ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2019 AND 2018

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of St. Cloud State University Foundation, Inc. (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expense, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Trustees
St. Cloud State University Foundation, Inc.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of St. Cloud State University Foundation, Inc. as of June 30, 2019 and 2018 and the consolidated changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Cloud, Minnesota
September 20, 2019

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 406,728	$ 544,389
Investments	42,303,155	39,932,713
Construction Bond Fund Accounts	1,036,368	1,028,562
Pledges Receivable, Current Portion	655,275	579,686
Current Portion of Finance Lease Receivable	980,000	950,000
Prepaid Expenses	138,159	125,741
Interest Receivable	27,179	33,618
Total Current Assets	45,546,864	43,194,709
PROPERTY AND EQUIPMENT		
Real Estate	139,000	175,400
Furniture and Fixtures	278,172	278,172
Leasehold Improvements	107,145	107,145
Total Property and Equipment	524,317	560,717
Less: Accumulated Depreciation	366,114	361,669
Net Property and Equipment	158,203	199,048
OTHER ASSETS		
Beneficial Interest in Unitrusts	334,213	335,824
Finance Lease Receivable, Net of Current Portion	2,007,999	2,987,999
Pledges Receivable, Net of Current Portion and Allowance for Doubtful Pledges	1,167,929	1,144,127
Total Other Assets	3,510,141	4,467,950
Total Assets	$ 49,215,208	$ 47,861,707

See accompanying Notes to Consolidated Financial Statements.

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2019 AND 2018

LIABILITIES AND NET ASSETS	2019	2018
CURRENT LIABILITIES		
Current Maturities of Revenue Bonds Payable	$ 980,000	$ 950,000
Accounts Payable	638,747	344,130
Construction Revenue Bonds Interest Payable	27,179	33,618
Funds Held for Others	96,033	95,465
Current Portion of Annuities Payable	46,058	46,101
Total Current Liabilities	1,788,017	1,469,314
LONG-TERM LIABILITIES		
Annuities Payable, Net of Current Portion	252,085	270,693
Construction Revenue Bonds Payable, Net of Current Portion and Unamortized Financing Fees	3,301,004	4,351,705
Total Long-Term Liabilities	3,553,089	4,622,398
Total Liabilities	5,341,106	6,091,712
NET ASSETS		
Without Donor Restrictions - Undesignated	3,664,166	3,223,950
Without Donor Restrictions - Designated	105,039	(163,800)
Total Unrestricted	3,769,205	3,060,150
With Donor Restrictions	40,104,897	38,709,845
Total Net Assets	43,874,102	41,769,995
Total Liabilities and Net Assets	$ 49,215,208	$ 47,861,707

See accompanying Notes to Consolidated Financial Statements.

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	$ 380,974	$ 3,502,583	$ 3,883,557
Non-Gift Deposits	4,280	181,273	185,553
Gain/(Loss) on Real Estate	183,802	-	183,802
University Contribution	1,714,697	-	1,714,697
Asset Earnings	426,518	1,936,790	2,363,308
Bond Repayment Interest Income	199,767	-	199,767
Transfers	720,957	(720,957)	-
Subtotal	3,630,995	4,899,689	8,530,684
Net Assets Released from Restriction	3,392,102	(3,392,102)	-
Total Support and Revenue	7,023,097	1,507,587	8,530,684
EXPENSES			
Gifts and Scholarships:			
Restricted Gifts	2,143,907	-	2,143,907
Restricted Scholarships	1,213,726	-	1,213,726
Program	788,712	-	788,712
Total Program Expenses	4,146,345	-	4,146,345
Fundraising	894,347	-	894,347
Administrative and General	1,276,978	-	1,276,978
Reduction for Bad Debts	(3,628)	112,535	108,907
Total Administrative and General	1,273,350	112,535	1,385,885
Total Expenses	6,314,042	112,535	6,426,577
CHANGE IN NET ASSETS	709,055	1,395,052	2,104,107
Net Assets - Beginning of Year	3,060,150	38,709,845	41,769,995
NET ASSETS - END OF YEAR	$ 3,769,205	$ 40,104,897	$ 43,874,102

See accompanying Notes to Consolidated Financial Statements.

