

ASHESI UNIVERSITY FOUNDATION

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED DECEMBER 31, 2019 AND 2018

SUPPLEMENTARY FINANCIAL REPORTS
YEAR ENDED DECEMBER 31, 2019



**ASHESI
UNIVERSITY
FOUNDATION**

ASHESI UNIVERSITY FOUNDATION

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

June 20, 2020

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, 2019 and 2018, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2019 and 2018, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Office of American Schools and Hospitals Abroad and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2020, on our consideration of Ashesi University Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Ashesi University Foundation's internal control over financial reporting and compliance.



Jacobson Jarvis & Co, PLLC

ASHESI UNIVERSITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 3,258,327	\$ 3,032,554
Promises to Give	1,806,102	1,939,368
Interest Receivable	34,602	38,262
Prepaid Expenses	20,758	25,141
Investments	1,268,166	1,242,363
AFM Scholarship Fund Investments	278,730	287,091
Notes Receivable, net of discount (See Note G)	1,024,657	1,111,833
Endowment Investments	<u>1,040,971</u>	<u>826,133</u>
	<u>\$ 8,732,313</u>	<u>\$ 8,502,745</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable	\$ 16,834	\$ 12,057
Accrued liabilities	36,519	38,695
Refundable advance	-	340,407
Loans payable, net of discount (See Note I)	<u>1,053,809</u>	<u>1,143,653</u>
	Total Liabilities	<u>1,107,162</u> <u>1,534,812</u>
Net Assets		
Without donor restrictions	2,858,690	2,291,551
With donor restrictions	<u>4,766,461</u>	<u>4,676,382</u>
	Total Net Assets	<u>7,625,151</u> <u>6,967,933</u>
	<u>\$ 8,732,313</u>	<u>\$ 8,502,745</u>

ASHESI UNIVERSITY FOUNDATION

STATEMENTS OF ACTIVITY

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue						
Contributions	\$ 659,036	\$ 1,855,789	\$ 2,514,825	\$ 327,188	\$ 2,065,284	\$ 2,392,472
Grants from government agencies	499,047		499,047	370,000		370,000
Interest on notes receivable	81,747		81,747	88,273		88,273
Investment interest and dividends	75,291	31,704	106,995	49,515	21,582	71,097
Total Public Support and Revenue	1,315,121	1,887,493	3,202,614	834,976	2,086,866	2,921,842
Net Assets Released from Restrictions						
Satisfaction of purpose restrictions	1,630,822	(1,630,822)	-	1,762,066	(1,762,066)	-
Satisfaction of time restrictions	280,585	(280,585)	-	132,368	(132,368)	-
Total Public Support, Revenue, and Other Support	3,226,528	(23,914)	3,202,614	2,729,410	192,432	2,921,842
Expenses						
Program services	2,152,494		2,152,494	2,913,119		2,913,119
Management and general	196,162		196,162	170,886		170,886
Fundraising	314,296		314,296	252,678		252,678
Total Expenses	2,662,952		2,662,952	3,336,683		3,336,683
Gains and Losses						
Net gain (loss) on investments	1,843	113,993	115,836	(39,482)	(53,865)	(93,347)
Net recovery on uncollectible promises to give	1,720	-	1,720	11,658	-	11,658
Changes in Net Assets	567,139	90,079	657,218	(635,097)	138,567	(496,530)
Net Assets – beginning of year	2,291,551	4,676,382	6,967,933	2,926,648	4,537,815	7,464,463
Net Assets – end of year	\$ 2,858,690	\$ 4,766,461	\$ 7,625,151	\$ 2,291,551	\$ 4,676,382	\$ 6,967,933

