

Wayne State Foundation

FINANCIAL STATEMENTS

Year Ended June 30, 2018

With comparative figures for 2017 and 2016



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, 2018, 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.

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, 2018, 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 2017 and 2016 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our reports dated September 15, 2017 and September 13, 2016, respectively. In our opinion, the summarized comparative information presented herein as of and for the years ended June 30, 2017 and 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "McMill CPA PC". The signature is written in a cursive, slightly slanted style.

McMill CPA PC
Certified Public Accountants

September 7, 2018

Wayne State Foundation

STATEMENT OF ACTIVITIES

For the year ended June 30, 2018

With summarized comparative totals for the years ended June 30, 2017 and 2016

	2018				2017 Total	2016 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total		
Revenue and Other Support:						
Gifts/Contributions income	\$ 562,551	\$ 3,462,038	\$ 665,657	\$ 4,690,246	\$ 6,084,766	\$ 5,294,943
Interest and dividends	96,303	342,449	6,871	445,623	335,333	362,011
Net gain (loss) on investments	208,583	1,370,578	65,932	1,645,093	2,719,800	(485,936)
Other non gift income	2,059	65,244	2,088	69,391	148,384	226,893
Total revenue and other support	869,496	5,240,309	740,548	6,850,353	9,288,283	5,397,911
Assets released from restrictions/transfers	5,806,928	(5,846,171)	39,243	-	-	-
Expenses:						
General and administrative	295,487	-	-	295,487	242,802	242,542
Fundraising	304,320	-	-	304,320	302,972	355,719
Program expenses	5,920,815	-	-	5,920,815	4,829,207	3,480,245
Total expenses before amortization	6,520,622	-	-	6,520,622	5,374,981	4,078,506
Amortization of annuity contracts	13,822	-	71,492	85,314	84,656	82,636
Total expenses	6,534,444	-	71,492	6,605,936	5,459,637	4,161,142
Administrative support fee	166,361	(166,361)	-	-	-	-
Net increase (decrease) in net assets	308,341	(772,223)	708,299	244,417	3,828,646	1,236,769
Net assets, beginning of year	3,166,040	9,325,606	17,188,103	29,679,749	25,851,103	24,614,334
NET ASSETS, END OF YEAR	\$ 3,474,381	\$ 8,553,383	\$ 17,896,402	\$ 29,924,166	\$ 29,679,749	\$ 25,851,103

See accompanying notes to financial statements.

Wayne State Foundation

STATEMENT OF CASH FLOWS

For the year ended June 30, 2018

With summarized comparative totals for the years ended June 30, 2017 and 2016

	<u>2018</u>	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Change in net assets	\$ 244,417	\$ 3,828,646	\$ 1,236,769
Adjustments to reconcile change in net assets to net cash from operating activities:			
Depreciation	4,358	4,905	9,729
Amortization of annuity obligations	85,314	84,656	82,636
Non-cash contributions	(389,053)	(329,139)	(133,877)
Net loss (gain) on investments & (reinvested income)	(1,645,093)	(2,719,800)	485,936
Net loss (gain) on exchange/sale of assets	-	95,450	(51,793)
(Increase) decrease in operating non-cash assets:			
Accrued interest receivable, prepaids & other receivables	4,944	4,890	1,037
Unconditional promises to give	531,153	(163,453)	457,603
Cash value life insurance	(4,312)	7,961	14,208
Increase (decrease) in operating non-cash liabilities:			
Accounts & faculty grants payable	6,606	(3,797)	(63,000)
Payable for capital improvements	671,067	-	-
Net cash provided (used) by operating activities	(490,599)	810,319	2,039,248
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of assets	-	-	127,136
Purchase of property & equipment	(10,713)	-	-
Net sales (purchases) of investments	576,944	1,024,964	(1,820,330)
Net cash provided (used) by investing activities	566,231	1,024,964	(1,693,194)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments on annuity contracts	(118,980)	(118,980)	(117,636)
Net cash (used) by financing activities	(118,980)	(118,980)	(117,636)
NET CHANGE IN CASH & CASH EQUIVALENTS	(43,348)	1,716,303	228,418
Cash & cash equivalents, beginning of year	2,438,460	722,157	493,739
CASH & CASH EQUIVALENTS, END OF YEAR	\$ 2,395,112	\$ 2,438,460	\$ 722,157

See accompanying notes to financial statements.