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	$ 319,529	$ 3,554,800	$ 3,874,329
Non-Gift Deposits	2,204	86,750	88,954
University Contribution	1,911,806	-	1,911,806
Asset Earnings	283,409	3,067,202	3,350,611
Bond Repayment Interest Income	234,156	-	234,156
Transfers	845,722	(845,722)	-
Subtotal	3,596,826	5,863,030	9,459,856
Net Assets Released from Restriction	2,640,270	(2,640,270)	-
Total Support and Revenue	6,237,096	3,222,760	9,459,856
EXPENSES			
Gifts and Scholarships:			
Restricted Gifts	1,613,254	-	1,613,254
Restricted Scholarships	1,184,349	-	1,184,349
Program	593,429	-	593,429
Total Program Expenses	3,391,032	-	3,391,032
Fundraising	916,139	-	916,139
Administrative and General	1,502,606	-	1,502,606
Reduction for Bad Debts	11,944	32,396	44,340
Total Administrative and General	1,514,550	32,396	1,546,946
Total Support and Revenue	5,821,721	32,396	5,854,117
CHANGE IN NET ASSETS	415,375	3,190,364	3,605,739
Net Assets - Beginning of Year	2,644,775	35,519,481	38,164,256
NET ASSETS - END OF YEAR	$ 3,060,150	$ 38,709,845	$ 41,769,995

See accompanying Notes to Consolidated Financial Statements.

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED JUNE 30, 2019

	Program Services	Management and General	Fundraising and Development	Total
Gifts and Scholarships	$ 3,357,633	$ -	$ -	$ 3,357,633
Demographic Maintenance	288	3,000	-	3,288
Research	65	19,080	-	19,145
Subscription/Memberships	228	5,663	336	6,227
Cultivation	37,065	3,536	12,397	52,998
Fees - Banks	-	6,664	-	6,664
Location/Furnishings	50	2,634	-	2,684
Food/Refreshments	-	62	203	265
Other Expense	11,850	-	70,640	82,490
Payroll	340,116	959,911	557,868	1,857,895
Accounting Fees	-	24,015	-	24,015
Consulting Fees	-	41	-	41
Supplies	2,237	6,331	138	8,706
Property Management	-	7,187	-	7,187
Telephone	2,965	1,259	2,571	6,795
Postage & Shipping	10,506	6,490	14,565	31,561
Printing	40,056	7,264	116,383	163,703
Technology/Computer Expense	14,985	142,725	5,800	163,510
Travel	4,006	2,821	42,399	49,226
Plaques/Premiums	599	956	-	1,555
Phonathon - Telemarketing	-	-	66,718	66,718
Staff Development	1,875	4,638	2,899	9,412
Alumni Events	159,739	-	1,430	161,169
In-Kind Disbursements	68,578	-	-	68,578
In-Kind Rent Expense	-	40,500	-	40,500
Interest Expense	93,504	-	-	93,504
Amortization	-	28,532	-	28,532
Depreciation	-	3,669	-	3,669
Pledges Write-Off	-	108,907	-	108,907
Total Expenses by Function	$ 4,146,345	$ 1,385,885	$ 894,347	$ 6,426,577

See accompanying Notes to Consolidated Financial Statements.

