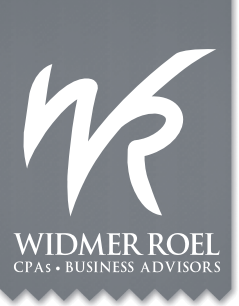


**MINNESOTA STATE UNIVERSITY
MOORHEAD FOUNDATION, INC.**

**FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

WITH INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Minnesota State University Moorhead Foundation, Inc.
Moorhead, Minnesota

Opinion

We have audited the financial statements of **Minnesota State University Moorhead Foundation, Inc.** (a Minnesota non-profit foundation), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Minnesota State University Moorhead Foundation, Inc.**, as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Minnesota State University Moorhead 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 these 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 **Minnesota State University Moorhead 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 **Minnesota State University Moorhead 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 of the Financial Statements, **Minnesota State University Moorhead Foundation, Inc.**, adopted new accounting guidance by implementing the provisions of Financial Accounting Standards Board ("FASB") ASU No. 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Additional Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to this matter.



Fargo, North Dakota
October 6, 2023

MINNESOTA STATE UNIVERSITY MOORHEAD FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,054,560	\$ 3,909,578
Current portion of promises to give, net	822,030	807,231
Other receivables	<u>340</u>	<u>1,157</u>
Total current assets	<u>2,876,930</u>	<u>4,717,966</u>
PROPERTY AND EQUIPMENT, net	<u>2,070,080</u>	<u>1,335,216</u>
OTHER ASSETS		
Promises to give, net	2,339,535	2,895,405
Investments	46,959,833	43,231,537
Assets held in charitable remainder trusts	246,489	248,331
Beneficial interest in assets held by others	2,062,729	2,055,289
Remainder life interests in real estate, net of depreciation	<u>525,000</u>	<u>230,000</u>
Total other assets	<u>52,133,586</u>	<u>48,660,562</u>
Total assets	<u>\$ 57,080,596</u>	<u>\$ 54,713,744</u>

LIABILITIES AND NET ASSETS	2023	2022
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 175,427	\$ 170,264
Current portion of liabilities under charitable remainder trusts	4,913	7,989
Current portion of remainder life interest obligations	12,419	14,350
Current portion of annuity obligations	48,595	49,039
Accounts payable and other accrued liabilities	<u>122,661</u>	<u>108,254</u>
Total current liabilities	<u>364,015</u>	<u>349,896</u>
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	1,528,242	1,708,832
Liabilities under charitable remainder trusts, net of current portion	56,230	67,042
Remainder life interest obligations, net of current portion	285,634	143,961
Annuity obligations, net of current portion	<u>386,802</u>	<u>401,359</u>
Total long-term liabilities	<u>2,256,908</u>	<u>2,321,194</u>
Total liabilities	<u>2,620,923</u>	<u>2,671,090</u>
NET ASSETS		
Without donor restrictions	4,728,932	4,496,419
With donor restrictions	<u>49,730,741</u>	<u>47,546,235</u>
Total net assets	<u>54,459,673</u>	<u>52,042,654</u>
Total liabilities and net assets	<u>\$ 57,080,596</u>	<u>\$ 54,713,744</u>

MINNESOTA STATE UNIVERSITY MOORHEAD FOUNDATION, INC.

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restriction</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and campaigns	\$ 209,646	\$ 2,148,572	\$ 2,358,218
Contributed services and supplies from MSUM	326,469	-	326,469
Net investment return	1,304,408	2,360,768	3,665,176
Change in value			
of split-interest agreements	(15,490)	153,195	137,705
Lease and rental income	229,243	-	229,243
Miscellaneous income	435	5,060	5,495
Net assets released from restrictions	<u>2,483,089</u>	<u>(2,483,089)</u>	<u>-</u>
 Total support and revenue	 <u>4,537,800</u>	 <u>2,184,506</u>	 <u>6,722,306</u>
 EXPENSES			
Program services			
Support to university	2,170,639	-	2,170,639
Resource support university/alumni	378,324	-	378,324
Supporting services			
Management and general	754,312	-	754,312
Fundraising	<u>1,002,012</u>	<u>-</u>	<u>1,002,012</u>
 Total expenses	 <u>4,305,287</u>	 <u>-</u>	 <u>4,305,287</u>
 CHANGE IN NET ASSETS	 232,513	 2,184,506	 2,417,019
 NET ASSETS, Beginning of year	 <u>4,496,419</u>	 <u>47,546,235</u>	 <u>52,042,654</u>
 NET ASSETS, End of year	 <u>\$ 4,728,932</u>	 <u>\$ 49,730,741</u>	 <u>\$ 54,459,673</u>

MINNESOTA STATE UNIVERSITY MOORHEAD FOUNDATION, INC.

