

**AUDIT REPORT
OF THE
NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)**

For the Years Ended June 30, 2018 and 2017

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the Auditor of Public Accounts.**

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Issued on December 14, 2018

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

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NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

INDEPENDENT AUDITOR'S REPORT

Board of Trustees of the Nebraska State College System
Lincoln, NE

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of the Nebraska State College System (NSCS) (a component unit of the State of Nebraska), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Nebraska State College System's basic financial statements, as listed in the Table of Contents.

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 did not audit the accompanying financial statements of the Chadron State, Peru State College, and Wayne State Foundations (Foundations), discretely presented component units of the NSCS, as of and for the years ended June 30, 2018 and 2017, December 31, 2017 and 2016, and June 30, 2018 and 2017, respectively. Those statements are presented separately on pages 20 through 22, 24 through 28, and 31 through 33. We also did not audit the financial statements of the Nebraska State Colleges Facilities Corporation, a blended component unit of the NSCS, and the activity of the Nebraska State College System Revenue and Refunding Bond Program, which represent 28 percent and 33 percent, respectively, of total assets, and 86 percent and 89 percent, respectively, of total liabilities, and 2 percent and 7 percent, respectively, of total net position at June 30, 2018 and 2017, and total revenues constituting 20 percent and 20 percent, respectively, of the primary government for the years then ended. Those statements were audited by other auditors whose reports have been furnished to us, along with the Foundations' reports, which appear herein, and our opinion, insofar as it relates to the amounts included for the Foundations, the Nebraska State College System Revenue and Refunding Bond Program, and the Nebraska State Colleges Facilities Corporation, is based solely on the report of the other auditors. We conducted our audit in accordance

with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundations, Revenue and Refunding Bond Program, and the Facilities Corporation were not audited in accordance with *Government Auditing Standards*.

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 NSCS'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, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the NSCS, as of June 30, 2018 and 2017, and December 31, 2017 and 2016, (Peru State College Foundation) and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 10 through 17, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the NSCS's basic financial statements. The schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018, on our consideration of the NSCS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the NCSC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the NSCS's internal control over financial reporting and compliance.

December 12, 2018



Stephanie Todd, CPA, CFE
Audit Manager



Gardner, Loutzenhiser, and Ryan, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Chadron State Foundation
Chadron, Nebraska

We have audited the accompanying financial statements of the Chadron State Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 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 the Chadron State Foundation as of June 30, 2018 and 2017, 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 Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statements of Activities by Fund on pages 27-28 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.

Gardner, Loustzenhiser & Ryan PC

Chadron, Nebraska
October 19, 2018



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors Peru State College Foundation

We have audited the accompanying financial statements of Peru State College Foundation (the foundation) which comprise the statement of financial position as of December 31, 2017, 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 Peru State College Foundation as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The financial statements of the Foundation as of December 31, 2016 were audited by other auditors whose report dated April 26, 2017 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements which it has been derived.

A handwritten signature in cursive script that reads "Hayes & Associates L.L.C.".

Hayes & Associates, L.L.C.
Omaha, Nebraska
June 15, 2018



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Wayne State Foundation
Wayne, Nebraska

We have audited the accompanying financial statements of the Wayne State Foundation (a nonprofit foundation) which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wayne State Foundation as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

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

Report on Summarized Comparative Information

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

McMill CPA PC

McMill CPA PC
Certified Public Accountants

September 7, 2018

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

MANAGEMENT’S DISCUSSION AND ANALYSIS – UNAUDITED

This section of the Nebraska State College System’s (NSCS) financial report presents a narrative overview and analysis of the financial activities of the NSCS for the fiscal years ended June 30, 2018 and 2017. The analysis has been prepared by management of the NSCS and is intended to be read with the financial statements and the related footnotes that follow this section.

Management’s discussion and analysis relates only to the NSCS and does not include any overview of the financial position and activities of the Chadron State Foundation, Peru State College Foundation, and Wayne State Foundation, which are considered component units of the NSCS.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the NSCS’s basic financial statements, which include: 1) Statements of Net Position; 2) Statements of Revenues, Expenses, and Changes in Net Position; 3) Statements of Cash Flows; and 4) Notes to Financial Statements. This report also contains information in addition to the basic financial statements.

The Statements of Net Position present information on all of the NSCS’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these elements reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the NSCS is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Net Position present information showing how the NSCS’s net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The Statements of Cash Flows present the NSCS’s flows of cash by defined categories. The primary purpose of the Statements of Cash Flows is to provide information about the NSCS’s cash receipts and payments during the year.

The Notes to Financial Statements provides additional information that is essential to a full understanding of the data provided in the financial statements.

FINANCIAL ANALYSIS OF THE NSCS

The NSCS includes Chadron State College (CSC), Peru State College (PSC), Wayne State College (WSC), and the NSCS Office in Lincoln. The designation as a single entity reflects the general governing authority of the Board of Trustees, including the authority to distribute the State appropriation among the Colleges and the NSCS Office.

The audited financials for the NSCS include information on the Nebraska State Colleges Facilities Corporation (Corporation), a non-profit corporation statutorily created to allow the NSCS to finance building projects of the Board of Trustees of the Nebraska State College System on any of its campuses, through the issuance of notes, bonds, or other obligations. The members of the Board of Trustees serve as the Board of Directors of the Corporation. Outstanding bonds issued by the Corporation are those

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

(Continued)

authorized under LB 198, passed in 2013, and LB 957, passed in 2016. Repayment is from legislative appropriations and student fees. The long-term debt of the Corporation accrues to the NSCS Office, while the assets acquired as the result of renovations and new construction appear as assets at the individual Colleges.

Audit information from the Chadron State Foundation, Peru State College Foundation, and Wayne State Foundation is included in the report as well. With implementation of Governmental Accounting Standards Board (GASB) Statement No. 39, the Foundations of the Colleges have been deemed to be component units of the NSCS. Those Foundations' financial statements are presented separately on pages 20 through 22, 24 through 28, and 31 through 33 of this report.

Condensed statements are presented below for the NSCS for the years ended June 30, 2018, 2017, and 2016.

**Nebraska State College System
Net Position as of June 30**

	2018	2017	2016
	<u>2018</u>	<u>As Restated</u>	<u>As Restated</u>
Current Assets	\$ 68,843,724	\$ 61,913,666	\$ 61,727,482
Non-current Assets			
Capital Assets, Net	234,841,616	220,659,478	204,168,107
Other Non-current Assets	<u>13,378,157</u>	<u>29,688,578</u>	<u>26,454,022</u>
Total Assets	<u>317,063,497</u>	<u>312,261,722</u>	<u>292,349,611</u>
 Deferred Outflow of Resources	 <u>35,959</u>	 <u>39,737</u>	 <u>43,515</u>
 Current Liabilities	 21,272,732	 16,856,339	 17,319,901
Non-current Liabilities	<u>76,527,843</u>	<u>83,275,397</u>	<u>67,571,049</u>
Total Liabilities	<u>97,800,575</u>	<u>100,131,736</u>	<u>84,890,950</u>
 Deferred Inflow of Resources	 <u>23,060</u>	 <u>34,355</u>	 <u>-</u>
 Net Position			
Net Investment in Capital Assets	163,790,577	162,506,457	159,203,331
Restricted	26,109,022	22,819,277	24,984,626
Unrestricted	<u>29,376,222</u>	<u>26,809,634</u>	<u>23,314,219</u>
Total Net Position	<u>\$ 219,275,821</u>	<u>\$ 212,135,368</u>	<u>\$ 207,502,176</u>

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

(Continued)

**Nebraska State College System
Revenues, Expenses, and Changes in Net Position for Year Ended June 30**

	<u>2018</u>	<u>2017 As Restated</u>	<u>2016 As Restated</u>
Operating Revenues			
Tuition and Fees, Net	\$ 30,798,783	\$ 30,618,960	\$ 29,438,090
Federal and State Grants and Contracts	14,529,239	13,938,455	14,217,826
Private Grants and Contracts	798,969	1,217,839	962,338
Auxiliary Enterprises, Net	17,561,674	17,395,090	18,888,599
Other Operating Revenues	1,502,607	1,445,984	1,613,651
Total Operating Revenues	<u>65,191,272</u>	<u>64,616,328</u>	<u>65,120,504</u>
Operating Expenses	<u>118,803,627</u>	<u>118,585,964</u>	<u>116,551,489</u>
Operating Loss	<u>(53,612,355)</u>	<u>(53,969,636)</u>	<u>(51,430,985)</u>
Non-operating Revenues (Expenses)			
State Appropriations	51,091,162	50,357,756	50,744,042
Investment Income	1,493,775	1,362,963	1,201,233
Interest on Capital Asset-Related Debt	(2,024,124)	(1,254,799)	(1,211,649)
Gain (Loss) on Disposal of Asset	(16,117)	20,733	14,858
Bond Issuance Costs	-	(384,096)	(318,876)
Other Non-operating Revenues (Expenses)	(44,557)	(14,221)	(63,433)
Net Non-operating Revenues	<u>50,500,139</u>	<u>50,088,336</u>	<u>50,366,175</u>
Loss before Other Revenues, Expenses, Or Gains (Losses)	(3,112,216)	(3,881,300)	(1,064,810)
Other Revenues (Expenses) or Gains (Losses)			
Capital Facilities Fee	2,102,454	2,093,812	2,058,500
Capital Contributions	2,975,634	1,855,690	2,364,254
Capital Appropriations and Grants	5,174,581	4,564,990	4,139,354
Net Other Revenues (Expenses) or Gains (Losses)	<u>10,252,669</u>	<u>8,514,492</u>	<u>8,562,108</u>
Increase in Net Position	7,140,453	4,633,192	7,497,298
Net Position, Beginning of Year	<u>212,135,368</u>	<u>207,502,176</u>	<u>200,004,878</u>
Net Position, End of Year	<u>\$ 219,275,821</u>	<u>\$ 212,135,368</u>	<u>\$ 207,502,176</u>

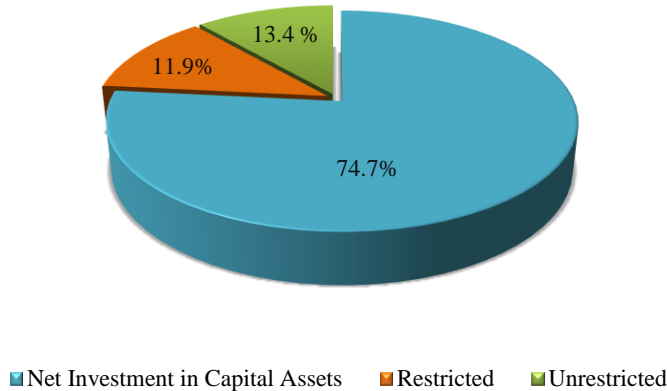
NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

MANAGEMENT’S DISCUSSION AND ANALYSIS – UNAUDITED
(Continued)

CHANGES IN NET POSITION

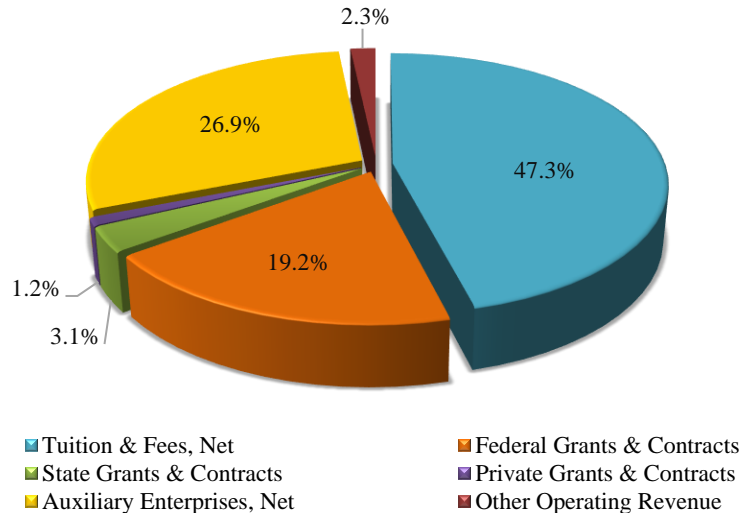
At June 30, 2018, the NSCS had a net position of \$219.3 million, an increase of \$7.1 million or 3.4% over 2017, and up 5.7% from 2016. Net position was comprised of unrestricted – \$29.4 million; restricted – \$26.1 million; and net investment in capital assets – \$163.8 million.

Net Position at June 30, 2018



Operating revenues for fiscal year 2018 were \$65.2 million compared to \$64.6 million in 2017, a 0.9% increase, and were 0.1% over fiscal year 2016 operating revenues. Operating revenues for 2018 include \$30.8 million in net tuition and fees, Federal grants and contracts of \$12.5 million, State grants and contracts of \$2.0 million, private grants and contracts of \$0.8 million, net auxiliary enterprises of \$17.6 million, and other operating revenues of \$1.5 million.

Fiscal Year 2018 Operating Revenues

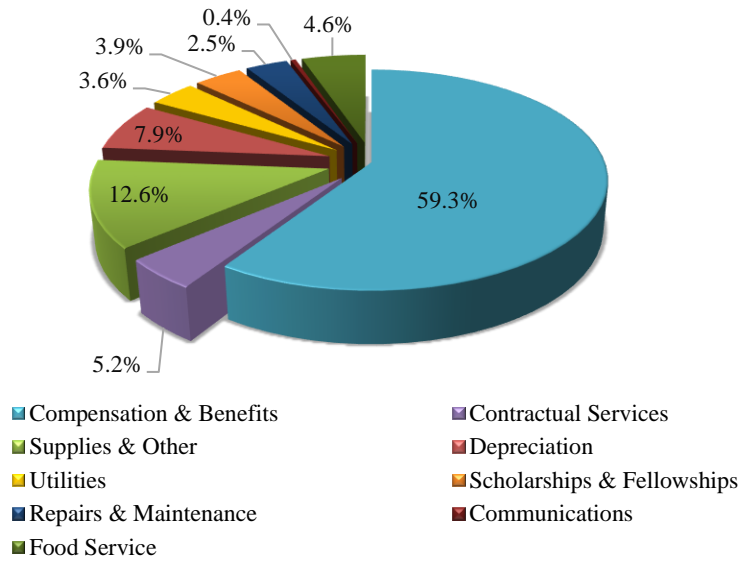


NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

MANAGEMENT’S DISCUSSION AND ANALYSIS – UNAUDITED
(Continued)

Operating expenses for the year ended June 30, 2018, amounted to \$118.8 million, compared to \$118.6 million in 2017, and \$116.6 million in 2016. Compensation and benefits accounted for \$70.5 million, or 59.3% of the total; contractual services were \$6.2 million; supplies, materials and other, \$14.9 million; depreciation, \$9.4 million; and utilities, \$4.3 million. Other operating expenses consisted of scholarships and fellowships, \$4.6 million; repairs and maintenance, \$3.0 million; communications, \$0.4 million; and food service, \$5.5 million.