ASHESI UNIVERSITY FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019				2018			
	Program Services	Management and General	Fundraising	Total Expenses	Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 77,485	\$ 97,278	\$ 140,187	\$ 314,950	\$ 66,253	\$ 91,209	\$ 119,793	\$ 277,255
Payroll taxes	6,576	8,153	11,357	26,086	5,441	7,596	9,910	22,947
Employee benefits	15,212	16,648	28,063	59,923	11,108	12,585	18,233	41,926
	<u>99,273</u>	<u>122,079</u>	<u>179,607</u>	<u>400,959</u>	<u>82,802</u>	<u>111,390</u>	<u>147,936</u>	<u>342,128</u>
Grants to Ashesi University	1,906,617	-	-	1,906,617	2,677,067	-	-	2,677,067
Travel	43,947	8,265	59,527	111,739	40,471	6,254	42,315	89,040
Interest expense	80,000			80,000	86,553	-	-	86,553
Professional fees	2,250	46,221	24,998	73,469	-	37,475	-	37,475
Occupancy	8,169	9,997	14,188	32,354	7,639	8,276	15,915	31,830
Local events and transportation	2,922	2,720	10,437	16,079	3,850	1,570	22,517	27,937
Equipment	1,065	2,007	9,376	12,448	804	2,042	10,109	12,955
Postage and printing	4,649	901	7,713	13,263	4,509	432	7,363	12,304
Insurance	1,869	2,417	3,289	7,575	1,823	1,974	3,797	7,594
Miscellaneous	1,406	375	3,844	5,625	3,533	311	492	4,336
Depreciation	-	-	-	-	3,568	-	-	3,568
Bank fees	-	822	850	1,672	-	636	1,491	2,127
Supplies	327	358	467	1,152	500	526	743	1,769
Total Expenses	<u>\$ 2,152,494</u>	<u>\$ 196,162</u>	<u>\$ 314,296</u>	<u>\$ 2,662,952</u>	<u>\$ 2,913,119</u>	<u>\$ 170,886</u>	<u>\$ 252,678</u>	<u>\$ 3,336,683</u>

ASHESI UNIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Cash received from:		
Donors	\$ 2,507,779	\$ 2,062,539
Government agencies	158,640	710,407
Investment income	126,066	95,734
Cash paid for:		
Grants to Ashesi University	(1,888,226)	(2,696,139)
Employees	(400,366)	(344,369)
Services and supplies	(284,607)	(228,742)
Interest	(53,384)	(58,154)
Net Cash Provided (Used) by Operating Activities	<u>165,902</u>	<u>(458,724)</u>
Cash Flows from Investing Activities		
Payments on notes receivable from Ashesi University	115,385	115,385
Purchase of investments	(300,636)	(2,081,664)
Proceeds from sale of investments	364,351	1,930,382
Net Cash Provided (Used) by Investing Activities	<u>179,100</u>	<u>(35,897)</u>
Cash Flows Used by Financing Activities		
Payments on loans payable	<u>(119,229)</u>	<u>(119,232)</u>
Change in Cash and Cash Equivalents	225,773	(613,853)
Cash and Cash Equivalents - beginning of year	<u>3,032,554</u>	<u>3,646,407</u>
Cash and Cash Equivalents - end of year	<u>\$ 3,258,327</u>	<u>\$ 3,032,554</u>

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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.

Adoption of new accounting pronouncement

In June 2018, FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Foundation has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. There was no effect on net assets in connection with the implementation of ASU 2018-08.

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>2019</u>	<u>2018</u>
Foundation Operating Reserve	\$ 600,000	\$ 600,000
University Capital Reserve	1,235,050	1,235,000
University Student Housing	722,000	-
University Education Collaborative	85,000	-
University Faculty Development and Research	70,000	-
University General Programs	63,000	-
University Engineering Program	1,083	118,633
	<u>\$ 2,776,133</u>	<u>\$ 1,953,633</u>

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.

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specific purposes:		
University Capital Fund	\$ 544,045	\$ 529,323
AFM Scholarship Fund	278,730	287,691
Faculty Development and Research	302,500	-
Engineering Program	-	10,100
Scholarships	1,906,139	1,979,174
Unamortized Discount on Loans Payable	161,576	190,961
Available for future periods	300,000	551,200
University Programs	<u>2,500</u>	<u>1,800</u>
	<u>3,495,490</u>	<u>3,550,249</u>
Endowments:		
Subject to endowment spending policy and appropriation:		
Kofi Tawiah Good Citizenship Scholar Award	557,739	495,281
Fred and Vera Orthlieb Scholarship	110,958	105,903
Jan Stenbeck Scholarship	325,216	200,000
Emmanuel Kofi Effah Osei Scholarship	27,058	24,949
University Priorities Endowment Fund	20,000	-
Not subject to spending policy or appropriation:		
Pledges to Jan Stenbeck Scholarship Endowment	200,000	300,000
Pledges to University Priorities Endowment	<u>30,000</u>	<u>-</u>
	<u>1,270,971</u>	<u>1,126,133</u>
Total net assets with donor restrictions	<u>\$ 4,766,461</u>	<u>\$ 4,676,382</u>

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.

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.

Cash and cash equivalents

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

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

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

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

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

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

Investments

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

Promises to give

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.

Unconditional promises to give are due as follows as of December 31, 2019:

Receivable in less than one year	\$ 978,634
Receivable in one to five years	<u>873,066</u>
Total unconditional promises to give	1,851,700
Less:	
Discounts to net present value (1.60% - 2.51% discount rate)	(27,081)
Allowance for uncollectible pledges	<u>(18,517)</u>
	<u>\$ 1,806,102</u>

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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.