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and campaigns	\$ 550,555	\$ 5,810,838	\$ 6,361,393
Contributed services and supplies from MSUM	478,609	-	478,609
Net investment return	824,996	(6,335,378)	(5,510,382)
Change in value			
of split-interest agreements	(14,289)	(291,123)	(305,412)
Lease and rental income	229,243	-	229,243
Gain on extinguishment of PPP #2 debt	131,500	-	131,500
Miscellaneous income	24	3,275	3,299
Net assets released from restrictions	<u>2,226,024</u>	<u>(2,226,024)</u>	<u>-</u>
 Total support and revenue	 <u>4,426,662</u>	 <u>(3,038,412)</u>	 <u>1,388,250</u>
 EXPENSES			
Program services			
Support to university	2,283,036	-	2,283,036
Resource support university/alumni	380,861	-	380,861
Supporting services			
Management and general	635,032	-	635,032
Fundraising	<u>907,882</u>	<u>-</u>	<u>907,882</u>
 Total expenses	 <u>4,206,811</u>	 <u>-</u>	 <u>4,206,811</u>
 CHANGE IN NET ASSETS	 219,851	 (3,038,412)	 (2,818,561)
 NET ASSETS, Beginning of year	 <u>4,276,568</u>	 <u>50,584,647</u>	 <u>54,861,215</u>
 NET ASSETS, End of year	 <u>\$ 4,496,419</u>	 <u>\$ 47,546,235</u>	 <u>\$ 52,042,654</u>

MINNESOTA STATE UNIVERSITY MOORHEAD FOUNDATION, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Program Services</u>					
	<u>Support to</u>	<u>Resource Support</u>		<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
	<u>University</u>	<u>University/Alumni</u>	<u>Total</u>	<u>and General</u>		
Scholarships	\$ 1,625,793	\$ -	\$ 1,625,793	\$ -	\$ -	\$ 1,625,793
University department support	358,195	-	358,195	-	-	358,195
Dorm building support	186,651	-	186,651	-	-	186,651
Other support	-	30,000	30,000	-	-	30,000
Salaries and wages	-	318,289	318,289	574,589	755,912	1,648,790
Technology/computer expense	-	4,029	4,029	45,283	21,160	70,472
Meals, travel, lodging	-	17,463	17,463	18,664	96,485	132,612
Professional fees	-	-	-	65,415	95,854	161,269
Insurance - general	-	-	-	16,344	-	16,344
Printing expense	-	4,408	4,408	727	2,560	7,695
Credit card and bank fees	-	-	-	4,707	-	4,707
Staff training and dues	-	605	605	3,719	7,068	11,392
Postage expense	-	135	135	1,417	19,240	20,792
Supplies and promotional items	-	3,395	3,395	2,004	1,537	6,936
Property expense	-	-	-	869	-	869
Board expense	-	-	-	20,286	-	20,286
Miscellaneous expense	-	-	-	288	2,196	2,484
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses by function	\$ <u>2,170,639</u>	\$ <u>378,324</u>	\$ <u>2,548,963</u>	\$ <u>754,312</u>	\$ <u>1,002,012</u>	\$ <u>4,305,287</u>

MINNESOTA STATE UNIVERSITY MOORHEAD FOUNDATION, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Program Services</u>			<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Support to University</u>	<u>Resource Support University/Alumni</u>	<u>Total</u>			
Scholarships	\$ 1,443,257	\$ -	\$ 1,443,257	\$ -	\$ -	\$ 1,443,257
University department support	649,465	-	649,465	-	-	649,465
Dorm building support	190,314	-	190,314	-	-	190,314
Other support	-	30,000	30,000	-	-	30,000
Salaries and wages	-	335,694	335,694	487,304	607,879	1,430,877
Technology/computer expense	-	-	-	37,699	16,000	53,699
Meals, travel, lodging	-	126	126	3,330	69,072	72,528
Professional fees	-	-	-	39,014	176,766	215,780
Insurance - general	-	-	-	10,850	-	10,850
Printing expense	-	3,950	3,950	1,693	14,817	20,460
Credit card and bank fees	-	-	-	7,718	-	7,718
Staff training and dues	-	-	-	1,950	6,822	8,772
Postage expense	-	-	-	418	14,746	15,164
Supplies and promotional items	-	11,001	11,001	676	647	12,324
Property expense	-	-	-	9,840	-	9,840
Board expense	-	-	-	14,812	-	14,812
Miscellaneous expense	-	90	90	19,728	1,133	20,951
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses by function	\$ <u>2,283,036</u>	\$ <u>380,861</u>	\$ <u>2,663,897</u>	\$ <u>635,032</u>	\$ <u>907,882</u>	\$ <u>4,206,811</u>

MINNESOTA STATE UNIVERSITY MOORHEAD FOUNDATION, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,417,019	\$ (2,818,561)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Forgiveness of Payroll Protection Program loan #2	-	(131,500)
Change in value of charitable remainder trusts	4,614	75,876
Change in value of beneficial interest in assets held by others	(7,440)	269,067
Unrealized (appreciation) depreciation of investments	(3,138,691)	21,540,701
Realized gain (loss) on sale of investments	841,467	(14,754,980)
Contributions of securities	(111,894)	(3,051,339)
Contributions restricted for endowments	(1,498,337)	(4,045,349)
Depreciation on property and equipment	132,834	131,334
Depreciation on remainder life interest assets	-	1,875
Gain on life interest assets	(295,000)	-
Amortization of discount on remainder life interest obligations	139,742	(13,303)
Change in value of annuity obligations	33,493	(14,891)
Changes in assets and liabilities		
Promises to give	541,071	1,559,026
Other receivables	817	(978)
Accounts payable and other accrued liabilities	<u>14,407</u>	<u>13,830</u>
Net cash used in operating activities	<u>(925,898)</u>	<u>(1,239,192)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	36,731	46,583,824
Purchase of property and equipment	(867,698)	-
Purchases of investments	<u>(1,355,909)</u>	<u>(49,124,514)</u>
Net cash used in investing activities	<u>(2,186,876)</u>	<u>(2,540,690)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for endowments	1,498,337	4,045,349
Principal payments on long-term debt	(175,427)	(170,263)
Principal payments on liabilities under charitable remainder trusts	(16,660)	(19,482)
Net proceeds from annuity obligations	-	60,888
Payments on annuity obligations	<u>(48,494)</u>	<u>(44,641)</u>
Net cash provided by financing activities	<u>1,257,756</u>	<u>3,871,851</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,855,018)	91,969
CASH AND CASH EQUIVALENTS, Beginning of year	<u>3,909,578</u>	<u>3,817,609</u>
CASH AND CASH EQUIVALENTS, End of year	\$ <u><u>2,054,560</u></u>	\$ <u><u>3,909,578</u></u>

