

Wayne State Foundation
FINANCIAL STATEMENTS
Year Ended June 30, 2016
With comparative figures for 2015 and 2014

WAYNE STATE FOUNDATION

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Wayne State Foundation
Wayne, Nebraska

We have audited the accompanying financial statements of the Wayne State Foundation (a nonprofit Foundation) which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year 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.

Auditors' 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 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 auditors' 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wayne State Foundation as of June 30, 2016, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Wayne State Foundation's 2015 and 2014 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our reports dated September 15, 2015 and September 10, 2014, respectively. In our opinion, the summarized comparative information presented herein as of and for the years ended June 30, 2015 and 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

CBF PC

CHRISTENSEN BROZEK FALTYS PC
Certified Public Accountants

September 13, 2016

Wayne State Foundation

STATEMENT OF ACTIVITIES

For the year ended June 30, 2016

With summarized comparative totals for the years ended June 30, 2015 and 2014

	2016				2015 Total	2014 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total		
Revenue and Other Support:						
Gift/Contributions income	\$ 533,773	\$ 2,710,574	\$ 2,050,596	\$ 5,294,943	\$ 4,096,749	\$ 4,728,836
Interest and dividends	71,356	281,704	8,951	362,011	343,459	300,629
Net gain (loss) on investments	(60,737)	(359,854)	(65,345)	(485,936)	467,244	2,846,296
Other non gift income	38,922	184,739	3,232	226,893	190,176	237,923
Total revenue and other support	583,314	2,817,163	1,997,434	5,397,911	5,097,628	8,113,684
Assets released from restrictions/transfers	3,372,508	(3,396,978)	24,470	-	-	-
Expenses:						
General and administrative	242,542	-	-	242,542	236,668	218,767
Fundraising	355,719	-	-	355,719	388,704	354,500
Program expenses	3,480,245	-	-	3,480,245	2,955,553	3,153,974
Total expenses before amortization	4,078,506	-	-	4,078,506	3,580,925	3,727,241
Amortization of annuity contracts	12,251	-	70,385	82,636	84,026	83,275
Total expenses	4,090,757	-	70,385	4,161,142	3,664,951	3,810,516
Administrative support fee	135,019	(135,019)	-	-	-	-
Net increase (decrease) in net assets	84	(714,834)	1,951,519	1,236,769	1,432,677	4,303,168
Net assets, beginning of year	2,884,778	7,640,416	14,089,140	24,614,334	23,181,657	18,878,489
NET ASSETS, END OF YEAR	\$ 2,884,862	\$ 6,925,582	\$ 16,040,659	\$ 25,851,103	\$ 24,614,334	\$ 23,181,657

See accompanying notes to financial statements.

Wayne State Foundation

STATEMENT OF CASH FLOWS

For the year ended June 30, 2016

With summarized comparative totals for the years ended June 30, 2015 and 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Change in net assets	\$ 1,236,769	\$ 1,432,677	\$ 4,303,168
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation	9,729	9,729	9,729
Amortization of annuity obligations	82,636	84,026	83,274
Non cash contributions	(133,877)	(59,994)	(96,094)
Net loss (gain) on investments & (reinvested income)	485,936	(467,244)	(2,846,296)
Net (gain) on sale of assets	(51,793)	-	-
(Increase) decrease in operating non-cash assets:			
Accrued interest receivable, prepaids & other receivables	1,037	5,371	(6,623)
Unconditional promises to give	457,603	(131,796)	(1,098,844)
Inventory	-	-	2,549
Cash value life insurance	14,208	(9,255)	(10,227)
Increase (decrease) in operating non-cash liabilities:			
Accounts & faculty grants payable	(63,000)	51,311	19,342
Net cash provided by operating activities	<u>2,039,248</u>	<u>914,825</u>	<u>359,978</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of assets	127,136	-	-
Net (purchases) of investments	(1,820,330)	(885,203)	(215,971)
Net cash (used) by investing activities	<u>(1,693,194)</u>	<u>(885,203)</u>	<u>(215,971)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments on annuity contracts	(117,636)	(119,830)	(119,829)
Net cash (used) by financing activities	<u>(117,636)</u>	<u>(119,830)</u>	<u>(119,829)</u>
NET CHANGE IN CASH & CASH EQUIVALENTS	228,418	(90,208)	24,178
Cash & cash equivalents, beginning of year	<u>493,739</u>	<u>583,947</u>	<u>559,769</u>
CASH & CASH EQUIVALENTS, END OF YEAR	<u>\$ 722,157</u>	<u>\$ 493,739</u>	<u>\$ 583,947</u>

See accompanying notes to financial statements.

