

**Anoka-Ramsey Community College Foundation**

**Financial Statements**

**June 30, 2020 and 2019**



**Anoka-Ramsey Community College Foundation**  
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## Independent Auditor's Report

To the Board of Directors  
Anoka-Ramsey Community College Foundation  
Coon Rapids, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Anoka-Ramsey Community College Foundation as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

### ***Management's Responsibility 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; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position Anoka-Ramsey Community College Foundation as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America

*Other Matter*

**Prior Period Financial Statements**

The financial statements as of and for the year ended June 30, 2019, were reviewed by us and our report thereon, dated September 17, 2019, stated we were not aware of any material modifications that should be made to those statements for them to be in accordance with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for expression of an opinion on the financial statements as a whole.

*BerganKDV, Ltd.*

St. Cloud, Minnesota  
September 28, 2020

## **FINANCIAL STATEMENTS**

**Anoka-Ramsey Community College Foundation**  
**Statements of Financial Position**  
**As of June 30, 2020 and 2019**

	2020	2019
	(Audited)	(Reviewed)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 598,589	\$ 638,951
Contributions and grants receivable	12,770	6,000
Total current assets	611,359	644,951
Noncurrent assets		
Investments, at fair value	961,564	883,400
Total assets	\$ 1,572,923	\$ 1,528,351
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 53,121	\$ 12,745
Net assets		
Without donor restrictions	212,514	202,363
With donor restrictions	1,307,288	1,313,243
Total net assets	1,519,802	1,515,606
Total liabilities and net assets	\$ 1,572,923	\$ 1,528,351

**Anoka-Ramsey Community College Foundation**  
**Statement of Activities**  
**Year Ended June 30, 2020**

	(Audited)		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public Support and Revenues</b>			
Public support			
Contributions and private grants	\$ 21,212	\$ 239,310	\$ 260,522
In-kind contributions	179,644	5,180	184,824
Total public support	<u>200,856</u>	<u>244,490</u>	<u>445,346</u>
Investment income, net	<u>7,781</u>	<u>23,182</u>	<u>30,963</u>
Net assets released from restrictions	<u>273,616</u>	<u>(273,616)</u>	<u>-</u>
Total public support and revenues	<u>482,253</u>	<u>(5,944)</u>	<u>476,309</u>
<b>Expenses</b>			
Program expenses			
Scholarship and grants	<u>312,004</u>	<u>-</u>	<u>312,004</u>
Supporting services			
Management and general	95,098	-	95,098
Fundraising	<u>65,011</u>	<u>-</u>	<u>65,011</u>
Total supporting services	<u>160,109</u>	<u>-</u>	<u>160,109</u>
Total expenses	<u>472,113</u>	<u>-</u>	<u>472,113</u>
Change in net assets	10,140	(5,944)	4,196
<b>Net Assets</b>			
Beginning of year	202,363	1,313,243	1,515,606
Transfers between net asset categories	<u>11</u>	<u>(11)</u>	<u>-</u>
End of year	<u>\$ 212,514</u>	<u>\$ 1,307,288</u>	<u>\$ 1,519,802</u>

See notes to financial statements.

**Anoka-Ramsey Community College Foundation**  
**Statement of Activities**  
**Year Ended June 30, 2019**

	(Reviewed)		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public Support and Revenues</b>			
Public support			
Contributions and private grants	\$ 23,860	\$ 207,762	\$ 231,622
In-kind contributions	195,717	20,943	216,660
Total public support	219,577	228,705	448,282
<b>Revenues</b>			
Special events			
Gross	-	33,626	33,626
Less direct costs	-	(14,941)	(14,941)
Investment income, net	16,277	30,582	46,859
Total revenues	16,277	49,267	65,544
Net assets released from restrictions	274,965	(274,965)	-
Total public support and revenues	510,819	3,007	513,826
<b>Expenses</b>			
Program expenses			
Scholarship and grants	286,452	-	286,452
Supporting services			
Management and general	167,889	-	167,889
Fundraising	40,518	-	40,518
Total supporting services	208,407	-	208,407
Total expenses	494,859	-	494,859
Change in net assets	15,960	3,007	18,967
<b>Net Assets</b>			
Beginning of year	183,219	1,313,420	1,496,639
Transfers between net asset categories	3,184	(3,184)	-
End of year	\$ 202,363	\$ 1,313,243	\$ 1,515,606

See notes to financial statements.



