

PAGE EDUCATION FOUNDATION

FINANCIAL STATEMENTS

June 30, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Page Education Foundation
Minneapolis, Minnesota

Report on Financial Statements

We have audited the accompanying financial statements of Page Education Foundation (Foundation), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2018 and 2017, 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.

Lurie, LLP
Minneapolis, Minnesota

December 5, 2018

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STATEMENTS OF FINANCIAL POSITION

		June 30,	
		<u>2018</u>	<u>2017</u>
ASSETS			
ASSETS			
Cash and cash equivalents		\$ 1,501,686	\$ 960,443
Certificates of deposit		1,797,399	1,700,612
Endowment fund investments		2,715,660	2,507,086
Prepaid expenses		27,886	29,408
Cash value of life insurance		127,223	104,118
Property and equipment		35,610	2,571
		<u>\$ 6,205,464</u>	<u>\$ 5,304,238</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable		\$ 558	\$ 516
Accrued expenses		12,135	966
		<u>12,693</u>	<u>1,482</u>
NET ASSETS			
Unrestricted		3,438,937	2,779,404
Temporarily restricted		1,697,258	1,474,976
Permanently restricted		1,056,576	1,048,376
		<u>6,192,771</u>	<u>5,302,756</u>
		<u>\$ 6,205,464</u>	<u>\$ 5,304,238</u>

See notes to financial statements.

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STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2018				Year Ended June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT								
Contributions – cash	\$ 1,642,794	\$ 348,200	\$ 8,200	\$ 1,999,194	\$ 1,452,619	\$ 339,800	\$ 8,000	\$ 1,800,419
Contributions – investments	101,103	-	-	101,103	13,760	-	-	13,760
Contributions – in-kind services	37,418	-	-	37,418	38,461	-	-	38,461
Interest and dividends	28,479	43,138	-	71,617	17,572	41,000	-	58,572
Realized gain (loss) on sale of investments	1,128	(10,652)	-	(9,524)	(1,522)	(263)	-	(1,785)
Unrealized gain (loss) on investments	(5,964)	167,887	-	161,923	(7,397)	243,545	-	236,148
Net assets released from restrictions	326,291	(326,291)	-	-	327,684	(327,684)	-	-
TOTAL REVENUES AND SUPPORT	2,131,249	222,282	8,200	2,361,731	1,841,177	296,398	8,000	2,145,575
EXPENSES								
Program services:								
Scholarships	841,900	-	-	841,900	841,606	-	-	841,606
Program and mentor management	191,944	-	-	191,944	137,743	-	-	137,743
	<u>1,033,844</u>	<u>-</u>	<u>-</u>	<u>1,033,844</u>	<u>979,349</u>	<u>-</u>	<u>-</u>	<u>979,349</u>
Support services:								
General administration	143,190	-	-	143,190	164,106	-	-	164,106
Fundraising	294,682	-	-	294,682	254,228	-	-	254,228
	<u>437,872</u>	<u>-</u>	<u>-</u>	<u>437,872</u>	<u>418,334</u>	<u>-</u>	<u>-</u>	<u>418,334</u>
TOTAL EXPENSES	1,471,716	-	-	1,471,716	1,397,683	-	-	1,397,683
INCREASE IN NET ASSETS	659,533	222,282	8,200	890,015	443,494	296,398	8,000	747,892
NET ASSETS								
Beginning of year	<u>2,779,404</u>	<u>1,474,976</u>	<u>1,048,376</u>	<u>5,302,756</u>	<u>2,335,910</u>	<u>1,178,578</u>	<u>1,040,376</u>	<u>4,554,864</u>
End of year	<u>\$ 3,438,937</u>	<u>\$ 1,697,258</u>	<u>\$ 1,056,576</u>	<u>\$ 6,192,771</u>	<u>\$ 2,779,404</u>	<u>\$ 1,474,976</u>	<u>\$ 1,048,376</u>	<u>\$ 5,302,756</u>

See notes to financial statements.