Wayne State Foundation

STATEMENT OF FINANCIAL POSITION

June 30, 2016

With summarized comparative totals as of June 30, 2015 and 2014

	2016		2015		2014
	Total		Total		Total
ASSETS					
Cash and cash equivalents-unrestricted	\$ 102,537	\$	28,701	\$	43,463
Cash and cash equivalents-restricted	619,620		465,038		540,484
Total cash & cash equivalents	722,157		493,739		583,947
Accrued interest receivable	1,198		1,014		729
Unconditional promises to give	1,096,491		1,554,094		1,422,298
Prepays & other receivables	9,560		1,781		7,437
Investments	22,410,344		20,756,873		19,259,745
Property	189,445		283,516		293,245
Cash value life insurance	87,817		102,026		92,769
Assets restricted for annuity contracts					
Investments	909,022		1,044,434		1,119,154
Assets held in perpetual trust					
Investments	864,617		915,750		925,717
TOTAL ASSETS	\$ 26,290,651	\$	25,153,227	\$	23,705,041
LIABILITIES & NET ASSETS					
Accounts & faculty grants payable	\$ 66,444	\$	128,316	\$	77,334
Deferred (unearned) event revenue	2,200		3,330		3,000
Annuities payable	370,904		407,247		443,050
Total liabilities	439,548		538,893		523,384
Net Assets:					
Unrestricted:					
Undesignated	2,565,492		2,559,290		2,516,089
Endowment funds deficit	(5,010)		(1,121)		-
Designated	324,380		326,609		313,565
Total unrestricted net assets	2,884,862		2,884,778		2,829,654
Temporarily restricted	6,925,582		7,640,416		6,862,570
Permanently restricted	16,040,659		14,089,140		13,489,433
Total net assets	25,851,103		24,614,334		23,181,657
TOTAL LIABILITIES					
AND NET ASSETS	\$ 26,290,651	\$	25,153,227	\$	23,705,041

See accompanying notes to financial statements.

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A - FOUNDATION

The Wayne State Foundation (Foundation) is an independent, non-profit corporation established for the sole purpose of securing private gifts for the benefit and promotion of Wayne State College (College). The Foundation receives contributions from various contributors and provides funding to the College to assist it in fulfilling its mission of educating students. Examples of initiatives funded by the Foundation include scholarships, capital improvements, faculty grants, equipment, and athletic programs. The Foundation funds and publishes, in cooperation with the College, the *Wayne State Magazine* and other communications sent to alumni and friends.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Assets and liabilities are presented in the order of liquidity on the statement of financial position. Net assets, support and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor imposed stipulations that they be maintained permanently by the Foundation. Generally, earnings from endowed contributions and investments are restricted for specific purposes.

Prior-Year Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the years ended June 30, 2015 and 2014, from which the summarized information was derived.

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Donations of property are recorded as support and carried at their estimated fair value at the date of the gift. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose.

Pervasiveness of Estimates

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

Cash and Cash Equivalents

The Foundation considers checking accounts to be cash equivalents.

Property

Property is recorded at cost or estimated value at the date of purchase or contribution. Additions in excess of \$2,500 are capitalized. Expenditures for repairs and maintenance are expensed as incurred. Assets are being depreciated using the straight-line method with estimated useful lives of 25-40 years for real property and 5 years for vehicles. Depreciation expense was \$9,729 for the year ended June 30, 2016.

Investments

The Foundation's investments are composed of money market accounts, certificates of deposit, and mutual funds including common trust funds, either at area financial institutions or investment firms. Investments are stated at fair market value. Fluctuations in fair values are reflected in the period they occur. Certain funds have been pooled for ease of management and to achieve greater diversification in investments.

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income Taxes

The Foundation qualifies as a tax-exempt Foundation, other than a private foundation, under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes.