Wayne State Foundation

STATEMENT OF FINANCIAL POSITION

June 30, 2018

With summarized comparative totals as of June 30, 2017 and 2016

	2018	2017	2016
	Total	Total	Total
ASSETS			
Cash and cash equivalents-unrestricted	\$ 186,378	\$ 178,278	\$ 102,537
Cash and cash equivalents-restricted	2,208,734	2,260,182	619,620
Total cash & cash equivalents	2,395,112	2,438,460	722,157
Accrued interest receivable	925	768	1,198
Net unconditional promises to give	728,791	1,259,944	1,096,491
Prepays & other receivables	-	5,100	9,560
Investments	26,037,431	24,380,701	22,410,344
Property	95,445	89,090	189,445
Cash value life insurance	84,169	79,856	87,817
Assets restricted for annuity contracts			
Annuity investments	682,357	911,635	909,022
Assets held in perpetual trust			
Perpetual trust investments	945,371	915,623	864,617
TOTAL ASSETS	\$ 30,969,601	\$ 30,081,177	\$ 26,290,651
LIABILITIES & NET ASSETS			
Accounts & faculty grants payable	\$ 69,753	\$ 62,247	\$ 66,444
Payable for capital improvements	671,067	-	-
Deferred (unearned) event revenue	1,700	2,600	2,200
Annuities payable	302,915	336,581	370,904
Total liabilities	1,045,435	401,428	439,548
Net Assets:			
Unrestricted:			
Undesignated	3,071,692	2,796,147	2,565,492
Endowment funds deficit	(125)	-	(5,010)
Designated	402,814	369,893	324,380
Total unrestricted net assets	3,474,381	3,166,040	2,884,862
Temporarily restricted	8,553,383	9,325,606	6,925,582
Permanently restricted	17,896,402	17,188,103	16,040,659
Total net assets	29,924,166	29,679,749	25,851,103
TOTAL LIABILITIES AND NET ASSETS	\$ 30,969,601	\$ 30,081,177	\$ 26,290,651

See accompanying notes to financial statements.

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 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, 2017 and 2016, from which the summarized information was derived.

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, including interest bearing 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 40 years for real property, 26 years for improvements, and 10 years for the donor display case. Depreciation expense was \$4,358 for the year ended June 30, 2018.

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, 2018

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. With few exceptions, the Foundation is no longer subject to U.S. federal income tax examinations by tax authorities for tax years ending before 2015. 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, 2018, was \$26,461.

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, 2018) for potential recognition or disclosure in the financial statements. Management has evaluated subsequent events through September 7, 2018, 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, 2018, the Foundation had bank deposits of \$3,658,579, of which \$866,900 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 \$1,092,882. In June 2016 the Finance Committee approved exceeding the approved policy amount for EVB&T.

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE D - PROMISES TO GIVE

Unconditional Promises

Unconditional promises are recorded at their net realizable value.

Unconditional promises to give at June 30, 2018, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Unconditional promises to give	\$ -	\$ 798,843	\$ 15,571	\$ 814,414
Less discount to present value	-	(67,859)	(829)	(68,688)
Less allowance for uncollectible prom.	-	(16,935)	-	(16,935)
Net unconditional promises to give	<u>\$ -</u>	<u>\$ 714,049</u>	<u>\$ 14,742</u>	<u>\$ 728,791</u>

Estimated future cash flows of unconditional promises are as follows:

	<u>Estimated Cash Flows</u>	<u>Discount</u>	<u>Discounted Value</u>
Due 6/30/2018	\$ 33,700	\$ -	\$ 33,700
6/30/2019	258,913	(9,958)	248,955
6/30/2020	196,366	(14,815)	181,551
6/30/2021	168,500	(18,704)	149,796
6/30/2022	60,000	(8,712)	51,288
6/30/2023	55,000	(9,794)	45,206
More than 5 years 6/30/2024-2028	25,000	(6,705)	18,295
	<u>\$ 797,479</u>	<u>\$ (68,688)</u>	<u>\$ 728,791</u>

The allowance for uncollectible promises represents the unpaid portion of the Phonathon pledges. All other pledges are considered collectible. At June 30, 2018, \$33,700 of other pledges were past due including \$8,600 that were over 90 days past due. Other pledges written off for the fiscal year ended June 30, 2018 were \$0.

