

ASHESI UNIVERSITY FOUNDATION

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED DECEMBER 31, 2022 AND 2021



**ASHESI
UNIVERSITY
FOUNDATION**

ASHESI UNIVERSITY FOUNDATION

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Ashesi University Foundation
Seattle, Washington

Opinion

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, 2022 and 2021, and the related statements of activity, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ashesi University Foundation as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 are required to be independent of Ashesi University Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ashesi University Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

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. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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 Ashesi University Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ashesi University Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Jacobson Jarvis & Co, PLLC

Jacobson Jarvis & Co, PLLC
Seattle, Washington
June 21, 2023

ASHESI UNIVERSITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 3,735,102	\$ 3,170,784
Promises to give	1,511,520	735,165
Interest and other receivables	59,717	31,231
Notes receivable - current portion	92,419	90,542
Prepaid expenses	78,201	9,972
Investments	2,655,573	2,235,714
University Fund investments	<u>3,468,574</u>	<u>2,933,361</u>
Total Current Assets	11,601,106	9,206,769
Promises to Give, less current portion	508,269	401,461
Notes Receivable, net of discount (See Note F)	752,899	845,318
AFM Scholarship Fund Investments	169,221	252,882
Endowment Investments	<u>2,329,680</u>	<u>2,076,012</u>
	<u>\$15,361,175</u>	<u>\$12,782,442</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 19,454	\$ 27,025
Accrued liabilities	49,298	37,218
Funds held for the benefit of Ashesi University	3,468,574	2,933,361
Refundable advance	80,300	-
Loans payable - current portion	<u>119,232</u>	<u>119,232</u>
Total Current Liabilities	3,736,858	3,116,836
Loans Payable, net of discount (See Note I)	<u>744,488</u>	<u>837,247</u>
Total Liabilities	<u>4,481,346</u>	<u>3,954,083</u>
Net Assets		
Without donor restrictions	3,530,781	2,951,111
With donor restrictions	<u>7,349,048</u>	<u>5,877,248</u>
Total Net Assets	<u>10,879,829</u>	<u>8,828,359</u>
	<u>\$15,361,175</u>	<u>\$12,782,442</u>

See notes to financial statements.

ASHESI UNIVERSITY FOUNDATION

STATEMENTS OF ACTIVITY

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue						
Contributions	\$ 2,392,101	\$ 3,518,238	\$ 5,910,339	\$ 927,656	\$ 2,502,416	\$ 3,430,072
Grants from government agencies	-	101,180	101,180	-	625,203	625,203
In-kind contributions	17,500	-	17,500	17,500	-	17,500
Discount of notes payable	-	-	-	-	-	-
Interest on notes receivable	68,343	-	68,343	74,640	-	74,640
Investment interest and dividends	87,859	47,607	135,466	10,612	41,581	52,193
Total Public Support and Revenue	2,565,803	3,667,025	6,232,828	1,030,408	3,169,200	4,199,608
Net Assets Released from Restrictions						
Satisfaction of purpose restrictions	1,553,845	(1,553,845)	-	2,291,096	(2,291,096)	-
Satisfaction of time restrictions	224,837	(224,837)	-	148,501	(148,501)	-
Total Public Support, Revenue, and Other Support	4,344,485	1,888,343	6,232,828	3,470,005	729,603	4,199,608
Expenses						
Program services	2,918,657		2,918,657	4,058,446		4,058,446
Management and general	277,045		277,045	225,445		225,445
Fundraising	467,855		467,855	371,994		371,994
Total Expenses	3,663,557		3,663,557	4,655,885		4,655,885
Gains and Losses						
Net (loss) gain on investments	(91,770)	(416,543)	(508,313)	(13,616)	147,479	133,863
Net (loss) recovery on uncollectible promises to give	(9,488)	-	(9,488)	6,687	-	6,687
Changes in Net Assets	579,670	1,471,800	2,051,470	(1,192,809)	877,082	(315,727)
Net Assets – beginning of year	2,951,111	5,877,248	8,828,359	4,143,920	5,000,166	9,144,086
Net Assets – end of year	\$ 3,530,781	\$ 7,349,048	\$ 10,879,829	\$ 2,951,111	\$ 5,877,248	\$ 8,828,359

