

Wayne State Foundation

FINANCIAL STATEMENTS

Year Ended June 30, 2014
With comparative figures for 2013 and 2012

WAYNE STATE FOUNDATION

TABLE OF CONTENTS

Page

Independent Auditors' Report

Financial Statements

Statement of Activities 2

Statement of Cash Flows 3

Statement of Financial Position 4

Notes to Financial Statements 5

Supplementary Information

Schedule of Functional Expenses 19



CHRISTENSEN · BROZEK · FALTYS
Wealth Management • CPAs • Business Consultants

125 S. 4th St. – PO Box 1264 – Norfolk, NE 68702
402-371-1160 – 800-694-1160 – 402-379-3818 (fax)
info@wealthfirm.info

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, 2014, 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, 2014, 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.

Other Matter

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 19 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 2013 and 2012 financial statements, and our reports dated September 19, 2013 and September 11, 2012, respectively, expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the years ended June 30, 2013 and 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

CBF PC

CHRISTENSEN BROZEK FALTYS PC
Certified Public Accountants

September 10, 2014

Wayne State Foundation

STATEMENT OF ACTIVITIES

For the year ended June 30, 2014

With summarized comparative totals for the years ended June 30, 2013 and 2012

	2014			Total	2013 Total	2012 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted			
Revenue and Other Support:						
Gift/Contributions income	\$ 513,895	\$ 3,901,808	\$ 313,133	\$ 4,728,836	\$ 3,945,489	\$ 3,417,263
Interest and dividends	56,390	233,851	10,388	300,629	270,686	262,664
Net gain (loss) on investments	372,695	2,267,228	206,373	2,846,296	2,025,738	(220,224)
Other non gift income	14,353	209,465	14,105	237,923	193,626	207,296
Total revenue and other support	957,333	6,612,352	543,999	8,113,684	6,435,539	3,666,999
Assets released from restrictions/transfers	3,105,747	(3,138,390)	32,643	-	-	-
Expenses:						
General and administrative	218,767	-	-	218,767	213,271	210,010
Fundraising	354,500	-	-	354,500	346,857	330,217
Program expenses	3,153,974	-	-	3,153,974	3,188,154	3,753,433
Total expenses before amortization	3,727,241	-	-	3,727,241	3,748,282	4,293,660
Amortization of annuity contracts	14,088	-	69,187	83,275	80,325	51,988
Total expenses	3,741,329	-	69,187	3,810,516	3,828,607	4,345,648
Administrative support fee	103,402	(103,402)	-	-	-	-
Net increase (decr) in net assets	425,153	3,370,560	507,455	4,303,168	2,606,932	(678,649)
Net assets, beginning of year	2,404,501	3,492,010	12,981,978	18,878,489	16,271,557	16,950,206
NET ASSETS, END OF YEAR	\$ 2,829,654	\$ 6,862,570	\$ 13,489,433	\$ 23,181,657	\$ 18,878,489	\$ 16,271,557

See accompanying notes to financial statements.

Wayne State Foundation

STATEMENT OF CASH FLOWS

For the year ended June 30, 2014

With summarized comparative totals for the years ended June 30, 2013 and 2012

	<u>2014</u>	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Change in net assets	\$ 4,303,168	\$ 2,606,932	\$ (678,649)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation	9,728	8,860	6,255
Amortization of annuity obligations	83,275	80,325	51,988
Non cash contributions	(96,094)	(63,975)	(225,445)
Net loss (gain) on investments & (reinvested income)	(2,846,296)	(2,025,738)	220,224
(Increase) decrease in operating non-cash assets:			
Accrued interest receivable, Prepaids & Other receivables	(6,623)	657	(1,923)
Unconditional promises to give	(1,098,844)	171,741	311,958
Inventory	2,549	966	1,464
Cash value life insurance	(10,228)	(5,486)	(4,447)
Increase (decrease) in operating non-cash liabilities:			
Accounts & faculty grants payable	19,342	(116,644)	93,209
Net cash provided (used) by operating activities	359,977	657,638	(225,366)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property	-	(17,370)	(94,418)
Net sales (purchases) of investments	(215,317)	(511,841)	473,851
Net cash provided (used) by investing activities	(215,317)	(529,211)	379,433
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from annuity contracts	-	31,748	-
Payments on annuity contracts	(119,829)	(117,579)	(113,607)
Net cash provided (used) by financing activities	(119,829)	(85,831)	(113,607)
NET CHANGE IN CASH & CASH EQUIVALENTS	24,831	42,596	40,460
Cash & cash equivalents, beginning of year	555,332	512,736	472,276
CASH & CASH EQUIVALENTS, END OF YEAR	\$ 580,163	\$ 555,332	\$ 512,736