The Foundation files required income tax returns in the U.S. federal jurisdiction and various states. With few exceptions, the Foundation is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2013. The Foundation has concluded no material uncertain tax positions have been taken on any open tax returns. For the current year the Foundation believes all tax positions are fully supportable by existing Federal law and related interpretations and there are no uncertain tax positions to consider.

Collections

Collections, acquired through purchases and contributions since the Foundation's inception, are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired or as temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

Advertising

The Foundation expenses advertising costs as they are incurred. Advertising expenses for the year ended June 30, 2016, was \$12,621.

Subsequent Events

In the normal course of preparing the Foundation's financial statements, management reviews events that occur after the statement of financial position date (June 30, 2016) for potential recognition or disclosure in the financial statements. Management has evaluated subsequent events through September 13, 2016, which is the date the financial statements were available to be issued. See Note T for recently issued accounting pronouncements.

NOTE C - CREDIT RISK ARISING FROM CASH DEPOSITS

At times the Foundation may have uninsured bank deposits. At June 30, 2016, the Foundation had bank deposits of \$3,306,615, of which \$1,234,071 was uninsured. The Foundation approved a policy of bank deposits up to \$350,000. All bank deposits were below the approved policy except for Elkhorn Valley Bank & Trust (EVB&T) which had deposits of \$1,242,177. In June 2016 the Finance Committee approved exceeding the approved policy amount for EVB&T.

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE D - PROMISES TO GIVE

Unconditional Promises

Unconditional promises are recorded at their net realizable value.

Unconditional promises to give at June 30, 2016, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Unconditional promises to give	\$ -	\$ 1,014,787	\$ 213,512	\$ 1,228,299
Less discount to present value	-	(100,639)	(18,279)	(118,918)
Less allowance for uncollectible prom.	-	(12,890)	-	(12,890)
Net unconditional promises to give	<u>\$ -</u>	<u>\$ 901,258</u>	<u>\$ 195,233</u>	<u>\$ 1,096,491</u>

Estimated future cash flows of unconditional promises are as follows:

	Estimated Cash Flows	Discount	Discounted Value
Due 6/30/2016	\$ 11,750	\$ -	\$ 11,750
6/30/2017	341,411	(13,132)	328,279
6/30/2018	433,464	(32,702)	400,762
6/30/2019	131,084	(14,551)	116,533
6/30/2020	99,200	(14,403)	84,797
6/30/2021	63,500	(11,308)	52,192
More than 5 years 6/30/2022-2028	<u>135,000</u>	<u>(32,822)</u>	<u>102,178</u>
	<u>\$ 1,215,409</u>	<u>\$ (118,918)</u>	<u>\$ 1,096,491</u>

The allowance for uncollectible promises represents the unpaid portion of the Phonathon pledges. All other pledges are considered collectible. At June 30, 2016 \$11,750 of other pledges were past due including \$8,750 that were over 90 days past due. Other pledges written off for the fiscal year ended June 30, 2016 were \$10,000.

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE E - INVESTMENTS

Investments as of June 30, 2016 are summarized as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>6/30/16 Total</u>
Money markets	\$ 7,304	\$ 615,955	\$ 995,276	\$ 1,618,535
Certificates of Deposit	35,630	1,377,544	165,000	1,578,174
Commonfund-				
Equity Fund	1,499,653	2,758,256	9,901,436	14,159,345
Commonfund-				
Bond Fund	<u>703,355</u>	<u>623,638</u>	<u>3,543,364</u>	<u>4,870,357</u>
Subtotal Commonfund	2,203,008	3,381,894	13,444,800	19,029,702
Other Securities	<u>26,971</u>	<u>119,805</u>	<u>37,157</u>	<u>183,933</u>
Totals	2,272,913	5,495,198	14,642,233	22,410,344
Investments restricted for annuity contracts:				
Commonfund –				
Equity Fund	279,094	-	373,356	652,450
Commonfund –				
Bond Fund	<u>109,467</u>	<u>-</u>	<u>147,105</u>	<u>256,572</u>
Totals	388,561	-	520,461	909,022
Investments held in perpetual trust:				
Money markets	-	-	22,510	22,510
Bonds and notes	-	-	282,138	282,138
Equities	-	-	499,031	499,031
Alternatives	<u>-</u>	<u>-</u>	<u>60,938</u>	<u>60,938</u>
Totals	<u>-</u>	<u>-</u>	<u>864,617</u>	<u>864,617</u>
Total all investments	<u>\$ 2,661,474</u>	<u>\$ 5,495,198</u>	<u>\$ 16,027,311</u>	<u>\$ 24,183,983</u>

Market Risk from Concentration of Investments with Advisor

At June 30, 2016 the Foundation had investments (including reserved for annuities) with Commonfund of \$19,938,724, which represents approximately 82% of investments.