ASHESI UNIVERSITY FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022				2021			
	Program Services	Management and General	Fundraising	Total Expenses	Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 136,719	\$ 127,737	\$ 218,179	\$ 482,635	\$ 124,263	\$ 106,614	\$ 177,273	\$ 408,150
Employee benefits	26,449	25,545	42,265	94,259	22,602	20,721	31,717	75,040
Payroll taxes	11,817	11,309	18,792	41,918	10,553	9,189	15,034	34,776
	<u>174,985</u>	<u>164,591</u>	<u>279,236</u>	<u>618,812</u>	<u>157,418</u>	<u>136,524</u>	<u>224,024</u>	<u>517,966</u>
Grants to Ashesi University	2,619,969	-	-	2,619,969	3,719,074	-	-	3,719,074
Professional fees	48,062	84,640	120,875	253,577	84,569	73,251	94,500	252,320
Interest expense	67,549	-	-	67,549	74,450	-	-	74,450
Office and other expenses	13,014	12,712	21,889	47,615	9,487	7,051	18,454	34,992
Occupancy	8,284	7,691	13,609	29,584	8,794	7,548	12,773	29,115
Travel and training	12,279	5,504	25,626	43,409	3,760	30	13,719	17,509
Miscellaneous	1,766	1,907	7,579	11,252	894	1,041	8,524	10,459
	<u>2,945,908</u>	<u>277,045</u>	<u>468,814</u>	<u>\$ 3,691,767</u>	<u>\$ 4,058,446</u>	<u>\$ 225,445</u>	<u>\$ 371,994</u>	<u>\$ 4,655,885</u>
Less AUFC shared costs	<u>(27,251)</u>	<u>-</u>	<u>(959)</u>	<u>(28,210)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>\$ 2,918,657</u>	<u>\$ 277,045</u>	<u>\$ 467,855</u>	<u>\$ 3,663,557</u>	<u>\$ 4,058,446</u>	<u>\$ 225,445</u>	<u>\$ 371,994</u>	<u>\$ 4,655,885</u>

ASHESI UNIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Cash received from:		
Donors	\$ 4,330,482	\$ 3,691,134
Government agencies	181,480	625,203
Investment and other income	59,669	35,236
Cash paid for:		
Grants to Ashesi University	(1,669,980)	(842,603)
Employees	(603,962)	(518,143)
Services and supplies	(415,527)	(312,552)
Interest	(43,847)	(48,615)
Net Cash Provided by Operating Activities	<u>1,838,315</u>	<u>2,629,660</u>
Cash Flows from Investing Activities		
Payments on notes receivable from Ashesi University	115,385	115,385
Purchase of University Fund investments	-	(2,876,471)
Purchase of investments	(1,473,553)	(7,379,749)
Proceeds from sale of investments	203,402	6,267,771
Net Cash Used by Investing Activities	<u>(1,154,766)</u>	<u>(3,873,064)</u>
Cash Flows Used by Financing Activities		
Payments on loans payable	<u>(119,231)</u>	<u>(119,231)</u>
Change in Cash and Cash Equivalents	564,318	(1,362,635)
Cash and Cash Equivalents - beginning of year	<u>3,170,784</u>	<u>4,533,419</u>
Cash and Cash Equivalents - end of year	<u>\$ 3,735,102</u>	<u>\$ 3,170,784</u>

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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 (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.

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.

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.

Basis of presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Trustees has designated certain otherwise unrestricted net assets as follows as of December 31:

	<u>2022</u>	<u>2021</u>
Foundation Operating Reserve	\$ 1,400,000	\$ 900,000
University Critical Needs Reserve	-	1,208,300
University Student Housing	-	317,389
University Capital and Equipment	1,050,000	-
University Capital Reserve	170,000	-
University Presidential Leadership Fund	629,915	-
University Faculty Development and Research	100,000	100,000
University General Programs and Support	310,232	235,000
	<u>\$ 3,660,147</u>	<u>\$ 2,760,689</u>

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions restricted by donors are reported as increases in net assets with donor restrictions when received. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activity as net assets released from restriction.

