Wayne State Foundation
Wayne, Nebraska

June 30, 2023 and 2022

Financial Statements
and
Independent Auditor's Report

HBE
CPAs & Consultants | Wealth Management

Wayne State Foundation

Years ended June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Wayne State Foundation
Wayne, Nebraska

Opinion

We have audited the financial statements of Wayne State Foundation, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Wayne State Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Wayne State Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Wayne State Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

HBE LLP

Lincoln, Nebraska
September 29, 2023

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Wayne State Foundation

STATEMENTS OF FINANCIAL POSITION

June 30,

ASSETS

	2023	2022
ASSETS		
Cash and cash equivalents, unrestricted (note A, H and N)	$ 38,256	$ 125,140
Cash and cash equivalents, restricted (note A and N)	2,705,142	3,110,438
Unconditional promises to give (notes A, B and C)	2,945,899	1,674,399
Investments (notes A and C)	33,928,892	31,901,806
Prepaid expenses	2,403	5,259
Property and equipment (notes A and D)	280,867	425,042
Cash surrender value of life insurance	88,068	93,856
Assets restricted for annuity contracts (notes C and E)	101,394	121,738
Assets held in perpetual trust (note F)	988,043	946,417
Total assets	$ 41,078,964	$ 38,404,095

LIABILITIES AND NET ASSETS

	2023	2022
LIABILITIES		
Accounts payable and accrued expenses	$ 116,519	$ 80,605
Payable for capital improvements	40,100	16,874
Unearned event revenue	7,169	2,980
Annuities payable (notes C and E)	96,693	110,390
Total liabilities	260,481	210,849
NET ASSETS (notes A and F)		
Without donor restrictions	3,246,279	3,797,402
With donor restrictions	37,572,204	34,395,844
Total net assets	40,818,483	38,193,246
Total liabilities and net assets	$ 41,078,964	$ 38,404,095

See accompanying notes to financial statements.

Wayne State Foundation

STATEMENTS OF ACTIVITIES

Years ended June 30,

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions	$ 527,891	$ 4,447,245	$ 4,975,136	$572,460	$ 4,539,044	$ 5,111,504
Interest and dividends, net of fees	220,632	1,083,565	1,304,197	44,344	204,937	249,281
Net gain (loss) on investments	202,654	1,827,706	2,030,360	(439,961)	(4,022,991)	(4,462,952)
Other income	30,234	59,218	89,452	16,933	65,379	82,312
Net assets released from restrictions	3,744,790	(3,744,790)		3,502,956	(3,502,956)	
Total revenue and support	4,726,201	3,672,944		[illegible]	(2,716,587)	
EXPENSES						
Program services	4,914,090	-	4,914,090	4,021,583	-	4,021,583
Management and general	397,976	-	397,976	397,521	-	397,521
Fundraising	458,558		458,558			392,408
		8,399,145				
	5,770,624	- -	5,770,624 3,696,732	4,811,512	[illegible]30,145 - -	4,811,512
Amortization on annuity contracts	-	3,284	3,284	-	16,627	16,627
Total expenses	5,770,62	3,284	5,773	4,811,512		
Increase (decrease) in net assets before other income (expense)	(1,044,423)		392,408 2,625,237	-	)	(3,847,994)
		5,773,908			4,828,139	
Other income (expense)						
Extinguished debt income	-	-	-	121,363	-	121,363
Administrative support fee	493,300	)	-	16,627 438,806	)	
Total other income (expense)	[illegible]	(493,300)	- (1,114,780)	(2,733,214	(438,806)	
Increase (decrease) in net assets	(551,123)	3,176,360	2,625,237	(554,611)	(3,172,020)	(3,726,631)
Net assets at beginning of year	[illegible]	34,395,844	38,193,246	[illegible]	37,567,864	41,919,877
			560,169			
Net assets at end of year	$ 3,246,279	$	$	$	$ ~~121,363~~ -	$

See accompanying notes to financial statements.

