

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023



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INDEPENDENT AUDITORS' REPORT

Board of Directors
St. Cloud State University Foundation, Inc.
St. Cloud, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of St. Cloud State University Foundation, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of St. Cloud State University Foundation, Inc., as of June 30, 2024 and 2023, and the changes in 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of St. Cloud State University Foundation, Inc., 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS 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 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 St. Cloud State University Foundation, Inc.'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about St. Cloud State University Foundation, Inc.'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.



CliftonLarsonAllen LLP

St. Cloud, Minnesota
October 11, 2024

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 197,169	\$ 885,320
Investments	58,154,170	52,653,310
Pledges Receivable, Current Portion	489,464	693,486
Other Receivables	50	50
Prepaid Expenses	154,308	288,345
Total Current Assets	<u>58,995,161</u>	<u>54,520,511</u>
PROPERTY AND EQUIPMENT		
Real Estate	139,000	139,000
Furniture and Fixtures	430,632	430,632
Leasehold Improvements	107,145	107,145
Total Property and Equipment	<u>676,777</u>	<u>676,777</u>
Less: Accumulated Depreciation	414,794	392,238
Net Property and Equipment	<u>261,983</u>	<u>284,539</u>
OTHER ASSETS		
Beneficial Interest in Unitrusts	346,689	320,630
Pledges Receivable, Net of Current Portion and Allowance for Doubtful Pledges	761,341	991,691
Total Other Assets	<u>1,108,030</u>	<u>1,312,321</u>
Total Assets	<u><u>\$ 60,365,174</u></u>	<u><u>\$ 56,117,371</u></u>

See accompanying Notes to Consolidated Financial Statements.

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 173,262	\$ 108,177
Funds Held for Others	95,267	91,787
Current Portion of Annuities Payable	44,507	38,613
Total Current Liabilities	<u>313,036</u>	<u>238,577</u>
LONG-TERM LIABILITIES		
Annuities Payable, Net of Current Portion	<u>185,698</u>	<u>185,028</u>
Total Long-Term Liabilities	<u>185,698</u>	<u>185,028</u>
Total Liabilities	498,734	423,605
NET ASSETS		
Without Donor Restrictions - Undesignated	3,648,541	3,764,213
Without Donor Restrictions - Designated	<u>103,021</u>	<u>218,846</u>
Total Without Donor Restrictions	<u>3,751,562</u>	<u>3,983,059</u>
With Donor Restrictions	<u>56,114,878</u>	<u>51,710,707</u>
Total Net Assets	<u>59,866,440</u>	<u>55,693,766</u>
Total Liabilities and Net Assets	<u><u>\$ 60,365,174</u></u>	<u><u>\$ 56,117,371</u></u>

See accompanying Notes to Consolidated Financial Statements.

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 252,328	\$ 3,609,286	\$ 3,861,614
Nongift Deposits	21,970	10,666	32,636
In-Kind University Contribution	1,292,057	-	1,292,057
In-Kind Contributions Other	3,800	3,590	7,390
Asset Earnings	374,052	6,074,356	6,448,408
Transfers	846,535	(846,535)	-
Subtotal	2,790,742	8,851,363	11,642,105
Net Assets Released from Restriction	4,447,192	(4,447,192)	-
Total Support and Revenue	7,237,934	4,404,171	11,642,105
EXPENSES			
Gifts and Scholarships:			
Restricted Gifts	2,552,045	-	2,552,045
Restricted Scholarships	2,082,137	-	2,082,137
Program	420,101	-	420,101
Total Program Expenses	5,054,283	-	5,054,283
Fundraising	818,725	-	818,725
Administrative and General	1,596,423	-	1,596,423
Total Administrative and General	1,596,423	-	1,596,423
Total Expenses	7,469,431	-	7,469,431
CHANGE IN NET ASSETS	(231,497)	4,404,171	4,172,674
Net Assets - Beginning of Year	3,983,059	51,710,707	55,693,766
NET ASSETS - END OF YEAR	<u>\$ 3,751,562</u>	<u>\$ 56,114,878</u>	<u>\$ 59,866,440</u>

See accompanying Notes to Consolidated Financial Statements.