Net assets with donor restrictions were as follows as of December 31:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specific purposes:		
Scholarships	\$ 3,318,329	\$1,965,475
AFM Scholarship Fund	169,222	252,882
Faculty Development and Research	511,750	483,250
Entrepreneurship Center	590,000	760,000
University Capital Fund	-	50,000
University Programs	17,872	34,954
Unamortized Discount on Loans Payable	113,203	139,675
Available for future periods	170,741	100,000
	<u>\$ 4,891,117</u>	<u>3,786,236</u>
Endowments:		
Subject to endowment spending policy and appropriation:		
Kofi Tawiah Good Citizenship Scholar Award	942,648	1,168,783
Jan Stenbeck Scholarship	502,701	613,392
Fred and Vera Orthlieb Scholarship	92,615	119,720
Emmanuel Kofi Effah Osei Scholarship	25,394	31,338
Scholarship Endowment	79,343	74,706
University Priorities Endowment Fund	55,230	68,073
Ofori Laing Family Scholarship Endowment	38,000	-
Doug and Maria Bayer Scholarship Endowment	23,750	-
Dr. Victor and Mary Pappoe Scholarship Endowment	190,000	-
Ashesi Future Innovators Endowment	380,000	-
Not subject to spending policy or appropriation:		
Pledges to Ofori Laing Family Endowment	57,000	-
Pledges to Doug and Maria Bayer Scholarship Endowment	71,250	-
Pledges to University Priorities Endowment	-	15,000
	<u>2,457,931</u>	<u>2,091,012</u>
Total net assets with donor restrictions	<u>\$ 7,349,048</u>	<u>\$ 5,877,248</u>

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

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

Investments

Investments are stated at fair value and include investments held for board reserves, scholarships and endowment fund investments. Net investment return is reported in the statements of activity and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment expenses. The fair values of investments are subject to market risk. However, the Foundation believes that the investment policies and guidelines are prudent for its long-term financial stability.

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.

Promises to give

Promises to give are shown net of an allowance for collectability. 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.

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 1,511,520	\$ 735,165
Receivable in one to five years	<u>578,650</u>	<u>420,000</u>
Total unconditional promises to give	2,090,170	1,155,165
Less:		
Discounts to net present value (3.99% - 4.22% discount rate)	(49,479)	(7,126)
Allowance for uncollectible pledges	<u>(20,902)</u>	<u>(11,413)</u>
	<u>\$ 2,019,789</u>	<u>\$ 1,136,626</u>

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.

For the year ended December 31, 2022, two donors represented 18% of total support and revenue. As of December 31, 2022, outstanding pledges from two donors represent 68% of total promises to give. For the year ended December 31, 2021, two donors represented 29% of total support and revenue. As of December 31, 2021, outstanding pledges from two donors represent 67% of total promises to give.

Equipment

Equipment is recorded at cost or, if donated, at the estimated fair value at date of donation. Equipment purchases that exceed \$5,000 are capitalized as assets. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, typically five years. All equipment was fully depreciated as of December 31, 2022 and 2021.

Support and revenue recognition

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

The Foundation's federal grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. As of December 31, 2022, contributions and grants conditioned upon incurrence of allowable qualifying expenses totaled \$893,820, of which no amounts had been received in advance. As of December 31, 2021, contributions and grants conditioned upon incurrence of allowable qualifying expenses totaled \$995,000.

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

On June 16, 2022 the Foundation received a grant award in the amount of \$1,800,000 for University scholarships, conditioned upon the awarding of scholarships to students meeting the stated grant criteria. A grant advance of 450,000 was received on June 28, 2022. As of December 31, 2022, allowable qualifying scholarships totaled, \$347,200, leaving a refundable grant balance of \$80,300. Per the grant agreement and Foundation policy, of each grant advance amount received, the Foundation allocates 5% towards unrestricted operating expenses.

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. Where possible, specific expenses have been charged directly to the appropriate category. When functions are shared or costs are intermingled, expenses are allocated based on employee counts and estimated percentage of effort.