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STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018

	Program Services		Support Services		Total
	Scholarship	Scholarship and Mentor Program	General and Administration	Fundraising	
Scholarships	\$ 841,900	\$ -	\$ -	\$ -	\$ 841,900
Compensation	-	147,172	48,004	67,145	262,321
Payroll taxes	-	11,258	3,672	5,137	20,067
Employee benefits	-	-	4,841	-	4,841
Computer expense	-	-	13,885	-	13,885
Depreciation	-	-	2,238	-	2,238
Directors' life insurance	-	-	(19,603)	-	(19,603)
Fundraising events	-	-	-	116,684	116,684
In-kind services	-	-	-	37,418	37,418
Insurance	-	-	4,097	-	4,097
Interest	-	-	1	-	1
Office rent	-	-	37,521	-	37,521
Office supplies and expense	-	824	7,424	10,862	19,110
Postage	-	-	1,706	1,726	3,432
Printing	-	1,772	5,938	5,592	13,302
Professional fees	-	4,200	31,652	25,329	61,181
Program expense	-	16,164	-	-	16,164
Supplies	-	10,554	-	24,789	35,343
Telephone	-	-	1,814	-	1,814
	<u>\$ 841,900</u>	<u>\$ 191,944</u>	<u>\$ 143,190</u>	<u>\$ 294,682</u>	<u>\$ 1,471,716</u>

Year Ended June 30, 2017

	Program Services		Support Services		Total
	Scholarship	Scholarship and Mentor Program	General and Administration	Fundraising	
Scholarships	\$ 841,606	\$ -	\$ -	\$ -	\$ 841,606
Compensation	-	105,873	56,994	84,920	247,787
Payroll taxes	-	8,099	4,360	6,496	18,955
Employee benefits	-	-	5,088	-	5,088
Computer expense	-	-	12,219	-	12,219
Depreciation	-	-	847	-	847
Directors' life insurance	-	-	(9,105)	-	(9,105)
Fundraising events	-	-	-	110,212	110,212
In-kind services	-	-	7,500	30,961	38,461
Insurance	-	-	4,161	-	4,161
Interest	-	-	67	-	67
Office rent	-	-	34,884	-	34,884
Office supplies and expense	-	844	15,993	11,477	28,314
Postage	-	-	1,796	1,458	3,254
Printing	-	1,894	5,457	5,213	12,564
Professional fees	-	5,000	22,252	-	27,252
Program expense	-	13,634	-	-	13,634
Supplies	-	2,399	-	3,491	5,890
Telephone	-	-	1,593	-	1,593
	<u>\$ 841,606</u>	<u>\$ 137,743</u>	<u>\$ 164,106</u>	<u>\$ 254,228</u>	<u>\$ 1,397,683</u>

See notes to financial statements.

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STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Increase in net assets	\$ 890,015	\$ 747,892
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Contributions of investments	(101,103)	(13,760)
Realized and unrealized net (gain) loss on investments	(152,399)	(243,637)
Depreciation expense	2,238	847
Changes in operating assets and liabilities:		
Prepaid expenses	1,522	(22,104)
Accounts payable and accrued expenses	11,211	(9,654)
Net cash provided by operating activities	<u>651,484</u>	<u>459,584</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	(35,277)	(3,418)
Proceeds from sales of investments	801,238	1,063,756
Purchases of investments	(763,221)	(1,554,015)
Increase in endowment fund cash	(89,876)	(39,809)
Cash value of life insurance increase	(23,105)	(12,608)
Net cash used in investing activities	<u>(110,241)</u>	<u>(546,094)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	541,243	(86,510)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>960,443</u>	<u>1,046,953</u>
End of year	\$ <u>1,501,686</u>	\$ <u>960,443</u>

See notes to financial statements.

PAGE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS

1. Description of Organization and Summary of Significant Accounting Policies –

Organization

The Page Education Foundation (Foundation) is a nonprofit corporation established in 1988 to promote the importance of education to minority youth in Minnesota. The Foundation provides services to children's programs, a scholarship program and an adult "Senior Mentor" program, which offer positive role models and community education and service to accomplish the Foundation's mission. The Foundation's principal source of revenue is from public contributions. The Foundation has also been the beneficiary of various types of donated and contributed services.

Financial Statement Presentation

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets, classified based on donor imposed restrictions as follows:

Unrestricted – Resources over which the Board of Directors has discretionary control. Designated amounts, if any, represent those net assets which the Board has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor imposed restrictions which will be satisfied by actions of the Foundation or passage of time.

