

Wayne State Foundation
Wayne, Nebraska

June 30, 2019 and 2018

Financial Statements
and
Independent Auditor's Report



CPAs & Consultants | Wealth Management

Wayne State Foundation

Years ended June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Wayne State Foundation
Wayne, Nebraska

We have audited the accompanying financial statements of the Wayne State Foundation which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wayne State Foundation as of June 30, 2019 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.

Other Matter

The financial statements of Wayne State Foundation for the year ended June 30, 2018, were audited by another auditor who expressed an unmodified opinion on those statements on September 7, 2018.

HBE LLP

Lincoln, Nebraska
September 20, 2019



HIBE

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Wayne State Foundation

STATEMENTS OF FINANCIAL POSITION

June 30,

ASSETS

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents, unrestricted (note A)	\$ 163,120	\$ 186,378
Cash and cash equivalents, restricted (note A)	973,382	2,208,734
Accrued interest receivable	1,043	925
Unconditional promises to give (notes A, B and C)	1,444,057	728,791
Investments (notes A and C)	27,876,881	26,037,431
Prepaid expenses	6,673	-
Property and equipment (notes A and D)	285,848	95,445
Cash surrender value of life insurance	87,962	84,169
Assets restricted for annuity contracts (notes C and E)	654,670	682,357
Assets held in perpetual trust (note C)	<u>952,317</u>	<u>945,371</u>
Total assets	<u>\$ 32,445,953</u>	<u>\$ 30,969,601</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 87,301	\$ 69,753
Payable for capital improvements	28,578	671,067
Unearned event revenue	4,800	1,700
Annuities payable (notes C and E)	<u>287,686</u>	<u>302,915</u>
Total liabilities	<u>408,365</u>	<u>1,045,435</u>
NET ASSETS (notes A and F)		
Without donor restrictions	3,775,649	3,474,381
With donor restrictions	<u>28,261,939</u>	<u>26,449,785</u>
Total net assets	<u>32,037,588</u>	<u>29,924,166</u>
Total liabilities and net assets	<u>\$ 32,445,953</u>	<u>\$ 30,969,601</u>

See accompanying notes to financial statements.

Wayne State Foundation
STATEMENTS OF ACTIVITIES
Years ended June 30,

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions	\$ 604,941	\$ 5,241,533	\$ 5,846,474	\$ 562,551	\$ 4,127,695	\$ 4,690,246
Interest and dividends	101,081	435,155	536,236	96,303	349,321	445,624
Net gain on investments	206,729	1,327,395	1,534,124	208,583	1,436,510	1,645,093
Other income	4,404	52,791	57,195	2,059	67,331	69,390
Net assets released from restrictions	4,831,077	(4,831,077)	-	5,806,928	(5,806,928)	-
Total revenue and support	<u>5,748,232</u>	<u>2,225,797</u>	<u>7,974,029</u>	<u>6,676,424</u>	<u>173,929</u>	<u>6,850,353</u>
EXPENSES						
Program services	5,053,831	-	5,053,831	5,920,815	-	5,920,815
Management and general	318,093	-	318,093	295,487	-	295,487
Fundraising	405,615	-	405,615	304,320	-	304,320
	<u>5,777,539</u>	<u>-</u>	<u>5,777,539</u>	<u>6,520,622</u>	<u>-</u>	<u>6,520,622</u>
Amortization on annuity contracts	10,930	72,138	83,068	13,822	71,492	85,314
Total expenses	<u>5,788,469</u>	<u>72,138</u>	<u>5,860,607</u>	<u>6,534,444</u>	<u>71,492</u>	<u>6,605,936</u>
Administrative support fee	341,505	(341,505)	-	166,361	(166,361)	-
Increase (decrease) in net assets	301,268	1,812,154	2,113,422	308,341	(63,924)	244,417
Net assets at beginning of year	<u>3,474,381</u>	<u>26,449,785</u>	<u>29,924,166</u>	<u>3,166,040</u>	<u>26,513,709</u>	<u>29,679,749</u>
Net assets at end of year	<u>\$ 3,775,649</u>	<u>\$ 28,261,939</u>	<u>\$ 32,037,588</u>	<u>\$ 3,474,381</u>	<u>\$ 26,449,785</u>	<u>\$ 29,924,166</u>

See accompanying notes to financial statements.