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSE (CONTINUED)
YEAR ENDED JUNE 30, 2018

	Program Services	Management and General	Fundraising and Development	Total
Gifts and Scholarships	$ 2,797,603	$ -	$ -	$ 2,797,603
Demographic Maintenance	450	10,278	-	10,728
Research	71	19,331	-	19,402
Subscription/Memberships	152	5,196	239	5,587
Cultivation	34,687	3,051	10,890	48,628
Fees - Banks	-	7,601	-	7,601
Location/Furnishings	3,562	17,424	-	20,986
Food/Refreshments	-	224	-	224
Other Expense	-	233,477	70,037	303,514
Payroll	261,335	909,170	542,559	1,713,064
Accounting Fees	-	23,309	-	23,309
Consulting Fees	-	15,236	-	15,236
Supplies	2,458	5,178	104	7,740
Property Management	-	7,095	-	7,095
Telephone	2,282	2,186	3,313	7,781
Postage & Shipping	23,389	5,264	16,908	45,561
Printing	3,011	5,027	154,384	162,422
Technology/Computer Expense	12,288	136,647	10,800	159,735
Travel	6,761	2,948	43,281	52,990
Plaques/Premiums	1,124	559	-	1,683
Phonathon - Telemarketing	-	-	56,062	56,062
Staff Development	6,239	9,998	(1,073)	15,164
Bond Project Expense	-	6,350	-	6,350
Alumni Events	89,603	-	8,635	98,238
In-Kind Disbursements	22,525	-	-	22,525
In-Kind Rent Expense	-	40,500	-	40,500
Interest Expense	123,492	-	-	123,492
Amortization	-	27,756	-	27,756
Depreciation	-	8,801	-	8,801
Pledges Write-Off	-	44,340	-	44,340
Total Expenses by Function	$ 3,391,032	$ 1,546,946	$ 916,139	$ 5,854,117

See accompanying Notes to Consolidated Financial Statements.

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Support and Revenue	$ 3,324,166	$ 3,254,962
Interest Received	950,482	887,917
Cash Paid to Suppliers and Employees	(4,329,110)	(4,633,996)
Interest Paid	(99,943)	(156,052)
Net Cash Used by Operating Activities	(154,405)	(647,169)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(17,449,730)	(9,341,340)
Proceeds from Sale of Investments	16,599,863	10,120,272
Proceeds on Sale of Fixed Assets	220,202	-
Decrease (Increase) in Beneficial Interest in Unitrusts	1,611	(5,614)
Increase in Construction Bond Fund Accounts	(7,806)	(6,110)
Payments Received on Lease Receivable	950,000	945,000
Net Cash Provided by Investing Activities	314,140	1,712,208
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Investment in Endowment	652,604	310,958
Principal Payments on Construction Revenue Bonds Payable	(950,000)	(945,000)
Net Cash Used by Financing Activities	(297,396)	(634,042)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(137,661)	430,997
Cash and Cash Equivalents - Beginning of Year	544,389	113,392
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 406,728	$ 544,389

See accompanying Notes to Consolidated Financial Statements.

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES		
Change in Net Assets	$ 2,104,107	$ 3,605,739
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	4,445	8,801
Amortization	26,980	27,756
Gain on Sale of Land	(183,026)	-
Realized Gain on Sale of Investments	(622,516)	(1,361,633)
Unrealized Gain on Investments	(898,059)	(1,241,567)
Proceeds from Contributions Restricted for Investment in Endowment	(652,604)	(310,958)
Amortization of Premium on Bond Payable	(98,457)	(98,454)
Adjustment of Actuarial Liability	27,407	41,762
(Increase) Decrease in:		
Other Accounts Receivable	-	31,368
Pledges Receivable	(99,391)	(648,558)
Prepaid Expenses	(12,418)	(6,919)
Interest Receivable	6,439	4,804
Increase (Decrease) in:		
Accounts Payable	294,617	252,477
Funds Held for Others	568	(900,882)
Annuities Payable	(46,058)	(46,101)
Construction Revenue Bonds Interest Payable	(6,439)	(4,804)
Net Cash Used by Operating Activities	$ (154,405)	$ (647,169)
SUPPLEMENTAL SCHEDULE OF NONCASH ACTIVITIES		
In-Kind Donations	$ 1,783,275	$ 1,643,300

See accompanying Notes to Consolidated Financial Statements.

