

Ashesi University Foundation

Endowment Policies (General, Investment, and Spending)

General Endowment Policy

The Board of Trustees (“the Board”) of Ashesi University Foundation (“the Foundation”) recognize the important role of endowment funds in helping to ensure the long-term sustainability of the Foundation’s efforts in furtherance of its tax-exempt charitable and educational purpose, to support Ashesi University (“the University”) in perpetuity. This Endowment Policy (“the Policy”) is issued by the Board to provide guidance in the management, investment, and spending of endowment funds.

Authority. The Policy is approved by the Board. The Board Finance Committee (“the Finance Committee”), within the broad framework of policy set by the Board, shall have direct responsibility for the oversight and management of the endowment funds and for the establishment of investment and spending policies and procedures. The Board may establish one or more individual endowment funds (collectively referred to as (“the Endowment”), to be used in furtherance of its support of the University. In all cases, the Foundation shall maintain control and discretion over endowment funds and shall ensure that the funds are used exclusively for the Foundation’s tax-exempt purposes.

Types of Endowments. The Foundation will establish three broad types of endowments:

Permanent endowments: These are endowments contributed subject to donor-restrictions requiring that the funds be maintained in perpetuity. The value of the original gift and any other amounts stipulated by the donor to be maintained in perpetuity shall be classified as the corpus of the endowment.

Term endowments: These are endowments in which a donor has stipulated that the fund shall remain in existence until a particular event or for a stated period of time, after which any remaining balances may be expended.

Quasi-endowments: These are funds established by the Board as endowments. While quasi-endowments are established for the same purposes as permanent endowments, any portion may be expended at the discretion of the Board. Quasi-endowments shall be classified as board designated, unrestricted funds.

Endowment Management. The overall financial goal for management of the Endowment is to preserve real (inflation-adjusted) purchasing power of the Endowment, in perpetuity, after accounting for endowment spending, inflation and costs of investment management. The Finance Committee and Board will review, no less than annually, whether the performance of the Endowment is meeting these objectives and shall revise this Policy as needed to achieve these objectives. In managing, investing, and spending endowment funds, the Board shall conform to the duty of loyalty and the standard of prudence imposed by applicable law (currently, Uniform Prudent Management of Institutional Funds Act – UPMIFA, RCW 24.55). Investment and spending decisions will consider, when relevant, the following factors:

- the duration and preservation of the endowment fund
- the purposes of the Foundation and the endowment fund
- general economic conditions
- the possible effect of inflation or deflation
- the expected total return from income and the appreciation of investments
- other resources of the Foundation and University
- the role that each investment or course of action plays within the overall investment portfolio of the fund
- any particular asset’s special relationship or special value, if any, to the charitable and educational

purposes of the Foundation

- the needs of the Foundation and the endowment funds to make distributions and preserve capital; and the Foundation’s Endowment Investment Policy and Endowment Spending Policy

Endowment Investment Pool. The Foundation’s endowment funds will be invested in a common endowment investment pool and managed in accordance with the Endowment Investment Policy (“the Investment Policy”). Individual endowment funds will be commingled with other endowment investments but will be accounted for as separate shares in the investment pool and investment earnings and losses will be allocated based on the percentage held. (See Ashesi University Foundation Gift Acceptance Policy for gifts of non-liquid assets). All income (interest and dividends), capital gains and losses, and unrealized appreciation and depreciation, shall be allocated among the endowment funds quarterly, and in the case of pooled investments such allocations will be based on the fund’s percentage share of total market value at the end of the prior quarter. The corpus (date of contribution) value of each fund will be separately tracked.

All Endowment contributions shall be added to the Endowment in a timely manner, with a particular care to do so by the end of the month following the month of receipt of funds.

Spending Distribution. Annually, a spending distribution will be made from the Endowment. The amount will be calculated in accordance with the Endowment Spending Policy.

Administrative Fees and Expenses. The Board may establish an administrative fee to be assessed to all endowments. The fee may not exceed an annual rate of one percent (one-fourth of a percent each quarter). This fee would be calculated and charged at the rate of one one-fourth of the approved annual rate on end of prior quarter market value. In managing and investing the Endowment, the Foundation may incur only expenses that are appropriate and reasonable in relation to the assets, the skills available to the Foundation, and Foundation policies. Currently there is no administrative expense fee assessed to the Endowment, despite this being a common practice among university endowments.

Philanthropic Allocation: The Board has established a philanthropic allocation in which 5% of all donor-restricted gifts is unrestricted and used to support fundraising expenses and capacity building at the Foundation. In accordance with this policy, upon the receipt of endowment gifts or pledge payments, the Foundation will deduct 5% from the gift total for unrestricted use before adding the remainder of the contribution to the Endowment.