**Anoka-Ramsey Community College Foundation**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2020**

<b>Expenses</b>	(Audited)			
	Scholarships and Grants	Supporting Services		Total
		Management and General	Fundraising	
Other awards and grants	\$ 121,317	\$ -	\$ -	\$ 121,317
Scholarships	153,245	-	-	153,245
Salaries	31,686	35,694	64,078	131,458
Occupancy/utilities	-	12,954	-	12,954
Professional fees	-	15,805	-	15,805
Software	-	19,714	-	19,714
Insurance	-	1,326	-	1,326
Travel	-	21	-	21
Catering	576	-	-	576
Printing and copying	-	3,639	548	4,187
Supplies	-	32	-	32
Gifts in-kind	5,180	-	-	5,180
Other administrative	-	5,913	51	5,964
Other event expenses	-	-	334	334
Total expenses	\$ 312,004	\$ 95,098	\$ 65,011	\$ 472,113

7 See notes to financial statements.

**Anoka-Ramsey Community College Foundation**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2019**

<b>Expenses</b>	(Reviewed)				Total
	Scholarships and Grants	Supporting Services		Cost of Direct Benefits to Donors	
		Management and General	Fundraising		
Other awards and grants	\$ 104,527	\$ -	\$ -	\$ -	\$ 104,527
Scholarships	130,100	-	-	-	130,100
Salaries	24,206	60,516	36,309	-	121,031
Occupancy/utilities	-	41,001	-	-	41,001
Professional fees	-	39,410	-	-	39,410
Software	-	17,552	-	-	17,552
Insurance	-	1,371	-	-	1,371
Travel	-	4	-	-	4
Catering	6,676	-	-	3,863	10,539
Printing and copying	-	5,417	-	575	5,992
Supplies	-	104	-	-	104
Gifts in-kind	20,943	-	-	4,165	25,108
Other administrative	-	2,514	-	-	2,514
Other event expenses	-	-	4,209	6,338	10,547
	286,452	167,889	40,518	14,941	509,800
Less expenses included with revenues on the statement of activities					
Cost of direct benefits to donors	-	-	-	(14,941)	(14,941)
Total expenses included in the expense section on the statement of activities	\$ 286,452	\$ 167,889	\$ 40,518	\$ -	\$ 494,859

∞ See notes to financial statements.

**Anoka-Ramsey Community College Foundation**  
**Statements of Cash Flows**  
**Years Ended June 30, 2020 and 2019**

	2020	2019
	(Audited)	(Reviewed)
<b>Cash Flows - Operating Activities</b>		
Change in net assets	\$ 4,196	\$ 18,967
Adjustments to reconcile change in net assets to net cash flows - operating activities		
Net unrealized loss (gain) on investments	16,070	(33,971)
Change in operating assets and liabilities		
Contributions and grants receivable	(6,770)	(5,085)
Accounts payable	40,376	(152)
Total adjustments	49,676	(39,208)
Net cash flows - operating activities	53,872	(20,241)
 <b>Cash Flows - Investing Activities</b>		
Net change in beneficial interest in assets held at MCF	-	18,869
Proceeds on sales of investments	375,538	912,845
Purchases of and reinvested earnings on investments	(469,772)	(849,438)
Net cash flows - investing activities	(94,234)	82,276
 Net change in cash and cash equivalents	(40,362)	62,035
 <b>Cash and Cash Equivalents</b>		
Beginning of year	638,951	576,916
 End of year	\$ 598,589	\$ 638,951

**Anoka-Ramsey Community College Foundation**  
**Notes to Financial Statements**

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

The Anoka-Ramsey Community College Foundation (the "Foundation") is incorporated under the Minnesota Nonprofit Corporation Act. The purpose of the Foundation is to partner with community members to obtain and distribute the resources necessary to support the students, faculty, programs, and vision of Anoka-Ramsey Community College (the "College").

**Description of Programing**

The primary activity for the Foundation is soliciting funds from individuals, businesses and industries, and foundations for the purposes of:

- Academic excellence scholarships to students
- Program funds to enhance the learning experience of students
- Random Acts of Kindness

These activities are supported through the use of committees that include board members and College faculty and staff.

Committees include:

Executive – Members include the President, Vice President, Treasurer, and past President. They will provide leadership for the Foundation, select a team to recommend a slate of candidates for the Board of Directors and officer positions and provide feedback for Executive Director review.

Allocations – Develops the criteria and supervises the awarding of scholarships, tuition reimbursement, crisis grants, and loans.

Finance – Oversees the financial operation of the Foundation.

Development – Identifies prospective donors and recommends strategies for cultivation and solicitation of those donors. The Development Committee also assists with fundraising events.

**Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recorded as earned and expenses as incurred. The accounting policies of the Foundation conform to accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to nonprofit organizations.

**Estimates**

The preparation of the financial statements in conformity with U.S. GAAP 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 these estimates.