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 198,515	\$ 1,535,023	\$ 1,733,538
Nongift Deposits	12,589	24,365	36,954
In-Kind University Contribution	1,364,264	-	1,364,264
In-Kind Contributions Other	17,437	-	17,437
Asset Earnings	274,963	4,260,032	4,534,995
Bond Repayment Interest Income	43,016	-	43,016
Transfers	959,595	(959,595)	-
Subtotal	2,870,379	4,859,825	7,730,204
Net Assets Released from Restriction	2,372,792	(2,372,792)	-
Total Support and Revenue	5,243,171	2,487,033	7,730,204
EXPENSES			
Gifts and Scholarships:			
Restricted Gifts	1,774,384	-	1,774,384
Restricted Scholarships	1,381,238	-	1,381,238
Program	452,679	-	452,679
Total Program Expenses	3,608,301	-	3,608,301
Fundraising	420,861	-	420,861
Administrative and General	1,413,447	-	1,413,447
Reduction (Recovery) for Bad Debts	2,385	20,290	22,675
Total Administrative and General	1,415,832	20,290	1,436,122
Total Expenses	5,444,994	20,290	5,465,284
CHANGE IN NET ASSETS	(201,823)	2,466,743	2,264,920
Net Assets - Beginning of Year	4,184,882	49,243,964	53,428,846
NET ASSETS - END OF YEAR	<u>\$ 3,983,059</u>	<u>\$ 51,710,707</u>	<u>\$ 55,693,766</u>

See accompanying Notes to Consolidated Financial Statements.

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024

	Program Services	Management and General	Fundraising and Development	Total
Gifts and Scholarships	\$ 4,634,182	\$ -	\$ -	\$ 4,634,182
Demographic Maintenance	-	18,411	-	18,411
Subscription/Memberships	-	7,713	460	8,173
Cultivation	9,835	1,035	2,690	13,560
Fees - Banks	-	19,473	-	19,473
Location/Furnishings	-	1,923	-	1,923
Food/Refreshments	-	141	-	141
Other Expense	-	993	58,665	59,658
Payroll	230,283	1,238,500	375,615	1,844,398
Accounting Fees	-	45,649	-	45,649
Consulting Fees	-	3,722	-	3,722
Supplies	4,305	5,281	-	9,586
Property Management	-	10,676	-	10,676
Telephone	460	3,543	724	4,727
Postage and Shipping	1,253	5,357	64,734	71,344
Printing	4,844	8,589	164,548	177,981
Technology/Computer Expense	-	152,857	-	152,857
Travel	1,462	962	10,699	13,123
Plaques/Premiums	177	-	54,235	54,412
Staff Development	1,060	42	86,320	87,422
Alumni Events	159,032	-	35	159,067
In-Kind Disbursements	7,390	-	-	7,390
In-Kind Rent Expense	-	49,000	-	49,000
Depreciation	-	22,556	-	22,556
Total Expenses by Function	<u>\$ 5,054,283</u>	<u>\$ 1,596,423</u>	<u>\$ 818,725</u>	<u>\$ 7,469,431</u>

See accompanying Notes to Consolidated Financial Statements.

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services	Management and General	Fundraising and Development	Total
Gifts and Scholarships	\$ 3,155,622	\$ -	\$ -	\$ 3,155,622
Demographic Maintenance	-	14,605	-	14,605
Research	185	-	-	185
Subscription/Memberships	-	7,015	175	7,190
Cultivation	24,894	3,364	2,165	30,423
Fees - Banks	-	14,784	-	14,784
Location/Furnishings	-	30,007	-	30,007
Food/Refreshments	-	293	-	293
Other Expense	-	20,277	43,782	64,059
Payroll	242,662	925,232	286,582	1,454,476
Accounting Fees	-	35,841	-	35,841
Consulting Fees	-	14,309	-	14,309
Supplies	12,426	6,787	-	19,213
Property Management	-	8,917	-	8,917
Telephone	723	2,056	1,624	4,403
Postage and Shipping	6,021	4,922	4,240	15,183
Printing	19,481	26,058	35,080	80,619
Technology/Computer Expense	850	198,147	-	198,997
Travel	1,104	3,841	4,718	9,663
Plaques/Premiums	14,552	2,275	31,159	47,986
Phonathon - Telemarketing	-	-	11,336	11,336
Staff Development	-	31	-	31
Bond Project Expense	1,500	-	-	1,500
Alumni Events	152,089	-	-	152,089
In-Kind Disbursements	17,437	-	-	17,437
In-Kind Rent Expense	-	49,000	-	49,000
Interest Expense (Premium Amortization)	(41,245)	-	-	(41,245)
Amortization	-	23,130	-	23,130
Depreciation	-	22,556	-	22,556
Pledges Write-Off (Recovery)	-	22,675	-	22,675
Total Expenses by Function	<u>\$ 3,608,301</u>	<u>\$ 1,436,122</u>	<u>\$ 420,861</u>	<u>\$ 5,465,284</u>

See accompanying Notes to Consolidated Financial Statements.