MINNESOTA STATE UNIVERSITY MOORHEAD FOUNDATION, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ <u>53,817</u>	\$ <u>58,980</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES		
Contributed securities acquired	\$ <u>111,894</u>	\$ <u>3,051,339</u>

MINNESOTA STATE UNIVERSITY MOORHEAD FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Minnesota State University Moorhead Foundation, Inc. (“Foundation”) is a nonprofit organization established for the purpose of providing support to Minnesota State University Moorhead (“MSUM”). The Foundation obtains pledges and bequests primarily from former graduates of the University, residents and businesses in North Dakota and Minnesota. The Foundation provides academic scholarship funding to Minnesota State University Moorhead. The Foundation also provides funding to Minnesota State University Moorhead to enhance and support its mission for academic excellence and for its academic departments.

Basis of Presentation

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be extended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Minnesota State University Moorhead Foundation, Inc.’s management and board of directors. The Foundation’s board designated net assets have been established to provide scholarship funds for eligible students.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Concentration of Credit Risk

The Foundation maintains funds on deposit at a local financial institution. The majority of these balances are held in an interest-bearing account subject to FDIC limits. At times, the Foundation’s bank balances exceed the federally insured limits. At June 30, 2023 and 2022, the Foundation’s uninsured cash balance totaled \$-0- and \$3,730,958, respectively. The Foundation has not experienced any losses on such accounts.

At June 30, 2023, approximately \$2,484,000 of the Foundation’s promises to give has been promised by three donors. The current level of the Foundation’s operations and program services may be impacted if these promises to give become uncollectible.

At June 30, 2022, approximately \$2,807,000 of the Foundation’s promises to give had been promised by three donors. The current level of the Foundation’s operations and program services may be impacted if these promises to give become uncollectible.

The Foundation’s investments are exposed to various risks, such as fluctuation in market value and credit risk, thus, it is at least reasonably possible that changes in the near term could materially affect investment balances and the amounts reported in the financial statements.

MINNESOTA STATE UNIVERSITY MOORHEAD FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

Cash and Cash Equivalents

The Foundation includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents. Cash and short-term investments held in money market accounts are reported as investments instead of cash and cash equivalents because the Foundation holds those amounts as investments.

Promises to Give

Promises to give, net of an allowance for uncollectible promises to give, are recorded as receivables and revenue when received. The Foundation distinguishes between promises to give for each net asset category in accordance with donor-imposed restrictions. Promises to give are recorded after being discounted to the anticipated net present value of the future cash flows.

The Foundation provides for losses on promises to give using the allowance method. The allowance is based on historical collection experience and other circumstances. It is the Foundation's policy to charge off uncollectible promises to give when management determines the receivable will not be collected.

Investments

Investments consist primarily of assets invested in equities, corporate and government obligations, alternative investments, and money market funds. Investments are generally stated at fair value based on published amounts, net asset value of underlying assets, or net expected cash payment upon cancellation of life insurance policies.

Realized and unrealized gains and losses on investments, interest and dividend income, as well as investment fees are included in the change in net assets in the statements of activities and changes in net assets. The Foundation recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

Property and Equipment

Purchases of property and equipment are recorded at cost at the time of purchase. Donated property and equipment are recorded at fair value at the date of the gift. The Foundation follows the practice of capitalizing all expenditures for property and equipment in excess of \$10,000 as well as major repair and maintenance costs on equipment or buildings that exceed \$10,000, whereas expenditures for maintenance and repairs that do not meet the \$10,000 threshold are charged to expense. The cost and related accumulated depreciation of assets retired or sold are removed from the appropriate asset and depreciation accounts and the resulting gain or loss is reflected in the statements of activities and changes in net assets.

Depreciation is provided for over the estimated useful lives of the individual assets using the straight-line method. The estimated useful lives are 30 years.

Donated Assets and Services

Property, equipment, and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair market values at the date they are received. During fiscal years 2023 and 2022, MSUM provided employees, supplies and services valued at \$326,469 and \$478,609 respectively, which were recorded as contribution revenue and expense in the statements of activities and changes in net assets. Donated securities are recorded at the average stock price on the date of donation.