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE E - INVESTMENTS (cont'd)

Fair Value Measurement

The Foundation adopted Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 820-10-35, "Fair Value Measurement," effective July 1, 2008. FASB ASC 820-10-35 established a three-tier hierarchy to prioritize the assumptions, referred to as inputs, used in valuation techniques to measure fair value. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

- Level 1: quoted prices in active markets for identical investments.
- Level 2: other significant observable inputs (including quoted prices for similar investments in active markets, interest rates and yield curves, prepayment speeds, credit risks, etc.)
- Level 3: significant unobservable inputs (including the Foundation's own assumptions in determining the fair value of investments). The Foundation used the share price in the preferred offering of the private company to value the stock.

The following is a summary of the inputs used as of June 30, 2016 in valuing the Foundation's investments:

June 30, 2016	Level 1	Level 2	Level 3	Total
Short Term Cash Investments and Certificates of Deposit	\$ 23,570	\$ 3,196,709	\$ -	\$ 3,220,279
U.S. Equity	571,372	13,003,274	8,988	13,583,634
International Equity	104,761	1,512,284	-	1,617,045
Emerging Markets Equity	10,336	296,236	-	306,572
Fixed Income	329,523	5,126,930	-	5,456,453
Total	\$ <u>1,039,562</u>	\$ <u>23,135,433</u>	\$ <u>8,988</u>	\$ <u>24,183,983</u>

Level 3 Activity

In the fiscal year ended June 30, 2016 the Foundation received private company stock. The stock value of \$8,988 was valued at the current share price in the preferred offering at the date of the gift. There were no realized or unrealized gains or losses and no transfers in or out during the fiscal year.

The Foundation did not hold other financial instruments as of June 30, 2016.

Investments Held in Perpetual Trust

The Foundation is the beneficiary of a perpetual trust. First National Bank - Omaha is the trustee. The trustee may be changed only due to investment performance.

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE E – INVESTMENTS (cont'd)

Investment Management Fees

Investment management fees have been deducted from investment income.

	<u>Unrestricted</u>		<u>Temporarily Restricted</u>		<u>Permanently Restricted</u>		<u>Total</u>
Investment Management Fees	\$ 7,665	\$	48,785	\$	10,495	\$	66,945

NOTE F - PROPERTY

During the year ended June 30, 2012, the Foundation received contributed property which had a life estate attached to it. During the fiscal year ended June 30, 2016 the house was sold for \$135,000 less closing costs of \$7,864 leaving a gain of \$47,136. The vehicle was traded in during the fiscal year ended June 30, 2016 on a leased vehicle. The trade-in allowance was \$9,000 leaving a gain of \$4,657.

	<u>Bressler Alumni House</u>	<u>1308 Main</u>	<u>Vehicle</u>	<u>Total</u>
Land	\$ 20,000	\$ 39,500	\$ -	\$ 59,500
Building	<u>134,417</u>	<u>81,000</u>	<u>-</u>	<u>215,417</u>
Subtotal	154,417	120,500	-	274,917
Accumulated Depreciation	<u>(61,772)</u>	<u>(23,700)</u>	<u>-</u>	<u>(85,472)</u>
Net 6/30/16	<u>\$ 92,645</u>	<u>\$ 96,800</u>	<u>\$ -</u>	<u>\$ 189,445</u>
Depreciation Exp. FYE 6/30/16	<u>\$ 3,555</u>	<u>\$ 2,700</u>	<u>\$ 3,474</u>	<u>\$ 9,729</u>

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE G - LIFE INSURANCE - CASH VALUE

The Foundation is the owner of numerous whole life insurance policies with various insurance companies. Policies with cash values of \$18,658 were cashed in the year ended June 30, 2016. The policies contain cash values, which are summarized as follows:

	<u>Policy Amount</u>	<u>6/30/16 Cash Value</u>	<u>6/30/15 Cash Value</u>	<u>6/30/14 Cash Value</u>
Unrestricted	\$ 347,911	\$ 54,534	\$ 69,920	\$ 67,580
Temporarily Restricted	25,000	1,454	3,508	3,631
Permanently Restricted	<u>130,309</u>	<u>31,829</u>	<u>28,598</u>	<u>21,558</u>
Totals	<u>\$ 503,220</u>	<u>\$ 87,817</u>	<u>\$ 102,026</u>	<u>\$ 92,769</u>

NOTE H - ANNUITY CONTRACTS

The Foundation has entered into several annuity agreements whereby the donor transfers either cash, property, or both and, in consideration, the Foundation agrees to pay the donor a stated dollar amount annually for the remainder of his/her life, at which time the remaining assets are available for their unrestricted (or restricted if so designated by the donor) use by the Foundation. The Foundation records the assets at fair value when received. The liability is recorded at the present value of expected future cash flows to be paid to the annuitant with the difference recorded as an unrestricted or restricted contribution. The liabilities are computed using discount rates varying from 1.2% to 9.6% and life expectancies of annuity beneficiaries based on IRS tables.

Annuity assets and liabilities as of June 30, 2016, are summarized as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investments restricted for annuity contracts	\$ <u>388,561</u>	\$ <u>520,461</u>	\$ <u>909,022</u>
Annuities Payable	\$ <u>75,006</u>	\$ <u>295,898</u>	\$ <u>370,904</u>

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE I - UNRESTRICTED NET ASSETS

The Board has designated a portion of unrestricted net assets as follows:

Board Designated:		
Quasi-Endowment	\$	<u>324,380</u>
Total board designated	\$	<u><u>324,380</u></u>

NOTE J - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2016:

Program Activities:		
Scholarships and Grants	\$	3,527,794
Improvements		2,567,587
College Departments		573,481
SSC College Center		13,730
Time Only Restriction (Unrestricted receivables)		235,535
Other Designated Programs		<u>7,455</u>
Total Temporarily Restricted Net Assets	\$	<u><u>6,925,582</u></u>

NOTE K - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are endowment funds restricted in perpetuity to provide funding for various scholarships and programs annually. In addition permanently restricted net assets include assets being held to fund future endowments.

NOTE L - ENDOWMENT FUNDS

The Foundation's endowment consists of approximately 342 individual funds established for a variety of purposes. Its endowment includes both donor restricted funds and funds designated by the Executive Committee to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds including funds designated by the Executive Committee to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE L - ENDOWMENT FUNDS (cont'd)

The Executive Committee of the Foundation has interpreted the Nebraska Uniform Prudent Management of Institutional Funds Act (NUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, 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 described by NUPMIFA. In accordance with NUPMIFA, 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 various funds, (2) the purposes of the donor-restricted endowment funds, (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 Foundation's investment policies.

Endowment Net Asset Composition by Type of Fund as June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (5,010)	\$ 3,131,631	\$ 14,724,417	\$ 17,851,038
Board-designated endowment funds	<u>324,380</u>	<u>-</u>	<u>-</u>	<u>324,380</u>
Total Funds	<u>\$ 319,370</u>	<u>\$ 3,131,631</u>	<u>\$ 14,724,417</u>	<u>\$ 18,175,418</u>

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE L - ENDOWMENT FUNDS (cont'd)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beg. of year	\$ 325,488	\$ 3,915,047	\$ 12,633,614	\$ 16,874,149
Contributions	-	-	2,058,333	2,058,333
Transfers	-	(25,645)	32,470	6,825
Net investment income	5,086	257,463	-	262,549
Net appreciation (loss)	(11,204)	(329,100)	-	(340,304)
Amounts appropriated for expenditure	-	(686,134)	-	(686,134)
Endowment net assets, end of year	<u>\$ 319,370</u>	<u>\$ 3,131,631</u>	14,724,417	<u>\$ 18,175,418</u>

Other permanently restricted net assets:

Interest in Robert Cunningham Perpetual Trust	864,617
Cash Value of Life Insurance to Fund Permanently Restricted Endowment Funds	31,829
Charitable Gift Annuity Net Assets to Fund Permanently Restricted Endowments at a Future Date	224,563
Promises to Fund Permanently Restricted Endowment Funds	<u>195,233</u>
Total Permanently Restricted Net Assets	<u>\$ 16,040,659</u>

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 NUPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$5,010 as of June 30, 2016. These deficiencies result from unfavorable market fluctuations that occur after the investment of permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Executive Committee of the Foundation.