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Support and Revenue	\$ 6,186,483	\$ 3,275,323
Interest and Dividends Received	1,413,302	1,262,132
Cash Paid to Suppliers and Employees	(5,944,826)	(4,283,250)
Interest Paid	-	(24,583)
Net Cash Provided by Operating Activities	<u>1,654,959</u>	<u>229,622</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(19,074,133)	(3,549,923)
Proceeds from Sale of Investments	18,608,379	3,635,332
Change in Beneficial Interest in Unitrusts	(26,059)	(282)
Purchase of Fixed Assets	-	(28,078)
Net Cash Provided (Used) by Investing Activities	<u>(491,813)</u>	<u>57,049</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Investment in Endowment	(1,851,297)	(245,733)
Principal Payments on Construction Revenue Bonds Payable	-	(1,019,999)
Net Cash Used by Financing Activities	<u>(1,851,297)</u>	<u>(1,265,732)</u>
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	<u>(688,151)</u>	<u>(979,061)</u>
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>885,320</u>	<u>1,864,381</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u><u>\$ 197,169</u></u>	<u><u>\$ 885,320</u></u>

See accompanying Notes to Consolidated Financial Statements.

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH, CASH EQUIVALENTS, AND RESTRICTED CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in Net Assets	\$ 4,172,674	\$ 2,264,920
Adjustments to Reconcile Change in Net Assets to Net Cash and Restricted Cash Provided (Used) by Operating Activities:		
Depreciation	22,556	22,566
Amortization	-	23,130
Realized Gain on Sale of Investments	(55,963)	(232,867)
Unrealized Gain on Investments	(4,979,143)	(3,089,925)
Revenue from Contributions Restricted for Investment in Endowment	(1,749,609)	(39,011)
Amortization of Premium on Bond Payable	-	(82,045)
Adjustment of Actuarial Liability	30,718	30,718
(Increase) Decrease in:		
Pledges Receivable	4,035,278	1,116,116
Prepaid Expenses	134,037	(117,819)
Interest Receivable	-	6,913
Assets Held for Sale	-	479,564
Increase (Decrease) in:		
Accounts Payable	65,085	(99,924)
Funds Held for Others	3,480	(4,480)
Annuities Payable	(24,154)	(41,311)
Construction Revenue Bonds Interest Payable	-	(6,913)
Net Cash and Restricted Cash Provided by Operating Activities	<u>\$ 1,654,959</u>	<u>\$ 229,622</u>
SUPPLEMENTAL SCHEDULE OF NONCASH ACTIVITIES		
In-Kind Donations	<u>\$ 1,299,447</u>	<u>\$ 1,381,701</u>
RECONCILIATION OF CASH AND RESTRICTED CASH - END OF YEAR PER THE STATEMENT OF CASH FLOWS TO CASH AND RESTRICTED CASH PER THE STATEMENT OF FINANCIAL POSITION		
Cash and Cash Equivalents	\$ 197,169	\$ 885,320
Cash and Restricted Cash per the Statement of Cash Flows	<u>\$ 197,169</u>	<u>\$ 885,320</u>

See accompanying Notes to Consolidated Financial Statements.

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Foundation

The St. Cloud State University Foundation, Inc. (the Foundation) is a nonprofit corporation with primary functions of gift development, relationship development, and funds management for the advancement of St. Cloud State University. The Foundation exists to support and enhance St. Cloud State University's ability to ignite students' learning and discovery of their gifts, their passions, and their potential contributions to society. The core qualities of the Foundation are integrity and passion, respect of all people, tenacity and motivation, innovation and creativity, and excellence and results.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles as codified by the Financial Accounting Standards Board. Net assets and revenues, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Without Donor Restrictions – Resources over which the board of trustees has discretionary control. Designated amounts represent those revenues which the board has set aside for a particular purpose.

With Donor Restrictions – Net assets subject to donor-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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which resource was restricted has been fulfilled, or both.

Principles of Consolidation

The consolidated financial statements include the accounts of St. Cloud State Alumni Association a separately incorporated tax-exempt organization. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents.