NOTE B - LIQUIDITY

As shown in Note A, the Foundation maintains funds with donor restrictions for grants to the University as well as funds designated by the Board of Trustees for use by the University. To ensure financial assets are sufficient to meet Foundation cash needs for the year, the Board has designated a Foundation Operating Reserve to be available for use by the Foundation for operating expenses included in the board-approved budget if there is a shortfall of available funds. The target amount of the Foundation Operating Reserve is 100% of the Foundation's personnel and operations expenses for one calendar year. The operating reserve as of December 31, 2022 and 2021 was \$1,400,000 and \$900,000, respectively and those funds are included in the total below of financial assets available to meet cash needs for general expenditures within one year.

As part of its liquidity management plan, the Foundation invests cash in excess of daily requirements in an ultra-short-term bond fund and a U.S. Treasury money fund.

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE B - LIQUIDITY (Continued)

Financial assets available for general expenditure within one year as of December 31 are as follows:

	<u>2022</u>	<u>2021</u>
Total financial assets	\$15,282,974	\$12,772,470
Financial assets not available for general expenditure:		
Notes receivable in more than one year	(752,899)	(845,318)
Funds held for the benefit of Ashesi University	(3,468,574)	(2,933,361)
Donor-imposed restrictions:		
Subject to expenditure for specific purposes	(4,891,117)	(3,786,236)
Endowments	<u>(2,457,931)</u>	<u>(2,091,012)</u>
Net financial assets after donor-imposed restrictions	3,712,453	3,116,543
Internal designations:		
University Critical Needs and Priorities	-	(1,208,300)
University Student Housing	-	(317,389)
University Capital and Equipment	(1,050,000)	-
University Capital Reserve	(170,000)	-
University Presidential Leadership Fund	(629,915)	-
University Faculty Development and Research	(100,000)	(100,000)
University General Programs and Support	<u>(310,232)</u>	<u>(235,000)</u>
	<u>\$ 1,452,306</u>	<u>\$ 1,255,854</u>

NOTE C - FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis as of December 31 are as follows:

As of December 31, 2022:	<u>Fair Value Inputs</u>		
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Equity Securities	\$ -	\$ -	\$ -
Vanguard Total International Stock Index Fund Admiral Shares	1,320,128	-	-
Vanguard Total International Bond Market Index Fund Admiral Shares	336,185	-	-
Vanguard Total Stock Market Index Fund Admiral Shares	1,229,002	-	-
Vanguard Total Bond Market Index Fund Admiral Shares	1,387,556	-	-
Vanguard Total Real Estate Index Fund Admiral Shares	497,608	-	-
PIMCO Short Asset Investment Fund	1,364,161	-	-
Vanguard Short Term Bond Fund ETF	<u>1,291,411</u>	-	-
	<u>\$ 7,426,051</u>	<u>\$ -</u>	<u>\$ -</u>

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE C - FAIR VALUE MEASUREMENTS (Continued)

	Fair Value Inputs		
	(Level 1)	(Level 2)	(Level 3)
As of December 31, 2021:			
Equity Securities	\$ 3,983	\$ -	\$ -
Vanguard Total International Stock Index Fund Admiral Shares	1,100,919	-	-
Vanguard Total International Bond Market Index Fund Admiral Shares	297,619	-	-
Vanguard Total Stock Market Index Fund Admiral Shares	1,121,043	-	-
Vanguard Total Bond Market Index Fund Admiral Shares	1,198,672	-	-
Vanguard Total Real Estate Index Fund Admiral Shares	454,673	-	-
PIMCO Short Asset Investment Fund	1,356,434	-	-
Vanguard Short Term Bond Fund ETF	875,297	-	-
	<u>\$ 6,408,640</u>	<u>\$ -</u>	<u>\$ -</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 D - ASHESI UNIVERSITY

Ashesi University (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 aims 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 nineteen 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, Management Information Systems, and Engineering.

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 around the world help ensure that the University's classes are meeting global standards.

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE D - ASHESI UNIVERSITY (Continued)

Top Ghanaian and international companies actively recruit students from the University. On average, 90% of Ashesi graduates receive job offers, enter graduate school, or launch a business within six months of starting their search. 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 mission of providing educational opportunities in Ghana by providing operating, program, scholarship, and capital support to the University. During the years ended December 31, 2022 and 2021 \$2,678,469 (of which \$58,500 was prepaid as of year end) and \$3,719,074, respectively, in cash grants was provided to the University. The President of the Foundation also currently serves as the President of the University.