For the year ended December 31, 2019, five donors represented 73% of total support and revenue. As of December 31, 2019, outstanding pledges from one donor represent 53% 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, 2019 and 2018.

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, 2019, contributions and grants conditioned upon incurrence of allowable qualifying expenses totaled \$1,840,953 of which no amounts had been received in advance. As of December 31, 2018, contributions and grants conditioned upon incurrence of allowable qualifying expenses totaled \$340,407, all of which had been received in advance and has been recognized as refundable advance in the accompanying financial statements.

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.

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates

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

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 was \$600,000 as of December 31, 2019 and 2018 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.

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

	<u>2019</u>	<u>2018</u>
Total financial assets	\$ 8,711,555	\$ 8,477,604
Financial assets not available for general expenditure:		
Refundable advances	-	(340,407)
Notes receivable in more than one year	(935,860)	(1,024,657)
Donor-imposed restrictions:		
Subject to expenditure for specific purposes	(3,495,490)	(3,550,249)
Endowments	<u>(1,270,971)</u>	<u>(1,126,133)</u>
Net financial assets after donor-imposed restrictions	3,009,234	2,436,158
Internal designations:		
University Capital Reserve	(1,235,050)	(1,235,000)
University Student Housing	(722,000)	-
Other University Programs	<u>(219,083)</u>	<u>(118,633)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 833,101</u>	<u>\$ 1,082,525</u>

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE C - FAIR VALUE MEASUREMENTS

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

	Fair Value Inputs		
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
As of December 31, 2019:			
Equity Securities	\$ 25,562	\$ -	\$ -
Vanguard Total International Stock Index Fund Admiral Shares	247,113	-	-
Vanguard Total International Bond Market Index Fund Admiral Shares	32,580	-	-
Vanguard Total Stock Market Index Fund Admiral Shares	273,345	-	-
Vanguard Total Bond Market Index Fund Admiral Shares	441,365	-	-
Vanguard Total Real Estate Index Fund Admiral Shares	47,847	-	-
PIMCO Short Asset Investment Fund	1,242,604	-	-
	<u>\$ 2,310,416</u>	<u>\$ -</u>	<u>\$ -</u>
As of December 31, 2018:			
Equity Securities	\$ 31,852	\$ -	\$ -
Vanguard Total International Stock Index Fund Admiral Shares	165,894	-	-
Vanguard Total Bond Market Index Fund Admiral Shares	483,144	-	-
Vanguard Total Stock Market Index Fund Admiral Shares	185,660	-	-
PIMCO Short Asset Investment Fund	1,210,511	-	-
	<u>\$ 2,077,061</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.

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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 eighteen 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.

Top Ghanaian and international companies actively recruit students from the University. On average, 94% 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, 2019 and 2018 \$1,906,617 and \$2,677,067, 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. On June 3, 2019, the Foundation granted \$324,561 to the University for the Ghana Climate Innovation Center and on August 26, 2019, \$39,132 in scholarship funding was distributed to the University from the CAF funding. The remaining \$285,428 in CAF scholarship funding is included in net assets with donor restrictions as of December 31, 2019.

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE F - 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. In 2019 and 2018, 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 \$350,000 and \$900,000, respectively, for dormitory construction.

NOTE G - 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 H was loaned to Ashesi University (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 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 \$161,651 and \$195,859 as of December 31, 2019 and 2018, 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.

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE H - 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. 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.

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE H - ENDOWMENTS (Continued)

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.

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.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. No such deficiencies existed as of December 31, 2019 or 2018.

Change in Endowment Funds for the Years Ended December 31:

	<u>2019</u>	<u>2018</u>
Endowment funds, beginning of year	\$ 826,133	\$ 405,563
Investment return:		
Investment income	23,740	11,972
Net unrealized gain (loss)	80,112	(32,507)
Total investment return	<u>103,852</u>	<u>(20,535)</u>
Contributions, net	120,000	450,000
Appropriated for expenditure	(9,014)	(8,895)
Endowment funds, end of year	<u>\$ 1,040,971</u>	<u>\$ 826,133</u>

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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 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.

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, 2019 and 2018 was \$161,576 and \$190,962, respectively. Minimum future principal payments on the loans are as follows for the years ending December 31:

2020	\$	119,232
2021		119,232
2022		119,232
2023		119,323
2024		119,323
Thereafter		619,043
		<u>\$ 1,215,385</u>

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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 2019, the employer contribution consisted of 3% of employee compensation plus a 4.5% match of employee contributions. Employer contributions to the Plan totaled \$15,522 for the year ended December 31, 2019.