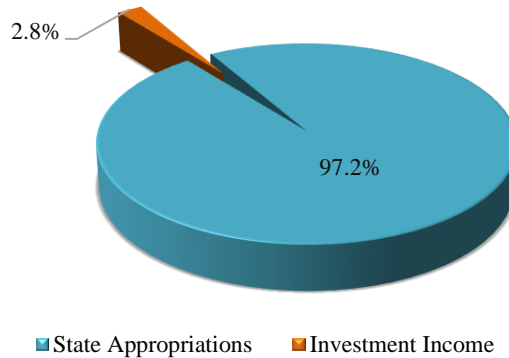
Fiscal Year 2018 Operating Expenses



The current year operating loss amounted to \$53.6 million, compared to an operating loss of \$54.0 million in 2017 and \$51.4 million in 2016.

Non-operating revenues consist of State appropriations and investment income.

Fiscal Year 2018 Non-operating Revenues



NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

(Continued)

The most significant change in the schedule of net position from the fiscal year ended June 30, 2016, to the fiscal year ended June 30, 2017, was an increase in capital assets, non-current restricted cash and cash equivalents, and an increase in long-term debt. The changes in cash and long-term debt related to the issuance of Corporation bonds during the fiscal year. The proceeds of these bonds were used to refund LB 605 (2006) debt and were also used for capital construction projects related to the Stadium renovation at CSC, the Theatre/Event Center renovation at PSC, and the construction of the Center for Applied Technology at WSC. The \$16.5 million increase in net capital assets during fiscal year 2017 was also the result of work related to the PSC Delzell Hall and Field House renovations, WSC Bowen Hall and U.S. Conn Library renovations, and the Lindahl Drive street project.

The most significant change in the schedule of net position from the fiscal year ended June 30, 2017, to the fiscal year ended June 30, 2018, was a decrease in non-current restricted cash and cash equivalents, an increase in capital assets, and an increase in accounts payable. The change in these three accounts is related to bond funds used for capital construction projects related to the Stadium at CSC, the Theatre at PSC, and the Center for Applied Technology at WSC. The \$14.2 million increase in net capital assets during fiscal year 2018 was mostly the result of the completion of work related to the three projects.

Fiscal year 2018 operating revenues increased from prior fiscal year, tuition and fee income by \$0.2 million or 0.6%, auxiliary enterprise revenues increased \$0.2 million or 1.0%, and Federal, State, and private grants and contracts increased \$0.2 million or 1.1%. From 2016 to 2018, increases in tuition and fees of 4.6% and Federal, State, and private grants of 1.0%, while a decrease in auxiliary enterprise from 2016 to 2018 was 7.0%.

Fiscal year 2018 non-operating revenues reflect a \$0.7 million or 1.5% increase in State appropriations and a 9.6% increase in investment income over fiscal year 2017. State appropriations increased 0.7% and investment income increased 24.4% between fiscal years 2018 and 2016.

Operating expenses for the year ended June 30, 2018, increased by \$0.2 million or 0.2% from the previous fiscal year. Within the operating expenses category, compensation and benefits increased approximately \$0.4 million, contractual services increased \$0.5 million, depreciation increased \$1.1 million, repairs and maintenance decreased \$2.2 million, food service decreased \$0.4 million, and all other operating expenses increased \$0.8 million. Health insurance premiums increased slightly in 2015-2016, 2016-2017, and 2017-2018, with the overall composite rates for medical and dental insurance increasing 1.9%, 4.9%, and 8.0%, respectively.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2018, the NSCS had recorded \$352.1 million in gross capital assets. During the fiscal year ended June 30, 2018, the investment in buildings and improvements increased by \$22.9 million; infrastructure increased by \$2.8 million; equipment increased by \$0.3 million; and construction in progress decreased by \$2.8 million. At the end of the fiscal year, the NSCS had \$117.3 million in accumulated depreciation that left \$234.8 million in net capital assets. Accumulated depreciation for fiscal years 2017 and 2016 were \$108.2 million and \$100.6 million, respectively, and net capital assets were \$220.7 million and \$204.2 million, respectively.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

(Continued)

The NSCS had \$83.0 million in long-term liabilities at the end of the 2018 fiscal year. These long-term liabilities consisted primarily of outstanding bonded indebtedness of \$75.1 million and \$3.9 million in accrued compensated absences. Long-term liabilities were \$88.6 million and \$73.3 million at the end of fiscal years 2017 and 2016, respectively. Additional debt of \$29.5 and \$24.0 million was issued in fiscal year 2017 and 2016, respectively. Previously existing bond obligations were reduced by \$16.2 million and \$8.8 million, respectively, during fiscal years 2017 and 2016.

Several construction projects have been completed at the Colleges, including the Boiler House Roof Replacement, and Crites Hall Windows Replacement projects at CSC; Delzell Hall Renovation, Field House Renovation, Park Avenue Campus Entrance, and Hoyt HVAC Upgrade projects at PSC; and Bowen Hall Renovation, Humanities Hall Windows Replacement, U.S. Conn Library Renovation & Addition, and the Lindahl Drive projects at WSC. Projects were completed using Facilities Corporation bonds, College cash funds, revenue bond funds, LB 309 building renewal task force funds, contingency maintenance funds, capital improvement fee funds, and/or privately raised funds. Renovation and construction was also in progress for several projects, including the Stadium Replacement project at CSC, the Theater/Event Center Renovation & Addition project, and the Fire Alarm Upgrade projects at six campus buildings at PSC; and the Stadium Press Box Replacement project and the Center for Applied Technology (CAT) project at WSC. These projects are being funded through various sources including Facilities Corporation bonds, capital improvement fee funds, the LB 309 building renewal task force, College cash funds, revenue bond funds, and/or privately raised funds. Planning & Design was in process for the Stadium Replacement Phase II Track project at CSC; the Field House Renovation Phase II at PSC; and the Connell Hall Windows Replacement project at WSC.

All projects using bond proceeds from LB 605 (2006) have been completed. The Rangeland Complex project utilizing LB 198 (2013) funding was completed during the 2016 fiscal year while the U.S. Conn Library project, also utilizing LB 198 funding, was substantially completed during the 2017 fiscal year. The Legislature passed LB 957 (2016) which extended the appropriations related to the LB 605 bonds to fiscal year 2030. The extension of the appropriation was to allow for the refunding of the LB 605 bonds and the issuance of new bond proceeds in order to help fund the replacement of the Stadium at CSC, the renovation/addition of the Theatre/Event Center at PSC, and the construction of applied technology programmatic space at WSC. The bonds resulting from LB 957 provided \$21.3 million in capital project funds. Various deferred repair and fire and life safety upgrades are in progress at all three Colleges.

See the notes to the financial statements for additional discussion of capital assets and long-term liabilities.

ECONOMIC OUTLOOK AND SUBSEQUENT EVENTS THAT WILL AFFECT THE FUTURE

The Governor and Legislature initially approved State funding for 2017-2018 and 2018-2019 at \$52,142,227. However, LB 944 (2018), reduced the fiscal year 2018 appropriation 2% to \$51,099,382 and the fiscal year 2019 appropriation 1% to \$51,620,804.

The Board of Trustees increased tuition rates for 2018-2019. Tuition rates for 2018-2019 are \$177 for undergraduate resident, \$221.25 for graduate resident, \$354 for undergraduate non-resident, and \$442.50 for graduate non-resident. Online rates are \$289 for undergraduate and \$361.25 for graduate. Tuition

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
(Concluded)

rates for 2017-2018 were \$172 for undergraduate resident, \$215 for graduate resident, \$344 for undergraduate non-resident, and \$430 for graduate non-resident. Online rates were \$279 for undergraduate and \$348.75 for graduate.

In accordance with the NSCS Bargaining Unit agreements for 2017-2019, each unit member of professional staff will receive a 1.5% increase in both the 2017-2018 and 2018-2019 fiscal years. Faculty will receive a 1.5% increase for both the 2017-2018 and 2018-2019 fiscal years. Support staff will also receive a 1.0% increase for both the 2017-2018 and 2018-2019 fiscal years, while maintaining longevity increases.

In addition to receiving notification that there is no additional increase in health insurance premium rates for the 2018-2019 year, the NSCS has been notified that there will be a 4.99% increase in premium rates for the 2019-2020 year.

Enrollment at the State Colleges (annual FTE) declined for 2017-2018. Fall enrollments are expected to slightly decline for 2018-2019. The NSCS continues to engage in an increased emphasis on enrollment management and marketing.

NEBRASKA STATE COLLEGE SYSTEM – PRIMARY GOVERNMENT
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)
STATEMENTS OF NET POSITION
June 30, 2018 and 2017

	2018	2017 As Restated
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 38,677,484	\$ 34,094,591
Restricted Cash and Cash Equivalents	26,854,443	24,903,455
Accounts Receivable, Net of Allowance	1,055,360	1,126,620
Other Receivables	1,119,559	439,412
Inventories	67,229	77,175
Loans to Students, Net	186,289	222,437
Prepaid Expenses	879,925	1,044,561
Deposits with Vendors	3,435	5,415
Total Current Assets	<u>68,843,724</u>	<u>61,913,666</u>
Non-current Assets		
Restricted Cash and Cash Equivalents	11,089,240	27,222,925
Restricted Investments	1,319,295	1,345,206
Loans to Students, Net	819,320	898,169
Prepaid Expenses	150,302	222,278
Capital Assets, Net	234,841,616	220,659,478
Total Non-current Assets	<u>248,219,773</u>	<u>250,348,056</u>
Total Assets	<u>317,063,497</u>	<u>312,261,722</u>
Deferred Outflow of Resources		
Unamortized Bond Refunding Amount, Net	35,959	39,737
Total Deferred Outflow of Resources	<u>35,959</u>	<u>39,737</u>
Liabilities		
Current Liabilities		
Accounts Payable and Accrued Liabilities	12,905,791	9,705,410
Accrued Compensated Absences	569,904	351,133
Unearned Revenue	938,661	817,655
Interest Payable	1,021,374	1,046,262
Master Lease Payable	215,779	230,621
Long-term Debt	5,299,996	4,399,151
Deposits Held in Custody for Others	321,227	306,107
Total Current Liabilities	<u>21,272,732</u>	<u>16,856,339</u>
Non-current Liabilities		
Accrued Compensated Absences	3,356,515	3,835,606
Unearned Revenue	-	249,424
Master Lease Payable	102,476	318,255
Long-term Debt	73,068,852	78,872,112
Total Non-current Liabilities	<u>76,527,843</u>	<u>83,275,397</u>
Total Liabilities	<u>97,800,575</u>	<u>100,131,736</u>

(Continued)

NEBRASKA STATE COLLEGE SYSTEM – PRIMARY GOVERNMENT
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)
STATEMENTS OF NET POSITION
June 30, 2018 and 2017

	2018	2017 As Restated
Deferred Inflow of Resources		
Unamortized Bond Refunding Amount, Net	23,060	34,355
Total Deferred Inflow of Resources	23,060	34,355
Net Position		
Net Investment in Capital Assets	163,790,577	162,506,457
Restricted for:		
Expendable:		
Loans	1,164,032	1,280,398
Debt service	3,887,960	2,959,120
Plant	4,931,877	4,197,958
Other	16,125,153	14,381,801
Unrestricted	29,376,222	26,809,634
Total Net Position	\$ 219,275,821	\$ 212,135,368

(Concluded)

The accompanying notes are an integral part of the financial statements.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

CHADRON STATE FOUNDATION
(A COMPONENT UNIT OF THE NEBRASKA STATE COLLEGE SYSTEM)
STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	2018	2017
Assets		
Cash and Cash Equivalents - Unrestricted	\$ 1,476,589	\$ 1,070,890
Cash and Cash Equivalents - Restricted	-	27,423
Investments	19,904,450	18,730,821
Contributions Receivable, Net of Allowance for Uncollectible Pledges of \$53,500 for 2018 and \$84,000 for 2017	1,140,784	837,253
Prepaid Expenses	5,375	6,750
Other Assets	1,026,322	57,311
Certificates of Deposit	765,703	755,809
Property and Equipment, Net of Accumulated Depreciation	39,282	39,808
Total Assets	\$ 24,358,505	\$ 21,526,065
Liabilities and Net Assets		
Accounts Payable	\$ 4,619	\$ 4,872
Accrued Salaries and Benefits	14,269	53,992
Scholarships Payable	476,503	486,515
Deferred Revenue	11,483	13,385
Due to Other Agencies	-	25,183
Total Liabilities	506,874	583,947
Unrestricted Net Assets:		
Operating Fund	(80,772)	(196,756)
CSC General Fund	534,972	556,962
CSC Quasi Endowment	841,044	648,939
Greatest Need	410,519	449,968
Total Unrestricted Net Assets	1,705,763	1,459,113
Temporarily Restricted Net Assets:		
Expendable Funds	2,166,058	1,320,140
Named Endowment Activity	2,409,815	1,988,424
Total Temporarily Restricted Net Assets	4,575,873	3,308,564
Permanently Restricted Net Assets:		
Named Endowment	17,569,995	16,174,441
Total Net Assets	23,851,631	20,942,118
Total Liabilities and Net Assets	\$ 24,358,505	\$ 21,526,065

The accompanying notes are an integral part of the financial statements.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

PERU STATE COLLEGE FOUNDATION
(A COMPONENT UNIT OF THE NEBRASKA STATE COLLEGE SYSTEM)
STATEMENT OF FINANCIAL POSITION

December 31, 2017
(With comparative totals for 2016)