**Anoka-Ramsey Community College Foundation**  
**Notes to Financial Statements**

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

The Foundation considers cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

For 2020 and 2019 no amounts were paid for taxes or interest.

**Contributions and Grants Receivable**

Unconditional contributions and grants receivable are recorded as contribution and grant revenue and are classified as either current or long-term assets, depending on the estimated collection date. All contributions and grants receivable are due in less than one year. Management reviews the current status of the contributions and grants receivable and currently charges off all contributions and grants receivable which are determined to be uncollectible, accordingly no allowance for doubtful contributions and grants was deemed necessary.

**Investments**

The Foundation considers financial instruments with a maturity greater than three months to be investments. Investments are valued using fair value measurement methods described in Note 5.

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions*

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restrictions*

Net assets subject to donor- (or certain grantor-) 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. Gifts of long-lived assets and gifts of cash restricted for acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled or both.

**Transfers Between Net Asset Categories**

Transfers were made between net asset categories in 2019, as previously donor-imposed restrictions were removed.

**Anoka-Ramsey Community College Foundation**  
**Notes to Financial Statements**

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue and Revenue Recognition**

The Foundation recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. There were no conditional contributions at June 30, 2020 and 2019.

Grant awards without substantial conditions are recognized in the period in which they are approved by the governing bodies. Grants with substantial conditions are not recognized until the conditions on which they depend are met. There were no conditional grants at June 30, 2020 and 2019.

For 2019, the Foundation recorded special event revenue equal to the cost of direct benefit to donors, and contribution revenue for the difference. The Foundation received sponsorships for which revenue was recognized as both a contract with a customer and a contribution. In such instances, the Foundation determines the fair value of the benefit provided to the sponsor and records that portion as earned revenue and remaining portion as a contribution. A decision was made in 2020 to not hold the special event and it will not be held for the foreseeable future.

**In-Kind Contributions**

Gifts in-kind that can be used or sold will be recognized at fair value at the time of donation. In determining fair value the Foundation will consider applicable discounts, current market conditions, and a determination of what the institution would be willing to pay for goods and/or services.

The Foundation received in-kind contributions from the College and other sources for various programs, including the use of a facility. For in-kind facility, the Foundation recognizes an in-kind contribution for the fair value of rent.

**Functional Allocation of Expenses**

The costs of providing the program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expense present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited. The expenses that are allocated include salaries, occupancy/utilities, and printing/copying which are allocated based on the basis of estimates of time and effort.

**Tax Status**

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Foundation is also exempt from Minnesota franchise and income tax.

The Foundation is required to assess whether any uncertain tax positions exist and if there should be recognition of a related benefit or liability in the financial statements. The Foundation has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

**Anoka-Ramsey Community College Foundation**  
**Notes to Financial Statements**

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Subsequent Events**

The Foundation has evaluated subsequent events through September 28, 2020, the date which the financial statements were available to be issued.

**Recently Adopted Accounting Pronouncements**

*Revenue Recognition*

On July 1, 2019, the Foundation adopted FASB ASU No. 2014-09 (Topic 606) - *Revenue from Contracts with Customers* ("ASU No. 2014-09" or "Topic 606"), which provides guidance for revenue recognition that superseded the revenue recognition requirements in Accounting Standards Codification "ASC" Topic 605, Revenue Recognition ("Topic 605") and most industry specific guidance. Under ASU 2014-09, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Foundation expects to be entitled in exchange for those goods or services. The Foundation adopted ASU 2014-09 under the modified retrospective approach, applying the amendments to prospective reporting periods. Results for reporting periods beginning after July 1, 2019, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the historic accounting under Topic 605. The impact of the adoption of the new standard was insignificant to the financial statements.

*Clarifying Guidance for Contributions Received and Contributions Made*

On July 1, 2019, FASB ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* became effective. This update clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The impact of the update was insignificant to the financial statements.

**Recently Issued Accounting Pronouncement**

*Leases*

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The new guidance will require all leases to be recorded as assets and liabilities on the statement of financial position. This update would require capitalization of the "right to use" an asset and recognition of an obligation for future lease payments for most leases currently classified as operating leases. Other leases currently classified as capital leases will be referred to as financing leases and will continue to be recorded as assets and liabilities in a similar manner. In June 2020, the FASB issued ASU No. 2020-05 which defers the effective date one year making it effective for annual reporting periods beginning after December 15, 2021, with early adoption permitted. The provisions of this ASU are to be applied using either the retrospective approach or modified retrospective approach. The Foundation is currently evaluating the impact this standard will have on its financial statements.