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 stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Those resources subject to a donor-imposed restriction that they be maintained permanently by the Foundation. Generally, the donors of these resources permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

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 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 financial statements. Estimates also affect the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

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 2.48% for the years 2019 and 2018. 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, 2019 and 2018, the Foundation recorded a reserve for uncollectible pledges of $45,517 and $41,602, 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 five to seven years and leasehold improvements are depreciated over 5 - 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% at June 30, 2019 and 2018. 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 statement of activities.

For the years ended June 30, 2019 and 2018, adjustments to reflect the amortization of discounts and changes in life expectancies were $27,407 and $41,762, respectively.

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 5.6% and 6.6% for the years 2019 and 2018, 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 statement of financial position.

Asset Earning Allocation

The Foundation's policy is to allocate pooled investment earnings to the without donor restrictions, with donor restrictions, annuity, and endowment funds by using the average monthly-invested balance. The Foundation charges a 2% 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.

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, 2019. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

The Foundation adopted Financial Accounting Standards Board (FASB) ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities in 2018. These changes were applied retrospectively to ensure comparability with the prior year presented herein. The adoption did not impact the Organization's financial position as of December 31, 2018 and 2017 or the changes in its net assets, functional expenses, or cash flows for the years then ended.

Subsequent Events

In preparing these consolidated financial statements, the Foundation has considered events and transactions for potential recognition or disclosure through September 20, 2019, the date the consolidated financial statements were available to be issued.

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 statement of financial position date, comprise the following:

	2019	2018
Cash and Cash Equivalents	$ 406,728	$ 544,389
Investments	42,303,155	39,932,713
Pledges Receivable, Current Portion	655,275	579,686
Interest Receivable	27,179	33,618
	43,392,337	41,090,406
Less: Donor-Imposed Restrictions	(40,104,897)	(38,709,845)
Total	$ 3,287,440	$ 2,380,561

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 12.

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.

The Foundation received approximately 14% of its total contributions from one donor for the year ended June 30, 2019. The Foundation received approximately 39% of its total contributions from two donors for the year ended June 30, 2018. For the year ended June 30, 2019, two donors accounted for approximately 24% of total pledges receivable. For the year ended June 30, 2018, one donor accounted for approximately 20% of total pledges receivable. The finance lease receivable is due from one organization for the years ended June 30, 2019 and 2018. The Foundation considers there to be minimal risk with the lease receivable as it is due from a state institution.

NOTE 4 INVESTMENTS

Investments are comprised of the following at June 30, 2019 and 2018:

	Cost Value	Fair Value	Percent of Total
June 30, 2019			
Mutual Funds	$ 15,610,603	$ 18,378,513	43.44%
Corporate Stocks	5,892,259	7,561,279	26.81
Foreign Stocks	2,923,127	3,127,582	5.94
Corporate Bonds	11,571,418	11,695,280	28.18
Foreign Bonds	702,687	706,421	2.99
Commodities	5,320	10,631	0.02
Government Securities	150,000	150,033	0.37
Closely Held Securities	106,035	106,035	0.37
Cash and Money Market	567,381	567,381	1.71
Total	$ 37,528,830	$ 42,303,155	100.00

	Cost Value	Fair Value	Percent of Total
June 30, 2018			
Mutual Funds	$ 11,312,282	$ 13,567,248	33.98%
Corporate Stocks	9,001,606	10,705,761	26.81
Foreign Stocks	2,188,791	2,373,951	5.94
Corporate Bonds	11,493,281	11,253,141	28.18
Foreign Bonds	1,221,656	1,194,648	2.99
Commodities	5,320	7,497	0.02
Government Securities	150,000	146,954	0.37
Cash and Money Market	683,513	683,513	1.71
Total	$ 36,056,449	$ 39,932,713	100.00

NOTE 4 INVESTMENTS (CONTINUED)

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

	2019	2018
Interest	$ 345,708	$ 281,868
Dividends	621,357	582,932
Unrealized Gain	898,059	1,241,567
Realized Gain	622,516	1,361,633
Investment Management Fees	(124,332)	(117,389)
Total Investment Activity	$ 2,363,308	$ 3,350,611

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, 2019 and 2018 is $283,801 and $267,274, respectively.