	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	\$ 622,356	\$ 590,151
Unconditional promises to give	80,000	14,608
Interest receivable	1,727	1,783
Prepaid expenses	-	102,635
Current portion of note receivable	24,151	23,334
Total Current assets	728,234	732,511
Property and Equipment		
Land	60,947	60,947
Office furniture and fixtures	35,681	35,681
Vehicles	31,754	23,650
Less accumulated depreciation	(45,141)	(59,122)
Total Property and Equipment	83,241	61,156
Other Assets		
Investments	13,178,850	11,776,794
Real estate held for future college use	338,862	337,062
Note receivable, less current portion	24,996	49,147
Total Other Assets	13,542,708	12,163,003
Total Assets	\$ 14,354,183	\$ 12,956,670
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 94,915	\$ 190,050
Accrued compensation	76,494	96,869
Refundable deposits	21,274	20,347
Short term note payable	85,086	115,086
Total Current Liabilities	277,769	422,352
NET ASSETS		
Unrestricted net assets		
Operating	3,673,603	2,901,713
Board-designated	1,094,164	1,114,164
Total unrestricted net assets	4,767,767	4,015,877
Temporarily restricted	2,043,652	1,646,991
Permanently restricted	7,264,995	6,871,450
Total Net Assets	14,076,414	12,534,318
Total Liabilities and Net Assets	\$ 14,354,183	\$ 12,956,670

The accompanying notes are an integral part of the financial statements.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

WAYNE STATE FOUNDATION
(A COMPONENT UNIT OF THE NEBRASKA STATE COLLEGE SYSTEM)

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents-unrestricted	\$ 186,378	\$ 178,278
Cash and cash equivalents-restricted	2,208,734	2,260,182
Total cash & cash equivalents	2,395,112	2,438,460
Accrued interest receivable	925	768
Net unconditional promises to give	728,791	1,259,944
Prepays & other receivables	-	5,100
Investments	26,037,431	24,380,701
Property	95,445	89,090
Cash value life insurance	84,169	79,856
Assets restricted for annuity contracts		
Annuity investments	682,357	911,635
Assets held in perpetual trust		
Perpetual trust investments	945,371	915,623
TOTAL ASSETS	\$ 30,969,601	\$ 30,081,177
LIABILITIES & NET ASSETS		
Accounts & faculty grants payable	\$ 69,753	\$ 62,247
Payable for capital improvements	671,067	-
Deferred (unearned) event revenue	1,700	2,600
Annuities payable	302,915	336,581
Total liabilities	1,045,435	401,428
Net Assets:		
Unrestricted:		
Undesignated	3,071,692	2,796,147
Endowment funds deficit	(125)	-
Designated	402,814	369,893
Total unrestricted net assets	3,474,381	3,166,040
Temporarily restricted	8,553,383	9,325,606
Permanently restricted	17,896,402	17,188,103
Total net assets	29,924,166	29,679,749
TOTAL LIABILITIES AND NET ASSETS	\$ 30,969,601	\$ 30,081,177

The accompanying notes are an integral part of the financial statements.

NEBRASKA STATE COLLEGE SYSTEM – PRIMARY GOVERNMENT
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Fiscal Years Ended June 30, 2018 and 2017

	2018	2017 As Restated
Operating Revenues		
Tuition and Fees Net of Scholarship Allowances and Institutional Waivers Totaling \$12,363,774 in 2018 and \$11,351,727 in 2017	\$ 30,798,783	\$ 30,618,960
Federal Grants and Contracts	12,487,500	11,842,444
State Grants and Contracts	2,041,739	2,096,011
Private Grants and Contracts	798,969	1,217,839
Auxiliary Enterprises Net of Scholarship Allowances and Institutional Waivers Totaling \$4,597,810 in 2018 and \$4,179,177 in 2017	17,561,674	17,395,090
Other Operating Revenues	1,502,607	1,445,984
Total Operating Revenues	65,191,272	64,616,328
Operating Expenses		
Compensation and Benefits	70,494,372	70,065,693
Contractual Services	6,200,132	5,758,546
Supplies, Materials, and Other	14,916,166	14,636,274
Scholarships and Fellowships	4,588,428	4,450,191
Depreciation	9,426,904	8,277,124
Utilities	4,312,322	3,881,994
Repairs and Maintenance	2,949,995	5,170,478
Communications	440,094	454,920
Food Service	5,475,214	5,890,744
Total Operating Expenses	118,803,627	118,585,964
Operating Loss	(53,612,355)	(53,969,636)
Non-operating Revenues (Expenses)		
State Appropriations	51,091,162	50,357,756
Investment Income	1,493,775	1,362,963
Interest on Capital Asset-Related Debt	(2,024,124)	(1,254,799)
Gain (Loss) on Disposal of Asset	(16,117)	20,733
Bond Issuance Costs	-	(384,096)
Other Non-operating Revenue (Expense)	(44,557)	(14,221)
Net Non-operating Revenues (Expenses)	50,500,139	50,088,336
Loss Before Other Revenues, Expenses, or Gains (Losses)	(3,112,216)	(3,881,300)
Other Revenues (Expenses) or Gains (Losses)		
Capital Facilities Fees	2,102,454	2,093,812
Capital Contributions	2,975,634	1,855,690
Capital Appropriations and Grants	5,174,581	4,564,990
Net Other Revenues (Expenses) or Gains (Losses)	10,252,669	8,514,492
Increase in Net Position	7,140,453	4,633,192
Net Position, Beginning of Year	212,135,368	207,502,176
Net Position, End of Year	\$ 219,275,821	\$ 212,135,368

The accompanying notes are an integral part of the financial statements.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

CHADRON STATE FOUNDATION
(A COMPONENT UNIT OF THE NEBRASKA STATE COLLEGE SYSTEM)

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, Gains (Losses), and Other Support				
Fundraising Income	\$ 287,167	\$ 1,101,437	\$ -	\$ 1,388,604
Principle Contributions to Named Endowments	-	-	1,381,969	1,381,969
Management Fees	414,257	-	-	414,257
State Income	216,273	-	-	216,273
Unrealized Gain (Loss) on Investments	148,148	831,186	-	979,334
Realized Gain (Loss) on Investments	(2,249)	(51,891)	-	(54,140)
Interest and Dividend Income	107,529	388,400	-	495,929
Event Income	-	70,446	-	70,446
Miscellaneous Income	3,173	8,450	-	11,623
Total Revenues, Gains (Losses), and Other Support	<u>1,174,298</u>	<u>2,348,028</u>	<u>1,381,969</u>	<u>4,904,295</u>
Transfer Between Net Assets	(13,790)	205	13,585	-
Net Assets Released From Restrictions	<u>1,080,924</u>	<u>(1,080,924)</u>	<u>-</u>	<u>-</u>
Total Support and Reclassifications	<u>2,241,432</u>	<u>1,267,309</u>	<u>1,395,554</u>	<u>4,904,295</u>
Expenses				
Program Services	\$ 941,782	\$ -	\$ -	\$ 941,782
General and Management	579,676	-	-	579,676
Fundraising	473,324	-	-	473,324
Total Expenses	<u>1,994,782</u>	<u>-</u>	<u>-</u>	<u>1,994,782</u>
Increase (Decrease) in Net Assets	246,650	1,267,309	1,395,554	2,909,513
Net Assets, Beginning of Year	<u>1,459,113</u>	<u>3,308,564</u>	<u>16,174,441</u>	<u>20,942,118</u>
Net Assets, End of Year	<u>\$ 1,705,763</u>	<u>\$ 4,575,873</u>	<u>\$ 17,569,995</u>	<u>\$ 23,851,631</u>

The accompanying notes are an integral part of the financial statements.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

CHADRON STATE FOUNDATION
(A COMPONENT UNIT OF THE NEBRASKA STATE COLLEGE SYSTEM)

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, Gains (Losses), and Other Support				
Fundraising Income	\$ 325,260	\$ 893,592	\$ -	\$ 1,218,852
Principle Contributions to Named Endowments	-	-	586,150	586,150
Management Fees	371,971	-	-	371,971
State Income	194,998	-	-	194,998
Unrealized Gain (Loss) on Investments	395,498	1,687,942	-	2,083,440
Realized Gain (Loss) on Investments	(71,072)	(243,983)	-	(315,055)
Interest and Dividend Income	96,591	353,941	-	450,532
Event Income	-	61,683	-	61,683
Miscellaneous Income	5,621	6,336	-	11,957
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues, Gains (Losses), and Other Support	1,318,867	2,759,511	586,150	4,664,528
Transfer Between Net Assets	-	(21,713)	21,713	-
Net Assets Released From Restrictions	1,263,744	(1,263,744)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Support and Reclassifications	2,582,611	1,474,054	607,863	4,664,528
Expenses				
Program Services	\$ 1,163,221	\$ -	\$ -	\$ 1,163,221
General and Management	557,790	-	-	557,790
Fundraising	512,266	-	-	512,266
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	2,233,277	-	-	2,233,277
	<hr/>	<hr/>	<hr/>	<hr/>
Increase (Decrease) in Net Assets	349,334	1,474,054	607,863	2,431,251
Net Assets, Beginning of Year	1,109,779	1,834,510	15,566,578	18,510,867
	<hr/>	<hr/>	<hr/>	<hr/>
Net Assets, End of Year	<u>\$ 1,459,113</u>	<u>\$ 3,308,564</u>	<u>\$ 16,174,441</u>	<u>\$ 20,942,118</u>

The accompanying notes are an integral part of the financial statements.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

PERU STATE COLLEGE FOUNDATION
(A COMPONENT UNIT OF THE NEBRASKA STATE COLLEGE SYSTEM)

STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2017

(With comparative totals for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>2016</u>
REVENUES, GAINS, AND OTHER SUPPORT					
Contributions	\$ 248,328	\$ 602,674	\$ 349,858	\$ 1,200,860	\$ 922,606
Special Events	29,755	4,495	-	34,250	25,314
Interest and dividends	305,851	-	10,317	316,168	293,677
Realized gain on sale of investments	677,902	-	-	677,902	372,987
Unrealized Gain on investments	973,311	-	32,800	1,006,111	224,837
Miscellaneous income	52,279	6,447	570	59,296	4,720
Net assets released from restrictions	216,955	(216,955)	-	-	-
Total revenues and other support	<u>2,504,381</u>	<u>396,661</u>	<u>393,545</u>	<u>3,294,587</u>	<u>1,844,141</u>
EXPENSES					
Program services	771,924	-	-	771,924	1,894,842
Management & General	345,598	-	-	345,598	270,281
Fundraising	634,969	-	-	634,969	458,354
Total expenses	<u>1,752,491</u>	<u>-</u>	<u>-</u>	<u>1,752,491</u>	<u>2,623,477</u>
CHANGE IN NET ASSETS	751,890	396,661	393,545	1,542,096	(779,336)
NET ASSETS, BEGINNING OF YEAR	<u>4,015,877</u>	<u>1,646,991</u>	<u>6,871,450</u>	<u>12,534,318</u>	<u>13,313,654</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,767,767</u>	<u>\$ 2,043,652</u>	<u>\$ 7,264,995</u>	<u>\$ 14,076,414</u>	<u>\$ 12,534,318</u>

The accompanying notes are an integral part of the financial statements.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

WAYNE STATE FOUNDATION
(A COMPONENT UNIT OF THE NEBRASKA STATE COLLEGE SYSTEM)

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Other Support:				
Gifts/Contributions income	\$ 562,551	\$ 3,462,038	\$ 665,657	\$ 4,690,246
Interest and dividends	96,303	342,449	6,871	445,623
Net gain (loss) on investments	208,583	1,370,578	65,932	1,645,093
Other non gift income	2,059	65,244	2,088	69,391
Total revenue and other support	<u>869,496</u>	<u>5,240,309</u>	<u>740,548</u>	<u>6,850,353</u>
Assets released from restrictions/transfers	5,806,928	(5,846,171)	39,243	-
Expenses:				
General and administrative	295,487	-	-	295,487
Fundraising	304,320	-	-	304,320
Program expenses	5,920,815	-	-	5,920,815
Total expenses before amortization	<u>6,520,622</u>	<u>-</u>	<u>-</u>	<u>6,520,622</u>
Amortization of annuity contracts	13,822	-	71,492	85,314
Total expenses	<u>6,534,444</u>	<u>-</u>	<u>71,492</u>	<u>6,605,936</u>
Administrative support fee	166,361	(166,361)	-	-
Net increase (decrease) in net assets	308,341	(772,223)	708,299	244,417
Net assets, beginning of year	<u>3,166,040</u>	<u>9,325,606</u>	<u>17,188,103</u>	<u>29,679,749</u>
NET ASSETS, END OF YEAR	<u>\$ 3,474,381</u>	<u>\$ 8,553,383</u>	<u>\$ 17,896,402</u>	<u>\$ 29,924,166</u>

The accompanying notes are an integral part of the financial statements.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

WAYNE STATE FOUNDATION
(A COMPONENT UNIT OF THE NEBRASKA STATE COLLEGE SYSTEM)
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Other Support:				
Gifts/Contributions income	\$ 507,824	\$ 4,514,537	\$ 1,062,405	\$ 6,084,766
Interest and dividends	70,892	257,782	6,659	335,333
Net gain (loss) on investments	320,695	2,287,354	111,751	2,719,800
Other non gift income	14,105	130,993	3,286	148,384
Total revenue and other support	<u>913,516</u>	<u>7,190,666</u>	<u>1,184,101</u>	<u>9,288,283</u>
Assets released from restrictions/transfers	4,604,523	(4,638,195)	33,672	-
Expenses:				
General and administrative	242,802	-	-	242,802
Fundraising	302,972	-	-	302,972
Program expenses	4,829,207	-	-	4,829,207
Total expenses before amortization	<u>5,374,981</u>	<u>-</u>	<u>-</u>	<u>5,374,981</u>
Amortization of annuity contracts	14,327	-	70,329	84,656
Total expenses	<u>5,389,308</u>	<u>-</u>	<u>70,329</u>	<u>5,459,637</u>
Administrative support fee	152,447	(152,447)	-	-
Net increase in net assets	281,178	2,400,024	1,147,444	3,828,646
Net assets, beginning of year	<u>2,884,862</u>	<u>6,925,582</u>	<u>16,040,659</u>	<u>25,851,103</u>
NET ASSETS, END OF YEAR	<u>\$ 3,166,040</u>	<u>\$ 9,325,606</u>	<u>\$ 17,188,103</u>	<u>\$ 29,679,749</u>

The accompanying notes are an integral part of the financial statements.