Permanently Restricted – Those resources subject to a donor imposed restriction to be maintained permanently by the Foundation. The donors of these resources permit use of the income earned, including capital appreciation, for unrestricted or temporarily restricted purposes.

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions or other stipulations. Expenses are reported as decreases in unrestricted net assets. Expiration of temporary restrictions on net assets, by the Foundation fulfilling the donor stipulations or by the passage of a specified time period, are reported as net assets released from restrictions. Restricted contributions include in-kind donations and donations made to cover specific expenses of the Foundation.

Contributions received other than cash are recorded when received at their estimated fair value.

Donated Services

Amounts have been reported in the financial statements for voluntary donations of services when those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would be typically purchased if not provided by donation.

In addition, a substantial number of unpaid volunteers made significant contributions of their time that do not meet the recognition criteria described above. Accordingly, the value of that donated time is not reflected in the financial statements.

Use of Estimates

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that may affect certain reported amounts and disclosures in the financial statements and accompanying notes. Actual results could differ from those estimates.

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PAGE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS

1. Description of Organization and Summary of Significant Accounting Policies – (continued)

Functional Expenses

The paid staff positions include the Administrative Director, Grant Program Coordinator, Events Coordinator, Program Coordinator, and Administrative Coordinator. Salaries are prorated based on management's estimate of time spent on program services, general administration and fundraising. In addition, other expenses are allocated based on management's estimate of the activity performed.

Cash Equivalents and Credit Risk

All highly liquid investments, except those held for long-term investment, with an original maturity when purchased of three months or less are considered to be cash equivalents.

Cash balances are maintained in one brokerage firm utilizing the brokerage firm's money market fund for excess cash. The balances are insured by the Security Investors Protection Corporation and the brokerage firm's private insurance up to agreed-upon limits.

Valuation of Investments and Income Recognition

Investments are reported at fair value. Fair value is 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. The Foundation's Board of Directors determines the Foundation's valuation policies utilizing information provided by investment advisers. See Note 4 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over an estimated useful life of three to seven years. Maintenance and repairs are expensed as incurred; major improvements of \$500 or more are capitalized based on the Foundation's policy.

Income Taxes

The Foundation is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state regulations. Therefore, the financial statements do not reflect a provision for income taxes. The Foundation has been classified as an organization that is not a private foundation under the IRC and contributions by donors are considered tax deductible.

The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Foundation is no longer subject to income tax examinations for years prior to 2015.

2. Certificates of Deposit –

Certificates of deposit at June 30, 2018 consisted of 27 certificates with various financial institutions with a market value of \$2,243,350 (\$445,951 held in the endowment fund and \$1,797,399 unrestricted). The certificates of deposit bear interest rates of .85% to 2.3%. Certificates of deposit at June 30, 2017 consisted of 27 certificates with various financial institutions with a market value of \$2,202,126 (\$501,514 held in the endowment fund and \$1,700,612 unrestricted). The certificates of deposit bear interest rates of .75% to 2.00%.

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3. Endowment Fund Investments –

In November 1996, the Foundation's Board of Directors established an endowment fund to provide income for the life of the Foundation. In the event of liquidation, the endowment fund may be utilized to wind up the Foundation's affairs. The investments are reported at fair value.

The Foundation's endowment fund invests in various securities. These securities are subject to various risks such as economic, interest rate, credit, market, economic, and political risks. Due to these risks the fund account value may fluctuate.

The assets held in the endowment fund at June 30, 2018 and 2017, consisted of the following:

	2018		2017	
	Shares or Face Value	Market Value	Shares or Face Value	Market Value
Money market fund		\$ 301,829		\$ 211,953
Mutual Funds:				
S&P 500 Index	3,688	1,007,008	3,688	897,696
Russell Midcap Index	2,661	564,505	2,661	511,205
EMU Index	7,936	325,455	7,936	320,019
Fidelity Value	1,970	23,699	197	23,205
Templeton Growth – A	652	17,362	641	16,701
MFS Growth – A	213	21,334	206	17,063
Invesco - A	336	8,517	324	7,730
		<u>1,967,880</u>		<u>1,793,619</u>
Certificates of Deposit:				
GE Cap Retail Bank	-	-	50,000	50,428
Capital One	50,000	49,663	50,000	50,165
Goldman Sachs	-	-	50,000	50,176
Sallie Mae	50,000	50,286	50,000	50,434
Goldman Sachs	50,000	49,889	50,000	50,217
BMW Bank	-	-	50,000	50,184
Goldman Sachs	50,000	49,653	50,000	50,297
State Bank of India	-	-	50,000	49,947
Synchrony Bank	50,000	50,289	50,000	50,500
Capital One	50,000	48,636	50,000	49,166
Berkshire Bank	50,000	49,673	-	-
Capital One	50,000	49,037	-	-
Enerbank USA	50,000	48,825	-	-
		<u>445,951</u>		<u>501,514</u>
		<u>\$ 2,715,660</u>		<u>\$ 2,507,086</u>

4. Fair Value Measurements –

The framework for measuring fair value provided by GAAP provides 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) and the lowest priority to unobservable inputs (level 3).

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NOTES TO FINANCIAL STATEMENTS

4. Fair Value Measurements – (continued)

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

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

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, 2018 and 2017.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

Certificates of deposit: Valued based on current yield of similar instruments with comparable durations considering the credit-worthiness of the issuer.

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

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4. Fair Value Measurements – (continued)

The following tables set forth by level, within the fair value hierarchy, the Foundation's investment assets at fair value:

	Investment Assets at Fair Value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Mutual funds				
U.S. equities	\$ 1,616,546	\$ -	\$ -	\$ 1,616,546
International equities	342,817	-	-	342,817
Fixed income	8,517	-	-	8,517
	<u>1,967,880</u>			<u>1,967,880</u>
Certificates of deposit	<u>-</u>	<u>2,243,350</u>	<u>-</u>	<u>2,243,350</u>
Total investment assets measured at fair value	<u>\$ 1,967,880</u>	<u>\$ 2,243,350</u>	<u>\$ -</u>	<u>4,211,230</u>
Money market fund				<u>301,829</u>
Total endowment fund and certificates of deposit				<u>\$ 4,513,059</u>

	Investment Assets at Fair Value as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
Mutual funds				
U.S. equities	\$ 1,449,169	\$ -	\$ -	\$ 1,449,169
International equities	336,720	-	-	336,720
Fixed income	7,730	-	-	7,730
	<u>1,793,619</u>	<u>-</u>	<u>-</u>	<u>1,793,619</u>
Certificates of deposit	<u>-</u>	<u>2,202,126</u>	<u>-</u>	<u>2,202,126</u>
Total investment assets measured at fair value	<u>\$ 1,793,619</u>	<u>\$ 2,202,126</u>	<u>\$ -</u>	<u>3,995,745</u>
Money market fund				<u>211,953</u>
Total endowment fund and certificates of deposit				<u>\$ 4,207,698</u>

Certain certificates of deposit in the above tables are included in endowment fund investments in the statements of financial position.

5. Cash Value of Life Insurance –

The Foundation is the beneficiary of life insurance on the lives of two of the members of its Board of Directors. The face value of the life insurance policies is \$200,000 and is payable upon the death of both members.

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6. Property and Equipment –

Property and equipment consisted of the following:

	June 30,	
	<u>2018</u>	<u>2017</u>
Office equipment	\$ 38,695	\$ 3,418
Less accumulated depreciation	<u>3,085</u>	<u>847</u>
Property and Equipment	<u>\$ 35,610</u>	<u>\$ 2,571</u>

7. Net Assets – Temporarily and Permanently Restricted –

Temporarily restricted net assets were restricted for future scholarship and program activities.