MINNESOTA STATE UNIVERSITY MOORHEAD FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

Income Taxes

The Foundation is exempt from the payment of federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Foundation is required to record a liability for uncertain tax positions when it is probable that a loss has been incurred and the amount can be reasonably estimated. As of June 30, 2023 and 2022, no such liability existed. Management will continually evaluate expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings.

Revenue Recognition

The Foundation's primary source of revenue is from contributions. Due to contributions being both voluntary and nonreciprocal, they are excluded from ASU No. 2014-09, "*Revenue from Contracts with Customers* (Topic 606)". The Foundation has analyzed the provision of Topic 606, including the five-step approach to evaluating contracts and has concluded that no changes are necessary to conform with the standard.

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. Expenses have been allocated on a functional basis between program, supporting services, and fundraising based on directly identifiable costs. Payroll is allocated based on personnel time devoted to various activities.

Use of Estimates

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

Adoption of New Accounting Standards

In September 2020, FASB issued ASU No. 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Additional Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires not-for-profits to expand their financial statement presentations and disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The Foundation has updated disclosures as necessary (see Note 10).

Subsequent Events

Management has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued.

MINNESOTA STATE UNIVERSITY MOORHEAD FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 2 –LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statements of financial position date, are comprised of the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,054,560	\$ 3,909,578
Promises to give without donor restriction, current	3,690	11,080
Accounts receivable	-	975
Investments without donor restriction	2,954,876	1,842,098
Endowment spending-rate allocations	<u>14,567</u>	<u>17,752</u>
 Total	 <u>\$ 5,027,693</u>	 <u>\$ 5,781,483</u>

Endowment funds consist of donor-restricted endowment and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes and therefore, not available for general expenditure. The spending allocation could be made available for general purposes if necessary. The amount allocated is reflected in the liquidity figure.

NOTE 3 – PROMISES TO GIVE

Promises to give consisted of the following at June 30, 2023 and 2022:

	<u>Due in 1 Year</u>	<u>Due in 2 - 5 Years</u>	<u>Due in Over 5 Years</u>	<u>Total</u>	<u>2022</u>
Gross promises to give	\$ 859,330	\$ 1,803,467	\$ 775,900	\$ 3,438,697	\$ 3,969,489
Less:					
Discount to net present value	-	(116,351)	(123,481)	(239,832)	(236,253)
Allowance for uncollectible promises	<u>(37,300)</u>	<u>-</u>	<u>-</u>	<u>(37,300)</u>	<u>(30,600)</u>
	<u>\$ 822,030</u>	<u>\$ 1,687,116</u>	<u>\$ 652,419</u>	<u>\$ 3,161,565</u>	<u>\$ 3,702,636</u>

Promises to give due in one year are reflected at the net realizable value. Pledges receivable with due dates extending beyond one year are discounted at a rate of 3%. Amortization of the discount is included in contributions in the statements of activities and changes in net assets.

MINNESOTA STATE UNIVERSITY MOORHEAD FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 4 – PROPERTY AND EQUIPMENT

The Foundation’s property and equipment consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Neumaier dorm	\$ 3,940,000	\$ 3,940,000
Swanson building	75,000	-
Swanson land	207,500	-
Construction in progress	637,698	-
Accumulated depreciation	<u>(2,790,118)</u>	<u>(2,604,784)</u>
	\$ <u>2,070,080</u>	\$ <u>1,335,216</u>

The Foundation’s construction in progress consists of expenditures used for the development and building of the MSUM Alumni Center with an estimated completion date of Summer 2024. The Foundation is committed to \$8,137,000 for the Alumni Center. As of year-end, the Alumni Center is approximately 5.7% complete.

NOTE 5 – INVESTMENTS

Investments consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Money market mutual funds	\$ 9,445	\$ 6,278
Equities	27,116,136	23,252,304
Fixed income	17,667,306	19,961,264
Alternative investments	2,155,255	-
Cash surrender value of life insurance	<u>11,691</u>	<u>11,691</u>
Total investments	\$ <u>46,959,833</u>	\$ <u>43,231,537</u>

The following schedule summarizes the investment return and its classification in the statements of activities and changes in net assets for the year ended June 30:

	<u>2023</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividend income	\$ 385,527	\$ 1,132,641	\$ 1,518,168
Investment advisory fees	(12,487)	(137,729)	(150,216)
Realized gains (losses) on sale of investments	149,268	(990,735)	(841,467)
Unrealized appreciation of investments	<u>782,100</u>	<u>2,356,591</u>	<u>3,138,691</u>
Net investment return	\$ <u>1,304,408</u>	\$ <u>2,360,768</u>	\$ <u>3,665,176</u>

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MINNESOTA STATE UNIVERSITY MOORHEAD FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2022</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividend income	\$ 375,139	\$ 1,044,880	\$ 1,420,019
Investment advisory fees	(7,253)	(137,427)	(144,680)
Realized gains on sale of investments	821,439	13,933,541	14,754,980
Unrealized depreciation of investments	<u>(364,329)</u>	<u>(21,176,372)</u>	<u>(21,540,701)</u>
Net investment return	<u>\$ 824,996</u>	<u>\$ (6,335,378)</u>	<u>\$ (5,510,382)</u>

NOTE 6 – FAIR VALUE MEASUREMENTS

Professional standards state that fair value should be based on the assumptions that market participants would use when pricing an asset or liability. Additionally, they establish a fair value hierarchy that prioritizes the information used to develop those assumptions. The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active or inactive markets and inputs other than quoted prices that are observable for the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

Money Market Mutual Funds – Valued at the net asset value (“NAV”) of shares held by the Foundation at year-end. Mutual funds held by the Foundation are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and transact at that price. The money market mutual funds held by the Foundation are deemed to be actively traded.