NEBRASKA STATE COLLEGE SYSTEM – PRIMARY GOVERNMENT
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)
STATEMENTS OF CASH FLOWS
Fiscal Years Ended June 30, 2018 and 2017

	2018	2017 As Restated
Cash Flows From Operating Activities		
Tuition and Fees	\$ 30,896,361	\$ 30,838,026
Grants and Contracts	15,348,548	15,234,923
Payments to Suppliers	(29,228,621)	(31,224,777)
Payments for Utilities	(4,177,346)	(4,051,071)
Payments to Employees	(69,759,780)	(71,249,196)
Loans Issued to Students	(72,356)	(148,672)
Collections of Loans to Students	179,713	203,550
Sales and Services of Auxiliary Enterprises	17,299,984	17,327,505
Other Payments	(3,095,751)	(2,946,839)
	(42,609,248)	(46,016,551)
Net Cash Used in Operating Activities		
Cash Flows From Non-capital Financing Activities		
State Appropriations	51,091,162	50,357,756
Receipt of Flex Contributions	289,575	289,575
Payment of Flex Contributions	(272,605)	(292,834)
Direct Lending Receipts	30,915,747	31,427,557
Direct Lending Payments	(30,915,747)	(31,427,557)
Other Receipts (Payments)	(125,765)	(77,226)
	50,982,367	50,277,271
Net Cash Provided by Non-capital Financing Activities		
Cash Flows From Capital and Related Financing Activities		
Proceeds from Capital Debt	-	32,067,551
Capital Contributions	2,302,761	1,855,690
Purchase of Capital Assets	(21,987,274)	(23,293,579)
Disposal of Capital Assets	(30,524)	20,622
Principal Paid on Capital Debt	(4,476,240)	(16,309,410)
Interest Paid on Capital Debt	(2,559,793)	(2,483,583)
Bond Issuance Costs	-	(44,103)
Capital Facilities Fees	2,091,271	2,084,928
Other	(2,195)	32,402
Capital Appropriations	5,174,581	4,564,990
	(19,487,413)	(1,504,492)
Net Cash Used by Capital and Related Financing Activities		
Cash Flows From Investing Activities		
Purchase/Sale of Investments	-	(737,000)
Investment Income	1,514,490	1,357,255
	1,514,490	620,255
Net Cash Provided by Investing Activities		
Increase (Decrease) in Cash and Cash Equivalents	(9,599,804)	3,376,483
Cash and Cash Equivalents, Beginning of Year	86,220,971	82,844,488
Cash and Cash Equivalents, End of Year	\$ 76,621,167	\$ 86,220,971

(Continued)

NEBRASKA STATE COLLEGE SYSTEM – PRIMARY GOVERNMENT
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)
STATEMENTS OF CASH FLOWS
Fiscal Years Ended June 30, 2018 and 2017

	2018	2017 As Restated
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position		
Cash and Cash Equivalents	\$ 38,677,484	\$ 34,094,591
Restricted Cash and Cash Equivalents - Current	26,854,443	24,903,455
Restricted Cash and Cash Equivalents - Non-current	11,089,240	27,222,925
 Total Cash and Cash Equivalents	 \$ 76,621,167	 \$ 86,220,971
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities		
Operating Loss	(53,612,355)	\$ (53,969,636)
Depreciation Expense	9,426,904	8,277,124
Changes in Operating Assets and Liabilities:		
Receivables, Net	161,391	650,883
Inventories	9,946	6,082
Accounts Payable and Accrued Liabilities	1,592,834	(831,860)
Accrued Compensated Absences	(260,320)	8,691
Other Assets and Liabilities	72,352	(157,835)
 Net Cash Used in Operating Activities	 \$ (42,609,248)	 \$ (46,016,551)
Supplemental Cash Flows Information		
Accounts Payable Incurred for Capital Asset Purchases	\$ 4,152,138	\$ 2,544,777

(Concluded)

The accompanying notes are an integral part of the financial statements.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

CHADRON STATE FOUNDATION
(A COMPONENT UNIT OF THE NEBRASKA STATE COLLEGE SYSTEM)
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 2,909,513	\$ 2,431,251
Adjustments to Reconcile Increase (Decrease) in Net Assets		
To Net Cash Provided (Used) by Operating Activities		
Depreciation	526	1,952
Change in Allowance for Doubtful Accounts	(30,500)	22,000
Unrealized Loss (Gain) on Investments	(979,334)	(2,083,440)
Realized Loss (Gain) on Investments	54,140	315,055
Reinvested earnings on investments	(430,592)	(402,460)
Change in Estate Bequests	(969,000)	-
Change in Beneficial Interest in Annuity	1,902	2,656
Proceeds from Contributions Restricted for		
Investment in Named Endowments	(1,381,969)	(586,150)
(Increase) Decrease In:		
Contributions Receivable	(273,031)	(297,313)
Prepaid assets	1,375	(2,750)
Increase (Decrease) In:		
Accounts Payable	(253)	23
Accrued Salaries and Benefits	(39,723)	(80,701)
Scholarships Payable	(10,012)	(211,504)
Deferred Revenue	(1,902)	(2,656)
Due to Other Agencies	(25,183)	(431)
Net Cash Provided (Used) by Operating Activities	(1,174,043)	(894,468)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) Decrease in Cash Surrender Value of Life Insurance	(1,913)	(16,460)
Contributions to investment account	(57,843)	(36,924)
Distributions from investment account	240,000	495,000
Purchases of Certificates of Deposit	(9,894)	(755,809)
Net Cash Provided (Used) by Investing Activities	170,350	(314,193)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for		
Investment in Named Endowments	1,381,969	586,150
Net Cash Provided by Financing Activities	1,381,969	586,150
Net Increase (Decrease) in Cash and Cash Equivalents	378,276	(622,511)
Cash And Cash Equivalents, Beginning of Year	1,098,313	1,720,824
Cash And Cash Equivalents, End of Year	\$ 1,476,589	\$ 1,098,313
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash and Cash Equivalents - Unrestricted	1,476,589	1,070,890
Cash and Cash Equivalents - Restricted	-	27,423
Total Cash and Cash Equivalents	\$ 1,476,589	\$ 1,098,313

The accompanying notes are an integral part of the financial statements.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

PERU STATE COLLEGE FOUNDATION
(A COMPONENT UNIT OF THE NEBRASKA STATE COLLEGE SYSTEM)

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2017

(With comparative totals for 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,542,096	\$ (779,336)
Adjustments to reconcile change in net assets to net		
Cash from operating activities:		
Depreciation	4,668	1,164
Unrealized (gain)/loss on investments	(1,006,111)	(224,837)
Realized (Gain)/Loss on investments	(677,902)	(372,987)
(Increase)/decrease in unconditional promise to give	(65,392)	1,296
Dividends/interest on investment	(316,168)	-
Investment fees	102,716	-
Change in interest receivable	56	1,543
Change prepaid expenses	102,635	(100,000)
Change in accounts payable	(95,135)	42,858
Change in accrued compensation	(20,375)	(35,749)
Change in refundable deposits	927	(9,006)
NET CASH FROM OPERATING ACTIVITIES	(427,985)	(1,475,054)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investment sales	495,409	1,779,687
Purchase of investments	-	(990,851)
Purchase of Equipment	(26,753)	-
Purchase of real estate	(1,800)	-
Payments received on notes receivable	23,334	22,545
NET CASH FROM INVESTING ACTIVITIES	490,190	811,381
 CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on debt	(30,000)	(25,716)
NET CASH FROM FINANCING ACTIVITIES	(30,000)	(25,716)
 CHANGE IN CASH AND CASH EQUIVALENTS	32,205	(689,389)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	590,151	1,279,540
 CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 622,356	\$ 590,151

The accompanying notes are an integral part of the financial statements.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

WAYNE STATE FOUNDATION
(A COMPONENT UNIT OF THE NEBRASKA STATE COLLEGE SYSTEM)
STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

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

The accompanying notes are an integral part of the financial statements.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2018 and 2017

1. Summary of Significant Accounting Policies

Organization

The Nebraska State College System (NSCS) is a governmental institution established under and governed by the laws of the State of Nebraska. The NSCS operates under the jurisdiction of the Board of Trustees of the Nebraska State Colleges. The NSCS includes Chadron State College (CSC), Peru State College (PSC), Wayne State College (WSC), the NSCS Office, and the Nebraska State Colleges Facilities Corporation (a blended component unit). The NSCS is a component unit of the State of Nebraska (State) because it is financially accountable to the State. The financial statements include all funds of the NSCS. The major accounting principles and practices followed by the NSCS and its separately reported foundation component units are presented below to assist the reader in evaluating the financial statements and accompanying notes.

Reporting Entity

The NSCS has considered all potential component units for which it is financially accountable and other organizations that are fiscally dependent on the NSCS, or the significance of their relationship with the NSCS is such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the NSCS to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the NSCS. The NSCS is also considered financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the NSCS regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

As required by Generally Accepted Accounting Principles (GAAP), these financial statements present the NSCS and its component units. The component units are included in the NSCS reporting entity because of the significance of their operational or financial relationships with the NSCS.

Blended Component Unit

The Nebraska State Colleges Facilities Corporation (Corporation) is a nonprofit corporation incorporated in 1983 to finance the repair or construction of buildings or the acquisition of equipment for use by the NSCS. This component unit is included in the NSCS's reporting entity because of the significance of its operational or financial relationships with the NSCS. This component unit is an entity that is legally separate from the NSCS, but is so intertwined with the NSCS that it is, in substance, the same as the NSCS. Debt of the Corporation is expected to be repaid entirely with resources from either the NSCS or the State. Management of the NSCS also

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

has operational responsibility for the activities of the Corporation. The Corporation's balances and transactions are blended into the accompanying financial statements and reported in a manner similar to the balances and transactions of the NSCS itself. The separately issued audit report for the Corporation can be obtained by contacting the Nebraska State College System at 1327 H Street, Suite 200, Lincoln, Nebraska, 68508-3751.

Condensed statements showing NSCS and Corporation balances and transactions are as follows for fiscal year ended June 30, 2018:

Condensed Statement of Net Position

	<u>NSCS</u>	<u>Corporation</u>	<u>2018 Total</u>
Current Assets	\$ 66,509,881	\$ 2,333,843	\$ 68,843,724
Non-current Assets			
Capital Assets, Net	234,841,616	-	234,841,616
Other Non-current Assets	5,408,995	7,969,162	13,378,157
Total Assets	<u>306,760,492</u>	<u>10,303,005</u>	<u>317,063,497</u>
 Deferred Outflow of Resources	 <u>35,959</u>	 <u>-</u>	 <u>35,959</u>
 Current Liabilities	 14,341,329	 6,931,403	 21,272,732
Non-current Liabilities	43,797,009	32,730,834	76,527,843
Total Liabilities	<u>58,138,338</u>	<u>39,662,237</u>	<u>97,800,575</u>
 Deferred Inflow of Resources	 <u>-</u>	 <u>23,060</u>	 <u>23,060</u>
 Net Position			
Net Investment in Capital Assets	194,975,652	(31,185,075)	163,790,577
Restricted	24,306,239	1,802,783	26,109,022
Unrestricted	29,376,222	-	29,376,222
Total Net Position	<u>\$ 248,658,113</u>	<u>\$ (29,382,292)</u>	<u>\$ 219,275,821</u>

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	NSCS	Corporation	2018 Total
Operating Revenues			
Tuition and Fees, Net	\$ 30,798,783	\$ -	\$ 30,798,783
Federal and State Grants and Contracts	14,529,239	-	14,529,239
Private Grants and Contracts	798,969	-	798,969
Auxiliary Enterprises, Net	17,561,674	-	17,561,674
Other Operating Revenues	1,502,607	-	1,502,607
Total Operating Revenues	65,191,272	-	65,191,272
Operating Expenses			
Depreciation	9,426,904	-	9,426,904
Other Operating Expenses	109,376,723	-	109,376,723
Total Operating Expenses	118,803,627	-	118,803,627
Operating Loss	(53,612,355)	-	(53,612,355)
Non-operating Revenues (Expenses)			
State Appropriations	51,091,162	-	51,091,162
Investment Income	1,297,818	195,957	1,493,775
Interest on Capital Asset-Related Debt	(1,193,811)	(830,313)	(2,024,124)
Gain (Loss) on Disposal of Asset	(16,117)	-	(16,117)
Other Non-operating Revenues (Expenses)	(31,532)	(13,025)	(44,557)
Net Non-operating Revenues (Expenses)	51,147,520	(647,381)	50,500,139
Loss Before Other Revenues, Expenses, Or Gains (Losses)	(2,464,835)	(647,381)	(3,112,216)
Other Revenues (Expenses) or Gains (Losses)			
Capital Facilities Fee	2,102,454	-	2,102,454
Capital Contributions	2,975,634	-	2,975,634
Operating Transfers In (Out)	12,672,445	(12,672,445)	-
Capital Appropriations and Grants	4,049,581	1,125,000	5,174,581
Net Other Revenues (Expenses) Or Gains (Losses)	21,800,114	(11,547,445)	10,252,669
Increase (Decrease) in Net Position	19,335,279	(12,194,826)	7,140,453
Net Position, Beginning of Year	229,322,834	(17,187,466)	212,135,368
Net Position, End of Year	\$ 248,658,113	\$ (29,382,292)	\$ 219,275,821

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

Condensed Statement of Cash Flows

	<u>NSCS</u>	<u>Corporation</u>	<u>2018 Total</u>
Cash Flows from Operating Activities	\$ (42,609,248)	\$ -	\$ (42,609,248)
Cash Flows from Non-capital Financing Activities	50,982,367	-	50,982,367
Cash Flows from Capital and Related Financing Activities	(6,737,306)	(12,750,107)	(19,487,413)
Cash Flows from Investing Activities	1,315,991	198,499	1,514,490
Increase (Decrease) in Cash and Cash Equivalents	2,951,804	(12,551,608)	(9,599,804)
Cash and Cash Equivalents, Beginning of Year	63,472,578	22,748,393	86,220,971
Cash and Cash Equivalents, End of Year	\$ 66,424,382	\$ 10,196,785	\$ 76,621,167

