u>\$ 125,000</u>	<u>\$ 137,924</u>

NOTE H - LOANS PAYABLE

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

The loans payable are considered below-market rate loans. As such, when the loan proceeds are advanced, the Foundation records support 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 statements of financial position net of unamortized discounts. The discount on the loans is amortized to interest expense over the lives of the loans.

In 2013, the Foundation issued the first of the loans in the amount of \$200,000 net of unamortized discount of \$41,401. Interest-only payments were 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. In 2014, the Foundation issued six additional loans totaling \$850,000 net of unamortized discount of \$175,952. The terms of these additional loans are the same as above, with interest-only payments due annually in 2015 and 2016 and annual principal payments beginning in 2017, in the aggregate amount of \$65,385 plus accrued interest, continuing through 2029.

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE H - LOANS PAYABLE (Continued)

On April 30, 2015, the Foundation issued an additional loan in the amount of \$500,000 net of unamortized discount of \$110,028. The terms of this additional loan are the same as above with interest-only payments due annually in 2016 and 2017 and annual principal payments beginning in 2018 in the amount of \$38,462 plus accrued interest, continuing through 2030.

Total remaining unamortized discount on the loans payable as of December 31, 2015 and 2014 was \$286,521 and \$203,273, respectively. Minimum future principal payments on the loans are as follows for the years ending December 31:

2016	\$	15,384
2017		80,770
2018		119,232
2019		119,232
2020		119,232
Thereafter		<u>1,096,150</u>
		<u>\$ 1,550,000</u>

NOTE I - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to December 31, 2015 through June 1, 2016, 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, 2015, including the estimates inherent in the processing of financial statements.