Investments

Investments in equity securities with readily determinable fair values and investments in debt and other securities are reported at fair value in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities.

Pledges Receivable

Pledges that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using a discount rate applicable in the year in which the pledge is received which was 1.45% for both years ended June 30, 2024 and 2023, respectively. Amortization of the discount is included in contribution revenue. Conditional pledges are not included as support until such time as the conditions are substantially met. At June 30, 2024 and 2023, the Foundation recorded a reserve for uncollectible pledges of \$21,205 and \$28,175, respectively.

Property and Equipment

Property and equipment are stated at cost or at appraised value for donated assets. Major renewals and improvements over \$5,000 are charged to the property and equipment accounts, while replacements, maintenance, and repairs, which do not improve or extend the lives of the assets, are expensed currently. Depreciation of property and equipment has been recorded using the straight-line method over the estimated useful lives. Office equipment is depreciated over 5 to 7 years and leasehold improvements are depreciated over 5 to 30 years.

Annuities

The Foundation has received contributions under annuity contracts, which generally provide for payments to the grantor for life. Assets received under these agreements are recorded at the fair value. A liability related to future payments under these agreements has been recorded at the present value using a discount rate of 5% for the years ended June 30, 2024 and 2023. Contribution income is recognized for the difference between the asset and the related liability. A liability related to split-interest agreements is recalculated annually, with the amortization of discounts and adjustments for changes to life expectancies recognized as actuarial liability adjustments on the consolidated statements of activities.

For the years ended June 30, 2024 and 2023, adjustments to reflect the amortization of discounts and changes in life expectancies were (\$22,919) and \$30,718, respectively.

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interest in Unitrusts

The Foundation receives contributions in which the donor or donor-designated beneficiary may retain a life interest. The assets are invested and administered by a trustee, and distributions are made to the beneficiaries during the term of the agreement. These funds are invested in debt and equity securities, and the Foundation records its interest in these trusts at fair value based on estimated future cash receipts discounted at 5.9% and 5.4% for the years 2024 and 2023, respectively. Initial recognition and subsequent adjustments to the assets' carrying value are recognized as contribution revenue and changes in value of split-interest agreements, respectively, and are classified as with donor restricted or without donor-restricted support, depending on donor-imposed purpose and time restrictions, if any.

Funds Held for Others

The Foundation holds funds transferred to them from various campus organizations for investment management purposes. The funds are to be distributed back to the organizations as they request them. The Foundation has recognized the funds as a liability in the accompanying consolidated statements of financial position.

Asset Earning Allocation

The Foundation's policy is to allocate pooled investment earnings to the various funds by using the average monthly-invested balance. The Foundation charges a 2.5% fee based on the average monthly-invested balance to offset the costs incurred by the Foundation to receipt, disburse, and invest funds.

Fair Value Measurements

The Foundation measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine 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 (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Foundation may use valuation techniques consistent with the market, income, and cost approaches to measure fair value.

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

The inputs used to measure fair value are categorized into the following three categories:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds that the Foundation has the ability to access as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the Foundation's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

The Foundation has the option to elect to measure financial instruments at fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Foundation has not elected to measure any existing financial instruments at fair value at June 30, 2024. However, the Foundation may elect to measure newly acquired financial instruments at fair value in the future.

Functional Expenses

The Foundation allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated to functions based on management's best estimate of usage.

Tax-Exempt Status

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Therefore, no expense has been recognized for income taxes in the accompanying consolidated financial statements. The Foundation is not a private foundation and contributions to the Foundation qualify as charitable deductions by the contributor.

The Foundation files as a tax exempt organization. Should that status be challenged in future periods, all years since inception would be subject to review by the Internal Revenue Service.

Grants

Grant funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as deferred revenue.

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 11, 2024, the date the consolidated financial statements were available to be issued.

Adoption of New Accounting Standards

The Foundation has adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. It was determined that this new accounting standard does not have an effect on the Foundation.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

	2024	2023
Cash and Cash Equivalents	\$ 197,169	\$ 885,320
Investments	58,154,170	52,653,310
Pledges Receivable, Current Portion	489,464	693,486
Other Receivable	50	50
Subtotal	58,840,853	54,232,166
Less: Donor-Imposed Restrictions	(55,353,537)	(50,719,016)
Total	<u>\$ 3,487,316</u>	<u>\$ 3,513,150</u>

Investments consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes which is largely to fund scholarships. The endowment funds are subject to an annual spending rate of up to 4.75% as described in Note 11.