Wayne State Foundation

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2019

	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>
Support of Wayne State College				
Scholarships and grants	\$ 3,031,884	\$ 3,031,884	\$ -	\$ -
Athletic scholarships	307,233	307,233	-	-
Athletic department expense	96,721	96,721	-	-
College departments	50,013	50,013	-	-
Renovation projects	<u>1,371,221</u>	<u>1,371,221</u>	-	-
	4,857,072	4,857,072	-	-
Personnel	623,193	111,087	263,450	248,656
Communications and publications	77,873	36,560	1,514	39,799
Travel and entertainment	59,095	6,158	2,886	50,051
Professional services	37,785	-	15,752	22,033
Supplies and materials	30,379	101	19,406	10,872
Staff development	11,155	401	1,650	9,104
Phonathon	21,509	-	-	21,509
Rent	6,000	-	6,000	-
Property expense	9,744	9,744	-	-
Bad debts	4,700	4,700	-	-
Other	<u>39,034</u>	<u>28,008</u>	<u>7,435</u>	<u>3,591</u>
	<u>\$ 5,777,539</u>	<u>\$ 5,053,831</u>	<u>\$ 318,093</u>	<u>\$ 405,615</u>

See accompanying notes to financial statements.

Wayne State Foundation

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2018

	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>
Support of Wayne State College				
Scholarships and grants	\$ 2,955,310	\$ 2,955,310	\$ -	\$ -
Athletic scholarships	382,185	382,185	-	-
Athletic department expense	96,718	96,718	-	-
College departments	67,404	67,404	-	-
Renovation projects	<u>2,226,113</u>	<u>2,226,113</u>	-	-
	5,727,730	5,727,730	-	-
SSC College Center	5,000	5,000	-	-
Personnel	532,479	108,388	237,060	187,031
Communications and publications	75,096	36,066	815	38,215
Travel and entertainment	49,638	3,300	3,930	42,408
Professional services	22,367	-	18,767	3,600
Supplies and materials	25,183	3,062	12,935	9,186
Staff development	10,181	2,584	5,570	2,027
Phonathon	21,853	-	-	21,853
Rent	6,000	-	6,000	-
Property expense	6,846	6,846	-	-
Other	<u>38,249</u>	<u>27,839</u>	<u>10,410</u>	<u>-</u>
	<u>\$ 6,520,622</u>	<u>\$ 5,920,815</u>	<u>\$ 295,487</u>	<u>\$ 304,320</u>

See accompanying notes to financial statements.

Wayne State Foundation
 STATEMENTS OF CASH FLOWS
 Years ended June 30,

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Increase in net assets	\$ <u>2,113,422</u>	\$ <u>244,417</u>
Adjustments to reconcile increase in net assets to net cash used by operating activities		
Depreciation	5,198	4,358
Amortization of annuity contracts	83,068	85,314
Realized and unrealized gains on investments	(1,534,124)	(1,645,093)
Non-cash contributions	(136,996)	(389,053)
(Increase) decrease in assets		
Accrued interest receivable	(118)	(156)
Unconditional promises to give	(715,266)	531,153
Prepaid expenses	(6,673)	5,100
Cash surrender value of life insurance	(3,793)	(4,312)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	17,548	7,506
Payable for capital improvements	(642,489)	671,067
Unearned event revenue	3,100	(900)
Total adjustments to increase in net assets	<u>(2,930,545)</u>	<u>(735,016)</u>
Net cash used by operating activities	<u>(817,123)</u>	<u>(490,599)</u>
Cash flows from investing activities		
Net (purchases) proceeds from investments	(147,589)	576,944
Purchases of property and equipment	<u>(195,601)</u>	<u>(10,713)</u>
Net cash provided (used) by investing activities	<u>(343,190)</u>	<u>566,231</u>
Cash flows from financing activities		
Payments on annuities	<u>(98,297)</u>	<u>(118,980)</u>
Net decrease in cash and cash equivalents	(1,258,610)	(43,348)
Cash and cash equivalents at beginning of year	<u>2,395,112</u>	<u>2,438,460</u>
Cash and cash equivalents at end of year	<u>\$ 1,136,502</u>	<u>\$ 2,395,112</u>

See accompanying notes to financial statements.

Wayne State Foundation

NOTES TO FINANCIAL STATEMENTS

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 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.

New Accounting Pronouncement. On August 18, 2016, Financial Accounting Standards Board (FASB) issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Cash and Cash Equivalents. For purposes of the statements of financial position, the Foundation considers all unrestricted 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. Buildings and improvements are depreciated over estimated lives of 26 to 40 years. Furniture, fixtures and equipment are depreciated over estimated lives of ten 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.

NOTES TO FINANCIAL STATEMENTS

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. Transfers between levels shall occur at the actual date of the event or change in circumstances that caused the transfer. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

Wayne State Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2019 and 2018, 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, 2019, 2018, and 2017 are subject to examination by the Internal Revenue Service (IRS), generally for three years after they were filed.