Equities – Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate Bonds – Valued at the most recent traded prices reported on the active market on which the individual securities are traded. When the held asset is infrequently traded, valuations are based on various market and industry inputs including a combination of the relative changes in market interest rates, changes in the credit quality of bonds, and the relative supply of and demand for bonds.

Government Obligations – Valued at the most recent traded prices reported on the active market on which the individual securities are traded. When the held asset is infrequently traded, valuations are based on various market and industry inputs including the use of pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions.

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MINNESOTA STATE UNIVERSITY MOORHEAD FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Cash Surrender Value of Life Insurance – Valued at the estimated amounts of payout from the insurance companies in the event the policies are voluntarily terminated before their maturities, net of surrender charges.

Promises to Give, Liabilities under Charitable Remainder Trusts, Remainder Life Interest and Annuity Obligations – Valued based on the net present value of expected future cash flows to be received from the donors based on various discount rates and donor or beneficiaries' life expectancies.

Assets Held in Charitable Remainder Trusts – Valued at the NAV of shares held by the trusts at year-end. Mutual funds held by the trusts are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and transact at that price. The money market mutual funds held by the trusts are deemed to be actively traded.

Beneficial Interest in Assets Held by Others – Valued based on the present value of expected future cash flows based on donor or beneficiaries' life expectancies and various discount rates.

Alternative Investments – SEI Core Property Fund - Valued at net asset value (“NAV”) of units of the collective investment funds. The NAV, as provided by the fund holder, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

Alternative Investments – SEI Global Private Assets VI – Valued at NAV as of the close of business at the end of each quarter. The NAV, as provided by the fund holder, is used as a practical expedient to estimate fair value. Fair value is determined as of such quarter-end for each Investment Fund in accordance with the Investment Fund's valuation policies and reported at the time of the Partnership's valuation.

The valuation methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Foundation's fair value measurement policies and procedures are reviewed annually to determine if the valuation techniques are still appropriate.

MINNESOTA STATE UNIVERSITY MOORHEAD FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
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The following table sets forth by level, within the fair value hierarchy, the Foundation's assets measured at fair value on a recurring basis as of June 30, 2023:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market mutual funds	\$ 9,445	\$ 9,445	\$ -	\$ -
Equities				
Domestic common stocks	204,044	204,044	-	-
Domestic equity mutual funds				
Large cap	15,905,164	15,905,164	-	-
Small cap	2,851,003	2,851,003	-	-
Foreign equity mutual funds	8,155,925	8,155,925	-	-
Fixed income				
Domestic bond mutual funds				
Emerging market bonds	1,469,304	1,469,304	-	-
High yield bonds	1,819,936	1,819,936	-	-
Inflation protected bonds	2,266,242	2,266,242	-	-
Intermediate-term bonds	12,111,824	12,111,824	-	-
Cash surrender value of				
life insurance	11,691	-	11,691	-
Promises to give	3,161,565	-	-	3,161,565
Assets held in charitable				
remainder trusts	246,489	246,489	-	-
Beneficial interest				
in assets held by others	<u>2,062,729</u>	<u>-</u>	<u>-</u>	<u>2,062,729</u>
Total assets in the fair				
value hierarchy	50,275,361	45,039,376	11,691	5,224,294
Investments measured at				
net asset value	<u>2,155,255</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>52,430,616</u>	\$ <u>45,039,376</u>	\$ <u>11,691</u>	\$ <u>5,224,294</u>

The following table sets forth by level, within the fair value hierarchy, the Foundation's liabilities measured at fair value on a recurring basis as of June 30, 2023:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Liabilities under charitable				
remainder trusts	\$ 61,143	\$ -	\$ -	\$ 61,143
Remainder life interest				
obligations	298,053	-	-	298,053
Annuity obligations	<u>435,397</u>	<u>-</u>	<u>-</u>	<u>435,397</u>
Total liabilities at fair value	\$ <u>794,593</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>794,593</u>

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The following table sets forth by level, within the fair value hierarchy, the Foundation's assets measured at fair value on a recurring basis as of June 30, 2022:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market mutual funds	\$ 6,278	\$ 6,278	\$ -	\$ -
Equities				
Domestic common stocks	171,805	171,805	-	-
Domestic equity mutual funds				
Large cap	14,683,021	14,683,021	-	-
Small cap	2,485,462	2,485,462	-	-
Foreign equity mutual funds	5,912,016	5,912,016	-	-
Fixed income				
Domestic bond mutual funds				
Emerging market bonds	1,835,544	1,835,544	-	-
High yield bonds	1,941,311	1,941,311	-	-
Inflation protected bonds	2,393,957	2,393,957	-	-
Intermediate-term bonds	13,790,452	13,790,452	-	-
Cash surrender value of				
life insurance	11,691	-	11,691	-
Promises to give	3,702,636	-	-	3,702,636
Assets held in charitable				
remainder trusts	248,331	248,331	-	-
Beneficial interest				
in assets held by others	<u>2,055,289</u>	<u>-</u>	<u>-</u>	<u>2,055,289</u>
 Total assets at fair value	 <u>\$ 49,237,793</u>	 <u>\$ 43,468,177</u>	 <u>\$ 11,691</u>	 <u>\$ 5,757,925</u>