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE E - INVESTMENTS

Investments as of June 30, 2018 are summarized as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>6/30/18 Total</u>
Money markets	\$ 88,458	\$ 220,402	\$ 741,971	\$ 1,050,831
Certificates of Deposit	35,000	128,673	250,000	413,673
Commonfund-				
MS Equity Fund	1,986,168	2,708,739	5,449,147	10,144,054
Commonfund-				
MS Bond Fund	925,281	757,383	4,738,718	6,421,382
Commonfund-				
SS Global Equity	-	2,424,601	5,439,427	7,864,028
Subtotal Commonfund	<u>2,911,449</u>	<u>5,890,723</u>	<u>15,627,292</u>	<u>24,429,464</u>
Other Securities	<u>-</u>	<u>106,306</u>	<u>37,157</u>	<u>143,463</u>
Totals	3,034,907	6,346,104	16,656,420	26,037,431
Investments restricted for annuity contracts:				
Commonfund –				
MS Equity Fund	155,768	-	336,211	491,979
Commonfund –				
MS Bond Fund	<u>60,492</u>	<u>-</u>	<u>129,886</u>	<u>190,378</u>
Totals	216,260	-	466,097	682,357
Investments held in perpetual trust:				
Money markets	-	-	4,488	4,488
Bonds and notes	-	-	241,976	241,976
Equities	-	-	640,437	640,437
Alternatives	<u>-</u>	<u>-</u>	<u>58,470</u>	<u>58,470</u>
Totals	<u>-</u>	<u>-</u>	<u>945,371</u>	<u>945,371</u>
Total all investments	<u>\$ 3,251,167</u>	<u>\$ 6,346,104</u>	<u>\$ 18,067,888</u>	<u>\$ 27,665,159</u>

Market Risk from Concentration of Investments with Advisor

At June 30, 2018 the Foundation had investments (including restricted for annuities) with Commonfund of \$25,111,821, which represents approximately 91% of investments.

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018 in valuing the Foundation's investments:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>June 30, 2018</u>				
Short Term Cash Investments and Certificates of Deposit	\$ 32,080	\$ 1,464,504	\$ -	\$ 1,496,584
U.S. Equity	633,698	12,314,006	8,988	12,956,692
International Equity	132,207	4,630,062	-	4,762,269
Emerging Markets Equity	19,788	1,555,993	-	1,575,781
Fixed Income	262,073	6,611,760	-	6,873,833
Total	\$ <u>1,079,846</u>	\$ <u>26,576,325</u>	\$ <u>8,988</u>	\$ <u>27,665,159</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, 2018.

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, 2018

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	\$ 8,688	\$	59,704	\$	10,887	\$	79,279

NOTE F - PROPERTY

	<u>Bressler Alumni House</u>	<u>Donor Display Case</u>	<u>Total</u>
Land	\$ 20,000	\$ -	\$ 20,000
Building	134,417	-	134,417
Display Case	<u>-</u>	<u>10,713</u>	<u>10,713</u>
Subtotal	154,417	10,713	165,130
Accumulated Depreciation	<u>(68,882)</u>	<u>(803)</u>	<u>(69,685)</u>
Net 6/30/18	<u>\$ 85,535</u>	<u>\$ 9,910</u>	<u>\$ 95,445</u>
Depreciation Exp. FYE 6/30/18	<u>\$ 3,555</u>	<u>\$ 803</u>	<u>\$ 4,358</u>

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE G - LIFE INSURANCE - CASH VALUE

The Foundation is the owner of numerous whole life insurance policies with various insurance companies. No policies were cashed in the year ended June 30, 2018. The policies contain cash values, which are summarized as follows:

	Policy Amount	6/30/18 Cash Value
Unrestricted	\$ 323,404	\$ 45,641
Temporarily Restricted	25,000	1,886
Permanently Restricted	130,719	36,642
Totals	\$ 479,123	\$ 84,169

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 8.2% and life expectancies of annuity beneficiaries based on IRS tables.