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:

	<u>2019</u>	<u>2018</u>
Less than one year	\$ 8,500	\$ 33,700
One to two years	399,225	258,913
Two to three years	389,375	196,366
Three to four years	375,375	168,500
Four to five years	375,375	60,000
More than five years	<u>47,000</u>	<u>80,000</u>
	1,594,850	797,479
Less discount to present value (4%)	<u>(150,793)</u>	<u>(68,688)</u>
	<u>\$ 1,444,057</u>	<u>\$ 728,791</u>

Wayne State Foundation

NOTES TO FINANCIAL STATEMENTS

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, 2019 and 2018.

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

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 1.2% to 9.6% and 1.2% to 8.2% for the years ended June 30, 2019 and 2018, respectively.

The following table sets forth the balances of assets and liabilities measured at fair value on a recurring basis at June 30, 2019.

<u>June 30, 2019</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Money market and certificates of deposit	\$ 1,561,808	\$ 48,311	\$ 1,513,497	\$ -
Investments				
Commonfund Group funds				
U.S. equity	13,024,371	-	13,024,371	-
International equity	4,928,356	-	4,928,356	-
Emerging markets equity	1,551,650	-	1,551,650	-
Fixed income	7,261,818	-	7,261,818	-
Mutual funds				
U.S. equity	616,345	616,345	-	-
International equity	129,952	129,952	-	-
Emerging markets equity	21,293	21,293	-	-
Fixed income	279,286	279,286	-	-
Private company stock	108,988	-	-	108,988
Total investments	<u>\$ 29,483,867</u>	<u>\$ 1,095,187</u>	<u>\$ 28,279,692</u>	<u>\$ 108,988</u>
Unconditional promises to give receivable	<u>\$ 1,444,057</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,444,057</u>
Annuities payable	<u>\$ 287,686</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 287,686</u>

Wayne State Foundation

NOTES TO FINANCIAL STATEMENTS

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, 2018.

<u>June 30, 2018</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Money market and certificates of deposit	\$ 1,496,584	\$ 32,080	\$ 1,464,504	\$ -
Investments				
Commonfund Group funds				
U.S. equity	12,314,006	-	12,314,006	-
International equity	4,630,062	-	4,630,062	-
Emerging markets equity	1,555,993	-	1,555,993	-
Fixed income	6,611,760	-	6,611,760	-
Mutual funds				
U.S. equity	633,698	633,698	-	-
International equity	132,207	132,207	-	-
Emerging markets equity	19,788	19,788	-	-
Fixed income	262,073	262,073	-	-
Private company stock	8,988	-	-	8,988
Total investments	<u>\$ 27,665,159</u>	<u>\$ 1,079,846</u>	<u>\$ 26,576,325</u>	<u>\$ 8,988</u>
Unconditional promises to give receivable	<u>\$ 728,791</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 728,791</u>
Annuities payable	<u>\$ 302,915</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 302,915</u>

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, 2019.

<u>June 30, 2019</u>	<u>Unconditional Promises to Give</u>	<u>Annuities Payable</u>	<u>Private Company Stock</u>
Beginning balance	\$ 728,791	\$ 302,915	\$ 8,988
Contributions	-	-	100,000
Unconditional promises to give received during the year	1,508,484	-	-
Unconditional promises to give collected during the year	(706,413)	-	-
Change in discount of unconditional promises to give	(82,105)	-	-
Payments on annuity contracts	-	(98,297)	-
Amortization of annuity obligations	-	83,068	-
Unconditional promises to give written-off during the year	<u>(4,700)</u>	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 1,444,057</u>	<u>\$ 287,686</u>	<u>\$ 108,988</u>

Wayne State Foundation

NOTES TO FINANCIAL STATEMENTS

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, 2018.

<u>June 30, 2018</u>	<u>Unconditional Promises to Give</u>	<u>Annuities Payable</u>	<u>Private Company Stock</u>
Beginning balance	\$ 1,259,944	\$ 336,581	\$ 8,988
Unconditional promises to give received during the year	275,000	-	-
Unconditional promises to give collected during the year	(855,511)	-	-
Change in discount of unconditional promises to give	49,358	-	-
Payments on annuity contracts	-	(118,980)	-
Amortization of annuity obligations	-	85,314	-
Ending balance	<u>\$ 728,791</u>	<u>\$ 302,915</u>	<u>\$ 8,988</u>

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:

	<u>2019</u>	<u>2018</u>
Land	\$ 37,000	\$ 20,000
Buildings and improvements	313,018	134,417
Furniture, fixtures and equipment	<u>10,713</u>	<u>10,713</u>
	360,731	165,130
Less accumulated depreciation	<u>(74,883)</u>	<u>(69,685)</u>
	<u>\$ 285,848</u>	<u>\$ 95,445</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$5,198 and \$4,358, respectively.