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

Condensed statements showing NSCS and Corporation balances and transactions are as follows for fiscal year ended June 30, 2017:

Condensed Statement of Net Position

	NSCS		2017 Total
	As Restated	Corporation	As Restated
Current Assets	\$ 60,156,930	\$ 1,756,736	\$ 61,913,666
Non-current Assets			
Capital Assets, Net	220,659,478	-	220,659,478
Other Non-current Assets	8,577,329	21,111,249	29,688,578
Total Assets	<u>289,393,737</u>	<u>22,867,985</u>	<u>312,261,722</u>
Deferred Outflow of Resources	<u>39,737</u>	<u>-</u>	<u>39,737</u>
Current Liabilities	13,287,594	3,568,745	16,856,339
Non-current Liabilities	46,823,046	36,452,351	83,275,397
Total Liabilities	<u>60,110,640</u>	<u>40,021,096</u>	<u>100,131,736</u>
Deferred Inflow of Resources	<u>-</u>	<u>34,355</u>	<u>34,355</u>
Net Position			
Net Investment in Capital Assets	180,904,423	(18,397,966)	162,506,457
Restricted	21,608,777	1,210,500	22,819,277
Unrestricted	26,809,634	-	26,809,634
Total Net Position	<u>\$ 229,322,834</u>	<u>\$ (17,187,466)</u>	<u>\$ 212,135,368</u>

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	NSCS As Restated	Corporation	2017 Total As Restated
Operating Revenues			
Tuition and Fees, Net	\$ 30,618,960	\$ -	\$ 30,618,960
Federal and State Grants and Contracts	13,938,455	-	13,938,455
Private Grants and Contracts	1,217,839	-	1,217,839
Auxiliary Enterprises, Net	17,395,090	-	17,395,090
Other Operating Revenues	1,445,984	-	1,445,984
Total Operating Revenues	64,616,328	-	64,616,328
Operating Expenses			
Depreciation	8,277,124	-	8,277,124
Other Operating Expenses	110,308,840	-	110,308,840
Total Operating Expenses	118,585,964	-	118,585,964
Operating Loss	(53,969,636)	-	(53,969,636)
Non-operating Revenues (Expenses)			
State Appropriations	50,357,756	-	50,357,756
Investment Income	1,342,614	20,349	1,362,963
Interest on Capital Asset-Related Debt	(872,381)	(382,418)	(1,254,799)
Gain on Disposal of Asset	20,733	-	20,733
Bond Issuance Costs	(44,103)	(339,993)	(384,096)
Other Non-operating Revenues (Expenses)	2,057	(16,278)	(14,221)
Net Non-operating Revenues (Expenses)	50,806,676	(718,340)	50,088,336
Loss Before Other Revenues, Expenses, Or Gains (Losses)	(3,162,960)	(718,340)	(3,881,300)
Other Revenues (Expenses) or Gains (Losses)			
Capital Facilities Fee	2,093,812	-	2,093,812
Capital Contributions	1,855,690	-	1,855,690
Operating Transfers In (Out)	(704,863)	704,863	-
Capital Appropriations and Grants	3,439,990	1,125,000	4,564,990
Net Other Revenues (Expenses) Or Gains (Losses)	6,684,629	1,829,863	8,514,492
Increase in Net Position	3,521,669	1,111,523	4,633,192
Net Position, Beginning of Year	225,801,165	(18,298,989)	207,502,176
Net Position, End of Year	\$ 229,322,834	\$ (17,187,466)	\$ 212,135,368

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

Condensed Statement of Cash Flows

	NSCS	Corporation	2017 Total
	As Restated		As Restated
Cash Flows from Operating Activities	\$ (46,016,551)	\$ -	\$ (46,016,551)
Cash Flows from Non-capital Financing Activities	50,277,271	-	50,277,271
Cash Flows from Capital and Related Financing Activities	(19,575,531)	18,071,039	(1,504,492)
Cash Flows from Investing Activities	<u>607,327</u>	<u>12,928</u>	<u>620,255</u>
Increase (Decrease) in Cash and Cash Equivalents	(14,707,484)	18,083,967	3,376,483
Cash and Cash Equivalents, Beginning of Year	<u>78,180,062</u>	<u>4,664,426</u>	<u>82,844,488</u>
Cash and Cash Equivalents, End of Year	<u>\$ 63,472,578</u>	<u>\$ 22,748,393</u>	<u>\$ 86,220,971</u>

Discretely Presented Component Units

In implementing GASB Statement No. 39, the NSCS determined Chadron State, Peru State College, and Wayne State Foundations (Foundations) are legally separate, tax-exempt nonprofit foundations incorporated in the State of Nebraska. The Foundations act primarily as fund-raising organizations to supplement the resources available to each Foundation's respective College in support of its programs. Although the Colleges do not control the timing or amount of receipts from the Foundations, the majority of resources or income the Foundations hold and invest is restricted to the activities of each Foundation's respective College by its donors. Because these restricted resources held by the Foundations can only be used by, or for the benefit of, their respective Colleges, the Foundations are considered component units of the NSCS and are discretely presented on separate pages in this report.

The Foundations report under Financial Accounting Standards Board (FASB) standards, including FASB Accounting Standards Codification (ASC) 958-205, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition and presentation features. No modifications have been made to the Foundations' audited financial information as it is presented (see Note 13).

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

During the years ended June 30, 2018 and 2017, Chadron State, Wayne State, and Peru State College Foundations distributed \$678,255, \$5,720,892, and \$449,151; and \$1,047,218, \$4,475,833 and \$1,217,802, respectively, to their Colleges for both restricted and unrestricted purposes. These distributions also included scholarships to students. Separate audit reports were issued by each foundation and can be obtained from their respective administrative offices or by contacting the Nebraska State College System at 1327 H Street, Suite 200, Lincoln, Nebraska 68508-3751.

Basis of Accounting and Presentation

The NSCS statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by GASB. GASB issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*. The NSCS follows the “business-type” activities reporting format of GASB Statement No. 34. This reporting format requires the following elements:

- Management’s Discussion and Analysis
- Basic Financial Statements:
 - Statement of Net Position
 - Statement of Revenues, Expenses, and Changes in Net Position
 - Statement of Cash Flows
- Notes to Financial Statements

The financial statements of the NSCS have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from non-exchange activities are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements unless they relate to services provided and used internally. Operating revenues and expenses include exchange transactions and program-specific, government-mandated non-exchange transactions. Government-mandated non-exchange transactions that are not program-specific (such as State appropriations), investment income, and interest on capital asset-related debt are included in non-operating revenues and expenses. The NSCS first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Unrestricted Net Position – Net position not subject to stipulation, including designated departmental balances, encumbrances, and working capital funds.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

Restricted Net Position – Net position restricted by creditors, grantors, or contributors and includes grant and research funds, student loan programs, funds for plant construction, and debt service on bond obligations.

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 the reported amounts of assets and liabilities and disclosure of contingent assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenses, and other changes in net position during the reporting period. Actual results could differ from those estimates.

Reclassifications

The non-current portion of restricted cash and cash equivalents, along with the net position of the NSCS, include reclassifications for the Corporation's current restricted cash and cash equivalents of \$6,533,644 and unrestricted net position deficit of \$31,185,075 in 2018. Reclassifications for 2017 included the Corporation's current restricted cash and cash equivalents of \$19,664,900 and unrestricted net position deficit of \$18,397,966. Although the Corporation issues debt to finance construction and renovation projects, the assets that are constructed and/or renovated using Corporation debt are owned by the NSCS. In order to properly present the NSCS's non-current restricted cash and cash equivalents and net investment in capital assets, a portion of the current restricted cash and cash equivalents and the unrestricted net position of the Corporation is reclassified when blended with the NSCS. Additionally, when blended with the NSCS, \$511,823 of interest expense related to Corporation debt was capitalized in 2017. There was no capitalization of interest expense in 2018 due to the early implementation of GASB 89.

Certain other reclassifications have been made to the 2017 financial statements to conform to the 2018 financial presentation. These reclassifications had no effect on change in net position.

Cash and Cash Equivalents

The NSCS cash and cash equivalents are stated at cost. Cash and cash equivalents held by the Nebraska State Treasurer are deposited on a pooled basis in a State fund. Income earned by the pool is allocated to the NSCS based upon average daily balances. From time to time, the Nebraska State Investment Officer, as allowed by statute, participates in securities lending transactions, which makes use of amounts on deposit from the NSCS. Securities lending transactions cannot be specifically identified to amounts on deposit from the NSCS and, as such, are not included in the financial statements for the year ended June 30, 2018 and 2017.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

The NSCS considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2018 and 2017, cash equivalents consisted primarily of money market accounts with brokers.

Restricted cash and cash equivalents consist mainly of funds held by the trustee, which are restricted by bond covenants. Remaining restricted cash and cash equivalents are either restricted by outside sources or legislatively restricted for certain purposes.

Income Tax Status

As a State institution, the income of the NSCS is generally exempt from Federal and State income taxes under Section 115(a) of the Internal Revenue Code and provisions of State law. However, the NSCS is subject to Federal income tax on any unrelated business taxable income.

Investments and Investment Income

NSCS investments, including those held by a trustee and restricted by bond covenants, are carried at fair value. Fair value is determined using quoted market prices.

Investment income consists of interest income and the net change for the year in the fair value of investments carried at fair value.

Accounts Receivable

The NSCS's accounts receivable consist mainly of tuition and fee charges to students and charges for auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible amounts was \$1,476,042 and \$1,444,551 at June 30, 2018 and 2017, respectively, and is identified by College as follows:

	<u>2018</u>	<u>2017</u>
CSC	\$ 832,885	\$ 846,310
PSC	456,494	393,583
WSC	164,226	189,448
NSCS Office	22,437	15,210

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

Unamortized Bond Premiums and Discounts

The NSCS's bond premiums and discounts on the revenue bond and Corporation bond issues are being amortized over the life of the bonds using the straight-line method. Total amortization for the year ended June 30, 2018 and 2017, was \$515,418 and \$557,651 for premiums and \$12,155 and \$12,154 for discounts, respectively, and it is identified by College as follows:

	2018		2017	
	Premiums	Discounts	Premiums	Discounts
CSC	\$ 2,787	\$ 4,768	\$ 2,787	\$ 4,768
PSC	-	4,941	-	4,940
WSC	6,114	2,446	6,114	2,446
NSCS Office	506,517	-	548,750	-
Total	\$ 515,418	\$ 12,155	\$ 557,651	\$ 12,154

Inventories

The NSCS's inventories, consisting mainly of expendable supplies, are stated at cost. Cost is determined using the first-in, first-out (FIFO) method.

Loans to Students

The NSCS makes loans to students under the Federal Perkins Loan Program; also, small temporary loans are provided to students from the Foundations. Such loans receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible loans was \$105,008 and \$97,369 at June 30, 2018 and 2017, respectively, at Wayne State College.

Capital Assets

The NSCS's capital assets are recorded at cost as of the date of acquisition, or acquisition value at the date of donation if acquired by gift. The NSCS follows the capitalization policy set forth by the Board. Generally, equipment that has a cost in excess of \$5,000 at the date of acquisition and has an expected useful life of two or more years is capitalized. Also, all land, buildings, infrastructure, and construction in progress are capitalized if they are expected to meet the NSCS's capitalization threshold as dictated by the capitalization policy. Prior to fiscal year 2018, interest cost incurred during the construction phase of capital assets was included as part of the capitalized value of the assets constructed. For 2018, NSCS adopted GASB 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires such costs to be expensed in the period incurred. GASB 89 provisions have been applied prospectively in accordance with the transition provisions of the pronouncement. Accordingly, adoption of GASB 89 had no effect on beginning net position at July 1, 2016, or change in net position for the year ended June 30, 2017. Art objects, specimens, artifacts and collections, including library materials, are expensed so long as the items meet three conditions in accordance with GASB Statement No. 34. Depreciation/amortization is computed using the straight-line method over the estimated useful life of each asset beginning with the month of purchase. The following estimated useful lives are being used by the NSCS:

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

Buildings and improvements	25 – 50 years
Infrastructure	10 – 30 years
Furniture, fixtures, and equipment	3 – 10 years

Deferred Outflows of Resources and Deferred Inflows of Resources

A deferred outflow of resources is a consumption of net position by the NSCS that is applicable to a future reporting period, and a deferred inflow of resources is an acquisition of net position by the NSCS that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the Statements of Net Position but are not recognized in the financial statements as revenues and expenses until the period(s) to which they relate. Deferred inflows and outflows of resources of the NSCS consist of unamortized bond refunding amounts.

Compensated Absences

The NSCS's policies permit most employees to accumulate vacation benefits. Staff earn 12 to 25 days of vacation each year and may accrue vacation up to the maximums established in Board policy and/or in the respective bargaining agreements. An employee's accrued vacation is paid out to the employee upon termination. Expense and the related liability are recognized as vacation benefits when earned, whether the employee is expected to realize the benefit as time off or cash. In addition, professional and support staff receive a cash payment of one-fourth of accrued sick leave upon retirement from the NSCS. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as an expense when the time off occurs.

Unearned Revenue

Unearned revenue represents unearned student tuition and fees, advances on grants and contract awards for which the NSCS has not met all of the applicable eligibility requirements, and longevity bonus revenues and investment (improvement) revenues from food service and/or vending contractors, which are being amortized over the life of the contracts.

Classification of Revenues

The NSCS has classified its revenues as either operating or non-operating revenues according to the following criteria.

Operating revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises, and (3) interest on student loans.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Concluded)

Non-operating revenues – Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as State appropriations and investment income.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances and institutional waiver allowances in the Statements of Revenues, Expenses, and Changes in Net Position. Such allowances are the difference between the stated charge for goods and services provided by the NSCS and the amount that is paid by students and/or third parties making payments on the students' behalf.

Certain governmental grants, such as Pell grants, and other Federal, State, or non-governmental programs, are recorded as operating revenues in the NSCS's financial statements. To the extent revenues from such programs are used to satisfy tuition and fees and other student charges, the NSCS has recorded a scholarship allowance.