Annuity assets and liabilities as of June 30, 2018, are summarized as follows:

	Unrestricted	Permanently Restricted	Total
Investments restricted for annuity contracts	\$ 216,260	\$ 466,097	\$ 682,357
Annuities Payable	\$ 35,295	\$ 267,620	\$ 302,915

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE I - UNRESTRICTED NET ASSETS

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

Board Designated:		
Quasi-Endowment	\$	<u>402,814</u>
Total board designated	\$	<u><u>402,814</u></u>

NOTE J - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2018:

Program Activities:		
Scholarships and Grants	\$	5,998,701
Renovation projects		2,023,162
College Departments		471,277
SSC College Center		6,938
Time Only Restriction (Unrestricted receivables)		40,554
Other Designated Programs		<u>12,751</u>
Total Temporarily Restricted Net Assets	\$	<u><u>8,553,383</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 369 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, 2018

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 of June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (125)	\$ 5,582,300	\$ 16,701,169	\$ 22,283,344
Board-designated endowment funds	<u>402,814</u>	<u>-</u>	<u>-</u>	<u>402,814</u>
Total Funds	<u>\$ 402,689</u>	<u>\$ 5,582,300</u>	<u>\$ 16,701,169</u>	<u>\$ 22,686,158</u>

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE L - ENDOWMENT FUNDS (cont'd)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beg. of year	\$ 369,893	\$ 4,815,741	\$ 15,886,638	\$ 21,072,272
Contributions	-	-	780,004	780,004
Transfers	-	(27,427)	34,527	7,100
Net investment income	5,442	317,181	-	322,623
Net appreciation	27,354	1,340,851	-	1,368,205
Amounts appropriated for expenditure	<u>-</u>	<u>(864,046)</u>	<u>-</u>	<u>(864,046)</u>
Endowment net assets, end of year	<u>\$ 402,689</u>	<u>\$ 5,582,300</u>	16,701,169	<u>\$ 22,686,158</u>

Other permanently restricted net assets:

Interest in Robert Cunningham Perpetual Trust	945,371
Cash Value of Life Insurance to Fund Permanently Restricted Endowment Funds	36,642
Charitable Gift Annuity Net Assets to Fund Permanently Restricted Endowments at a Future Date	198,477
Promises to Fund Permanently Restricted Endowment Funds	<u>14,743</u>
Total Permanently Restricted Net Assets	<u>\$ 17,896,402</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 was \$125 as of June 30, 2018. Deficiencies, if any, 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 decrease in promises to fund permanently restricted endowment funds (net endowment receivables) of \$114,347.

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 and equity 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 three 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 has 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 \$166,908 for the year ended June 30, 2018. The amounts have been recognized in the financial statements.

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 \$21,590 for the year ended June 30, 2018.

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

The costs of sick pay and vacation pay are accrued. Total accumulated sick pay at June 30, 2018 was \$141,552 and up to 25% of sick pay is payable upon retirement or death under the Foundation's policies. Therefore, the accrued sick pay payable was \$35,388. Accumulated vacation is payable upon termination and at June 30, 2018 was \$30,315.

NOTE Q - COMMITMENTS

U.S. Conn Library Renovation

A three-year renovation of the U.S. Conn Library began in May 2014 and was completed in June 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. The Foundation has reimbursed the College \$2,044,526 and at June 30, 2018, the Foundation had \$381,081 in funds available and \$293,500 pledges receivable, for a total of \$674,581 remaining for the U.S. Conn Library renovation project. The Foundation also has \$428,590 for a maintenance reserve for the Library.

Press Box Replacement

The Wayne State Foundation agreed to raise up to \$1 million toward the approximate \$3 million project. As of June 30, 2018, approximately \$1,047,429 has been raised in gifts and pledges. Construction is scheduled to be completed in fall 2018. The Foundation has reimbursed the College \$720,071 and at June 30, 2018, the Foundation had \$131,471 in funds available and \$201,500 pledges receivable, for a total of \$332,971 remaining for the Press Box Replacement project.