See accompanying notes to financial statements.

Wayne State Foundation

STATEMENT OF FINANCIAL POSITION

June 30, 2014

With summarized comparative totals as of June 30, 2013 and 2012

	2014 Total	2013 Total	2012 Total
ASSETS			
Cash and cash equivalents-unrestricted	\$ 43,463	\$ 83,911	\$ 99,911
Cash and cash equivalents-restricted	536,700	471,421	412,825
Total cash & cash equivalents	<u>580,163</u>	<u>555,332</u>	<u>512,736</u>
Accrued interest receivable	729	543	585
Inventory	-	2,549	3,515
Unconditional promises to give	1,422,298	323,454	495,195
Prepays & other receivables	7,437	1,000	1,615
Investments	19,263,529	16,278,706	13,874,166
Property	293,245	302,973	294,463
Cash value life insurance	92,769	82,542	77,055
Assets restricted for annuity contracts			
Investments	1,119,154	1,047,529	907,335
Assets held in perpetual trust			
Investments	925,717	824,457	767,634
TOTAL ASSETS	<u>\$ 23,705,041</u>	<u>\$ 19,419,085</u>	<u>\$ 16,934,299</u>
LIABILITIES & NET ASSETS			
Accounts & faculty grants payable	\$ 77,334	\$ 58,290	\$ 176,008
Deferred (unearned) event revenue	3,000	2,700	1,622
Annuities payable	443,050	479,606	485,112
Total liabilities	<u>523,384</u>	<u>540,596</u>	<u>662,742</u>
Net Assets:			
Unrestricted:			
Undesignated	2,516,089	2,154,357	1,916,165
Endowment funds deficit	-	(13,507)	(59,871)
Designated	313,565	263,651	226,614
Total unrestricted net assets	<u>2,829,654</u>	<u>2,404,501</u>	<u>2,082,908</u>
Temporarily restricted	6,862,570	3,492,010	2,455,852
Permanently restricted	13,489,433	12,981,978	11,732,797
Total net assets	<u>23,181,657</u>	<u>18,878,489</u>	<u>16,271,557</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 23,705,041</u>	<u>\$ 19,419,085</u>	<u>\$ 16,934,299</u>

See accompanying notes to financial statements.

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE A - FOUNDATION

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

See Note S regarding joint venture with Northeast Community College.

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, 2013 and 2012, from which the summarized information was derived.

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

Contributions

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

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

Pervasiveness of Estimates

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

Cash and Cash Equivalents

The Foundation considers checking accounts to be cash equivalents.

Property

Property is recorded at cost or estimated value at the date of purchase or contribution. Additions in excess of \$2,500 are capitalized. Expenditures for repairs and maintenance are expensed as incurred. Assets are being depreciated using the straight-line method with estimated useful lives of 25-40 years for real property and 5 years for vehicles. Depreciation expense was \$9,728 for the year ended June 30, 2014.

Investments

The Foundation's investments are composed of money market accounts, certificates of deposits, 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, 2014

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

Income Taxes

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

The Foundation files required income tax returns in the U.S. federal jurisdiction and various states. With few exceptions, the Foundation is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2010. 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, 2014, was \$13,490.

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, 2014) for potential recognition or disclosure in the financial statements. Management has evaluated subsequent events through September 10, 2014, which is the date the financial statements were available to be issued.