Endowment Purposes. The Foundation accepts endowment funds for the purposes of University Priorities; Student Experience, Programs, and Institutes; Scholarships; Faculty Development & Support; and Research. For minimum donation amounts, recognition and reporting details for endowment gifts and gifts to create an endowed fund, see Attachment A.

Funding the Endowment.

- An endowment gift may be made through any method allowed in Ashesi University Foundation’s Gift Acceptance Policy. For pledges, there must be a reasonable expectation that the pledge will be fulfilled within a five-year period. The pledge period may be extended at the discretion of the Finance Committee.
- An endowment gift may be restricted by the donor for use within any of the existing Ashesi Endowment Purposes (listed in Attachment A).
- An endowment gift at a Leadership giving level, as defined in Attachment A, may be designated by the donor for use within any of the existing Ashesi Endowment Purposes or the gift may be designated by the donor for specific use within an existing Ashesi Endowment Purpose. Acceptance of a Leadership

Endowment Gift for an existing purpose requires Vice President or President approval in consultation with the Treasurer. An endowment gift at a Leadership level, may also be designated by the donor for use towards a new Endowment purpose. Acceptance of a Leadership Endowment Gift for a new purpose, shall require the consent of the Finance Committee in consultation with the Board Executive Committee.

- The Foundation’s acceptance of any endowment gifts restricted by purpose shall be made subject to the express written condition that the Foundation shall at all times maintain discretion and control over the funds to ensure that the funds are used exclusively for the Foundation’s charitable and educational purpose to support Ashesi University.
- For an endowment pledge at the leadership level, before the minimum leadership gift threshold has been achieved, all investment earnings (losses) will be added to the endowment fund and will not be subject to spending. At the donor’s request, the Finance Committee can waive this restriction at its discretion.

Reporting. Annually the Board will receive a summary of the changes to the Endowment noting corpus contributions, investment earnings and/or losses, distributions and the Endowment’s compliance with investment and spending policies. For information on specific reporting and recognition to donors based on giving level, see Attachment A.

Endowment Investment Policy (“the Investment Policy”)

To enhance return and reduce risk, the Endowment portfolio shall be composed of a diversified portfolio of assets, including both public equities, publicly traded fixed-income investments and publicly traded real asset 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. Real assets are intended to provide income, growth and inflation protection over time. The Investment Policy may be modified, as needed from time to time, to include additional asset classes; such as private equity and/or hedge funds. The overall goal of the endowment is to provide stable cash flow to the University with low to moderately volatile long-term growth.

At all times, endowment funds shall be allocated among investment classes as follows:

Investment Asset Class	Portion of Total Endowment Fund
Cash	0 – 30%
Fixed Income	30 – 70%
Equities	30 – 70%
Real Assets	0 – 15%

At the Finance Committee’s discretion, new contributions to the Endowment may be held in cash and averaged into the approved asset allocation over a period not to exceed 24 months.

The Endowment portfolio will also be diversified within asset classes. Securities will be sufficiently diversified to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the performance of the total Endowment. See Attachment B for the current Target Asset Allocation.

To implement this Investment Policy, the Finance Committee may recommend to the Board engagement of Investment Managers.

The Board may from time to time impose prohibitions on investments in certain business sectors where it determines that such investments would be inconsistent with the values of the Foundation.

At least annually, the Finance Committee shall review the performance of the Endowment investments in order to enhance return and control risk and apprise the Board of adherence to approved target policy allocations. The Finance Committee will review the target asset allocation annually. If necessary, the Finance Committee may propose revising the target asset allocation given existing market conditions, the University's economic needs, and the size of the funds. Any rebalancing of the actual asset allocation to target may occur by "averaging into the market" over time (12-18 months would not be unreasonable) to reduce market risk.

Endowment Spending Policy ("the Spending Policy")

It is the policy of the Foundation to spend from its endowments in order to support the University in perpetuity and in concert with the Investment Policy to achieve inter-generational equity in the spending of its endowment earnings. The Spending Policy of the Foundation's Endowment is based on a total return policy in which capital gains, interest and dividends are reinvested in the Endowment. This policy shall be administered in accordance with the general Endowment Policy guidelines stated above.

Authority. As of the end of each fiscal year, the Board, upon recommendation by the Finance Committee, shall determine spending allocation (the amount that may be withdrawn from the Endowment) per the guidelines below. Once approved by the Board, an authorized signer will implement the Spending Policy and make the distributions.

Calculation. The Foundation will spend from endowments using a formula that provides for a base level of spending and that will allow spending to increase over time to meet inflation. Spending will be calculated quarterly. Annual spending shall be the sum of the four quarterly calculated amounts. The base level of spending for endowments is currently established as 4.0% annually (1% quarterly) of the average ending fair market value (FMV) of the endowment each quarter. The spending shall be calculated by multiplying the average FMV of the endowment by 1% per quarter. The average FMV shall be determined by adding the fair market values for each of the prior 12 quarters and dividing the sum by 12. (If less than 12 quarters, the number of quarters used to determine the average shall be the number of quarters the endowment has been in existence). No spending shall be calculated from any endowment in the first quarter end of its existence.