The NSCS has elected to adopt, for calculation of scholarship allowances, an allocation methodology provided in the National Association of College and University Business Officers (NACUBO) industry guidance (student institutional waivers, which are also netted similar to scholarship allowances, continue to be based on actual contra-account financial activity). The scholarship allowances and institutional waivers on tuition and fees and auxiliary enterprises for the year ended June 30, 2018 and 2017, as calculated under the NACUBO method, were \$12,363,774 and \$4,597,810; and \$11,351,727 and \$4,179,177, respectively, and are identified by College as follows:

	2018		2017	
	Tuition and Fees	Auxiliary Enterprises	Tuition and Fees	Auxiliary Enterprises
CSC	\$ 4,171,896	\$ 1,511,466	\$ 3,987,648	\$ 1,365,042
PSC	3,057,010	1,094,242	2,857,093	1,005,928
WSC	5,134,868	1,992,102	4,506,986	1,808,207

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

2. Deposits, Investments, and Investment Return

Deposits

Per Board policy and State statute, all money received by the NSCS must be paid over to the State Treasurer, except that each College may retain in its possession a sum to make settlement and equitable adjustments with students so entitled, to make payments for day-to-day operations calling for immediate payment, and to provide for contingencies. All funds not paid over to the State Treasurer must be maintained in an interest-bearing account, such as a money market fund account. The NSCS has no policy regarding custodial credit risk for deposits.

All of the NSCS's deposits are either insured or collateralized. By State statute, the State Treasurer is required to ensure that all State funds are either insured by Federal Deposit Insurance Corporation (FDIC), collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The NSCS's deposits with the State Treasurer are pooled with the funds of other State agencies and then, in accordance with statutory limitations, deposited in banks or invested as the State Treasurer may determine. Interest on funds held by the State Treasurer is periodically disbursed to the participating agencies. These funds are considered to be cash and cash equivalents, which are available for expenditures as needed.

At June 30, 2018 and 2017, cash and cash equivalents of \$64,279,748 and \$54,549,091, respectively, on the Statements of Net Position represents the NSCS's equity position in the State Treasurer's Short-Term Investment Pool (STIP). Additional information on the deposit and investment risk associated with the State Treasurer's Investment Pool is included in the State of Nebraska's Comprehensive Annual Financial Report (CAFR). A copy of this report may be obtained on the Nebraska Department of Administrative Services' (DAS) website at das.nebraska.gov. Information may also be obtained by writing to DAS, 1526 K Street, Suite 240, Lincoln, NE 68508, or by calling 402-471-6500.

Cash on hand at June 30, 2018 and 2017, was \$6,750 and \$6,750, respectively. The carrying amount of the NSCS's deposits not with the State Treasurer at June 30, 2018 and 2017, were \$2,005,638 and \$1,998,121, respectively, and the bank balances were \$2,003,690 and \$1,990,548, respectively. Of the carrying amounts noted above, \$121,283 and \$128,228, respectively, were covered by FDIC or collateral held in the NSCS's name. The remaining carrying amounts were covered by collateral held in the trustee's name.

Investments

Management of the assets of the Corporation, the revenue bond program, and the Flex Spending program is delegated to the trustees appointed by the Corporation Board of Directors or the NSCS Board of Trustees. All investments are held by the trustees and invested in accordance with the bond resolutions and Flex Spending custodial agreements. The bond resolutions and Flex custodial agreements allow investment of bond proceeds and employee flexible spending accounts in various securities and obligations, including: U.S. government and U.S. agency obligations; bonds, notes or other obligations of the State or any political subdivision thereof; bank repurchase agreements; certificates of deposit or other securities or investments within the State investing guidelines.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

2. Deposits, Investments, and Investment Return (Continued)

The NSCS's investments consisted of money market mutual funds and debt securities. At June 30, 2018 and 2017, money market mutual funds totaling \$10,329,031 and \$29,667,009, respectively, were held by the trustees, and had weighted average maturities of 8-46 days and 37-53 days, respectively. All money market mutual funds were reported as cash equivalents.

At June 30, 2018, the NSCS had the following securities and maturities:

	Fair Value	Maturities in Years		
		Less than 1	1-5	6-10
Investment type:				
Debt securities:				
FNMA	\$ 602,259	\$ -	\$ 602,259	\$ -
Fixed income:				
Negotiable CD	717,036	-	717,036	-
Total	\$ 1,319,295	\$ -	\$ 1,319,295	\$ -

At June 30, 2017, the NSCS had the following securities and maturities:

	Fair Value	Maturities in Years		
		Less than 1	1-5	6-10
Investment type:				
Debt securities:				
FNMA	\$ 604,238	\$ -	\$ 604,238	\$ -
Fixed income:				
Negotiable CD	740,968	-	740,968	-
Total	\$ 1,345,206	\$ -	\$ 1,345,206	\$ -

All debt securities are classified in Level 1 of the fair value hierarchy and are valued using prices quoted in active markets for those securities. Negotiable certificates of deposit were classified in Level 2 of the fair value hierarchy description of valuation technique and are valued using quoted prices for markets that are not active.

Interest Rate Risk. The NSCS does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The NSCS may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. Two money market mutual funds are rated Aaa-mf by Moody's and AAAM by S&P, and the other is rated Aaa by Moody's and AAAM by S&P. The one investment in the Federal National Mortgage Association is rated Aaa by Moody's and AA+ by S&P. The investments in negotiable certificate of deposits are unrated.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

2. Deposits, Investments, and Investment Return (Concluded)

Concentration of Credit Risk. The NSCS places no limit on the amount that may be invested in any one issuer. Of the NSCS's investments, 88% and 95% were in U.S. Treasury Money Market Funds, 1% and 1% were in Government Money Market Funds, 5% and 2% were in Federal National Mortgage Association Securities, and 6% and 2% were in negotiable certificate of deposits at June 30, 2018 and 2017, respectively.

Custodial Risk. For an investment, custodial risk is the risk that, in the event of failure of the counterparty, the NSCS will be able to recover the value of its investments that are in the possession of an outside party. The NSCS does not have a formal policy for custodial credit risk. All securities are held by the investment's counterparty, not in the name of the NSCS.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the Statements of Net Position, as follows:

	<u>2018</u>	<u>2017</u> <u>As Restated</u>
Carrying Value		
Cash	\$ 6,750	\$ 6,750
Deposits:		
Bank Deposits	2,005,638	1,998,121
Short Term Investment Pool	64,279,748	54,549,091
Trustee Debt Securities	602,259	604,238
Trustee Money Market Mutual Funds	10,329,031	29,667,009
Negotiable Certificates of Deposit	717,036	740,968
Total as of June 30	<u>\$ 77,940,462</u>	<u>\$ 87,566,177</u>
Included in the Statements of Net Position		
Cash and Cash Equivalents	\$ 38,677,484	\$ 34,094,591
Restricted Cash and Cash Equivalents	37,943,683	52,126,380
Restricted Investments	1,319,295	1,345,206
Total	<u>\$ 77,940,462</u>	<u>\$ 87,566,177</u>

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

3. Capital Assets

The NSCS capital assets activity for the year ended June 30, 2018, was:

Capital Assets

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 1,116,493	\$ 8,140	\$ -	\$ -	\$ 1,124,633
Building and Improvements	248,663,659	717,887	(296,574)	22,443,202	271,528,174
Infrastructure	34,115,415	99,130	(7,688)	2,764,567	36,971,424
Furniture, Fixtures, and Equipment	18,135,901	467,685	(179,671)	-	18,423,915
Construction in Progress	26,890,974	22,365,413	-	(25,207,769)	24,048,618
Total Capital Assets	<u>\$ 328,922,442</u>	<u>\$ 23,658,255</u>	<u>\$ (483,933)</u>	<u>\$ -</u>	<u>\$ 352,096,764</u>

Accumulated Depreciation

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Building and Improvements	\$ (78,992,760)	\$ (6,302,454)	\$ 267,103	\$ -	\$ (85,028,111)
Infrastructure	(16,303,131)	(1,537,567)	-	-	(17,840,698)
Furniture, Fixtures, and Equipment	(12,967,073)	(1,586,883)	167,617	-	(14,386,339)
Total Accumulated Depreciation	<u>(108,262,964)</u>	<u>(9,426,904)</u>	<u>434,720</u>	<u>-</u>	<u>(117,255,148)</u>
Net Capital Assets	<u>\$ 220,659,478</u>	<u>\$ 14,231,351</u>	<u>\$ (49,213)</u>	<u>\$ -</u>	<u>\$ 234,841,616</u>

Net Capital Assets by College

	CSC	PSC	WSC	NSCS Office	Total
Land	\$ 49,395	\$ 17,761	\$ 1,057,477	\$ -	\$ 1,124,633
Building and Improvements	48,178,639	50,778,054	87,543,370	-	186,500,063
Infrastructure	3,868,697	4,845,399	10,416,630	-	19,130,726
Furniture, Fixtures, and Equipment	1,191,397	478,188	861,762	1,506,229	4,037,576
Construction in Progress	5,467,663	4,978,674	13,602,281	-	24,048,618
Net Capital Assets	<u>\$ 58,755,791</u>	<u>\$ 61,098,076</u>	<u>\$ 113,481,520</u>	<u>\$ 1,506,229</u>	<u>\$ 234,841,616</u>

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

3. Capital Assets (Continued)

The NSCS capital assets activity for the year ended June 30, 2017, was:

Capital Assets

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
Land	\$ 1,102,993	\$ 13,500	\$ -	\$ -	\$ 1,116,493
Building and Improvements	229,506,488	-	(369,520)	19,526,691	248,663,659
Infrastructure	30,246,475	-	-	3,868,940	34,115,415
Furniture, Fixtures, and Equipment	17,929,117	391,466	(298,364)	113,682	18,135,901
Construction in Progress	26,035,368	24,483,223	(118,304)	(23,509,313)	26,890,974
Total Capital Assets	<u>\$ 304,820,441</u>	<u>\$ 24,888,189</u>	<u>\$ (786,188)</u>	<u>\$ -</u>	<u>\$ 328,922,442</u>

Accumulated Depreciation

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
Building and Improvements	\$ (74,562,835)	\$ (5,391,135)	\$ 369,520	\$ 591,690	\$ (78,992,760)
Infrastructure	(14,481,788)	(1,229,653)	-	(591,690)	(16,303,131)
Furniture, Fixtures, and Equipment	(11,607,711)	(1,656,337)	296,975	-	(12,967,073)
Total Accumulated Depreciation	<u>(100,652,334)</u>	<u>(8,277,125)</u>	<u>666,495</u>	<u>-</u>	<u>(108,262,964)</u>
Net Capital Assets	<u>\$ 204,168,107</u>	<u>\$ 16,611,064</u>	<u>\$ (119,693)</u>	<u>\$ -</u>	<u>\$ 220,659,478</u>

Net Capital Assets by College

	<u>CSC</u>	<u>PSC</u>	<u>WSC</u>	<u>NSCS Office</u>	<u>Total</u>
Land	\$ 49,395	\$ 17,761	\$ 1,049,337	\$ -	\$ 1,116,493
Building and Improvements	49,666,904	42,603,593	77,400,402	-	169,670,899
Infrastructure	4,140,522	5,217,532	8,454,230	-	17,812,284
Furniture, Fixtures, and Equipment	1,362,585	483,676	938,194	2,384,373	5,168,828
Construction in Progress	812,301	10,244,106	15,834,567	-	26,890,974
Net Capital Assets	<u>\$ 56,031,707</u>	<u>\$ 58,566,668</u>	<u>\$ 103,676,730</u>	<u>\$ 2,384,373</u>	<u>\$ 220,659,478</u>

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

3. Capital Assets (Concluded)

Interest costs capitalized, net of related interest income, was \$0 due to early implementation of GASB 89 (Note 1) for the fiscal year ended June 30, 2018, and \$885,084 for the fiscal year ended 2017.

4. Accounts Payable and Accrued Liabilities

The NSCS accounts payable and accrued liabilities are presented in aggregate in the financial statements at June 30, and consist of the following:

	2018			
	Payroll and Withholdings	Payables to Vendors	Payable to Other Government	Total Payables
CSC	1,402,568	594,476	-	1,997,044
PSC	707,878	461,479	-	1,169,357
WSC	1,871,482	3,141,124	-	5,012,606
NSCS Office	-	4,592,566	134,218	4,726,784
Total	3,981,928	8,789,645	134,218	12,905,791
	2017			
	Payroll and Withholdings	Payables to Vendors	Payable to Other Government	Total Payables
CSC	1,414,248	1,121,072	-	2,535,320
PSC	711,365	1,312,528	-	2,023,893
WSC	1,915,348	2,313,688	-	4,229,036
NSCS Office	-	713,790	203,371	917,161
Total	4,040,961	5,461,078	203,371	9,705,410

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

5. Long-term Liabilities

The following is a summary of long-term obligation transactions for the NSCS for the year ended June 30, 2018:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Loan Obligations					
Payable	\$ 49,147	\$ -	\$ (24,151)	\$ 24,996	\$ 24,996
Master Lease Payable	548,876	-	(230,621)	318,255	215,779
Revenue and Refunding					
Bonds	44,150,000	-	(1,740,000)	42,410,000	2,060,000
Corporation Bonds	35,360,000	-	(2,635,000)	32,725,000	3,215,000
Total Long-term					
Debt	80,108,023	-	(4,629,772)	75,478,251	5,515,775
Accrued Compensated					
Absences	4,186,739	165,894	(426,214)	3,926,419	569,904
Unamortized Bond					
Premium	3,935,322	-	(515,418)	3,419,904	-
Unamortized Bond					
Discount	(223,206)	-	12,155	(211,051)	-
Other Liabilities	610,135	111,287	(360,711)	360,711	360,711
Total Other Long-term					
Liabilities	8,508,990	277,181	(1,290,188)	7,495,983	930,615
Total Long-term					
Liabilities	<u>\$ 88,617,013</u>	<u>\$ 277,181</u>	<u>\$ (5,919,960)</u>	<u>\$ 82,974,234</u>	<u>\$ 6,446,390</u>

The following is a summary of long-term obligation transactions for the NSCS for the year ended June 30, 2017:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Loan Obligations					
Payable	\$ 72,481	\$ -	\$ (23,334)	\$ 49,147	\$ 24,151
Master Lease Payable	776,450	-	(227,574)	548,876	230,621
Revenue and Refunding					
Bonds	45,590,000	2,865,000	(4,305,000)	44,150,000	1,740,000
Corporation Bonds	20,610,000	26,655,000	(11,905,000)	35,360,000	2,635,000
Total Long-term					
Debt	67,048,931	29,520,000	(16,460,908)	80,108,023	4,629,772
Accrued Compensated					
Absences	3,994,281	536,758	(344,300)	4,186,739	351,133
Unamortized Bond					
Premium	1,528,992	2,963,981	(557,651)	3,935,322	-
Unamortized Bond					
Discount	(235,360)	-	12,154	(223,206)	-
Other Liabilities	920,225	12,160	(322,250)	610,135	360,711
Total Other Long-term					
Liabilities	6,208,138	3,512,899	(1,212,047)	8,508,990	711,844
Total Long-term					
Liabilities	<u>\$ 73,257,069</u>	<u>\$ 33,032,899</u>	<u>\$ (17,672,955)</u>	<u>\$ 88,617,013</u>	<u>\$ 5,341,616</u>

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

5. **Long-term Liabilities** (Continued)

Termination Benefits

The NSCS has two programs for support staff in the Nebraska Association of Public Employees Local 61 of the American Federation of State, County, and Municipal Employees (NAPE/AFSCME) bargaining unit and support staff excluded from the NAPE/AFSCME bargaining unit, which must be accounted for under GASB Statement No. 47, *Accounting for Termination Benefits*, the Voluntary Retirement Settlement Program and the Early Retirement Incentive Program.