37,572,204 40,818,483 34,395,844 38,193,246

3,797,402

Wayne State Foundation

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2023

	Total	Program Services	Management and General	Fundraising
Support of Wayne State College				
Scholarships and grants	$ 1,676,465	$ 1,676,465	$ -	$ -
Athletic scholarships	332,681	332,681	-	-
Athletic department expense	329,971	329,971	-	-
College departments	71,783	71,783	-	-
Renovation projects	1,638,441	1,638,441	-	-
Property gifted	630,642	630,642	-	-
	4,679,983	4,679,983	-	-
SSC College Center	2,500	2,500	-	-
Personnel	773,803	124,073	327,290	322,440
Communications and publications	90,833	41,397	2,141	47,295
Travel and entertainment	62,387	15,098	4,435	42,854
Professional services	17,202	670	16,532	-
Supplies and materials	45,228	-	20,101	25,127
Staff development	3,841	647	838	2,356
Phonathon	16,240	-	-	16,240
Rent	6,000	-	6,000	-
Property expense	17,471	17,471	-	-
Other	55,136	32	20,639	2,246
	$ 5,770,624	$ 4,914,090	$ 397,976	$ 458,558

See accompanying notes to financial statements.

Wayne State Foundation

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2022

	Total	Program Services	Management and General	Fundraising
Support of Wayne State College				
Scholarships and grants	$ 1,558,744	$ 1,558,744	$ -	$ -
Athletic scholarships	250,385	250,385	-	-
Athletic department expense	128,389	128,389	-	-
College departments	73,573	73,573	-	-
Renovation projects	1,808,413	1,808,413	-	-
	3,819,504	3,819,504	-	-
Personnel	726,727	122,444	334,949	269,334
Communications and publications	68,802	31,226	402	37,174
Travel and entertainment	48,259	6,474	4,157	37,628
Professional services	16,165	-	16,165	-
Supplies and materials	41,578	-	19,428	22,150
Staff development	6,914	506	792	5,616
Phonathon	15,247	-	-	15,247
Rent	6,000	-	6,000	-
Property expense	17,748	17,748	-	-
Other	44,568	23,681	15,628	5,259
	$ 4,811,512	$ 4,021,583	$ 397,521	$ 392,408

See accompanying notes to financial statements.

Wayne State Foundation

STATEMENTS OF CASH FLOWS

Years ended June 30,

	2023	2022
Cash flows from operating activities		
Increase (decrease) in net assets	$ 2,625,237	$(3,726,631)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation	9,205	9,205
Amortization of annuity contracts	3,284	16,627
Realized and unrealized (gains) losses on investments	(2,030,360)	4,462,952
Non-cash contributions	(6,000)	(6,000)
Property gifted to college and others	630,642	-
Gain on extinguished debt	-	(121,363)
(Increase) decrease in assets		
Unconditional promises to give	(1,271,500)	(117,061)
Prepaid expenses	2,856	(3,428)
Cash surrender value of life insurance	5,788	(1)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	35,914	(41,740)
Payable for capital improvements	23,226	12,783
Unearned [illegible] revenue	4,189	280
Total adjustments to increase in net assets	(2,592,756)	4,212,254
Net cash provided by operating activities	32,481	485,623
Cash flows from investing activities		
Proceeds from sale of investments	1,160,992	34,126,355
Purchases of investments	(1,185,344)	(34,204,900)
Purchases of property and equipment	(495,673)	(166,810)
Net cash used by investing activities	(520,025)	(245,355)
Cash flows from financing activities		
Payments on annuities	(4,636)	(4,702)
Net increase (decrease) in cash and cash equivalents	(492,180)	235,566
Cash and cash equivalents unrestricted and restricted, beginning of year	3,235,578	3,000,012
Cash and cash equivalents unrestricted and restricted, end of year	$ 2,743,398	$ 3,235,578

See accompanying notes to financial statements.