The following table sets forth by level, within the fair value hierarchy, the Foundation's liabilities measured at fair value on a recurring basis as of June 30, 2022:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Liabilities under charitable				
remainder trusts	\$ 75,031	\$ -	\$ -	\$ 75,031
Remainder life interest				
obligations	158,311	-	-	158,311
Annuity obligations	<u>450,398</u>	<u>-</u>	<u>-</u>	<u>450,398</u>
 Total liabilities at fair value	 <u>\$ 683,740</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 683,740</u>

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MINNESOTA STATE UNIVERSITY MOORHEAD FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

Valuation Techniques

The following table describes the valuation techniques used for the other recurring fair value measurements for assets and liabilities in Level 3 of the fair value hierarchy:

	Quantitative Information about Level 3 Fair Value Measurements				
	Fair Value as of 06/30/23	Fair Value as of 06/30/22	Valuation Techniques	Unobservable Inputs	Range (Weighted Average)
Promises to give	\$ 3,161,565	\$ 3,702,636	Present value	Discount rate	3.0%
Beneficial interest in assets held by others	\$ 2,062,729	\$ 2,055,289	Present value	Discount rate	6.0%
Liabilities under charitable remainder trusts	\$ 61,143	\$ 75,031	Present value	Life expectancies, Discount rate	6 - 13 years 6.0% - 7.25%
Remainder life interest obligations	\$ 298,053	\$ 158,311	Present value	Life expectancies calculated using IRS annuity tables, Discount rate	7.60%
Annuity obligations	\$ 435,397	\$ 450,398	Present value	Life expectancies calculated using IRS annuity tables, Discount rates	1.34% - 9.90%

Changes in Level 3 assets and liabilities are as follows for the year ended June 30:

	Promises to Give	Beneficial Interest in Assets Held by Others	Liabilities under Charitable Remainder Trusts	Remainder Life Interest Obligations	Annuity Obligations
June 30, 2021	\$ 5,261,662	\$ 2,324,356	\$ 80,739	\$ 171,614	\$ 449,042
Changes in value	160,816	(269,067)	(5,708)	(13,303)	36,503
Additions	375,835	-	-	-	-
Payments	(2,105,327)	-	-	-	(49,185)
Changes in allowance	7,340	-	-	-	-
Promises written off	2,310	-	-	-	-
June 30, 2022	3,702,636	2,055,289	75,031	158,311	450,398
Changes in value	(3,579)	7,440	(13,888)	139,742	33,493
Additions	326,395	-	-	-	-
Payments	(857,187)	-	-	-	(48,494)
Change in allowance	11,745	-	-	-	-
Promises written off	(18,445)	-	-	-	-
June 30, 2023	\$ <u>3,161,565</u>	\$ <u>2,062,729</u>	\$ <u>61,143</u>	\$ <u>298,053</u>	\$ <u>435,397</u>

MINNESOTA STATE UNIVERSITY MOORHEAD FOUNDATION, INC.

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Fair Value of Investments in Entities that Use NAV

The following table summarizes investments measured at fair value based on NAV per share as of December 31:

<u>Investment Type</u>	<u>Fair Value 2023</u>	<u>Fair Value 2022</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Alternative investments					
SEI Core Property Fund LP	\$ 1,879,431	\$ -	None	Quarterly	95 days prior
SEI Global Private Assets VI, LP	<u>275,825</u>	<u>-</u>	1,807,005	N/A	N/A
	<u>\$ 2,155,256</u>	<u>\$ -</u>			

NOTE 7 – LONG-TERM DEBT

Long-term debt consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
2.95% dormitory bond payable to Bremer Bank, due in monthly installments of \$19,104, including interest, through November 2031. Secured by assignment of rents and guaranteed by Minnesota State Colleges and Universities.	\$ 1,703,669	\$ 1,879,096
Current portion	<u>(175,427)</u>	<u>(170,264)</u>
	<u>\$ 1,528,242</u>	<u>\$ 1,708,832</u>

The following schedule shows the principal payments required on the above long-term debt for the years ending June 30:

2024	\$ 175,427
2025	186,223
2026	191,870
2027	197,688
2028	203,615
Thereafter	<u>748,846</u>
Total	<u>\$ 1,703,669</u>

Interest expense on the long-term debt for the years ended June 30, 2023 and 2022, totaled \$53,817 and \$58,980, respectively.

MINNESOTA STATE UNIVERSITY MOORHEAD FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
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NOTE 8 – SPLIT-INTEREST AGREEMENTS

The Foundation is the beneficiary of various charitable gift annuity agreements, charitable remainder trusts, and remainder life interests, in which the donor generally contributes assets in exchange for distributions to the donor or other beneficiaries based on the value of trust assets for a specified period of time. At the end of the specified time, the remaining assets are available for the Foundation's use. Assets received are recorded at fair value on the date the agreement is recognized. A liability for the charitable remainder trusts is recorded equal to the present value of the future distributions using published discount rates issued by the *American Council on Gift Annuities*. The difference between the fair value of the assets received and the liability to the donor or other beneficiaries is recognized as contribution revenue. On an annual basis, the Foundation revalues the liabilities based on life expectancy rates determined by the IRS dependent on the age(s) of the donors as of year-end.

