

AFRICA UNIVERSITY, INC., TENNESSEE
A UNITED METHODIST RELATED INSTITUTION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 9—Endowment (continued)

Return Objectives and Risk Parameters – GBHEM has adopted investment and spending policies for endowment assets, including the Organization’s endowment, that attempt to provide a predictable stream of funding to the Organization’s programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Executive Committee of the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that provide for the preservation of capital and income for support of programs while assuming a moderate level of investment risk. GBHEM expects its endowment funds, over time, to produce current income within the total return strategy.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, GBHEM relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). GBHEM targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Changes in endowment net assets for the years ended December 31, 2022 and 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2021	\$ -	\$ 92,313,803	\$ 92,313,803
Investment return, net	-	12,869,378	12,869,378
Contributions	-	932,643	932,643
Appropriation of endowment assets for expenditure pursuant to spending-rate policy	-	(3,767,997)	(3,767,997)
Endowment net assets, December 31, 2021	-	102,347,827	102,347,827
Investment loss, net	-	(17,046,307)	(17,046,307)
Contributions	-	838,835	838,835
Appropriation of endowment assets for expenditure pursuant to spending-rate policy	-	(4,149,993)	(4,149,993)
Endowment net assets, December 31, 2022	<u>\$ -</u>	<u>\$ 81,990,362</u>	<u>\$ 81,990,362</u>

Note 10—Contingencies

The Protocol of Reconciliation and Grace Through Separation was introduced as legislation in early 2020 for the upcoming General Conference. This joins other legislative proposals that if adopted by the General Conference would provide an alternative way for churches to separate from the Church. These proposals include a provision for new denominations to receive financial payments from the Church and retain their real estate. The scheduled General Conference has been delayed until 2024, and the financial impact resulting from these potential separations on the Organization is unknown at this time.

Note 11—Subsequent events

Management has evaluated subsequent events through September 15, 2023, the date the financial statements were available for issuance. Management has determined that there are no subsequent events requiring disclosure.