NOTE E - CHARITIES AID FOUNDATION

On May 11, 2019, the Foundation received a contribution of \$649,121 from the Charities Aid Foundation (CAF) of which one half was restricted for scholarships and one half was restricted for the Ghana Climate Innovation Center (GCIC). The full amount restricted to the GCIC, \$324,561, was granted by the Foundation to the University on June 3, 2019. A total of \$276,746 in scholarship funding has been distributed from CAF funds as of December 31, 2022: \$39,132 on August 26, 2019; \$39,132 on February 12, 2020; \$40,110 on September 29, 2020; \$40,110 on July 2, 2021; \$36,038 on November 30, 2021; \$41,112 on August 16, 2022; and \$41,112 on September 30, 2022. The remaining \$47,815 in CAF scholarship funding is included in net assets with donor restrictions as of December 31, 2022.

On December 4, 2020, the Foundation received an additional contribution of \$132,900 from CAF, of which one half was restricted for the GCIC and one half was restricted for equipment and capital expenditures at Ashesi University. On December 14, 2020, the Foundation granted \$66,450 to the University for the GCIC. On November 30, 2021, the Foundation granted the remaining \$66,450 in CAF equipment funding to the University for dormitory construction.

On July 19, 2021, the Foundation received an additional contribution of \$750,000 from CAF which was restricted for Entrepreneurship. \$170,000 was distributed from CAF funds on September 30, 2022. The remaining \$580,000 in CAF entrepreneurship funding is included in net assets with donor restrictions as of December 31, 2022.

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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 I was loaned to Ashesi University (the University). The loan proceeds were used by the University to build a dormitory (approximately 96 beds).

Interest-only payments were due annually in 2015 and 2016. Annual principal payments on this note began 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.

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 I was loaned to Ashesi University (the University). These loan proceeds were 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 began 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 \$116,220 and \$141,063 as of December 31, 2022 and 2021, respectively.

In order to enhance the availability of funds at the University during the initial year of the global pandemic in 2020, the Foundation agreed to defer interest and principal payments due from the University in 2020 and each subsequent year, by twelve months. Payments resumed in 2021.

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 collectability 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 funds that are donor-restricted for student scholarships and University priorities. 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 donors' desired restrictions.

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE G - ENDOWMENTS (Continued)

The Foundation's investment policy guidelines and performance of invested assets are reviewed by the Foundation's Finance 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.

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 perpetually restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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.

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, 2022 AND 2021

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, 30%-70% equities and 30%-70% 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 Finance Committee.

Spending Policy and How the Investment Objectives Relate to Spending Policy

At the Foundation's first Board meeting of each fiscal year after the Finance Committee has prepared the endowment analysis, the Finance Committee will recommend to the Board Spending Rates and distribution for the upcoming academic year.

The approved Spending Rate will be applied to the average of the market value of all endowment funds for the preceding 12 quarters. To honor individual endowment agreements for four-year scholarships, the Finance Committee can approve endowment spending in line with current tuition rates and evaluate the frequency of four-year scholarships to maintain endowment principal.

Change in Endowment Funds for the Years Ended December 31:

	<u>2022</u>	<u>2021</u>
Endowment funds, beginning of year	\$ <u>2,076,012</u>	\$ <u>1,315,252</u>
Investment return:		
Investment income	42,695	35,820
Net unrealized (loss) gain	<u>(371,643)</u>	<u>121,951</u>
Total investment return	<u>(328,948)</u>	<u>157,771</u>
Contributions, net	651,750	640,000
Appropriated for expenditure	<u>(69,134)</u>	<u>(37,011)</u>
Endowment funds, end of year	<u>\$ 2,329,680</u>	<u>\$ 2,076,012</u>

NOTE H - DONATIONS SENT DIRECTLY TO ASHESI UNIVERSITY

Ashesi University Foundation and Ashesi University 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.

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE H - DONATIONS SENT DIRECTLY TO ASHESI UNIVERSITY (Continued)

In 2022 and 2021, gifts that were cultivated and solicited by Foundation staff, but sent directly to the University by the donors included gifts from the ELMA Growth Foundation in the amount of \$250,000 in each year for general operations.

NOTE I - 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 (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 began in 2016 in the amount of \$15,385 plus accrued interest and continue through 2029. 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 2030.