A liability recorded for the life estates is based on the fair market value at the time of the donation less any remaining amortized liability. The liability is re-evaluated each year for any changes to the life expectancies of the donors and evaluated for impairment each year.

In addition, the Foundation is the beneficiary under various wills and remainder life interest agreements, the total realizable amount of which is not presently determinable. Such amounts will be recorded when clear title is established and the proceeds are measurable.

NOTE 9 – RELATED PARTY TRANSACTIONS

MSUM provides the Foundation with employees, supplies, and services. Donated assets are valued at their fair market value at the date they are received. In addition, MSUM also compensates the Foundation for certain operating expenses. Donated assets by MSUM for the years ended June 30, 2023 and 2022 totaled \$326,469 and \$478,609, respectively, have been recognized as contribution and expense in the statements of activities and changes in net assets. (See Note 10)

The Foundation reimburses MSUM for certain operating expenses incurred on its behalf and provides scholarships to MSUM students. Payments for operating expenses incurred totaled \$326,469 and \$478,609 for the years ended June 30, 2023 and 2022, respectively. Payments for scholarships for the years ended June 30, 2023 and 2022 totaled \$1,625,793 and \$1,443,257, respectively. These payments are included as expenses in the statements of activities and changes in net assets.

The Foundation uses office space provided by MSUM. No fees are charged for this service.

In 2022, the Foundation had a banking relationship with a financial institution for which a board member was an employee. The Board member's term expired in April 2022. The banking relationship consisted of a checking account and a debt facility. Total deposits as of June 30, 2022 were approximately \$3,980,958. Total note payable indebted to the financial institution as of June 30, 2022 was \$1,879,096.

MSUM operates and maintains the Neumaier Dorm which is owned by the Foundation. In return for using the property, MSUM reimburses the Foundation for the interest and principal payments due on the long-term dormitory bond payable to Bremer Bank.

During 2023 and 2022, the Foundation received contributions from Board members totaling \$81,621 and \$189,585, respectively. Promises to give from Board members at June 30, 2023 and 2022, totaled \$164,150 and \$245,775, respectively.

MINNESOTA STATE UNIVERSITY MOORHEAD FOUNDATION, INC.

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NOTE 10 – IN-KIND CONTRIBUTIONS

In-kind contributions consisted of the following for the year ended June 30, 2023:

<u>Non-financial Contributions Category</u>	<u>Type of Contributions for Beneficiaries</u>	<u>Valuation</u>	<u>2023</u>
Personnel salary & fringe benefits	Salary & fringe benefits for MSUM employees that work for Foundation	Actual costs incurred by MSUM for salaries & benefits	\$ 246,866
Other operating expenses	Printing, advertising, postage, promotional supplies and other operating costs and services	Actual costs incurred by MSUM	<u>79,603</u>
			<u>\$ 326,469</u>

All in-kind contributions received from MSUM were unrestricted.

NOTE 11 – ENDOWMENTS

The Foundation’s endowments consist of approximately 297 individual donor-restricted funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (“MUPMIFA”) 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 net assets with donor restrictions for endowment subject to spending policy and appropriation (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any 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 donor restricted for endowment subject to spending policy and appropriation net assets is classified donor restricted for appropriation and expenditure when a specific event occurs until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by MUPMIFA.

In accordance with MUPMIFA, 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; and
- (7) The investment policies of the Foundation.

MINNESOTA STATE UNIVERSITY MOORHEAD FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
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Return Objectives, Risk Parameters, and Strategies

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets to achieve growth in principal value while seeking to maintain the purchasing power of the endowment assets. The Foundation expects its endowment funds, over time, to provide a reasonable level of total return to support the spending policy authorized by the Board of Directors and to grow endowment assets. Therefore, the Foundation expects endowment assets to produce an average 5.5% return net of annual payouts and inflation (as measured by the Consumer Price Index) that exceeds 1% annually over a ten-year period. Actual results may vary from this objective, however, failure to meet this objective should prompt the Board of Directors to re-examine the investment and spending policies.

Endowment assets are managed on a total return basis. While the Foundation recognizes the importance of preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns. It is not a breach of fiduciary responsibility to pursue riskier investment strategies if such strategies are in the Foundation's best interest on a risk adjusted basis. Risk management of the investment program is focused on understanding both the investment and operational risks to which the Foundation is exposed. The objective is to minimize operational risks and require appropriate compensation for investment risks which the Foundation is willing to accept.

Spending Policy

The Foundation has a policy of appropriating for distribution each year a percentage of its endowment fund's average fair value. The approved distribution percentage for fiscal years 2023 and 2022 was 4.0% and 4.0%, respectively. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation.

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 MUPMIFA requires the Foundation to retain as a fund of perpetual duration. When there are deficient donor-restricted endowment funds, the policy of the Foundation is not to distribute any monies until the funds have regained the original corpus. Deficiencies of this nature exist in 16 donor-restricted endowment funds, which together have an original gift value of \$4,931,054, and current value of \$4,651,825, and a deficiency of \$279,229, as of June 30, 2023. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds.

