

**ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2023 AND 2022**



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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, 2023 and 2022, 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, 2023 and 2022, 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 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 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 financial statements are available to be issued.

**Auditors' Responsibilities for the Audit of the 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 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 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 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 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 30, 2023

**ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2023 AND 2022**

<b>ASSETS</b>	2023	2022
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 885,320	\$ 842,267
Investments	52,653,310	49,415,927
Construction Bond Fund Accounts	-	1,022,114
Pledges Receivable, Current Portion	693,486	889,175
Other Receivables	50	50
Prepaid Expenses	288,345	170,526
Interest Receivable	-	6,913
Assets Held for Others	-	479,564
Total Current Assets	54,520,511	52,826,536
<b>PROPERTY AND EQUIPMENT</b>		
Real Estate	139,000	139,000
Furniture and Fixtures	430,632	278,172
Leasehold Improvements	107,145	107,145
Construction in Process	-	124,382
Total Property and Equipment	676,777	648,699
Less: Accumulated Depreciation	392,238	369,682
Net Property and Equipment	284,539	279,017
<b>OTHER ASSETS</b>		
Beneficial Interest in Unitrusts	320,630	320,348
Pledges Receivable, Net of Current Portion and Allowance for Doubtful Pledges	991,691	1,627,374
Total Other Assets	1,312,321	1,947,722
Total Assets	\$ 56,117,371	\$ 55,053,275

See accompanying Notes to Consolidated Financial Statements.

**ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**JUNE 30, 2023 AND 2022**

	2023	2022
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current Maturities of Revenue Bonds Payable	\$ -	\$ 1,020,000
Accounts Payable	108,177	208,101
Construction Revenue Bonds Interest Payable	-	6,913
Funds Held for Others	91,787	96,267
Current Portion of Annuities Payable	38,613	39,815
Total Current Liabilities	238,577	1,371,096
<b>LONG-TERM LIABILITIES</b>		
Annuities Payable, Net of Current Portion	185,028	194,419
Construction Revenue Bonds Payable, Net of Current Portion and Unamortized Financing Fees	-	58,914
Total Long-Term Liabilities	185,028	253,333
Total Liabilities	423,605	1,624,429
<b>NET ASSETS</b>		
Without Donor Restrictions - Undesignated	3,764,213	3,435,880
Without Donor Restrictions - Designated	218,846	749,002
Total Without Donor Restrictions	3,983,059	4,184,882
With Donor Restrictions	51,710,707	49,243,964
Total Net Assets	55,693,766	53,428,846
Total Liabilities and Net Assets	\$ 56,117,371	\$ 55,053,275

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
<b>SUPPORT AND REVENUE</b>			
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
 <b>EXPENSES</b>			
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
 <b>CHANGE IN NET ASSETS</b>	(201,823)	2,466,743	2,264,920
 Net Assets - Beginning of Year	4,184,882	49,243,964	53,428,846
 <b>NET ASSETS - END OF YEAR</b>	\$ 3,983,059	\$ 51,710,707	\$ 55,693,766

See accompanying Notes to Consolidated Financial Statements.

**ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 230,867	\$ 6,316,169	\$ 6,547,036
Nongift Deposits	5,233	53,104	58,337
In-Kind University Contribution	1,672,775	-	1,672,775
In-Kind Contributions Other	53,431	-	53,431
Asset Earnings	(558,133)	(5,715,402)	(6,273,535)
Bond Repayment Interest Income	74,450	-	74,450
Transfers	1,092,453	(1,092,453)	-
Subtotal	2,571,076	(438,582)	2,132,494
Net Assets Released from Restriction	3,143,756	(3,143,756)	-
Total Support and Revenue	5,714,832	(3,582,338)	2,132,494
 <b>EXPENSES</b>			
Gifts and Scholarships:			
Restricted Gifts	1,944,763	-	1,944,763
Restricted Scholarships	1,313,458	-	1,313,458
Program	558,524	-	558,524
Total Program Expenses	3,816,745	-	3,816,745
 Fundraising	819,369	-	819,369
 Administrative and General	1,493,387	-	1,493,387
Reduction (Recovery) for Bad Debts	2,834	4,910	7,744
Total Administrative and General	1,496,221	4,910	1,501,131
 Total Expenses	6,132,335	4,910	6,137,245
 <b>CHANGE IN NET ASSETS</b>	(417,503)	(3,587,248)	(4,004,751)
 Net Assets - Beginning of Year	4,602,385	52,831,212	57,433,597
 <b>NET ASSETS - END OF YEAR</b>	\$ 4,184,882	\$ 49,243,964	\$ 53,428,846

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	-	22,675	-	22,675
<b>Total Expenses by Function</b>	<b>\$ 3,608,301</b>	<b>\$ 1,436,122</b>	<b>\$ 420,861</b>	<b>\$ 5,465,284</b>

See accompanying Notes to Consolidated Financial Statements.

**ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2022**

	Program Services	Management and General	Fundraising and Development	Total
Gifts and Scholarships	\$ 3,258,221	\$ -	\$ -	\$ 3,258,221
Demographic Maintenance	-	26,173	-	26,173
Research	118	982	-	1,100
Subscription/Memberships	150	6,880	34	7,064
Cultivation	27,946	7,185	4,042	39,173
Fees - Banks	-	14,493	-	14,493
Location/Furnishings	-	4,447	-	4,447
Food/Refreshments	-	81	65	146
Other Expense	-	105,250	82,400	187,650
Payroll	226,932	1,005,872	529,594	1,762,398
Accounting Fees	-	27,261	-	27,261
Consulting Fees	-	6,059	758	6,817
Supplies	405	4,857	331	5,593
Property Management	-	8,693	-	8,693
Telephone	1,135	1,144	1,840	4,119
Postage and Shipping	16,277	6,277	14,397	36,951
Printing	23,195	5,639	118,568	147,402
Technology/Computer Expense	9,350	180,261	5,800	195,411
Travel	4,417	3,152	14,305	21,874
Plaques/Premiums	57,812	438	-	58,250
Phonathon - Telemarketing	-	-	46,992	46,992
Staff Development	1,561	500	-	2,061
Bond Project Expense	-	-	-	-
Alumni Events	159,894	-	243	160,137
In-Kind Disbursements	53,431	-	-	53,431
In-Kind Rent Expense	-	49,000	-	49,000
Interest Expense (Premium Amortization)	(24,099)	-	-	(24,099)
Amortization	-	27,756	-	27,756
Depreciation	-	987	-	987
Pledges Write-Off (Recovery)	-	7,744	-	7,744
<b>Total Expenses by Function</b>	<b>\$ 3,816,745</b>	<b>\$ 1,501,131</b>	<b>\$ 819,369</b>	<b>\$ 6,137,245</b>

See accompanying Notes to Consolidated Financial Statements.

**ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Support and Revenue	\$ 3,275,323	\$ 2,008,841
Interest and Dividends Received	1,262,132	1,131,018
Cash Paid to Suppliers and Employees	(4,283,250)	(4,430,560)
Interest Paid	(24,583)	(53,445)
Net Cash Provided (Used) by Operating Activities	229,622	(1,344,146)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(3,549,923)	(8,368,414)
Proceeds from Sale of Investments	3,635,332	6,824,624
Increase (Decrease) in Beneficial Interest in Unitrusts	(282)	56,139
Purchase of Fixed Assets	(28,078)	(124,382)
Payments Received on Lease Receivable	-	1,007,999
Net Cash Provided (Used) by Investing Activities	57,049	(604,034)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Contributions Restricted for Investment in Endowment	(245,733)	3,487,368
Principal Payments on Construction Revenue Bonds Payable	(1,019,999)	(1,010,000)
Net Cash Provided (Used) by Financing Activities	(1,265,732)	2,477,368
<b>NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	(979,061)	529,188
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	1,864,381	1,335,193
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	\$ 885,320	\$ 1,864,381

See accompanying Notes to Consolidated Financial Statements.

**ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH, CASH EQUIVALENTS, AND RESTRICTED CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 2,264,920	\$ (4,004,751)
Adjustments to Reconcile Change in Net Assets to Net Cash and Restricted Cash Provided (Used) by Operating Activities:		
Depreciation	22,556	987
Amortization	23,130	27,756
Realized (Gain) on Sale of Investments	(232,867)	(1,485,524)
Unrealized (Gain) Loss on Investments	(3,089,925)	8,808,781
Revenue from Contributions Restricted for Investment in Endowment	(39,011)	(2,711,365)
Amortization of Premium on Bond Payable	(82,045)	(98,454)
Adjustment of Actuarial Liability	30,718	(5,252)
(Increase) Decrease in:		
Pledges Receivable	1,116,116	(1,336,387)
Other Receivables	-	(50)
Prepaid Expenses	(117,819)	(92,341)
Interest Receivable	6,913	6,846
Assets Held for Sale	479,564	(479,564)
Increase (Decrease) in:		
Accounts Payable	(99,924)	75,766
Funds Held for Others	(4,480)	(3,933)
Annuities Payable	(41,311)	(39,815)
Construction Revenue Bonds Interest Payable	(6,913)	(6,846)
Net Cash and Restricted Cash Provided (Used) by Operating Activities	\$ 229,622	\$ (1,344,146)
<b>SUPPLEMENTAL SCHEDULE OF NONCASH ACTIVITIES</b>		
In-Kind Donations	\$ 1,381,701	\$ 1,756,102
<b>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</b>		
Cash and Cash Equivalents	\$ 885,320	\$ 842,267
Construction Bond Fund Accounts	-	1,022,114
Cash and Restricted Cash per the Statement of Cash Flows	\$ 885,320	\$ 1,864,381

See accompanying Notes to Consolidated Financial Statements.

**ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**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 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.

**ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**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, 2023 and 2022, 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, 2023 and 2022, the Foundation recorded a reserve for uncollectible pledges of \$28,175 and \$39,215, 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, 2023 and 2022. 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, 2023 and 2022, adjustments to reflect the amortization of discounts and changes in life expectancies were \$30,718 and (\$5,252), respectively.

**ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**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 5.4% and 6.8% for the years 2023 and 2022, 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, 2023 AND 2022**

**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, 2023. 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, 2023 AND 2022**

**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 30, 2023, the date the consolidated financial statements were available to be issued.

**Change in Accounting Principal**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). This new standard increases transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Organization adopted the requirement of the guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption. There was no impact on the Organization's financial position and change in net assets as a result of the adoption of this accounting standard. The Organization had no leases subject to the new standard.

**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:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 885,320	\$ 842,267
Investments	52,653,310	49,415,927
Pledges Receivable, Current Portion	693,486	889,175
Other Receivable	50	50
Interest Receivable	-	6,913
Subtotal	<u>54,232,166</u>	<u>51,154,332</u>
Less: Donor-Imposed Restrictions	<u>(50,719,016)</u>	<u>(47,616,590)</u>
Total	<u><u>\$ 3,513,150</u></u>	<u><u>\$ 3,537,742</u></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 12.

**ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**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, 2023, two donors accounted for approximately 45% of its total pledges receivable. For the year ended June 30, 2022, two donors accounted for approximately 46% of total pledges receivable.

For the year ended June 30, 2022, the Foundation received approximately 52% of its total contributions from three donors.

**NOTE 4 INVESTMENTS**

Investments are comprised of the following at June 30, 2023 and 2022:

	<u>Cost Value</u>	<u>Fair Value</u>	<u>Percent of Total</u>
<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, 2023 AND 2022**

**NOTE 4 INVESTMENTS (CONTINUED)**

	<u>Cost Value</u>	<u>Fair Value</u>	<u>Percent of Total</u>
<u>June 30, 2022</u>			
Mutual Funds	\$ 20,471,306	\$ 23,823,174	48.21 %
Corporate Stocks	6,242,711	9,096,354	18.41
Foreign Stocks	2,329,503	2,358,070	4.77
Corporate Bonds	10,552,791	9,790,347	19.81
Foreign Bonds	820,707	789,565	1.60
Commodities	190,320	183,829	0.37
Closely Held Securities	180,783	180,783	0.37
Partnership	1,599,489	1,764,495	3.57
Cash and Money Market	1,429,310	1,429,310	2.89
Total	<u>\$ 43,816,920</u>	<u>\$ 49,415,927</u>	<u>100.00 %</u>

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

	<u>2023</u>	<u>2022</u>
Interest	\$ 118,155	\$ 274,415
Dividends	1,227,080	862,093
Unrealized Gain (Loss)	3,089,925	(8,808,781)
Realized Gain	232,867	1,485,524
Investment Management Fees	(133,032)	(86,786)
Total Investment Activity	<u>\$ 4,534,995</u>	<u>\$ (6,273,535)</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, 2023 and 2022 is \$370,015 and \$348,538, respectively.

**ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**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.
- 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.

**ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

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

**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%.

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, 2023 and 2022, the unamortized premium was \$-0- and \$82,044, respectively.

The principal payments of the bonds were payable on the first day of May each year. As of June 30, 2023, the bonds payable were paid off.

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

**ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 7 PLEDGES RECEIVABLE**

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

	<u>2023</u>	<u>2022</u>
Promises to Give Expected to be Collected in:		
Less Than One Year	\$ 693,486	\$ 889,175
One to Five Years	849,134	1,520,020
Greater Than Five Years	<u>225,000</u>	<u>225,000</u>
Total	1,767,620	2,634,195
Less: Allowance for Uncollectible Promises to Give	28,175	39,215
Less: Discounts on Promises to Give	54,268	78,431
Net Unconditional Promises to Give	<u>\$ 1,685,177</u>	<u>\$ 2,516,549</u>

**NOTE 8 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:

	<u>2023</u>	<u>2022</u>
Contributed Services	\$ 1,315,264	\$ 1,579,031
Contributed Items	17,437	53,431
Donated Office Space	49,000	49,000
Donated Office Supplies	-	44,744
Total Contributed Nonfinancial Assets	<u>\$ 1,381,701</u>	<u>\$ 1,726,206</u>

**ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 9 RELATED PARTY ACTIVITY**

**In-Kind Donations**

For the years ended June 30, 2023 and 2022, an in-kind contribution of \$1,364,264 and \$1,672,775, respectively, has been recorded to reflect St. Cloud State University's donation of services, supplies, and space. See note 8 for further detail.