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 2031.

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE I - LOANS PAYABLE (Continued)

In response to the global pandemic in 2020, the Housing Revenue Note holders agreed to defer interest and principal payments due from the Foundation in 2020 and each subsequent year, by twelve months which is reflected in the payments terms above. Payments resumed in 2021. Total remaining unamortized discount on the loans payable as of December 31, 2022 and 2021 was \$113,203 and \$139,675, respectively.

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

2023	\$	119,232
2024		119,232
2025		119,232
2026		119,232
2027		119,232
Thereafter		<u>380,763</u>
	\$	<u>976,923</u>

NOTE J - RETIREMENT PLAN

During 2019, the Foundation adopted a retirement savings plan (the Plan) under section 401(k) of the Internal Revenue Code. Employees are eligible to participate in the Plan after three consecutive months of employment in which they complete at least 240 hours of service. Eligible employees may contribute pre-tax or post-tax (Roth) compensation deferrals to the Plan. The Plan also provides for discretionary employer contributions which are fully vested after three years of service. In 2022 and 2021, the employer contribution consisted of 3% of employee compensation plus a 4.5% match of employee contributions. Employer contributions to the Plan totaled \$33,307 and \$28,036, respectively, for the years ended December 31, 2022 and 2021.

NOTE K - ASHESI UNIVERSITY FUND

The Foundation created a new support structure for Ashesi University based on the interest of the University in diversifying and investing certain of its assets into securities and other investment instruments made available within the United States. To that end, the Foundation created an investment account, the University Fund (the Fund), and has set up a corresponding liability, Funds held for the benefit of Ashesi University. The University has sent funds to the Foundation for deposit into the Fund. The transfer of funds is governed by the University Fund Transfer Agreement, and the management of the Fund is governed by the University Fund Investment Management Agreement. During the year ended December 31, 2022, the Foundation transferred \$949,990 to the Fund in lieu of cash grants to the University. As of December 31, 2022 the fair market value of the Fund investments and corresponding liability total \$3,468,574.

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE L - ASHESI UNIVERSITY FOUNDATION CANADA

The Ashesi Foundation Canada (AUFC) is a Canadian charity established to contribute to the Ashesi mission of educating a new generation of ethical, entrepreneurial leaders in Africa.

AUFC was launched in 2021 with an initial donation of \$67,000,000 from a private foundation. Through its current programming, AUFC will provide scholarships, enable original research, and empower entrepreneurs. It will also drive the growth of the Education Collaborative—an education initiative focused on deepening collaboration within African higher education—to transform education outcomes for the continent's young people, and influence education policies broadly. AUFC will be working closely with both the Ashesi University Foundation in the US, and Ashesi University in Ghana. While AUFC is hiring staff and getting established, Foundation staff are providing administrative support. Beginning in 2022, the costs associated with this administrative support are reimbursed to the Foundation and is governed by a contract between the two institutions.

NOTE M - RISKS AND UNCERTAINTIES

In 2022, the Foundation and University continued to adapt to the longer term impacts of the COVID-19 pandemic in a resilient fashion. At the Foundation, the pandemic continues to drive some budget variance with regards to expenditures for planned travel and events. In addition, as the Foundation staff grows, the shift to remote work has allowed flexibility in hiring nation-wide for key positions. At the University, enrollment numbers continue to be strong and students remain on campus. Due to the COVID disruption on college exams for incoming student in Ghana, the University is moving to a January start date from 2023/2024, with the goal of returning to a September start when the West African high school system eventually reverts its calendars as well. The Foundation and University Boards of Directors continue to monitor risk and mitigation strategies to the institutions through the Audit and Risk Committees. The Committees monitors Reputational, Financial, Health and Safety, Compliance, and Strategic risk categories.

Due to the impact of COVID-19 in Ghana, the University's campus was closed in March 2020 and education has continued online into 2021. In the fall of 2021, students were back on campus with in person and online classes. Despite the challenging circumstances, strong enrollment numbers were recorded in 2020 and 2021, leaving leadership optimistic about the resiliency of the University in the face of the pandemic.

NOTE N - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to December 31, 2022 through June 21, 2023, 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, 2022, including the estimates inherent in the processing of financial statements.