NOTE C - CREDIT RISK ARISING FROM CASH DEPOSITS

At times the Foundation may have uninsured bank deposits. At June 30, 2014, the Foundation had bank deposits of \$1,387,282, none of which was uninsured.

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE D - PROMISES TO GIVE

Unconditional Promises

Unconditional promises are recorded at their net realizable value.

Unconditional promises to give at June 30, 2014, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Unconditional promises to give	\$ -	\$ 1,589,740	\$ 9,450	\$ 1,599,190
Less discount to present value	-	(163,907)	(133)	(164,040)
Less allowance for uncollectible prom.	-	(12,852)	-	(12,852)
Net unconditional promises to give	\$ -	\$ 1,412,981	\$ 9,317	\$ 1,422,298

Estimated future cash flows of unconditional promises are as follows:

	Estimated cash flows	Discount	Discounted value
Due 6/30/2014	\$ 25,550	\$ -	\$ 25,550
6/30/2015	363,940	(13,999)	349,941
6/30/2016	364,348	(27,488)	336,860
6/30/2017	343,500	(38,130)	305,370
6/30/2018	331,500	(48,132)	283,368
6/30/2019	57,500	(10,239)	47,261
More than 5 years 6/30/2020-2028	100,000	(26,052)	73,948
	\$ 1,586,338	\$ (164,040)	\$ 1,422,298

The allowance for uncollectible promises represents the unpaid portion of the Phonathon pledges. All other pledges are considered collectible. At June 30, 2014 \$25,550 of other pledges were past due including \$19,550 that were over 90 days past due. Other pledges written off for the fiscal year ended June 30, 2014, 2013, and 2012 were \$7,656, \$66,250, and \$13,750, respectively.

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE E - INVESTMENTS

Investments as of June 30, 2014 are summarized as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>6/30/14 Total</u>
Money markets	\$ 56,118	\$ 1,087,236	\$ 4,625	\$ 1,147,979
Certificates of Deposits	46,391	485,000	257,477	788,868
Commonfund-				
Equity Fund	1,380,222	3,004,315	8,209,327	12,593,864
Commonfund-				
Bond Fund	677,786	318,037	3,566,398	4,562,221
Subtotal Commonfund	<u>2,058,008</u>	<u>3,322,352</u>	<u>11,775,725</u>	<u>17,156,085</u>
Other Securities	<u>31,371</u>	<u>111,057</u>	<u>28,169</u>	<u>170,597</u>
Totals	2,191,888	5,005,645	12,065,996	19,263,529
Investments restricted for annuity contracts:				
Commonfund –				
Equity Fund	323,496	-	482,089	805,585
Commonfund –				
Bond Fund	<u>125,901</u>	<u>-</u>	<u>187,668</u>	<u>313,569</u>
Totals	449,397	-	669,757	1,119,154
Investments held in perpetual trust:				
Money markets	-	-	1,377	1,377
Bonds and notes	-	-	289,489	289,489
Equities	-	-	634,851	634,851
Totals	<u>-</u>	<u>-</u>	<u>925,717</u>	<u>925,717</u>
Total all investments	<u>\$ 2,641,285</u>	<u>\$ 5,005,645</u>	<u>\$ 13,661,470</u>	<u>\$ 21,308,400</u>

Market Risk from Concentration of Investments with Advisor

At June 30, 2014 the Foundation had investments (including reserved for annuities) with Commonfund of \$18,275,239, which represents approximately 87% of investments.

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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 following is a summary of the inputs used as of June 30, 2014 in valuing the Foundation's investments:

June 30, 2014	Level 1	Level 2	Level 3	Total
Short Term Cash				
Investments				
and Certificates of Deposit	\$ 9,000	\$ 1,936,847	\$ -	\$ 1,945,847
U.S. Equity	641,719	11,389,531	-	12,031,250
International Equity	141,647	1,607,934	-	1,749,581
Emerging Markets Equity	13,218	401,983	-	415,201
Fixed Income	290,729	4,875,792	-	5,166,521
Total	\$ 1,096,313	\$ 20,212,087	\$ -	\$ 21,308,400

The Foundation did not hold other financial instruments as of June 30, 2014.