Each quarter the FMV is computed for each fund. If the FMV of an endowed fund is greater than 1.5 times the previous quarter's FMV, then only the quarters after this significant value change (greater than 1.5 times change) shall be utilized when determining the average FMV defined above.

Timing. The spending allocation (the four quarterly amounts as computed above) will be calculated as soon as reasonably possible after calendar year end and the amounts will be communicated to the University by June 30 of each year. The distribution will be withdrawn from the endowment fund as soon as practicable after the calculation and will be transferred to the University by July 1, if reasonably possible.

Underwater Endowment Spending. The spending formula has been established to provide predictable and consistent endowment distributions through most investment market cycles. Prolonged, or unusual investment market declines may make it prudent to reduce spending distributions from endowments that are underwater (market value less than corpus gift value). Calculations of spending for underwater endowments shall be made

quarterly as follows:

- For endowments with an average FMV (as defined above) between 90-100% of the Endowment corpus (i.e. a decline in market value as compared to principal value of 0- 10%), then the spending amount shall be 2.0% (1/2% quarterly) of the average FMV.
- No spending (or distribution) shall be made from endowments where the average FMV (as defined above) is less than 90% of the endowment's corpus (i.e. a decline in average market value as compared to the principal amount greater than 10%).
- The Finance Committee may use discretion in applying this guideline for endowments with a market value greater than \$400,000.

Exceptions. If the signed donor endowment agreement (or amendment of the agreement) specifies a different spending methodology, then that spending methodology shall be utilized unless the donor agrees in writing to adopt the Foundation's spending policy above.

The Board may authorize a higher-level spending from quasi-endowments.

Effective Date: This Endowment Policy is effective as of March 23, 2023.

This Endowment Policy has been reviewed and approved by the Board of the Foundation.

Ashesi University Foundation Endowment Policies Attachment A

Endowment Purposes and Giving Levels

Ashesi maintains five categories of endowments to ensure robust funding for University priorities; student experiences and programs; scholarships; faculty development; and research. Donors may choose to give within endowment purposes at one of three levels. Details on the endowment giving levels and purposes are included below.

Giving Levels:

Leadership gifts of \$100,000 or more, create an endowed fund which may be named by the donor and can be targeted for a specific use within one of the five categories of endowments. The endowed fund will be segregated and tracked separately, and annually the donor will receive a personalized report on their endowed fund in perpetuity, including an update from campus. Their names will be listed as a Leadership Donor on the website and campus wall. Leadership gifts require a signed donor agreement.

Legacy gifts of \$30,000-\$99,999 can be contributed to any of the five categories of endowments. These gifts are pooled together within the endowment category and are not tracked separately. The donor will receive a general endowment report for 3 years subsequent to their gift, and by request thereafter. Their name will be listed as a Legacy Donor on the website and campus wall.

Catalytic gifts of \$100-\$29,999 can be contributed to the University Priorities or Scholarship Endowments. These gifts are pooled together within the endowment category and are not tracked separately. There is no specific reporting to the donor on the endowment's performance. The donor name is recognized in the annual report.

Endowment Purposes:

Purpose	Disbursement and use
University Priorities	Funds disbursed annually and used at the discretion of the University Executive Committee for support of University's greatest needs. (Limited to being used exclusively for the Foundation's tax-exempt purposes).
Student Experience and Programs	Funds disbursed annually and used at the discretion of the University Executive Committee for support of existing programs, institutes, or departments. For example: Engineering, Business, Computer Science, MIS, Ethics, Innovation or Entrepreneurship.
Scholarships	Funds disbursed annually and used at the discretion of the University Executive Committee to provide student scholarships. With a leadership gift, the donor may set criteria for scholarship use such as gender, country of residence, major, etc. that fit within Ashesi's admissions and anti-discrimination policies. With a leadership gift of \$400,000 or more, a donor may establish a Presidential Scholarship.
Faculty Development	Funds awarded annually and used at the discretion of the University Executive Committee for support of faculty development. With a leadership gift, the donor may also establish a named chair position for faculty (\$1m), department heads (\$1.5m), and deans/institute heads (\$2m).
Research	Funds awarded annually and used at the discretion of the University Executive Committee for support of research purposes.

**Ashesi University Foundation
Endowment Policies
Attachment B**

Current Target Asset Allocation

Investment Asset Class	Portion of Total Endowment Fund
Cash	5%
Fixed Income (Domestic & International)	35% (28% & 7%)
Equities (Domestic & International)	50% (25% & 25%)
Real Assets	10%