Temporarily and permanently restricted net assets consisted of the following:

	June 30,	
	<u>2018</u>	<u>2017</u>
Temporarily Restricted:		
Unappropriated endowment net assets	\$ 1,659,084	\$ 1,458,710
Otto Bremer Greater MN	18,174	-
Thomson Reuters	20,000	-
National Distillers	-	4,150
Northstar Education	-	12,116
	<u>1,697,258</u>	<u>1,474,976</u>
Permanently Restricted:		
J. Morgan	487,497	487,497
Ruth D. Drake Family Trust	250,250	250,250
Foundation transfer	82,000	82,000
Warren F. Weck Jr. Charitable Trust	100,000	92,000
Winter Fund	40,645	40,645
Jones Fund	23,025	23,025
Lockhardt Popham Fund	21,205	21,205
Janet Meyer	20,528	20,528
Koumo Fund	10,312	10,312
Suzukamo	10,000	10,000
Page Fund	6,000	6,000
Farni Fund	3,914	3,914
Nicholson Family Foundation	1,000	1,000
Gary Baker and Susan Evert	200	-
	<u>1,056,576</u>	<u>1,048,376</u>
	<u>\$ 2,753,834</u>	<u>\$ 2,523,352</u>

8. Endowment –

The Foundation's endowment consisted of donor-restricted funds established primarily for the purpose of providing scholarships. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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8. Endowment – (continued)

Interpretation of Relevant Law

The Board of Directors of Page Education Foundation has interpreted the 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 classified 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, 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 temporarily restricted net assets 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 UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation.

The Foundation has no Board designated endowment funds. Donor-restricted endowment net assets and changes in endowment net assets consisted of the following:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2016	\$ 1,174,428	\$ 1,040,376	\$ 2,214,804
Investment income	41,000	-	41,000
Net appreciation	252,556	-	252,556
Contributions	-	8,000	8,000
Investment fees	(9,274)	-	(9,274)
Endowment net assets at June 30, 2017	1,458,710	1,048,376	2,507,086
Investment income	43,138	-	43,138
Net appreciation	167,886	-	167,886
Contributions	-	8,200	8,200
Investment fees	(10,650)	-	(10,650)
Endowment net assets at June 30, 2018	<u>\$ 1,659,084</u>	<u>\$ 1,056,576</u>	<u>\$ 2,715,660</u>

Return Objectives, Strategies, and Spending Policy

The Foundation has adopted investment objectives for endowment assets to preserve capital, maintain liquidity, and maximize yield. The Foundation's policy is to have the endowments professionally managed and invested conservatively.

It is the Foundation's policy that before a draw from endowment funds can be taken, in order to provide for unexpected market downturns, that annual draws are not required and are made at the discretion of the Foundation's Board of Directors. Endowment draws are restricted to scholarship funding and cannot be made for any other purpose.

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NOTES TO FINANCIAL STATEMENTS

9. Scholarship Commitments –

The Foundation awarded scholarships to 474 students during each of the 2017-2018 and 2016-2017 school years. During the 2017-2018 school year, 508 of the 553 students accepted all or part of their scholarship funds, ranging from \$1,000 to \$2,500. During the 2016-2017 school year, 474 of the 518 students accepted all or part of their scholarship funds, ranging from \$1,000 to \$2,500. The average scholarship was \$1,619 and \$1,776 in 2018 and 2017, respectively. All recipients attended colleges or universities located in Minnesota. Some students awarded scholarships decided for various reasons not to attend school or not to fulfill their community service requirement and, therefore, their scholarship money was not paid.

For the 2018-2019 school year, the Foundation estimates its maximum potential commitment of scholarship funds is approximately \$901,000.

10. Operating Lease Commitment –

The Foundation leases its facilities under an operating lease expiring February 2019. Rent expense, including real estate taxes and operating costs, was \$37,521 and \$34,884 for 2018 and 2017, respectively. Future minimum lease payments are approximately \$17,000 for 2019.

11. Employee Benefit Plan –

The Foundation sponsors a simple IRA plan covering eligible employees. The annual 3% matching contribution was \$4,841 and \$5,088 for 2018 and 2017, respectively.

12. Related Parties –

Members of the Board of Directors contributed cash and investments to the Foundation during 2018 and 2017.

13. Concentrations –

One donor accounted for 11% of total contributions for the year ended June 30, 2018.

14. Supplementary Disclosures of Cash Flow Information –

Additional cash flow information consisted of the following:

	Years Ended June 30,	
	<u>2018</u>	<u>2017</u>
In-kind services	\$ <u>37,418</u>	\$ <u>38,461</u>

15. Subsequent Events –

Management has evaluated subsequent events through December 5, 2018, the date the financial statements were available to be issued.