NOTE 6 CONSTRUCTION BOND FUND ACCOUNTS AND CONSTRUCTION REVENUE BONDS PAYABLE

The Foundation entered into an agreement on March 1, 2002 with the Housing and Redevelopment Authority in and for the city of St. Cloud, Minnesota and U.S. Bank National Association to issue $16,515,000 in revenue bonds. On May 30, 2012, the bonds were paid off and refinanced with $10,220,000 of new bonds issued with the Economic Development Authority of St. Cloud, Minnesota and U.S. Bank National Association. The bonds were used for the purpose of:

a. Constructing and equipping a new 4,800-seat, approximately 30,000 square foot multipurpose stadium, including installing a dome and synthetic playing field and related parking improvements.

b. Demolishing the existing grandstands and renovating and equipping Selke Field for recreational use.

c. Constructing and equipping an approximately 16,398 square foot addition to, and renovating and equipping approximately 19,888 square feet of, Atwood Memorial Center (including constructing a pedestrian skyway), a student services organizations facility.

NOTE 6 CONSTRUCTION BOND FUND ACCOUNTS AND CONSTRUCTION REVENUE BONDS PAYABLE (CONTINUED)

d. Constructing and equipping a 40,000 square foot one story student fitness and recreational facility.

e. Funding a Reserve Fund in an amount equal to the Reserve Requirement.

f. Paying costs of issuance.

The proceeds from the issuance of bonds are held in different cash accounts as follows:

The Bond Fund

The Bond Fund will be used solely for repayment of the principal and interest on the bonds. Upon payment of the first interest payment, the Bond Fund qualified as a "bona fide debt service fund" and those funds deposited in the Bond Fund will be used within 13 months of their deposit for payment of the principal and interest on the bonds. The Bond Fund will be used primarily to achieve a proper matching of payments of the loan repayments and debt service on the bonds within each bond year. It is expected that the Bond Fund will be depleted at least once each bond year (on February 1) except for a reasonable carryover amount not expected to exceed the greater of one year's earnings on the Bond Fund for the immediately preceding bond year or 1/12 of the annual debt service on the Bonds for the immediately preceding bond year.

The Reserve Fund

The Reserve Fund is a "reasonably required reserve or replacement fund". The amount on deposit in the Reserve Fund must never exceed the reserve fund limit, which is the least of the following:

a. 10% of the stated principal amount of the bonds, which is $1,022,000;

b. the maximum annual principal and interest requirements on the bonds, which is $1,171,750 occurring in the 12-month period ending May 1, 2018; or

c. 125% of the average annual principal and interest requirements on the bonds, which is $1,420,526.

For purposes of the bonds, the series required reserve of $1,022,165 is equal to or less than the reserve fund limit.

The Project Fund

The Project Fund monies were used to pay the project costs and costs of issuance.

Construction Revenue Bonds Payable

Interest on the bonds is payable semiannually on the first day of May and November each year. The average interest rate paid on the bonds over the term is 3.629%.

NOTE 6 CONSTRUCTION BOND FUND ACCOUNTS AND CONSTRUCTION REVENUE BONDS PAYABLE (CONTINUED)

Construction Revenue Bonds Payable (Continued)

Included in the bond payable is the unamortized premium on the issuance of the 2012 bonds and are amortized over the term of the bonds. As of June 30, 2019 and 2018, the unamortized premium was $377,402 and $475,859, respectively.

The principal payments of the bonds are payable on the first day of May each year. Principal maturities of the bonds payable for the next five years are as follows:

Year Ending June 30,	Amount
2020	$ 980,000
2021	1,000,000
2022	1,010,000
2023	1,020,000
Unamortized Bond Premium	377,402
Unamortized Financing Fees	(106,398)
Total	$ 4,281,004

The bonds have coupon rates ranging from 2% to 4% and have maturity dates through 2023.