The Wayne State Foundation (the 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 (the 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 A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Method of Accounting. The accompanying financial statements of the Foundation have been prepared on the accrual method of accounting.

Cash and Cash Equivalents. For purposes of the statements of financial position, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be temporary cash investments.

Investments. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Donated securities are recorded as contributions equal to the fair market value of the securities at the date of gift.

Property and Equipment and Depreciation. Property and equipment are carried at cost, if purchased, and at fair market value at the date of contribution, if received by donation, less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives computed primarily on the straight-line method. It is the Foundation's policy to capitalize property and equipment over $2,500. Lesser amounts are expensed. The estimated lives by asset class follow:

Buildings and improvements	26 – 40 years
Furniture, fixtures and equipment	10 years

Promises to Give. Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Those expected to be collected in future years are recorded at present value of estimated future cash flows. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Without donor restrictions. Net assets available for use in general operations and not subject to donor or grantor restrictions. The governing board has designated, from net assets without donor restrictions, board-designated endowments.

With donor restrictions. Net assets subject to donor- or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and are reported in the statements of activities as net assets released from restrictions.

Fair Value Measurements. The FASB has issued guidance defining fair value, establishing a framework for measuring fair value and expanding disclosures about fair value measurements. 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 utilizes a fair value hierarchy to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the 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 used should maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition. Contributions are recognized when a donor makes a promise to give that is, in substance, unconditional. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Foundation has not received any conditional contributions.

Functional Expenses. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel and office expenses which are allocated on the basis of time and effort.

Income Taxes. The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. As such, income earned in the performance of the Foundation's exempt purpose is not subject to income tax. Any income earned through unrelated business activities is subject to income tax at normal corporate rates. For the years ended June 30, 2023 and 2022, the Foundation had no tax liability on unrelated business activity. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation’s Federal Exempt Organization Business Income Tax Returns (Form 990) for June 30, 2023, 2022, and 2021 are subject to examination by the Internal Revenue Service (IRS), generally for three years after they were filed.

In-Kind Donations. In-kind donations are recorded as contributions at their estimated fair values at the date of donation. Donated services are rec[illegible] contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would have otherwise been purchased by the Foundation.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - UNCONDITIONAL PROMISES TO GIVE AND RECEIVABLES

Unconditional promises to give consist of donor pledges due in the following periods:

	2023	2022
Less than one year	$ 42,650	$ 45,217
One to two years	1,159,296	652,461
Two to three years	739,045	577,466
Three to four years	619,000	287,837
Four to five years	380,000	229,000
More than five years	280,000	20,000
	3,219,991	1,811,981
Less discount to present value (4%)	(274,092)	(137,582)
	$ 2,945,899	$ 1,674,399

NOTE C - FAIR VALUE OF ASSETS AND LIABILITIES

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in methodologies used during the years ended June 30, 2023 and 2022.

Mutual funds: Valued at the observable net asset value (NAV) of shares held by the Foundation at year end.

Private company stock: Valued based on redemption price for the same security.

Unconditional promises to give: Valued using the estimated present value of future cash flows at historical discount rates (4%).

Annuity agreements: Valued using the estimated present value of the annuity obligation. The discount rate used varied from 2.4% to 8% and 2.3% to 6.3% for the years ended June 30, 2023 and 2022, respectively.

The following table sets forth the balances of assets and liabilities measured at fair value on a recurring basis at June 30, 2023.

June 30, 2023	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market and certificates of deposit	$ 1,178,288	$ 238,147	$ 940,141	$ -
Investments				
Mutual funds				
U.S. equity	16,495,346	16,495,346	-	-
International equity	5,753,443	5,753,443	-	-
Emerging markets equity	947,268	947,268	-	-
Fixed income	9,352,739	263,475	9,089,264	-
Real estate	1,182,257	18,237	1,164,020	-
Private company stock	108,988	-	-	108,988
Total investments	$ 35,018,329	$ 23,715,916	$ 11,193,425	$ 108,988
Unconditional promises to give receivable	$ 2,945,899	$ -	$ -	$ 2,945,899
Annuities payable	$ 96,693	$ -	$ -	$ 96,693

NOTE C - FAIR VALUE OF ASSETS AND LIABILITIES - CONTINUED

The following table sets forth the balances of assets and liabilities measured at fair value on a recurring basis at June 30, 2022.