Contributions. Contributions above include the sale of real estate restricted for endowment of \$40,000 less the increase in promises to fund permanently restricted endowment funds (net endowment receivables) of (\$32,263).

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE L - ENDOWMENT FUNDS (cont'd)

Investment Return Objectives, Risk Parameters and Strategies. The Foundation has adopted investment spending policies, approved by the Executive Committee, for endowment assets that provide a predictable stream of funding to programs supported by its endowment funds while also attempting to maintain the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve a net total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes debt, equity and real estate securities, that is intended to result in a consistent inflation protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. The Foundation has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value of the prior 3 years through June 30th of the preceding fiscal year in which the distribution is planned. In scenarios where the fair value of the endowment funds have fallen below the permanently restricted balances or if undistributed prior period earnings appear insufficient, the Foundation may, at its discretion set a lower payout rate which appears in line with the current yield from investment and general economic conditions. 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, and the possible effects of inflation. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

NOTE M - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE N - CONTRIBUTED SERVICES

The Foundation receives donated accounting services, secretarial services and rent from Wayne State College. The estimated fair value for these services is \$170,306 for the year ended June 30, 2016. The amounts have been recognized in the financial statements.

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE O - PENSION PLAN

The Foundation contributes to a defined contribution retirement plan and is required to contribute 8% of the employee's salary. The Foundation's contributions to the retirement plan were \$23,150 for the year ended June 30, 2016.

NOTE P - VACATION, SICK PAY, AND OTHER EMPLOYEE BENEFIT AMOUNTS

The costs of vacation pay and sick pay are accrued. Up to 25% of accumulated sick pay is payable upon retirement or death. Total accumulated sick pay at June 30, 2016 was \$110,537 and the accrual was \$27,634. Accumulated vacation is payable upon termination and at June 30, 2016 was \$22,192.

NOTE Q - COMMITMENTS

U.S. Conn Library Renovation

A three year renovation of the U.S. Conn Library began in May 2014 and is scheduled to be completed in the summer of 2017. The Wayne State Foundation raised \$3.1 million in gifts and pledges toward the \$21.9 million project while the State of Nebraska, L.B. 301, and Wayne State College funded the difference.

Press Box Replacement

The Wayne State Foundation agreed to raise up to \$1 million toward the approximate \$2 million project. As of June 30, 2016, approximately \$496,000 has been raised in gifts and pledges. A pledge was secured in July 2016 bringing gifts and pledges to \$996,000. Construction is scheduled to begin in spring 2017.

Jeanne Gardner Black and Gold Performing Arts Endowment

During FY 2015, the Wayne State Foundation Executive Board agreed to raise \$500,000 to fund the Jeanne Gardner Black and Gold Performing Arts Endowment to honor Mrs. Gardner's philanthropic legacy. This endowment will help support live performances on campus that provide cultural opportunities for Wayne State College students and the Northeast Nebraska region. As of June 30, 2016, approximately \$470,000 has been raised in gifts and pledges.

Center for Applied Technology

Wayne State College recently secured \$6.6 million through a state bond program underscoring the importance of a \$15.2 million state-of-the-art Center for Applied Technology to address workforce and economic development in Nebraska. The Center for Applied Technology will continue to attract first rate students and faculty and increase the number of industrial technology teachers, diversified manufacturing administrators, construction and safety managers, drafters, and computer programmers. The Wayne State Foundation has agreed to raise funds to help support this project.

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE Q – COMMITMENTS (cont'd)

Criminal Justice Lab

The Wayne State Foundation currently owns property located in Wayne, NE that will be exchanged for like property located in Wayne, NE during FY 2017. This new piece of property is the projected site for the Wayne State College Criminal Justice Lab. As plans progress, the Foundation will gift the new piece of property to Wayne State College.