NOTE 3 CONCENTRATIONS

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and investments in marketable securities, pledge receivables, and lease receivables.

At times, cash and temporary cash investments may be in excess of the FDIC insurance limit.

For the year ended June 30, 2024, two donors accounted for approximately 46% of its total pledges receivable. For the year ended June 30, 2023, two donors accounted for approximately 45% of total pledges receivable.

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 3 CONCENTRATIONS (CONTINUED)

For the year ended June 30, 2024, the Foundation received approximately 22% of its total contributions from one donor.

NOTE 4 INVESTMENTS

Investments are comprised of the following at June 30, 2024 and 2023:

	Cost Value	Fair Value	Percent of Total
<u>June 30, 2024</u>			
Mutual Funds	\$ 17,356,693	\$ 26,689,957	45.90 %
Corporate Stocks	7,196,611	11,235,090	19.32
Foreign Stocks	2,403,218	2,921,147	5.02
Corporate Bonds	11,273,930	10,799,219	19.42
Foreign Bonds	261,564	254,387	0.44
Commodities	11,254	15,390	0.03
Government Securities	2,517,793	2,509,142	3.46
Closely Held Securities	192,802	192,802	0.33
Partnership	1,704,149	1,944,980	3.34
Cash and Money Market	1,082,299	1,092,056	1.88
Programmatic Investments	500,000	500,000	0.86
Total	<u>\$ 44,500,313</u>	<u>\$ 58,154,170</u>	<u>100.00 %</u>

	Cost Value	Fair Value	Percent of Total
<u>June 30, 2023</u>			
Mutual Funds	\$ 18,974,382	\$ 24,767,957	47.04 %
Corporate Stocks	6,946,996	10,077,576	19.14
Foreign Stocks	2,412,001	2,779,762	5.28
Corporate Bonds	9,899,939	9,117,917	17.32
Foreign Bonds	820,707	780,476	1.48
Commodities	175,745	165,009	0.31
Government Securities	1,621,314	1,624,381	3.09
Closely Held Securities	191,083	191,083	0.36
Partnership	1,652,609	1,849,481	3.51
Cash and Money Market	799,668	799,668	1.52
Programmatic Investments	500,000	500,000	0.95
Total	<u>\$ 43,994,444</u>	<u>\$ 52,653,310</u>	<u>100.00 %</u>

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 4 INVESTMENTS (CONTINUED)

Investment income (loss) is comprised of the following at June 30:

	2024	2023
Interest	\$ 213,816	\$ 118,155
Dividends	1,340,626	1,227,080
Unrealized Gain (Loss)	4,979,143	3,089,925
Realized Gain	55,963	232,867
Investment Management Fees	(141,140)	(133,032)
Total Investment Activity	<u>\$ 6,448,408</u>	<u>\$ 4,534,995</u>

NOTE 5 FUNDS HELD BY THE CENTRAL MINNESOTA COMMUNITY FOUNDATION

The Foundation has funds invested with Central Minnesota Community Foundation, Inc. (CMCF). These mutual fund investments are recorded at fair market value and are included with investments on the consolidated statement of financial position. These assets were contributed to CMCF by the Foundation under the terms of an agreement dated May 1, 1989. The agreement requires CMCF to pay the net income earned on all assets held in the Foundation's Designated Fund to the Foundation at convenient intervals. The Financial Accounting Standards Board (FASB) has issued a standard regarding funds established by a charitable organization for their own benefit. Although CMCF has "variance powers" to redirect the funds, the Foundation still retains future economic benefit in the transferred assets. Investment balance as of June 30, 2024 and 2023 is \$422,027 and \$370,015, respectively.

NOTE 6 PLEDGES RECEIVABLE

Included in pledges receivable at June 30 are the following unconditional promises to give:

	2024	2023
Promises to Give Expected to be Collected in:		
Less Than One Year	\$ 489,464	\$ 693,486
One to Five Years	603,824	849,134
Greater Than Five Years	225,000	225,000
Total	<u>1,318,288</u>	<u>1,767,620</u>
Less: Allowance for Uncollectible Promises to Give	21,205	28,175
Less: Discounts on Promises to Give	46,278	54,268
Net Unconditional Promises to Give	<u>\$ 1,250,805</u>	<u>\$ 1,685,177</u>

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 7 CONTRIBUTION OF NONFINANCIAL ASSETS

Contributions of services are recognized when they are received if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not donated. Contributed nonfinancial assets are recorded at fair value at the date of donation. The Foundation receives use of its office space from St. Cloud State University which is recorded at fair market value based on the average rental cost per square foot in the area. The foundation receives contributed services and supplies from the University during the year which are recorded at fair market value based on the cost to the University.