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.

Investment Management Fees

Investment management fees have been deducted from investment income.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Investment Management Fees	\$ 7,201	\$ 44,479	\$ 10,922	\$ 62,602

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE F - PROPERTY

During the year ended June 30, 2012, the Foundation received contributed property which had a life estate attached to it. As of June 30, 2014 the beneficiary was still living in the house; therefore, it is not being depreciated.

	Bressler Alumni House	1308 Main	Cunningham Condo	Vehicle	Total
Land	\$ 20,000	\$ 39,500	\$ -	\$ -	\$ 59,500
Building	134,417	81,000	80,000	-	295,417
Vehicle	-	-	-	<u>17,371</u>	<u>17,371</u>
Subtotal	<u>154,417</u>	<u>120,500</u>	<u>80,000</u>	<u>17,371</u>	<u>372,288</u>
Accumulated Depreciation	<u>(54,663)</u>	<u>(18,300)</u>	<u>-</u>	<u>(6,080)</u>	<u>(79,043)</u>
Net 6/30/14	<u>\$ 99,754</u>	<u>\$ 102,200</u>	<u>\$ 80,000</u>	<u>\$ 11,291</u>	<u>\$ 293,245</u>
Depreciation Exp. FYE 6/30/14	<u>\$ 3,554</u>	<u>\$ 2,700</u>	<u>\$ -</u>	<u>\$ 3,474</u>	<u>\$ 9,728</u>

NOTE G - LIFE INSURANCE - CASH VALUE

The Foundation is the owner of numerous whole life insurance policies with various insurance companies. The policies contain cash values, which are summarized as follows:

	Policy Amount	6/30/14 Cash Value	6/30/13 Cash Value	6/30/12 Cash Value
Unrestricted	\$ 376,801	\$ 67,580	\$ 64,619	\$ 62,366
Temporarily Restricted	37,500	3,631	3,357	3,629
Permanently Restricted	<u>126,331</u>	<u>21,558</u>	<u>14,566</u>	<u>11,060</u>
Totals	<u>\$ 540,632</u>	<u>\$ 92,769</u>	<u>\$ 82,542</u>	<u>\$ 77,055</u>

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE H - ANNUITY CONTRACTS

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

Annuity assets and liabilities as of June 30, 2014, are summarized as follows:

	Unrestricted	Permanently Restricted	Total
Investments restricted for annuity contracts	\$ 449,397	\$ 669,757	\$ 1,119,154
Annuities Payable	\$ 116,622	\$ 326,428	\$ 443,050

NOTE I - UNRESTRICTED NET ASSETS

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

Board Designated:	
Quasi-Endowment	\$ 313,565
Total board designated	\$ 313,565

NOTE J - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2014:

Program Activities:	
Scholarships and Grants	\$ 4,290,537
Improvements	1,421,348
College Departments	700,662
SSC College Center (see Note S)	29,482
Time Only Restriction (Unrestricted receivables)	415,805
Other Designated Programs	4,736
Total Temporarily Restricted Net Assets	\$ 6,862,570

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE K - PERMANENTLY RESTRICTED NET ASSETS

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

NOTE L - ENDOWMENT FUNDS

The Foundation's endowment consists of approximately 319 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.

The Executive Committee of the Foundation has interpreted the Nebraska Uniform Prudent Management of Institutional Funds Act (NUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence described by NUPMIFA. In accordance with NUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Endowment Net Asset Composition by Type of Fund as June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 3,902,747	\$ 12,149,513	\$ 16,052,260
Board-designated endowment funds	<u>313,565</u>	<u>-</u>	<u>-</u>	<u>313,565</u>
Total Funds	<u>\$ 313,565</u>	<u>\$ 3,902,747</u>	<u>\$ 12,149,513</u>	<u>\$ 16,365,825</u>