**Anoka-Ramsey Community College Foundation**  
**Notes to Financial Statements**

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

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

	2020	2019
Financial assets, at year end		
Cash and cash equivalents	\$ 598,589	\$ 638,951
Investments, at fair value	961,564	883,400
Contributions receivable	12,770	6,000
	1,572,923	1,528,351
Less net assets with donor restrictions	(1,307,288)	(1,313,243)
Total financial assets available for general expenditure	\$ 265,635	\$ 215,108

The Foundation is primarily funded by contributions from donors that contain restrictions. Those restrictions require that resources be used in a certain manner or in a future period. Therefore, the Foundation must maintain adequate resources to meet those responsibilities to its donors and certain financial assets may not be available for general expenditure within one year. As part of its liquidity management, the Foundation has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

	2020	2019
Checking account	\$ 588,997	\$ 596,395
Money market accounts	9,592	42,556
Total	\$ 598,589	\$ 638,951

**NOTE 4 – INVESTMENTS**

	2020	2019
Equities	\$ 630,341	\$ 598,785
Fixed Income	331,223	284,615
Total	\$ 961,564	\$ 883,400



**Anoka-Ramsey Community College Foundation**  
**Notes to Financial Statements**

**NOTE 4 – INVESTMENTS (CONTINUED)**

Investments include a donor restricted endowment of \$725,308 and \$873,544 at June 30, 2020 and 2019, respectively.

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that change in the values of investment securities will occur in the near term and that such changes could materially affect the investment balance.

**NOTE 5 – FAIR VALUE MEASUREMENTS**

The fair value measurements topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Plan has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted market prices included in level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

Equities and Fixed Income Investments - fair value is determined by reference to quoted market prices.

**Anoka-Ramsey Community College Foundation**  
**Notes to Financial Statements**

**NOTE 5 – FAIR VALUE MEASUREMENTS (CONTINUED)**

Fair values of assets measured on a recurring basis are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2020				
Equity	\$ 630,341	\$ -	\$ -	\$ 630,341
Fixed Income	331,223	-	-	331,223
	<u>\$ 961,564</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 961,564</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2019				
Equity	\$ 598,785	\$ -	\$ -	\$ 598,785
Fixed Income	284,615	-	-	284,615
	<u>\$ 883,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 883,400</u>

**NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS**

	<u>2020</u>	<u>2019</u>
Restricted for purpose		
Scholarships	\$ 345,026	\$ 218,701
Other grants and gifts	236,954	220,998
Earnings on endowments - scholarships	124,630	287,985
Endowments	600,678	585,559
	<u>\$ 1,307,288</u>	<u>\$ 1,313,243</u>

**NOTE 7 – NET ASSETS RELEASED FROM RESTRICTIONS**

	<u>2020</u>	<u>2019</u>
Scholarships	\$ 153,245	\$ 130,100
Other grants and gifts	120,371	144,759
	<u>\$ 273,616</u>	<u>\$ 274,859</u>

**Anoka-Ramsey Community College Foundation**  
**Notes to Financial Statements**

**NOTE 8 – IN-KIND CONTRIBUTIONS**

In-kind contributions and related expenses recognized in the statements of activities and statements of functional expenses were as follows:

	2020	2019
Salaries and fringe benefits	\$ 131,458	\$ 116,476
Facilities and utilities	12,954	41,001
Accounting services and software	31,594	29,117
Printing, copying, and miscellaneous	3,638	4,567
Other	5,180	25,499
Total	\$ 184,824	\$ 216,660

**NOTE 9 – RELATED PARTY TRANSACTIONS**

The Foundation receives staff and other support from the College. Total in-kind support received during 2020 and 2019 was \$179,644 and \$191,161, respectively. The Foundation also had accounts payable of \$52,479 and \$0 due to the College as of June 30, 2020 and 2019, respectively.

**NOTE 10 – CONCENTRATION**

At various times during the year, the Foundation had cash on deposit with its financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) insured limits. The Foundation has not experienced any losses from such deposits.

**NOTE 11 – RISKS AND UNCERTAINTIES**

On March 13, 2020, a national emergency was declared for the COVID-19 outbreak in the United States of America. This event affects the economy and financial markets. The extent of the impact on the Foundation may be both direct and indirect and will vary based on the duration of the outbreak and various other factors.

**NOTE 12 – ENDOWMENTS**

The endowments consist of approximately 21 individual funds established by donors to provide annual funding for specific activities and general operations.

As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

**Anoka-Ramsey Community College Foundation**  
**Notes to Financial Statements**

**NOTE 12 – ENDOWMENTS (CONTINUED)**

**Interpretation of Relevant Law**

The State of Minnesota enacted UPMIFA. The Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as donor-restricted net assets (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment to maintain the fair value of the original gift.