Under the voluntary retirement settlement program, an eligible employee who is 55 years of age or more on July 1 of the year in which he or she chooses to retire, and has 10 or more years of consecutive service within the NSCS, will be paid one-quarter of his or her final year base salary in 12 equal monthly installments following termination of employment. In addition, employees will be permitted to remain in the group medical and dental insurance plan offered retirees by Blue Cross/Blue Shield at the time of the employee's retirement. The NSCS will pay the employee's health/dental insurance (State and employee burden) costs for the 12-month period following termination of employment. If the retired employee reaches the age of 65 at any time during the 12-month period, at which time eligibility to participate in the Blue Cross/Blue Shield retiree plan ceases, the NSCS will pay an amount equivalent to the full cost of the 65 Gold Plus Medicare Supplemental Plan or the Retired BlueSenior Classic Plan offered by the Nebraska State Education Association (NSEA) for the payout period remaining. Under the current bargaining agreement and Board policy, this plan was only available to those employees who retired on June 30, 2018. Similar voluntary retirement settlement programs were also offered to support staff in the NAPE/AFSCME bargaining unit who retired on specific days in the past.

Under the early retirement incentive program, eligible employees who have completed at least 10 years of continuous service within the NSCS and are 60 years of age or older will be paid premiums in the group medical and dental health insurance program offered retirees by Blue Cross/Blue Shield at the time of the eligible employees' retirement. The payment of premiums will continue until the retired employees become eligible for coverage under the Federal Medicare program, at which time the paid premiums will cease.

At June 30, 2018, five employees at CSC, one employee at PSC, and four employees at WSC were participating in the NSCS's voluntary/early retirement programs. As of June 30, 2017, four employees at CSC, one employee at PSC, and two employees at WSC were participating. Liability amounts associated with these retirements are shown below. Liability amounts are reflected in the accrued compensated absences line item on the Statements of Net Position and the long-term liability schedule above. All termination benefits are shown at present cost.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

5. Long-term Liabilities (Continued)

	2018		2017	
	Ending Balance	Current Portion	Ending Balance	Current Portion
CSC	\$ 62,999	\$ 53,933	\$ 55,504	\$ 38,117
PSC	18,830	10,461	50,212	16,737
WSC	63,502	42,068	32,061	13,044
Total	\$ 145,331	\$ 106,462	\$ 137,777	\$ 67,898

Student Fees and Facilities Revenue Bonds Series 2011

In November 2010, the NSCS Board of Trustees authorized the issuance of \$3,600,000 of Student Fees and Facilities Revenue Bond Series 2011. The purpose of the issuance was to finance improvements to PSC's Morgan Hall. Under the bond resolution for Student Fees and Facilities Bonds, revenues and earnings derived from operations of all revenue facilities and special student fees are pledged for payment of the principal amount of the bonds. The bonds are not obligations of the State of Nebraska, and no tax funds may be appropriated for payment of principal and interest. The \$3,600,000 in bonds bears interest at rates from 0.75% to 5.05%, with payments due from fiscal years 2012 to 2032. Bonds maturing on or after July 1, 2017, could be redeemed, in part or in whole, on or after July 1, 2016.

On December 19, 2016, PSC's outstanding Revenue Bonds, Series 2011 principal was called using proceeds from the issuance of Revenue Refunding Bonds, Series 2016C.

Student Fees and Facilities Revenue Refunding Bonds Series 2012

In April 2012, the NSCS Board of Trustees authorized the issuance of \$8,750,000 of Student Fees and Facilities Revenue Refunding Bonds Series 2012. The purpose of the issuance was to redeem in full the outstanding principal amount of the Student Fees and Facilities Revenue and Refunding Bonds Series 2002. On July 1, 2012, the net proceeds from Series 2012 bonds were used to redeem the Series 2002 bonds. This advanced refunding reduced total debt service payments over the remaining 15 years by \$2,264,673. Bond refunding resulted in an estimated economic gain of \$1,515,352. The difference between the reacquisition price and the net carrying amount of the old debt has been deferred and is amortized over the remaining life of the new debt, which is the same as the life of the refunded debt. Under the bond resolution for Student Fees and Facilities Bonds, revenues and earnings derived from operations of all revenue facilities and special student fees are pledged for payment of the principal and interest amounts of the bonds. The bonds are not obligations of the State of Nebraska, and no tax funds may be appropriated for payment of principal and interest. The amounts for WSC's and PSC's portions of the bond obligations were \$6,045,000 and \$2,705,000, respectively, bearing interest at rates from 0.3% to 3.2%, with payments due from fiscal years 2013 to 2028. Bonds maturing on or after July 1, 2018, can be redeemed, in part or in whole, on or after July 1, 2017.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

5. **Long-term Liabilities** (Continued)

Student Fees and Facilities Revenue Bonds Series 2013

In September 2012, the NSCS Board of Trustees authorized the issuance of \$7,735,000 of Student Fees and Facilities Revenue Bonds Series 2013. The purpose of the issuance was to finance the construction of CSC's Eagle Ridge housing and maintenance to several revenue bond building roofs. Under the bond resolution for Student Fees and Facilities Bonds, revenues and earnings derived from operations of all revenue facilities and special student fees are pledged for payment of the principal and interest amounts of the bonds. The bonds are not obligations of the State of Nebraska, and no tax funds may be appropriated for payment of principal and interest. The \$7,735,000 in bonds bear interest at rates from 0.6% to 3.0%, with payments due from fiscal years 2014 to 2034. Bonds maturing on or after July 1, 2018, can be redeemed, in part or in whole, on or after January 3, 2018.

Student Fees and Facilities Revenue Refunding Bonds Series 2014

In April 2014, the NSCS Board of Trustees authorized the issuance of \$4,270,000 of Student Fees and Facilities Revenue Refunding Bonds Series 2014. The purpose of the issuance was to redeem in full the outstanding principal amount of CSC's Student Fees and Facilities Revenue Bonds Series 2003A. On June 5, 2014, the net proceeds from Series 2014 bonds were used to redeem the Series 2003A bonds. This current refunding reduced total debt service payments over the remaining 14 years by \$1,085,523. Bond refunding resulted in an estimated economic gain of \$654,661. The difference between the reacquisition price and the net carrying amount of the old debt has been deferred and is being amortized over the remaining life of the new debt, which is the same as the life of the refunded debt. Under the bond resolution for Student Fees and Facilities Bonds, revenues and earnings derived from operations of all revenue facilities and special student fees are pledged for payment of the principal and interest amounts of the bonds. The bonds are not obligations of the State of Nebraska, and no tax funds may be appropriated for payment of principal and interest. The \$4,270,000 in bonds bear interest at rates from 0.35% to 4.0%, with payments due from fiscal years 2015 to 2029. Bonds maturing on or after July 1, 2020, can be redeemed, in part or in whole, on or after July 1, 2019.

Student Fees and Facilities Revenue Bonds Series 2015

In November 2015, the Board authorized the issuance of \$8,935,000 of Student Fees and Facilities Revenue Bonds Series 2015. The purpose of the issuance was to finance improvements to Peru State's Delzell Hall. Under the bond resolution for Student Fees and Facilities Bonds, revenues and earnings derived from operations of all revenue facilities and special student fees are pledged for payment of the principal and interest amounts of the bonds. The bonds are not obligations of the State of Nebraska, and no tax funds may be appropriated for payment of principal and interest. The \$8,935,000 in bonds bear interest at rates from 1.1% to 3.75%, with payments due from fiscal years 2017 to 2047. Bonds maturing on or after July 1, 2026, can be redeemed, in part or in whole, on or after July 1, 2025.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

5. **Long-term Liabilities** (Continued)

Student Fees and Facilities Revenue Bonds Series 2016

In November 2015, the Board authorized the issuance of \$11,270,000 of Student Fees and Facilities Revenue Bonds Series 2016. The purpose of the issuance was to finance improvements to Wayne State's Bowen Hall. Under the bond resolution for Student Fees and Facilities Bonds, revenues and earnings derived from operations of all revenue facilities and special student fees are pledged for payment of the principal and interest amounts of the bonds. The bonds are not obligations of the State of Nebraska, and no tax funds may be appropriated for payment of principal and interest. The \$11,270,000 in bonds bear interest at rates from 2.0% to 5.0%, with payments due from fiscal years 2017 to 2047. Bonds maturing on or after July 1, 2026, can be redeemed, in part or in whole, on or after January 1, 2026.

Student Fees and Facilities Revenue Refunding Bonds Series 2016B

In January 2016, the Board authorized the issuance of \$3,810,000 of Student Fees and Facilities Revenue Refunding Bonds Series 2016B. The purpose of the issuance was to redeem in full the outstanding principal amount of the Student Fees and Facilities Revenue Bonds Series 2010. On March 18, 2016, the net proceeds from Series 2016B bonds were used to redeem the Series 2010 bonds. This current refunding reduced total debt service payments over the remaining 14 years by \$611,743. Bond refunding resulted in an estimated economic gain of \$380,673. The reacquisition price equaled the net carrying amount of the old debt and, therefore, no amount was required to be deferred and amortized. Under the bond resolution for Student Fees and Facilities Bonds, revenues and earnings derived from operations of all revenue facilities and special student fees are pledged for payment of the principal and interest amounts of the bonds. The bonds are not obligations of the State of Nebraska, and no tax funds may be appropriated for payment of principal and interest. The \$3,810,000 in bonds bear interest at rates from 0.65% to 2.8%, with payments due from fiscal years 2017 to 2031. Bonds maturing on or after July 1, 2021, can be redeemed, in part or in whole, on or after March 18, 2021.

Student Fees and Facilities Revenue Refunding Bonds Series 2016C

In November 2016, the Board authorized the issuance of \$2,865,000 of Student Fees and Facilities Revenue Refunding Bonds Series 2016C. The purpose of the issuance was to redeem in full the outstanding principal amount of the Student Fees and Facilities Revenue Bonds Series 2011. On December 19, 2016, the net proceeds from Series 2016C bonds were used to redeem the Series 2011 bonds. This current refunding reduced total debt service payments over the remaining 14 years by \$604,271. Bond refunding resulted in an estimated economic gain of \$407,674. The reacquisition price equaled the net carrying amount of the old debt and, therefore, no amount was required to be deferred and amortized. Under the bond resolution for Student Fees and Facilities Bonds, revenues and earnings derived from operations of all revenue facilities and special student fees are pledged for payment of the principal and interest amounts of the bonds. The bonds are not obligations of the State of Nebraska, and no tax funds may be appropriated for payment of principal and interest. The \$2,865,000 in bonds bear interest at rates from 0.95% to 3.2%, with payments due from fiscal years 2018 to 2032. Bonds maturing on or after July 1, 2022, can be redeemed, in part or in whole, on or after December 19, 2021.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

5. Long-term Liabilities (Continued)

Corporation Bonds

In August 2006, the Corporation authorized the issuance of \$21,915,000 of Deferred Maintenance Bonds, Series 2006. Proceeds were used to finance the construction of certain renewal and renovation projects at each of the three Colleges. This bond issue is a general obligation of the Corporation, which is a separate legal entity that is not subject to State constitutional restrictions on the incurrence of debt, which may apply to the State itself.

The financial resources used to repay the bonds are appropriations and special student fees. Payments of bond principal are also secured by an insurance policy issued by a commercial insurer. The bonds bear interest at rates of 3.55% to 5.0% and are due in semiannual installments, which began January 15, 2007. Principal maturities, due in annual installments, began July 15, 2007, and were scheduled to continue until July 15, 2020. Bonds maturing on or after July 15, 2017, were callable at the option of the Corporation beginning July 15, 2016. On September 19, 2016, the Corporation's outstanding Deferred Maintenance Bonds, Series 2006 principal were called using proceeds from the issuance of Deferred Maintenance and Refunding Bonds, Series 2016.

In November 2013, the Corporation authorized the issuance of \$13,460,000 of Building Bonds, Series 2014. Proceeds from the issuance of these bonds will be used to help build a portion of the CSC Rangeland Center and to renovate WSC's U.S. Conn Library. This bond issue is a general obligation of the Corporation, which is a separate legal entity that is not subject to State constitutional restrictions on the incurrence of debt, which may apply to the State itself. The financial resources used to repay the bonds are appropriations. The bonds bear interest at rates of 2.0% to 5.0%, and are due in semiannual installments, which began June 15, 2014. Principal maturities, due in annual installments, began June 15, 2015, and continue until June 15, 2021. The bonds are not subject to redemption prior to maturity.