June 30, 2022	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market and certificates of deposit	$ 1,477,252	$ 198,412	$ 1,278,840	$ -
Investments				
Mutual funds				
U.S. equity	14,741,388	14,741,388	-	-
International equity	5,182,802	5,182,802	-	-
Emerging markets equity	837,888	837,888	-	-
Fixed income	9,530,248	8,508,601	1,021,647	-
Real estate	1,091,395	1,091,395	-	-
Private company stock	108,988	-	-	108,988
Total investments	$ 32,969,961	$ 30,560,486	$ 2,300,487	$ 108,988
Unconditional promises to give receivable	$ 1,674,399	$ -	$ -	$ 1,674,399
Annuities payable	$ 110,390	$ -	$ -	$ 110,390

The following table sets forth a summary of changes in the fair value of the Foundation's level 3 assets for the year ended June 30, 2023.

June 30, 2023	Unconditional Promises to Give	Annuities Payable	Private Company Stock
Beginning balance	$ 1,674,399	$ 110,390	$ 108,988
Unconditional promises to give received during the year	2,625,100	-	-
Unconditional promises to give collected during the year	(1,217,090)	-	-
Change in discount of unconditional promises to give	(136,510)	-	-
Payments on annuity contracts	-	(4,636)	-
Releases of annuity obligations	-	(9,061)	-
Ending balance	$ 2,945,899	$ 96,693	$ 108,988

NOTE C - FAIR VALUE OF ASSETS AND LIABILITIES - CONTINUED

The following table sets forth a summary of changes in the fair value of the Foundation's level 3 assets for the year ended June 30, 2022.

June 30, 2022	Unconditional Promises to Give	Annuities Payable	Private Company Stock
Beginning balance	$ 1,557,338	$ 115,092	$ 108,988
Unconditional promises to give received during the year	933,900	-	-
Unconditional promises to give collected during the year	(812,279)	-	-
Change in discount of unconditional promises to give	(4,560)		-
Payments on annuity contracts	-	(4,702)	-
Ending balance	$ 1,674,399	$ 110,390	$ 108,988

The net unrealized and realized gains and losses are included in investment performance on the statements of activities.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consists of:

	2023	2022
Land	$ 276,314	$ 37,000
Buildings and improvements	-	479,828
Furniture, fixtures and equipment	10,713	10,713
	287,027	527,541
Less accumulated depreciation	(6,160)	(102,499)
	$ 280,867	$ 425,042

Depreciation expense was $9,205 and $9,205 for the years ended June 30, 2023 and 2022 respectively.

NOTE E - SPLIT INTEREST AGREEMENTS

The Foundation has entered into irrevocable agreements (split-interest agreements) with donors where, in exchange for a gift from the donor, the Foundation provides an annuity to the donor or other designated beneficiaries for a specific period of time, usually the life of the donor.

A liability is recognized for the estimated present value of the annuity obligation and the contributed assets are recorded at their gross market value. The discount rate and actuarial assumptions used in calculating the annuity obligation are those provided in IRS guidelines and actuarial tables. The discount rate used varied from 2% to 5.8% and 2.4% to 8% for the years ended June 30, 2023 and 2022, respectively. The amount of the liability is adjusted annually in accordance with the IRS actuarial tables and a gain or loss is recorded to reflect the change in value.

There were no new contributions for the years ended June 30, 2023 and 2022.