Wayne State Foundation

NOTES TO FINANCIAL STATEMENTS

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 1.2% to 9.6% and 1.2% to 8.2% for the years ended June 30, 2019 and 2018, 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, 2019 and 2018.

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

	<u>2019</u>	<u>2018</u>
Assets included in investments and cash	\$ 654,670	\$ 682,357
Annuities payable	\$ 287,686	\$ 302,915

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	<u>\$ 437,248</u>	<u>\$ 402,814</u>
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Net assets with donor restrictions comprise the following:

Subject to the passage of time:

Promises to give that are not restricted by donors, but which are unavailable for expenditure until received	\$ 26,390	\$ 40,554
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Subject to the purpose restrictions:

College departments	475,163	471,277
Renovation projects	982,010	2,023,162
Scholarships	7,516,401	5,998,701
Other designated programs	16,037	19,689

Subject to the perpetual restrictions:

Assets held under split-interest agreements and other	216,819	235,119
Interest in perpetual trust	952,317	945,371
Permanent endowments and promises to fund permanent endowments	<u>18,076,802</u>	<u>16,715,912</u>

	<u>\$28,261,939</u>	<u>\$26,449,785</u>
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NOTES TO FINANCIAL STATEMENTS

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 year ended June 30, 2019 and 5% for the year ended June 30, 2018 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.

Wayne State Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE G - ENDOWMENTS - CONTINUED

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance July 1, 2018	\$ 402,689	\$ 22,283,469	\$ 22,686,158
Interest and dividends	6,864	400,565	407,429
Realized and unrealized gains	27,695	1,262,095	1,289,790
Contributions	-	897,155	897,155
Transfers	-	20,400	20,400
Amounts appropriated for expenditure	<u>-</u>	<u>(1,106,000)</u>	<u>(1,106,000)</u>
Balance June 30, 2019	<u>\$ 437,248</u>	<u>\$ 23,757,684</u>	<u>\$ 24,194,932</u>

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

Balance July 1, 2017	\$ 369,893	\$ 20,702,379	\$ 21,072,272
Interest and dividends	5,442	317,181	322,623
Realized and unrealized gains	27,354	1,340,851	1,368,205
Contributions	-	780,004	780,004
Transfers	-	7,100	7,100
Amounts appropriated for expenditure	<u>-</u>	<u>(864,046)</u>	<u>(864,046)</u>
Balance June 30, 2018	<u>\$ 402,689</u>	<u>\$ 22,283,469</u>	<u>\$ 22,686,158</u>

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, 2018 endowment funds had deficiencies totaling \$125. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Executive Committee of the Foundation.

Wayne State Foundation

NOTES TO FINANCIAL STATEMENTS

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 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 management 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.

Cash and cash equivalents	\$ 183,173
Certificates of deposits	35,000
Investments	<u>2,683,036</u>
	<u>\$ 2,901,209</u>

NOTE I - OPERATING LEASES

On June 22, 2018, the Foundation entered into a 24-month operating lease for a vehicle. Under the terms of the lease, monthly rent payments are \$697. Future lease expense is \$7,670 for the year ending June 30, 2020.

NOTE J - RELATED PARTIES

The Foundation provides support to the College to assist in fulfilling its mission of educating students. For the years ended June 30, 2019 and 2018, the Foundation provided support in the form of the following:

	<u>2019</u>	<u>2018</u>
Direct support		
Scholarships	\$ 2,970,003	\$ 2,909,626
Athletic scholarships	307,233	382,185
Capital improvements	1,371,221	2,225,613
Neihardt stipends	32,100	21,900
Athletics administration support	79,029	107,187
General budget support	39,087	27,937
Indirect support	<u>58,399</u>	<u>53,282</u>
	<u>\$ 4,857,072</u>	<u>\$ 5,727,730</u>

The Foundation also reimbursed the College for payroll and other operating expenses in the amount of \$593,245 and \$393,782 for the years ended June 30, 2019 and 2018, respectively.

The Foundation receives donated accounting services, secretarial services, and rent from the College. The estimated fair value for these services was \$36,996 and \$166,908 for the years ended June 30, 2019 and 2018, respectively. These amounts have been recognized in the financial statements.

Wayne State Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE K - 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 \$30,854 and \$21,590 for the years ended June 30, 2019 and 2018, respectively.

NOTE L - 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 December 31, 2019 and 2018, exceeded federally insured limits by \$1,219,700 and \$2,470,309, respectively. The Foundation has not experienced any losses on such accounts.

NOTE M - SUBSEQUENT EVENTS

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