The remaining portion of the donor-restricted endowment fund is classified as donor-restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence described by UPMIFA.

**Investment Policy for the Endowment Funds**

In accordance with UPMIFA, the Foundation's policy considers and defines the following factors in managing and investing their investments, including their endowment (institutional) funds:

1. General economic conditions,
2. Possible effect of inflation or deflation,
3. Expected tax consequences, if any, of investment decision or strategies,
4. Role that each investment within the investment portfolio,
5. Expected total return from income and the appreciation of investments,
6. Other resources of the institution, and,
7. Asset's relationship or special value, if any, to the charitable purpose of the institution.

The Foundation has an investment policy for all investments, including endowments. It is the Foundation's intent to:

- Establish reasonable expectations, objectives, and guidelines for the investment of the Foundation's assets.
- Set forth an investment structure(s) detailing practices and procedures for the 1) investment of endowment assets and for 2) investment management of donor-restricted funds and surplus general funds.
- Create guidelines for acceptable asset classes and expected allocations among those asset classes, for each investment structure.
- Encourage effective communication between the Foundation Board of Directors and its advisors and fiduciaries.
- Create portfolio(s) of a diversified asset mix that can be expected to generate acceptable returns vis-à-vis level of risk for each respective fund that is acceptable to the directors of the Foundation.

**Anoka-Ramsey Community College Foundation**  
**Notes to Financial Statements**

**NOTE 12 – ENDOWMENTS (CONTINUED)**

**Investment Policy for the Endowment Funds (Continued)**

The principle objective of the portfolio is to provide capital growth without exposure to undue risk. The assets must be invested with the care, skill, and diligence that a prudent person would undertake. All investments shall be made with the goal of insuring quality, marketability, and diversification of the assets. The Board of Directors reviews the investment policy on an ongoing basis.

**Spending Policy for the Appropriation of Endowment Assets for Expenditure**

In accordance with UPMIFA, the Foundation considers the following factors in making a prudent determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the endowment fund,
2. Purposes of the Foundation and the endowment fund,
3. General economic conditions,
4. Possible effect of inflation or deflation,
5. Expected total return from income and the appreciation of investments,
6. Other resources of the institution, and,
7. Investment policy of the institution.

It is the Board's objectives to preserve the endowment fund in perpetuity in support of the mission of the Foundation and to establish a payout rate from endowment accounts that provides a stable predictable level of spending for the endowed purposes, and that provides for a rate of growth in the endowment that meets or exceeds the rate of inflation.

The Foundation's spending strategy is intended for all donations that are kept in the interest earning securities accounting including endowments and donor-restricted funds managed by the Foundation who gift instruments do not specifically outline an alternative spending rate. Board restricted and quasi-endowment funds are not governed by UPMIFA's spending regulations, but it is the intention of the Board to take a conservative approach to spending endowments and quasi-endowments always within the guidelines found in the UPMIFA.

Each scholarship cycle, before any promotion of the scholarships, the Foundation will review each endowment to see if there is sufficient funds to award a scholarship. If there are sufficient funds, those funds will be transferred to the checking account to ensure the proper funds are available before marketing of the scholarship. If there is not sufficient funds in the endowment for an award, that endowment will not be given out and no money transferred.

On an annual basis the Board will ratify a spending policy for the Foundation's institutional funds with the two following goals in mind:

- Maintaining the purchasing power of the fund's principal over the long-term; and
- Spending a rate that, over the long term, will reflect the donor's intentions

**Anoka-Ramsey Community College Foundation**  
**Notes to Financial Statements**

**NOTE 12 – ENDOWMENTS (CONTINUED)**

**Composition of the Endowment**

	2020	2019
Donor restricted endowment funds	\$ 725,308	\$ 873,544

**Reconciliation of the endowment**

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2019	\$ -	\$ 873,544	\$ 873,544
Contributions	-	17,325	17,325
Net investment return	-	23,182	23,182
Amounts appropriated for expenditure	-	(19,500)	(19,500)
Reclassifications	-	(169,243)	(169,243)
	\$ -	\$ 725,308	\$ 725,308

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2018	\$ 23,242	\$ 831,196	\$ 854,438
Contributions	-	52,353	52,353
Net investment return	-	28,967	28,967
Amounts appropriated for expenditure	-	(33,721)	(33,721)
Reclassifications	(23,242)	(5,251)	(28,493)
	\$ -	\$ 873,544	\$ 873,544

**NOTE 13 – RECLASSIFICATIONS**

The financial statements for 2019 was reclassified to conform to the presentation used for the 2020 financial statements.