Assets and liabilities of the Foundation, as derived from split-interest agreements, are as follows:

	2023	2022
Assets invested in securities	$ 101,394	$ 121,738
Annuities payable	$ 96,693	$ 110,390

NOTE F - NET ASSETS

Net assets without donor restrictions have been designated by the governing board as follows:

Board designated:		
Quasi-endowment to support general activities	$ 254,683	$ 183,678

Net assets with donor restrictions comprise the following:

Subject to the purpose restrictions:		
College departments	1,220,910	1,251,107
Renovation projects	3,287,546	1,957,338
Scholarships	8,838,724	7,824,519
Other designated programs	61,177	77,988
Subject to the perpetual restrictions:		
Assets held under split-interest agreements and other	37,275	48,012
Interest in perpetual trust	988,043	946,417
Permanent endowments and promises to fund permanent endowments	23,138,529	22,290,463
	$ 37,572,204	$ 34,395,844

NOTE G - ENDOWMENTS

The Executive Committee of the Foundation has interpreted the Nebraska 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 classifies the original value of gifts donated as permanent endowments.

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

1) The duration and preservation of the fund
2) The purposes of the Foundation and the donor-restricted endowment fund
3) General economic conditions
4) The possible effect of inflation and deflation
5) The expected total return from income and the appreciation of investments
6) Other resources of the Foundation
7) The investment policies of the Foundation

Endowment Investment and Spending Policies. The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets. The Foundation's investment and spending policies, which have been approved by the Foundation's Executive Committee, work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes, which includes debt and equity securities. The current investment objective is to achieve a total return (net of inflation and expenses) that is at least as great as the spending supported by the portfolio, so that the purchasing power of the portfolio does not decline over time.

The spending policy determines the amount of money distributable from the Foundation's various endowment funds for grant making. The spending rate allows for distributions of 6% for the years ended June 30, 2023 and 2022 of the endowment fund's average fair value of the prior three years through June 30 of the preceding fiscal year in which the distribution is planned. 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 investment returns, the nature and duration of the individual endowment funds, and the possible effect of inflation.

NOTE G - ENDOWMENTS - CONTINUED

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

	Without Donor Restrictions	With Donor Restrictions	Total
Balance July 1, 2022	$ 183,678	$ 27,708,670	$ 27,892,348
Interest and dividends, net of fees	7,378	1,050,191	1,057,569
Realized and unrealized losses	13,627	1,751,812	1,765,439
Contributions	50,000	855,520	905,520
Transfers	-	60,967	60,967
Amounts appropriated for expenditure	-	(1,557,340)	(1,557,340)
Balance June 30, 2023	$ 254,683	$ 29,869,820	$ 30,124,503

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance July 1, 2021	$ 204,532	$ 31,183,572	$ 31,388,104
Interest and dividends, net of fees	1,250	181,956	183,206
Realized and unrealized gains	(22,104)	(3,787,592)	(3,809,696)
Contributions	-	1,476,645	1,476,645
Transfers	-	34,000	34,000
Amounts appropriated for expenditure	-	(1,379,911)	(1,379,911)
Balance June 30, 2022	$ 183,678	$ 27,708,670	$ 27,892,348

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. As of June 30, 2023 endowment funds had deficiencies totaling $46,461. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of contributions for donor-restricted endowment funds and have appropriation for certain programs that was deemed prudent by the Executive Committee of the Foundation.

NOTE H - LIQUIDITY AND AVAILABILITY

The Foundation manages its cash available to meet general expenditures following the general principles stipulated in the Statement of Investment Policy as established by the Executive Committee. These include a diversified portfolio managed in accordance with high standards of fiduciary duty and compliance with applicable laws and regulations. Standards for return, asset allocation and diversification shall be determined from a strategic perspective and measured over successive market cycles.

The policy also delegates the Audit/Finance Committee with the responsibility of working with the Foundation staff to develop an annual operating budget to recommend to the Executive Committee. This annual operating budget covers administrative and general expenses, fundraising expenses, and certain program support. The table below presents financial assets available to meet that annual operating budget for the upcoming fiscal year.