NOTE R - RELATED PARTIES

For the year ended June 30, 2016 the Foundation provided direct support to Wayne State College of \$3,190,231 and reimbursed the College for \$437,819 for payroll and other operating expenses. Direct support consisted of \$1,924,396 for annual scholarships, \$496,926 for endowed scholarships, \$16,000 for Neihardt stipends, \$372,418 for athletic scholarships; \$170,208 for capital improvements to U.S. Conn Library; \$2,014 for capital improvements for the soccer field; \$177,797 for athletics administration support; and \$30,472 for general budget support college departments. The Foundation also provided \$85,676 of indirect support.

The Foundation had cash and CD's totaling \$314,810, as of June 30, 2016, at State Nebraska Bank & Trust, where one of the board members of the Foundation is the chairman.

The Foundation had cash and CD's totaling \$150,000, as of June 30, 2016, at Siouxland National Bank, where one of the board members of the Foundation is president.

Board members, trustees, and employees may pledge amounts to the Foundation for various projects and campaigns for support. At June 30, 2016 the outstanding pledge balances due from these individuals totaled \$1,027,158.

The Foundation sold to a board member real estate in Arizona that was previously donated with a life estate for net proceeds of \$127,136 in the year ended June 30, 2016.

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE S - LEASES

In June of 2016, Wayne State Foundation entered into an interest free, 24 month lease agreement with Ford Motor Credit for the rental of a 2016 Ford Edge expiring in June of 2018. Future lease expense is \$7,893 for each of the years ending June 30, 2017 and 2018.

NOTE T – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In August 2016, the FASB issued Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The standard:

Decreases the number of net asset classes from three to two. The new classes will be net assets with donor restrictions and net assets without donor restrictions.

Requires reporting of the underwater amounts of donor-restricted endowment funds in net assets with restrictions and enhances disclosures about underwater endowments.

Requires a not-for-profit to provide in the notes qualitative information on how it manages its liquid available resources and liquidity risks. Quantitative information communicates the availability of a not-for-profit's financial assets at the balance sheet date to meet cash needs for general expenditures within one year will be required to be presented on the face of the financial statements and/or in the notes.

Requires reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature.

The standard will take effect for annual financial statements issued for fiscal years beginning after Dec. 15, 2017, and for interim periods within fiscal years beginning after Dec. 15, 2018.

The Foundation does not expect these amendments to have a material effect on its financial statements.

SUPPLEMENTARY INFORMATION

Wayne State Foundation

SCHEDULE OF FUNCTIONAL EXPENSES

For the year ended June 30, 2016

With summarized comparative totals for the years ended June 30, 2015 and 2014

	<u>General & Admin</u>	<u>Fundraising</u>	<u>Program</u>	<u>2016 Total</u>	<u>2015 Total</u>	<u>2014 Total</u>
Support of Wayne State College:						
Scholarships & grants	\$ -	\$ -	\$ 2,444,807	\$ 2,444,807	\$ 2,029,219	\$ 1,733,527
Athletic scholarships	-	-	372,418	372,418	338,417	321,782
Athletic Department Expense	-	-	192,682	192,682	262,557	214,638
College departments	-	-	63,230	63,230	78,643	61,598
Renovation projects	-	-	202,770	202,770	62,173	621,777
Subtotal	-	-	3,275,907	3,275,907	2,771,009	2,953,322
SSC College Center	-	-	2,500	2,500	14,385	60,000
Personnel compensation	203,264	224,236	136,071	563,571	550,470	469,934
Communications & publ.	-	52,571	17,524	70,095	65,888	77,630
Travel & entertainment	-	53,586	5,955	59,541	72,092	65,914
Professional services	12,875	-	-	12,875	12,700	11,000
Supplies & materials	-	-	14,380	14,380	14,896	12,738
Staff development	-	4,391	-	4,391	8,144	1,294
Phonathon	-	20,935	-	20,935	19,175	20,163
Rent	6,000	-	-	6,000	6,000	6,000
Property expense	6,333	-	6,303	12,636	14,771	13,573
Bad debts expense	-	-	10,000	10,000	100	7,656
Other	14,070	-	11,605	25,675	31,295	28,017
Total expenses	\$ 242,542	\$ 355,719	\$ 3,480,245	\$ 4,078,506	\$ 3,580,925	\$ 3,727,241