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE L - ENDOWMENT FUNDS (cont'd)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beg. of year	\$ 250,145	\$ 1,966,512	\$ 11,792,532	\$ 14,009,189
Contributions	-	-	317,226	317,226
Transfers	-	(23,643)	32,643	9,000
Net investment income	4,501	217,886	-	222,387
Net appreciation	58,919	2,267,228	-	2,326,147
Non gift income (sale of collectibles)	-	-	7,112	7,112
Amounts appropriated for expenditure	<u>-</u>	<u>(525,236)</u>	<u>-</u>	<u>(525,236)</u>
 Endowment net assets, end of year	 <u>\$ 313,565</u>	 <u>\$ 3,902,747</u>	 12,149,513	 <u>\$ 16,365,825</u>

Other permanently restricted net assets:

Interest in Robert Cunningham Perpetual Trust	925,716
Real estate restricted for use towards Cunningham Scholarship	40,000
Cash Value of Life Insurance to Fund Permanently Restricted Endowment Funds	21,558
Charitable Gift Annuity Net Assets to Fund Permanently Restricted Endowments at a Future Date	343,329
Promises to Fund Permanently Restricted Endowment Funds	<u>9,317</u>
 Total Permanently Restricted Net Assets	 <u>\$ 13,489,433</u>

Funds with Deficiencies. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NUPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$-0- as of June 30, 2014. These deficiencies result from unfavorable market fluctuations that occur after the investment of permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Executive Committee of the Foundation.

Contributions. Contributions above include the change in promises to fund permanently restricted endowment funds (net endowment receivables) of \$4,093.

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE L - ENDOWMENT FUNDS (cont'd)

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

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

NOTE M - FUNCTIONAL ALLOCATION OF EXPENSES

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

NOTE N - CONTRIBUTED SERVICES

The Foundation receives donated accounting services, secretarial services and rent from Wayne State College. The estimated fair value for these services are \$155,378, \$151,405, and \$143,715 for the years ended June 30, 2014, 2013 and 2012, respectively. The amounts have been recognized in the financial statements.

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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 \$19,600, \$18,958 and \$18,664 for the years ended June 30, 2014, 2013 and 2012, respectively.

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

The costs of vacation pay and sick pay are accrued. Up to 25% of accumulated sick pay is payable upon retirement or death. Total accumulated sick pay at June 30, 2014 was \$119,680 and the accrual was \$29,920. Accumulated vacation is payable upon termination and at June 30, 2014 was \$26,157.

NOTE Q - COMMITMENTS

The renovation of U.S. Conn Library, named in honor of Wayne State College's first president, U.S. Conn who served from 1910 to 1935, began in May 2014. The renovation will be phased over three years with the completion projected in the summer of 2017. The architectural firm of Jackson-Jackson & Associates, Inc. of Omaha, NE developed the plan to create a modern library that meets the needs of students. Beckenhauer Construction Company of Norfolk, NE has been retained as the construction manager. The cost of the renovation is estimated at \$18.9 million. The Wayne State Foundation has committed to raise \$3.1 million. Gifts and pledges of \$2.6 million have been secured. The State of Nebraska, the 309 Task Force and Wayne State College will provide the rest of the funding required to complete the renovation.

The Foundation has agreed to raise funds for the Athletic Improvement Project in the amount of \$575,000. The total cost of the Athletic Improvement Project is estimated to be \$1.65 million. As of June 30, 2014, the Foundation has gifts and pledges of \$631,000.

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE R - RELATED PARTIES

For the year ended June 30, 2014 the Foundation provided direct support to Wayne State College of \$2,836,763 and reimbursed the College for \$332,381 for payroll and other operating expenses. The Foundation's total payments to Wayne State College were \$3,169,144. Direct support consisted of \$1,706,163 for scholarships, stipends, and tuition assistance; \$597,807 for capital improvements for the football field turf/track, soccer field, athletic facilities, Veterans Plaza, and Willow Bowl renovation; \$321,782 for athletic scholarships; \$168,214 for athletics programs budget transfers and programs; and \$42,797 for general budget support college departments. Additional indirect support of \$122,931 for Wayne State College was made to vendors and individuals.