NOTE H - LIQUIDITY AND AVAILABILITY - CONTINUED

	2023	2022
Cash and cash equivalents	$ 38,256	$ 125,140
Investments	2,736,327	3,085,678
	$ 2,774,583	$ 3,210,818

NOTE I - RELATED PARTIES

The Foundation provides support to the College to assist in fulfilling its mission of educating students. For the years ended June 30, 2023 and 2022, the Foundation provided support in the form of the following:

Direct support		
Scholarships	$ 1,588,104	$1,506,914
Athletic scholarships	332,681	250,385
Capital improvements	1,585,474	1,524,405
Neihardt stipends	21,000	26,250
Athletics administration support	295,922	85,590
General budget support	180,410	358,968
Indirect support	676,392	67,463
	$ 4,679,983	$ 3,819,975

The Foundation also reimbursed the College for payroll and other operating expenses in the amount of $750,619 and $737,600 for the years ended June 30, 2023 and 2022, respectively.

The Foundation receives donated rent from the College. The estimated fair value of this expense was $6,000 for the years ended June 30, 2023 and 2022, respectively. These amounts have been recognized in the financial statements.

NOTE J - RETIREMENT

The Foundation contributes to a defined contribution retirement plan. The plan provides contributions of 8% of the eligible employee's wages. The Foundation contributed $44,112 and $42,432 for the years ended June 30, 2023 and 2022, respectively.

NOTE K - CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of checking, money market, and certificate of deposit accounts at financial institutions. Accounts at each institution are insured by the FDIC up to $250,000. The bank accounts, at June 30, 2023 and 2022, exceeded federally insured limits by $541,108 and $1,032,198, respectively. The Foundation has not experienced any losses on such accounts.

NOTE L - CASH AND CASH EQUIVALENTS

The following is a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows.

	2023	2022
Cash and cash equivalents, unrestricted	$ 38,256	$ 125,140
Cash and cash equivalents, restricted	2,705,142	3,110,438
Total cash and cash equivalents shown in the statements of cash flows	$ 2,743,398	$ 3,235,578

See Note A for description of cash and cash equivalents presented above.

NOTE M - NEW ACCOUNTING STANDARD

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* ASU 2016-02 affects any entity that enters into a lease and is intended to increase the transparency and comparability of financial statements among organizations. ASU 2016-02 requires, among other changes, a lessee to recognize on its statement of financial position a lease asset and a lease liability for those leases previously classified as operating leases. The lease asset represents the right to use the underlying asset for the lease term and the lease liability represents the discounted value of the required lease payments to the lessor. ASU 2016-02 also requires entities to disclose key information about leasing arrangements.

The Foundation adopted the standard, effective for the year ended June 30, 2023, using a modified retrospective approach with the effective date option, which allows the Foundation to apply the standard at the effective date, July 1, 2022, and recognize a cumulative effect adjustment to the opening balance of net assets in the period of adoption. Under this approach, the reporting for comparative periods presented in the financial statements will continue to be in accordance with legacy GAAP.

The new standard provides a number of optional practical expedients in transition. On adoption, the Foundation elected the package of practical expedients permitted under the transition guidance, which allowed the Foundation to carry forward historical lease classifications for existing leases on the adoption date, and allowed the Foundation not to assess whether an existing contract contains a lease or initial direct costs. In addition, the Foundation also elected not to apply the lease recognition requirements to its short-term leases, that is, leases with a term of 12 months or less, as allowed under the standard. The Foundation did not elect the hindsight practical expedient to determine the lease term for existing leases.

The adoption of the standard did not result in a cumulative effect adjustment to the opening balance of equity in the period of adoption based on the initial recognition of the Foundation's active leases at the effective date. The Foundation has no material leases at June 30, 2023.

NOTE N - SUBSEQUENT EVENTS

Subsequent events have been evaluated through the audit report date, the date that the financial statements were available to be issued.