Finance Lease Receivable

As discussed further in Note 9, The Foundation has entered into an operating agreement with St. Cloud State University to lease assets being constructed or renovated with proceeds from the revenue bonds.

Principal maturities of the finance lease receivable are as follows:

Year Ending June 30,	Amount
2020	$ 980,000
2021	1,000,000
2022	1,007,999
Total	$ 2,987,999

NOTE 7 PLEDGES RECEIVABLE

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

	2019	2018
Promises to Give Expected to be Collected in:		
Less Than One Year	$ 655,275	$ 579,686
One to Five Years	1,097,304	1,070,675
Greater Than Five Years	236,000	235,000
Total	1,988,579	1,885,361
Less: Allowance for Uncollectible Promises to Give	45,517	41,602
Less: Discounts on Promises to Give	119,858	119,946
Net Unconditional Promises to Give	$ 1,823,204	$ 1,723,813

NOTE 8 IN-KIND CONTRIBUTIONS

Contributions of services are recognized when they are received if the services (a) create or enhance non-financial assets or (b) require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not donated. For the years ended June 30, 2019 and 2018, the value of contributed services recognized as revenues in the accompanying consolidated statement of activities was $1,644,279 and $1,551,475, respectively, to reflect St. Cloud State University's donation of salaries and related benefits.

During 2019 and 2018, the Foundation also received use of its office space from St. Cloud State University with an estimated fair market value of $40,500.

During 2019 and 2018, the Foundation also received $29,918 and $28,800 of contributions for office supplies, respectively.

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 at $68,578 and $22,525 for the years ended June 30, 2019 and 2018, respectively.

NOTE 9 RELATED PARTY ACTIVITY

In-Kind Donations

As discussed in Note 8, for the years ended June 30, 2019 and 2018, an in-kind contribution of $1,714,697 and $1,620,775, respectively, has been recorded to reflect St. Cloud State University's donation of services, supplies, and space.

NOTE 9 RELATED PARTY ACTIVITY (CONTINUED)

Finance Lease Receivable

The Foundation has entered into an operating agreement with St. Cloud State University to lease assets being constructed or renovated with proceeds from the revenue bonds. The payment terms of the operating agreement reflect the payment terms required by the bond issuance. At the end of the operating agreement, the title to these assets shall pass to the University. The operating agreement qualifies as a capital lease under accounting standards. Payments under the operating agreement are equal to the interest payment and principal, if any, due at March 1 and November 1 of each year. See also Note 6 for future principal payments.

Sponsorship

The Foundation has entered into an agreement with St. Cloud State University to receive payment for assistance to raise funds for the predesign, design, construction, furnishing and equipping of the renovations, improvements, and additions to the Hockey Center. The amounts received for the years ended June 30, 2019 and 2018 was $-0- and $291,031, respectively, and is included in contributions on the consolidated statement of activities.

NOTE 10 NET ASSETS

Net assets with donor restrictions consisted of the following:

	2019	2018
Pledges to be Received in Future Years	$ 1,037,879	$ 1,088,297
Department Program/Scholarship Funds	39,067,018	37,621,548
Total	$ 40,104,897	$ 38,709,845

Net assets released from restriction were $3,392,102 and $2,640,270 for the years ended June 30, 2019 and 2018, 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.

Without Donor Restrictions – Designated:

During the fiscal year ended June 30, 2012, the Foundation obtained a $6,600,000 loan from Bremer Bank. The proceeds of that note were transferred, along with other receipts from a with donor restrictions fund, to the University to finance construction costs of the Herb Brooks National Hockey Center. The balance of the contribution to the University in excess of funds available in that particular with donor restrictions fund is reflected as a decrease in net assets without donor restrictions. The fund is anticipated to be replenished with future contributions to a capital campaign for the Herb Brooks National Hockey Center.