The Foundation had cash and CD's totaling \$249,754, as of June 30, 2014, at State Nebraska Bank & Trust, where one of their board members is the chairman.

The Foundation had cash and CD's totaling \$195,322, as of June 30, 2014, at First Nebraska Bank of Wayne, where one of their board members is president.

The Foundation had cash and CD's totaling \$150,000, as of June 30, 2014, at Siouxland National Bank, where one of their board members is president.

The Foundation had various transactions for the year ended June 30, 2014 with the Diamond Center and Flowers & Wine totaling \$4,412. The owner of the two businesses is a board member of the Foundation.

The Foundation purchased Business and Property Insurance from Northeast Nebraska Insurance, during the year ended June 30, 2014, for \$4,076. One of the board members of the Foundation is an owner of this business.

Board members and employees may pledge amounts to the Foundation for various projects and campaigns for support. At June 30, 2014 the outstanding pledge balances were \$1,450,105.

Wayne State Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE S - SSC COLLEGE CENTER

Wayne State College and Northeast Community College have a partnership to provide access to affordable comprehensive programs for associate, bachelor and master's degrees in South Sioux City, NE. To facilitate these educational programs, they have constructed a building, which is referred to as the College Center. The College Center is located at 1001 College Way in South Sioux City on 57 acres donated by the South Sioux City Community Development Agency. It has a total of 39,000 sq. ft. on two floors. The building cost an estimated \$8.7 million. A grand opening was held on April 20, 2011.

To supplement the state and federal funding, a private fundraising campaign was conducted and approximately \$1.4 million was secured for the project. The project also received an approximate \$500,000 award from the federal government.

The Foundation's contribution revenue for the fiscal year for the College Center included \$1,000 of outright gifts and no new pledges. Pledges receivable at June 30, 2014 included in the temporarily restricted balance, amounted to \$28,200 with a net present value of \$25,697.

SUPPLEMENTARY INFORMATION

Wayne State Foundation

SCHEDULE OF FUNCTIONAL EXPENSES

For the year ended June 30, 2014

With summarized comparative totals for the years ended June 30, 2013 and 2012

	<u>General & Admin</u>	<u>Fund- raising</u>	<u>Program</u>	<u>2014 Total</u>	<u>2013 Total</u>	<u>2012 Total</u>
Support of Wayne State College:						
Scholarships & grants	\$ -	\$ -	\$ 1,733,527	\$ 1,733,527	\$ 1,449,703	\$ 1,413,441
Athletic scholarships	-	-	321,782	321,782	256,286	320,080
Athletic Department Expense	-	-	214,638	214,638	131,230	133,149
College departments	-	-	61,598	61,598	64,784	65,748
Designated programs	-	-	5,342	5,342	5,350	5,350
Renovation projects	-	-	622,807	622,807	970,074	1,311,988
Subtotal	-	-	2,959,694	2,959,694	2,877,427	3,249,756
SSC College Center	-	-	60,000	60,000	121,500	372,700
Personnel compensation	181,049	207,856	81,029	469,934	458,641	440,665
Communications & publ.	-	58,223	19,407	77,630	67,612	62,290
Travel & entertainment	-	59,322	6,592	65,914	65,712	65,509
Professional services	11,000	-	-	11,000	10,395	11,400
Supplies & materials	2,547	7,642	2,549	12,738	11,766	5,983
Staff development	-	1,294	-	1,294	8,802	4,488
Phonathon	-	20,163	-	20,163	18,177	20,283
Rent	6,000	-	-	6,000	6,000	6,000
Property expense	6,447	-	6,096	12,543	11,400	11,795
Bad debts expense	-	-	7,656	7,656	66,250	13,750
Other	11,724	-	10,951	22,675	24,600	29,041
Total expenses	\$ 218,767	\$ 354,500	\$ 3,153,974	\$ 3,727,241	\$ 3,748,282	\$ 4,293,660