**Finance Lease Receivable**

The Foundation had 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 May 1 and November 1 of each year. As of the previous fiscal year end June 30, 2022, the final payment was made and the financing lease receivable was closed.

**NOTE 10 NET ASSETS**

Net assets with donor restrictions consisted of the following:

	2023	2022
Pledges to be Received in Future Years	\$ 1,685,177	\$ 2,516,549
Department Program/Scholarship Funds	50,025,530	46,727,415
Total	<u>\$ 51,710,707</u>	<u>\$ 49,243,964</u>

Net assets released from restriction were \$5,669,113 and \$3,143,756 for the years ended June 30, 2023 and 2022, 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.

**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. During the year ended June 30, 2022, the board transferred \$600,000 from the annual fund via a board designation to the Herb Brooks National Hockey Center Technology Fund. The entire \$600,000 was released from designation when spent during the year ended June 30, 2023. Total net assets without donor restrictions – designated were \$218,846 and \$749,002, for the years ended June 30, 2023 and 2022, respectively.

**ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**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, 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
Programatic Investments	-	-	500,000	500,000
Total	<u>40,049,344</u>	<u>10,063,402</u>	<u>2,540,564</u>	<u>52,653,310</u>
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>
	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual Funds	\$ 23,823,174	\$ -	\$ -	\$ 23,823,174
Corporate Stocks	9,096,354	-	-	9,096,354
Foreign Stocks	2,358,070	-	-	2,358,070
Corporate Bonds	-	9,790,347	-	9,790,347
Foreign Bonds	-	789,565	-	789,565
Commodities	-	183,829	-	183,829
Closely Held Securities	-	-	180,783	180,783
Cash and Money Market	1,429,310	-	-	1,429,310
Total	<u>-</u>	<u>-</u>	<u>1,764,495</u>	<u>1,764,495</u>
Total	<u>36,706,908</u>	<u>10,763,741</u>	<u>1,945,278</u>	<u>49,415,927</u>
Beneficial Interests in Unitrusts	-	320,348	-	320,348
Total	<u>\$ 36,706,908</u>	<u>\$ 11,084,089</u>	<u>\$ 1,945,278</u>	<u>\$ 49,736,275</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.



**ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)**

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:

2023	Granite Equity	Partnership
Purchases	\$ -	\$ 53,120
Distributions	(3,956)	-
<hr/>		
2022		
Purchases	\$ -	\$ 1,599,489
Distributions	(3,510)	-

**NOTE 12 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.

**ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 12 ENDOWMENTS (CONTINUED)**

**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, 2023 and 2022:

	<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>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>June 30, 2022</u>			
Donor-Restricted Endowment Funds	\$ -	\$ 40,223,961	\$ 40,223,961
Board-Designated Endowment Funds	149,002	-	149,002
Total Endowment Funds	<u>\$ 149,002</u>	<u>\$ 40,223,961</u>	<u>\$ 40,372,963</u>

**ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 12 ENDOWMENTS (CONTINUED)**

**Interpretation of Relevant Law (Continued)**

Endowment net asset activity and type of fund for the years ended June 30, 2023 and 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, June 30, 2021	\$ 156,518	\$ 43,777,681	\$ 43,934,199
Earnings:			
Interest and Dividends	-	3,499	3,499
Realized and Unrealized Gains	(17,374)	(5,710,790)	(5,728,164)
Total Investment Returns	(17,374)	(5,707,291)	(5,724,665)
Contributions	8,224	4,904,443	4,912,667
Appropriations for Expenditures, Including Fees	(8,550)	(2,723,040)	(2,731,590)
Transfers	10,184	(27,832)	(17,648)
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 Losses	16,242	4,261,907	4,278,149
Total Investment Returns	16,242	4,268,672	4,284,914
Contributions	45,537	477,072	522,609
Appropriations for Expenditures, Including Fees	(8,382)	(2,333,036)	(2,341,418)
Transfers	16,447	(707,625)	(691,178)
Endowment Net Assets, June 30, 2023	\$ 218,846	\$ 41,929,044	\$ 42,147,890

**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 \$474,217 and \$762,687 for the years ended June 30, 2023 and 2022, respectively.

**ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**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%) 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.



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