NOTE 11 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, 2019			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual Funds	$ 18,378,513	$ -	$ -	$ 18,378,513
Corporate Stocks	7,561,279	-	-	7,561,279
Foreign Stocks	3,127,582	-	-	3,127,582
Corporate Bonds	-	11,695,280	-	11,695,280
Government Securities	-	150,033	-	150,033
Foreign Bonds	-	706,421	-	706,421
Commodities	-	10,631	-	10,631
Closely Held Securities	-	-	106,035	106,035
Cash and Money Market	567,381	-	-	567,381
Total	29,634,755	12,562,365	106,035	42,303,155
Beneficial Interests in Unitrusts	-	334,213	-	334,213
Total	$ 29,634,755	$ 12,896,578	$ 106,035	$ 42,637,368

	June 30, 2018			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual Funds	$ 13,567,248	$ -	$ -	$ 13,567,248
Corporate Stocks	10,705,761	-	-	10,705,761
Foreign Stocks	2,373,951	-	-	2,373,951
Corporate Bonds	-	11,253,141	-	11,253,141
Government Securities	-	146,954	-	146,954
Foreign Bonds	-	1,194,648	-	1,194,648
Commodities	-	7,497	-	7,497
Cash and Money Market	683,513	-	-	683,513
Total	27,330,473	12,602,240	-	39,932,713
Beneficial Interests in Unitrusts	-	335,824	-	335,824
Total	$ 27,330,473	$ 12,938,064	$ -	$ 40,268,537

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

NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2 assets include corporate bonds, government securities, 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.

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:

	2019
Beginning Balance	$ -
Donation of Investment	97,956
Realized Gain on Investment	8,079
Ending Balance	$ 106,035

NOTE 12 ENDOWMENTS

The Foundation's endowment consists of approximately 360 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.

NOTE 12 ENDOWMENTS (CONTINUED)

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, 2019 and 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2019			
Donor-Restricted Endowment Funds	$ -	$ 31,000,166	$ 31,000,166
Board-Designated Endowment Funds	93,013	-	93,013
Total Endowment Funds	$ 93,013	$ 31,000,166	$ 31,093,179

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2018			
Donor-Restricted Endowment Funds	$ -	$ 30,076,360	$ 30,076,360
Board-Designated Endowment Funds	80,688	-	80,688
Total Endowment Funds	$ 80,688	$ 30,076,360	$ 30,157,048

NOTE 12 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

Endowment net asset activity and type of fund for the years ended June 30, 2019 and 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, June 30, 2017	$ 66,545	$ 28,121,088	$ 28,187,633
Earnings:			
Interest and Dividends	1,738	666,165	667,903
Realized and Unrealized Gains	6,179	2,401,037	2,407,216
Total Investment Returns	7,917	3,067,202	3,075,119
Contributions	11,057	831,627	842,684
Non-Gift Deposits	-	5,330	5,330
Appropriations for Expenditures, Including Fees	(4,831)	(1,981,887)	(1,986,718)
Transfers	-	33,000	33,000
Endowment Net Assets, June 30, 2018	80,688	30,076,360	30,157,048
Earnings:			
Interest and Dividends	2,144	717,474	719,618
Realized and Unrealized Gains	3,540	1,211,634	1,215,174
Total Investment Returns	5,684	1,929,108	1,934,792
Contributions	8,900	923,494	932,394
Non-Gift Deposits	3,000	200	3,200
Appropriations for Expenditures, Including Fees	(5,259)	(1,943,963)	(1,949,222)
Transfers	-	14,967	14,967
Endowment Net Assets, June 30, 2019	$ 93,013	$ 31,000,166	$ 31,093,179

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 without donor restrictions-undesignated were $-0- as of June 30, 2019 and 2018. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the board of trustees.

NOTE 12 ENDOWMENTS (CONTINUED)

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 4.75%) plus the Foundation’s annual administrative fee (currently 2%) and the annual Consumer Price Index. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 10% annually. Actual returns in any given year may vary from this amount.

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 4.75% 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.