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Endowment net asset consisted of the following at June 30, 2023:

Donor restricted endowment funds			
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 31,235,324	\$ 31,235,324
Original donor restricted gift amount and amounts required to be maintained for time by donor	-	900,000	900,000
Underwater endowments	-	(295,637)	(295,637)
Accumulated investment gains	-	3,966,552	3,966,552
	<u>\$ -</u>	<u>\$ 35,806,239</u>	<u>\$ 35,806,239</u>

Endowment net asset consisted of the following at June 30, 2022:

Donor restricted endowment funds			
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 30,053,058	\$ 30,053,058
Original donor restricted gift amount and amounts required to be maintained for time by donor	-	900,000	900,000
Underwater endowments	-	(638,660)	(638,660)
Accumulated investment gains	-	2,725,179	2,725,179
	<u>\$ -</u>	<u>\$ 33,039,577</u>	<u>\$ 33,039,577</u>

Changes in endowment net assets for the year ended June 30, 2023 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment fund net assets, June 30, 2021	\$ 91,232	\$ 35,972,972	\$ 36,064,204
Net investment return	(91,232)	(6,238,545)	(6,329,777)
Contributions	-	4,045,349	4,045,349
Appropriation of endowment assets for expenditure	-	(740,199)	(740,199)
Endowment fund net assets, June 30, 2022	-	33,039,577	33,039,577
Net investment return	-	2,360,768	2,360,768
Contributions	-	1,498,337	1,498,337
Appropriation of endowment assets for expenditure	-	(1,092,443)	(1,092,443)
Endowment fund net assets, June 30, 2023	<u>\$ -</u>	<u>\$ 35,806,239</u>	<u>\$ 35,806,239</u>

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**NOTES TO FINANCIAL STATEMENTS
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NOTE 12 – DONOR RESTRICTED NET ASSETS

Donor restricted net assets consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for a specific purpose		
Scholarships	\$ 2,405,875	\$ 2,905,909
University departmental/program support	3,009,530	2,500,945
MSUM Alumni Center	2,783,313	2,943,008
Promises to give for specific purpose	<u>2,713,843</u>	<u>3,343,748</u>
Total purpose restriction	<u>10,912,561</u>	<u>11,693,610</u>
Subject to passage of time		
Beneficial interests in charitable trusts held by others	2,062,729	2,055,289
Charitable remainder trusts	185,346	173,301
Charitable gift amount of annuity agreement	9,088	14,977
Promises to give unavailable until due	<u>6,667</u>	<u>15,157</u>
Total time restriction	<u>2,263,830</u>	<u>2,258,724</u>
Endowment		
Subject to appropriation and expenditure when a specific event occurs:		
Available for general use	52,828	86,968
Scholarship	3,117,858	1,974,166
Department/program support	<u>795,866</u>	<u>664,045</u>
Total purpose restriction	<u>3,966,552</u>	<u>2,725,179</u>
Subject to endowment spending policy and appropriation for specific time and purpose:		
Scholarship	800,000	800,000
Department/program support	<u>100,000</u>	<u>100,000</u>
Total specific time and purpose restriction	<u>900,000</u>	<u>900,000</u>
Subject to endowment spending policy, perpetual in nature		
General use	391,243	321,003
Scholarship	26,921,750	25,617,515
Department/program support	<u>3,626,694</u>	<u>3,475,880</u>
Total perpetual in nature restriction	<u>30,939,687</u>	<u>29,414,398</u>
Total endowment	<u>35,806,239</u>	<u>33,039,577</u>

(Continued)

MINNESOTA STATE UNIVERSITY MOORHEAD FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Not subject to endowment spending policy		
Promises to give, the proceeds which have been restricted by donors for endowment	441,055	343,732
Life insurance	11,691	11,691
Charitable gift amount of annuity agreements	68,418	127,212
Life estates net of liability	<u>226,947</u>	<u>71,689</u>
 Total not subject to endowment spending policy	 <u>748,111</u>	 <u>554,324</u>
 Total net assets with donor restrictions	 \$ <u>49,730,741</u>	 \$ <u>47,546,235</u>

NOTE 13 – RETIREMENT PLANS

During the years ended June 30, 2023 and 2022, the Foundation had a 401(k) and profit-sharing plan covering all employees who meet the eligibility requirements. The Foundation matches 100% of employee contributions on the first 5% of each employee’s elective contribution. The Foundation also has a Health Reimbursement Account (“HRA”) plan, in which the employer makes contributions of \$5,300 per year for each eligible employee or \$10,700 per year for each eligible employee and his/her covered dependents. Total retirement plan related expense totaled approximately \$164,363 and \$102,570 for the years ended June 30, 2023 and 2022, respectively.

NOTE 14 – GROUND LEASE

The Foundation entered into a ground lease agreement with MSUM to construct and operate the Alumni Center. The lease term will be for a period of twenty-nine years. The Foundation will pay a one-time ground rent in the amount of one dollar (\$1.00) for the property. The Foundation will record a restricted contribution based on the fair value of the land and applying an appropriate discount rate. The asset will be reflected as beneficial use of land when recorded.