In-kind contributions have also been recorded for various items received by the Foundation and subsequently disbursed to St. Cloud State University which donors have valued the fair market value based on appraisals. These contributions are reflected in the without donor restrictions column on the statement of activities due to the contributions being received and disbursed to the University within the same fiscal year.

Contributed nonfinancial assets consisted of the following for the years ended June 30:

	2024	2023
Contributed Services	\$ 1,243,057	\$ 1,315,264
Contributed Items	7,390	17,437
Donated Office Space	49,000	49,000
Total Contributed Nonfinancial Assets	<u>\$ 1,299,447</u>	<u>\$ 1,381,701</u>

NOTE 8 RELATED PARTY ACTIVITY

In-Kind Donations

For the years ended June 30, 2024 and 2023, an in-kind contribution of \$1,351,482 and \$1,364,264, respectively, has been recorded to reflect St. Cloud State University's donation of services, supplies, and space. See note 7 for further detail.

NOTE 9 NET ASSETS

Net assets with donor restrictions consisted of the following:

	2024	2023
Pledges to be Received in Future Years	\$ 1,250,805	\$ 1,685,177
Department Program/Scholarship Funds	54,864,073	50,025,530
Total	<u>\$ 56,114,878</u>	<u>\$ 51,710,707</u>

Net assets released from restriction were \$4,447,192 and \$2,372,792 for the years ended June 30, 2024 and 2023, respectively. Net assets were released from donor restriction by incurring expenses satisfying the purposes or by occurrence of other events specified by the donor, and by the passage of time.

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 9 NET ASSETS (CONTINUED)

Net Assets Without Donor Restrictions – Designated

Included in net assets without donor restrictions – designated, are two board-designated funds that are invested within the investment pool. Total net assets without donor restrictions – designated were \$103,021 and \$218,846, for the years ended June 30, 2024 and 2023, respectively.

NOTE 10 FAIR VALUE MEASUREMENTS

The Foundation uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. For additional information on how the Foundation measures fair value, refer to Note 1 – Summary of Significant Accounting Policies. The following table presents the fair value hierarchy for the balances of the assets of the Foundation measured at fair value on a recurring basis:

	June 30, 2024			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual Funds	\$ 26,689,957	\$ -	\$ -	\$ 26,689,957
Corporate Stocks	11,235,090	-	-	11,235,090
Foreign Stocks	2,921,147	-	-	2,921,147
Corporate Bonds	793,232	10,005,987	-	10,799,219
Foreign Bonds	-	254,387	-	254,387
Commodities	-	15,390	-	15,390
Government Securities	2,509,142	-	-	2,509,142
Closely Held Securities	-	-	192,802	192,802
Partnership	-	-	1,944,980	1,944,980
Cash and Money Market	1,092,056	-	-	1,092,056
Programmatic Investments	-	-	500,000	500,000
Total	45,240,624	10,275,764	2,637,782	58,154,170
Beneficial Interests in Unitrusts	-	346,689	-	346,689
Total	<u>\$ 45,240,624</u>	<u>\$ 10,622,453</u>	<u>\$ 2,637,782</u>	<u>\$ 58,500,859</u>

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 10 FAIR VALUE MEASUREMENTS (CONTINUED)

	June 30, 2023			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual Funds	\$ 24,767,957	\$ -	\$ -	\$ 24,767,957
Corporate Stocks	10,077,576	-	-	10,077,576
Foreign Stocks	2,779,762	-	-	2,779,762
Corporate Bonds	-	9,117,917	-	9,117,917
Foreign Bonds	-	780,476	-	780,476
Commodities	-	165,009	-	165,009
Government Securities	1,624,381	-	-	1,624,381
Closely Held Securities	-	-	191,083	191,083
Partnership	-	-	1,849,481	1,849,481
Cash and Money Market	799,668	-	-	799,668
Programmatic Investments	-	-	500,000	500,000
Total	40,049,344	10,063,402	2,540,564	52,653,310
Beneficial Interests in Unitrusts	-	320,630	-	320,630
Total	<u>\$ 40,049,344</u>	<u>\$ 10,384,032</u>	<u>\$ 2,540,564</u>	<u>\$ 52,973,940</u>

Unrealized changes in fair value for investments and realized gains and losses from sales are recorded in asset earnings (losses) in the consolidated statements of activities.