Center for Applied Technology

Wayne State College secured \$8.9 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 Wayne State Foundation raised \$1,456,270 in private support for this project including \$200,000 of unrecorded conditional pledges. Construction began in August 2017 and is scheduled to be completed in December 2018. As of June 30, 2018, the Foundation had a payable of \$671,067 to Wayne State College. Also at June 30, 2018 the Foundation had \$362,795 in funds available and \$222,408 pledges receivable, for a total of \$585,203 remaining for the Center for Applied Technology project.

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE Q – COMMITMENTS (cont'd)

Criminal Justice Lab

In FY 2017, the Wayne State Foundation gifted a piece of land to Wayne State College as the site of a Criminal Justice Investigation Facility. In addition to the land donation, the Wayne State Foundation raised \$150,000 including \$1,000 of unrecorded conditional pledges to support this project. The facility was completed in May 2018, although the College may still bill for some residual invoices. In FY 2018, the Foundation reimbursed the College \$136,998 for the project and at June 30, 2018 had \$2,002 in funds still available.

NOTE R – RELATED PARTIES

For the year ended June 30, 2018 the Foundation provided direct support to Wayne State College of \$5,674,448 and reimbursed the College for \$393,752 for payroll and other operating expenses. Direct support consisted of \$2,302,490 for annual scholarships; \$607,136 for endowed scholarships; \$21,900 for Neihardt stipends; \$382,185 for athletic scholarships; \$107,187 for athletics administration support; \$697,477 for capital improvements to U.S. Conn Library; \$720,071 for capital improvements to the press box renovation; \$671,067 payable to Wayne State College for capital improvements for the Center for Applied Technology; and \$27,937 for general budget support college departments. The Foundation also provided \$53,281 of indirect support.

The Foundation leases a vehicle from Arnie's Ford, which is owned by one of the board members of the Foundation (see Note S).

The Foundation had cash totaling \$274,018 as of June 30, 2018, at State Nebraska Bank & Trust, where one of the board members of the Foundation is the chairman.

Board members, trustees, and employees may pledge amounts to the Foundation for various projects and campaigns for support. At June 30, 2018 the outstanding pledge balances due from these individuals totaled \$532,954.

NOTE S - LEASES

Wayne State Foundation leases a vehicle. Total lease expense for the year ending June 30, 2018 was \$8,736. Future lease expense is \$8,367 for the year ending June 30, 2019 and \$7,670 for the year ending June 30, 2020.

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 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 communicating the availability of a not-for-profit's financial assets at the statement of financial position 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. The Foundation will implement the standard for the fiscal year ending June 30, 2019.

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, 2018

With summarized comparative totals for the years ended June 30, 2017 and 2016

	<u>General & Admin</u>	<u>Fundraising</u>	<u>Program</u>	<u>2018 Total</u>	<u>2017 Total</u>	<u>2016 Total</u>
Support of Wayne State College:						
Scholarships & grants	\$ -	\$ -	\$ 2,955,310	\$ 2,955,310	\$ 2,689,571	\$ 2,444,807
Athletic scholarships	-	-	382,185	382,185	353,111	372,418
Athletic Department Expense	-	-	96,718	96,718	257,680	192,682
College departments	-	-	67,404	67,404	59,054	63,230
Renovation projects	-	-	2,226,113	2,226,113	1,261,937	202,770
Subtotal	-	-	5,727,730	5,727,730	4,621,353	3,275,907
SSC College Center	-	-	5,000	5,000	2,600	2,500
Personnel compensation	237,060	187,031	108,388	532,479	513,702	563,571
Communications & publ.	815	38,215	36,066	75,096	69,393	70,095
Travel & entertainment	3,930	42,408	3,300	49,638	51,399	59,541
Professional services	18,767	3,600	-	22,367	13,300	12,875
Supplies & materials	12,935	9,186	3,062	25,183	14,698	14,380
Staff development	5,570	2,027	2,584	10,181	6,184	4,391
Phonathon	-	21,853	-	21,853	21,643	20,935
Rent	6,000	-	-	6,000	6,000	6,000
Property expense	-	-	6,846	6,846	10,036	12,636
Bad debts expense	-	-	-	-	2,250	10,000
Other	10,410	-	27,839	38,249	42,423	25,675
Total expenses	\$ 295,487	\$ 304,320	\$ 5,920,815	\$ 6,520,622	\$ 5,374,981	\$ 4,078,506