NOTE K - IFC LOAN TO UNIVERSITY

In 2017, the University signed a loan agreement with the International Finance Corporation (IFC) for \$6,300,000 to facilitate construction of a research lab, student housing cluster, student center, and sports center. Per terms of this agreement, the Foundation, as the Sponsor of the University, was required to make a grant to the University in the amount of \$2,000,000 as a condition of disbursement of funds by IFC. In addition, the Foundation has agreed to the following:

- Prior to the completion of the project as defined by the terms of the agreement, the Foundation will cover any cost overruns on the project and any deficiencies, up to \$1,200,000, of the University due to financial obligations. In addition, the Foundation has agreed to continue reasonable fundraising efforts to cover the University's obligation to the IFC if required.
- The Foundation will maintain a minimum of \$1,200,000 in cash or cash equivalent until project completion.
- The Foundation subordinated its notes receivable from the University to the IFC loan.

The Foundation completed its disbursement obligation in 2017 and is otherwise in compliance with the terms of the agreement.

NOTE L - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to December 31, 2019 through June 20, 2020, 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, 2019, including the estimates inherent in the processing of financial statements.

ASHESI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE L - SUBSEQUENT EVENTS (Continued)

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the world. Management is currently evaluating the impact of the COVID-19 pandemic and has concluded that while it is reasonably possible that the virus could have a negative effect on the Foundations' financial position, change in net asset and cash flows, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The potential impact of COVID-19 in Ghana and on the University is equally unknown. The University's campus was closed in March and education has continued online. Due to the global economic upheaval, the University and Foundation management teams anticipate there will be increased need for student scholarships in the fall, and are continuing to focus on raising scholarship funds to help meet the need. If education continues online in the fall, the University will likely require additional financial support, but the specifics are not readily determinable as of the date of these financial statements.

In order to enhance the available of funds at the University during this unpredictable time, the Foundation has agreed to defer interest and principle payments due from the University in 2020, and each subsequent year, by twelve months. Similarly, the Housing Revenue Note holders agreed to defer interest and principle payments due from the Foundation in 2020, and each subsequent year, by twelve months. As the deferrals were approved subsequent to December 31, 2019, no adjustments have been made to these financial statements as a result.

SUPPLEMENTARY INFORMATION

ASHESI UNIVERSITY FOUNDATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2019

Federal Grantor "Program Title"	Award Number	CFDA Number	Passed Through to Suprecipients	Federal <u>Expenditures</u>
Agency for International Development				
"Foreign Assistance to American Schools and Hospitals Abroad"	AID-ASHA-G-17-00012	98.006	* \$ <u>499,047</u>	\$ <u>499,047</u>

* Denotes major program

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Ashesi University Foundation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - INDIRECT COST RATE

Ashesi University Foundation does not have a negotiated indirect cost rate for use on Federal grants and contracts. As such, Ashesi University Foundation is eligible to elect use of the 10% de minimus indirect cost rate but has not chosen to do so.

INDEPENDENT AUDITOR'S REPORT
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

June 20, 2020

Board of Trustees
Ashesi University Foundation
Seattle, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Ashesi University Foundation, which comprise the statement of financial position as of December 31, 2019, and the related (consolidated) statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 20, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ashesi University Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ashesi University Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Ashesi University Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ashesi University Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Ashesi University Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Ashesi University Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jacobson Jarvis & Co, PLLC

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE

June 20, 2020

Board of Trustees
Ashesi University Foundation
Seattle, Washington

Report on Compliance with Each Major Federal Program

We have audited Ashesi University Foundation's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Ashesi University Foundation's major federal programs for the year ended December 31, 2019. Ashesi University Foundation's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Ashesi University Foundation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ashesi University Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Ashesi University Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, Ashesi University Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of Ashesi University Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Ashesi University Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ashesi University Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Jacobson Jarvis & Co, PLLC

ASHESI UNIVERSITY FOUNDATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2019

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Ashesi University Foundation.
2. No material weaknesses relating to the financial statements are reported in the "Independent Auditor's Report Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."
3. No instances of noncompliance material to the financial statements of Ashesi University Foundation were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal award programs are reported in the "Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance in accordance with the Uniform Guidance."
5. The auditor's report on compliance for the major federal award program for Ashesi University Foundation expresses an unmodified opinion.
6. Audit findings relative to the major federal award program for Ashesi University Foundation are reported in Part C of this Schedule.
7. The program tested as major was Foreign Assistance to American Schools and Hospitals Abroad, CFDA No.98.006.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Ashesi University Foundation was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None