Level 2 assets include corporate bonds, foreign bonds, and commodities. The fair value of the investments in this category is based on quoted market prices for the underlying investment.

Level 3 assets consist of an investment in Granite Equity Partners LLC (the company), a private investment and holding company. The investment is governed by an Assignment, Consent, and Joinder agreement. Transferability of this investment, in whole or in part, is subject to prior written consent of the company. In addition, the Foundation has an interest in a partnership joint venture.

The following table provides a summary of changes in fair value of the organization's Level 3 financial assets for the year ended June 30:

	2024	Granite Equity	Partnership
Purchases		\$ -	\$ 51,540
Distributions		(4,408)	-
	2023		
Purchases		\$ -	\$ 53,120
Distributions		(3,956)	-

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 11 ENDOWMENTS

The Foundation's endowment consists of approximately 400 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The board of trustees of the Foundation has interpreted the State's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as 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. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment (unless otherwise directed), and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with the 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 investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

Endowment net assets by type of fund for the years ended June 30, 2024 and 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>June 30, 2024</u>			
Donor-Restricted Endowment Funds	\$ -	\$ 46,835,374	\$ 46,835,374
Board-Designated Endowment Funds	103,021	-	103,021
Total Endowment Funds	<u>\$ 103,021</u>	<u>\$ 46,835,374</u>	<u>\$ 46,938,395</u>

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 11 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>June 30, 2023</u>			
Donor-Restricted Endowment Funds	\$ -	\$ 41,929,044	\$ 41,929,044
Board-Designated Endowment Funds	218,846	-	218,846
Total Endowment Funds	<u>\$ 218,846</u>	<u>\$ 41,929,044</u>	<u>\$ 42,147,890</u>

Endowment net asset activity and type of fund for the years ended June 30, 2024 and 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, June 30, 2022	\$ 149,002	\$ 40,223,961	\$ 40,372,963
Earnings:			
Interest and Dividends	-	6,765	6,765
Realized and Unrealized Gains	16,242	4,261,907	4,278,149
Total Investment Returns	<u>16,242</u>	<u>4,268,672</u>	<u>4,284,914</u>
Contributions	45,537	477,072	522,609
Appropriations for Expenditures, Including Fees	(8,382)	(2,333,036)	(2,341,418)
Transfers	<u>16,447</u>	<u>(707,625)</u>	<u>(691,178)</u>
Endowment Net Assets, June 30, 2023	218,846	41,929,044	42,147,890
Earnings:			
Interest and Dividends	-	(3,346)	(3,346)
Realized and Unrealized Losses	24,403	6,049,363	6,073,766
Total Investment Returns	<u>24,403</u>	<u>6,046,017</u>	<u>6,070,420</u>
Contributions	25	2,026,754	2,026,779
Appropriations for Expenditures, Including Fees	(10,346)	(2,357,529)	(2,367,875)
Transfers	<u>(129,907)</u>	<u>(808,912)</u>	<u>(938,819)</u>
Endowment Net Assets, June 30, 2024	<u>\$ 103,021</u>	<u>\$ 46,835,374</u>	<u>\$ 46,938,395</u>

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 11 ENDOWMENTS (CONTINUED)

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 or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with U.S. generally accepted accounting principles, deficiencies of this nature that are reported in net assets with donor restrictions were \$4,913 and \$474,217 for the years ended June 30, 2024 and 2023, respectively.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to 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 Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a benchmark comprised of the Russell 1000, Russell 2000, EAFE, and LBIGC indexes while assuming a moderate level of investment risk. The secondary objective is to achieve a net return on investment equal to the sum of the board-approved disbursement rate (currently 4%) plus the Foundation's annual administrative fee (currently 2.5%) and the annual Consumer Price Index. The Foundation expects its endowment funds, over time, to maximize return within reasonable and prudent levels of risk and maintain sufficient liquidity to meet distribution needs on a timely basis. There are no assurances these objectives will be met, and actual returns may vary.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation 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). The Foundation 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.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year up to 4% of its endowment fund's average fair value over the prior 12 quarters through the fiscal year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 2% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