In June 2016, the Corporation authorized the issuance of \$26,655,000 of Deferred Maintenance Refunding Bonds Series 2016, of which \$19,295,000 was related to new bonds and \$7,360,000 was related to refunding bonds. The purpose of the issuance was to redeem in full the outstanding principal amount of the Deferred Maintenance Series 2006 bonds and allow for the issuance of new bond proceeds to help fund the renovation of the stadium at CSC, the renovation of the Theatre/Event Center at PSC, and the construction of applied technology programmatic space at WSC. On September 19, 2016, the Series 2006 bonds were advance refunded. This refunding of the Series 2006 bonds resulted in a reduction of total debt service payments by \$854,784 and an estimated economic gain of \$471,674. The difference between the reacquisition price and the net carrying amount of the old debt has been deferred and is amortized over the remaining life of the old bonds. This bond issue is a general obligation of the Corporation, which is a separate legal entity that is not subject to State constitutional restrictions on the incurrence of debt, which may apply to the State itself. The financial resources used to repay the bonds are appropriations and special student fees. The bonds bear interest, payable semiannually, at rates of 2.00% to 5.00%. Principal maturities, due in annual installments, began July 15, 2017, and continue until July 15, 2030. Bonds maturing on or after July 15, 2027, are able to be redeemed, in part or in whole, on or after July 15, 2026.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

5. Long-term Liabilities (Continued)

PSC Loan Obligation

In May 2007, PSC received a loan from the Peru State College Foundation to finance the renovation of the Al Wheeler Activity Center. The loan is a general obligation of PSC. The loan is not an obligation of the State of Nebraska, and no tax funds may be appropriated for payment of principal and interest. The loan bears interest payable annually at the rate of 3.5% and is due in annual installments, which began May 1, 2008. Principal maturities began May 1, 2008, and continue until 2019.

Master Lease Purchasing Program

The State of Nebraska, through the Department of Administrative Services (DAS) – Accounting Division, has a Master Lease Purchasing Agreement to be used by various agencies to purchase equipment. CSC used this financing arrangement to finance the acquisition of non-capitalized equipment in fiscal years 2014 and 2015. One of CSC’s master lease obligations bear interest payable at a rate of 1.05% while the other master lease obligation bears interest payable at a rate of 1.45%. PSC used this financing arrangement to finance the acquisition of capitalized equipment in fiscal year 2015. PSC’s master lease obligation bears interest payable at a rate of 1.32%. CSC’s Master Leases expire in fiscal years 2019 and 2020 while PSC’s Master Lease expires in fiscal year 2019. Assets capitalized under this program totaled \$306,019 at June 30, 2018 and 2017, and were net of accumulated depreciation of \$99,456 in 2018 and \$68,854 in 2017.

Debt service requirements to maturity for all long-term debt of the NSCS are as follows:

CSC Revenue and Refunding Bonds

Year Ending			
June 30	Principal	Interest	Total
2019	\$ 640,000	\$ 247,888	\$ 887,888
2020	655,000	238,108	893,108
2021	655,000	227,578	882,578
2022	675,000	213,044	888,044
2023	690,000	195,690	885,690
2024 – 2028	3,695,000	716,290	4,411,290
2029 – 2033	2,610,000	255,420	2,865,420
2034	500,000	7,500	507,500
Total	<u>\$ 10,120,000</u>	<u>\$2,101,518</u>	<u>\$ 12,221,518</u>

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

5. Long-term Liabilities (Continued)

CSC Master Lease Obligation Summary

Year Ending			
June 30	Principal	Interest	Total
2019	144,213	2,505	146,718
2020	102,475	745	103,220
Total	<u>\$ 246,688</u>	<u>\$ 3,250</u>	<u>\$ 249,938</u>

PSC Revenue and Refunding Bonds

Year Ending			
June 30	Principal	Interest	Total
2019	\$ 560,000	\$ 384,565	\$ 944,565
2020	570,000	377,430	947,430
2021	570,000	369,111	939,111
2022	585,000	359,488	944,488
2023	600,000	348,431	948,431
2024 – 2028	3,165,000	1,527,803	4,692,803
2029 – 2033	2,225,000	1,137,209	3,362,209
2034 – 2038	1,600,000	832,983	2,432,983
2039 – 2043	1,910,000	517,623	2,427,623
2044 – 2047	1,795,000	137,718	1,932,718
Total	<u>\$ 13,580,000</u>	<u>\$ 5,992,361</u>	<u>\$ 19,572,361</u>

PSC Loan Obligation Payable

Year Ending			
June 30	Principal	Interest	Total
2019	\$ 24,996	\$ 875	\$ 25,871
Total	<u>\$ 24,996</u>	<u>\$ 875</u>	<u>\$ 25,871</u>

PSC Master Lease Obligation Summary

Year Ending			
June 30	Principal	Interest	Total
2019	\$ 71,567	\$ 474	\$ 72,041
Total	<u>\$ 71,567</u>	<u>\$ 474</u>	<u>\$ 72,041</u>

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

5. **Long-term Liabilities** (Continued)

WSC Revenue and Refunding Bonds			
Year Ending June 30	Principal	Interest	Total
2019	\$ 860,000	\$ 535,968	\$ 1,395,968
2020	880,000	521,024	1,401,024
2021	890,000	504,476	1,394,476
2022	905,000	486,184	1,391,184
2023	920,000	466,124	1,386,124
2024 – 2028	5,020,000	1,891,833	6,911,833
2029 – 2033	2,600,000	1,296,025	3,896,025
2034 – 2038	2,025,000	966,206	2,991,206
2039 – 2043	2,385,000	599,047	2,984,047
2044 – 2047	2,225,000	158,988	2,383,988
Total	\$ 18,710,000	\$ 7,425,875	\$ 26,135,875

Corporation Bonds			
Year Ending June 30	Principal	Interest	Total
2019	\$ 3,215,000	\$ 1,240,568	\$ 4,455,568
2020	3,325,000	1,122,168	4,447,168
2021	4,800,000	976,843	5,776,843
2022	1,790,000	728,968	2,518,968
2023	1,880,000	656,018	2,536,018
2024 – 2028	10,405,000	2,204,590	12,609,590
2029 – 2031	7,310,000	278,521	7,588,521
Total	\$ 32,725,000	\$ 7,207,676	\$ 39,932,676

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

5. **Long-term Liabilities** (Concluded)

NSCS Loan Obligation and Bond Summary

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 5,515,776	\$ 2,412,843	\$ 7,928,619
2020	5,532,475	2,259,475	7,791,950
2021	6,915,000	2,078,008	8,993,008
2022	3,955,000	1,787,684	5,742,684
2023	4,090,000	1,666,263	5,756,263
2024 – 2028	22,285,000	6,340,516	28,625,516
2029 – 2033	14,745,000	2,967,175	17,712,175
2034 – 2038	4,125,000	1,806,689	5,931,689
2039 – 2043	4,295,000	1,116,670	5,411,670
2044 – 2047	4,020,000	296,706	4,316,706
Total	<u>\$ 75,478,251</u>	<u>\$ 22,732,029</u>	<u>\$ 98,210,280</u>

The bond resolutions of the Corporation Bonds, and the Revenue and Refunding Bonds specify the funds that need to be established, the required transfers between funds, and the maximum maturity limits for the funds' investments. The bond resolutions also contain certain covenants, including compliance with a ratio of net revenues to debt service. At June 30, 2018 and 2017, the NSCS was in compliance with these requirements.

6. **Operating Leases**

Noncancellable operating leases related primarily to office space and equipment expire in various fiscal years through 2024. Renewal options for leases containing such provision ranged from one to six years. These operating leases generally require the NSCS to pay all executory costs (property taxes, maintenance, operating, and insurance).

Future noncancellable operating lease payments as of June 30, 2018, were:

2019	\$ 346,082
2020	248,065
2021	186,534
2022	92,725
2023	82,010
2024	33,525
Total	<u>\$ 988,941</u>

The NSCS's operating lease payments for the years ended June 30, 2018, and June 30, 2017, were \$917,095 and \$898,967, respectively.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

7. Revenue Bond Program

The Board, for the benefit of the Nebraska State Colleges, issues bonds to finance the construction, repair, and maintenance of revenue bond buildings owned and operated by the Board of Trustees of the Nebraska State College System. The Revenue Bond Program (Program) provides funding for general operations as well as funding for various construction and renovation projects as specified by the individual bond documents. The Program is designed to provide greater flexibility to finance revenue bond projects at the three Colleges. The current revenue bond master resolution was approved in 2002 by the Board.

Financial information for the Program for June 30, 2018 and 2017, is summarized as follows:

Condensed Statement of Net Position

	2018	2017
Assets		
Current Assets	\$ 18,189,205	\$ 17,602,050
Noncurrent Assets	59,319,462	63,359,844
Total assets	77,508,667	80,961,894
 Deferred Outflows of Resources	 35,959	 39,737
 Liabilities		
Current Liabilities	3,813,688	5,949,450
Noncurrent Liabilities	40,580,450	42,939,927
Total liabilities	44,394,138	48,889,377
 Net Position		
Net investment in capital assets	16,926,490	18,000,511
Restricted for		
Debt service	2,085,398	1,768,620
By enabling legislation	14,138,600	12,343,123
Total net position	\$ 33,150,488	\$ 32,112,254

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

7. **Revenue Bond Program** (Concluded)

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	2018	2017
Operating Revenues		
Rentals	\$ 7,703,203	\$ 7,377,973
Food Service	8,727,143	8,611,546
Facilities	3,315,525	3,264,446
Bookstore	183,229	202,085
Other	299,567	290,311
Total operating revenues	20,228,667	19,746,361
Operating Expenses		
Food Service	5,483,374	5,890,745
Other	12,849,699	12,997,771
Total operating expenses	18,333,073	18,888,516
Operating Income	1,895,594	857,845
Nonoperating Revenue (Expenses)	(857,360)	(403,086)
Increase in Net Position	1,038,234	454,759
Net Position, Beginning of Year	32,112,254	31,657,495
Net Position, End of Year	\$ 33,150,488	\$ 32,112,254

Condensed Statement of Cash Flows

	2018	2017
Cash Flows from Operating Activities	\$ 2,299,504	\$ 2,665,925
Cash Flows from Capital and Related Financing Activities	(5,253,658)	(19,264,288)
Cash Flows from Investing Activities	353,548	(222,935)
Decrease in Cash and Cash Equivalents	(2,600,606)	(16,821,298)
Cash and Cash Equivalents, Beginning of Year	22,505,069	39,326,367
Cash and Cash Equivalents, End of Year	\$ 19,904,463	\$ 22,505,069

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

8. Pension Plan

The NSCS has a defined contribution retirement plan currently in effect, which was established by the Board of Trustees and may be amended by the Board in accordance with Neb. Rev. Stat. § 85-320 (Reissue 2014). The Nebraska State College System Defined Contribution Retirement Plan covers all faculty, professional staff, and support staff, and provides investment options and annuity contracts administered by the Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF). The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and may be amended by action of the Board of Trustees. Contribution rates for plan members and the NSCS for 2018 and 2017, expressed as a percentage of covered payroll, 6% and 8%, respectively. Contributions actually made for the fiscal years ended June 30, 2018 and 2017, by plan members and the NSCS were \$2,760,227 and \$3,678,646; and \$2,712,323 and \$3,616,423, respectively. At June 30, 2018 and 2017, the plan had 772 and 780 contributing members, respectively.

Membership in the plan was mandatory for all full-time faculty and staff who attained the age of thirty. Voluntary membership is permitted for all full-time faculty and staff upon reaching the second anniversary of their employment and the attainment of age 25. The plan benefits are fully vested at the date of contribution.

The NSCS also sponsors a supplemental retirement annuity (SRA) plan, Roth individual retirement account (403(b)), and 457 deferred compensation supplemental plan. Plan members contributed \$933,028 to the SRA, \$153,436 to the Roth 403(b), and \$134,084 to the 457 plan in 2018, while in 2017 plan members contributed \$980,484 to the SRA, \$116,402 to the Roth 403(b), and \$92,496 to the 457 plan. The NSCS does not contribute to these supplemental plans.

9. Risk Management

The NSCS is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; and natural disasters. Responsibility for the coordination of a risk and insurance management program for the NSCS is assigned to the Chancellor. The responsibility for the development and implementation of the risk and insurance management program is assigned to each of the Colleges' Presidents. Mechanisms for identifying risks and for taking appropriate action to eliminate, abate, transfer, or retain these risks is also the responsibility of each College. DAS – Risk Management Division is responsible for maintaining the self-insurance program for workers' compensation along with the motor vehicle liability insurance.

The NSCS has chosen to purchase insurance for:

- A. Health care and life insurance for eligible employees.
- B. General liability coverage (including employee benefits liability), with limits ranging from \$1,000,000 per occurrence to \$3,000,000 in aggregate.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

9. Risk Management (Concluded)

- C. Educators legal liability, with a limit of \$4,000,000 per each claim, \$4,000,000 annual aggregate, and a self-insured retention of \$150,000.
- D. Real and personal property through the Midwestern Higher Education Compact’s (MHEC) property program on a blanket basis for losses up to \$500,000,000, with the program funding a self-insurance pool of \$1,000,000 per loss occurrence and a deductible of \$50,000 for the NSCS. Newly acquired properties are covered up to \$100,000,000 for 90 days from the date the insured takes ownership of the property. The perils of flood, earthquake, and acts of terrorism have various coverages and sublimits. Details of these coverages are available from the NSCS.

No settlements exceeded commercial insurance coverage in any of the past three fiscal years. Health care insurance is funded through a combination of employee and NSCS contributions. Workers’ compensation is funded in the Workers’ Compensation Internal Service Fund through assessments on each State agency based on total agency payroll and past experience. Tort claims; theft of, damage to, or destruction of assets; errors or omissions; and natural disasters would be funded through the State General Fund or by NSCS assessments, as directed by the Legislature, unless covered by purchased insurance. No amounts for estimated claims have been reported in the NSCS’s financial statements.

10. Commitments and Contingencies

Construction Contracts

The Board of Trustees has approximate remaining construction commitments of \$11,238,000 and \$11,405,000, as of June 30, 2018 and 2017, respectively. These projects will be funded through cash funds, LB 309 task force funds, Foundation gifts, bond proceeds, contingency maintenance funds, and capital improvement fees. Construction commitments are identified by College, as follows:

	2018	2017
CSC	\$ 3,743,000	\$ 582,000
PSC	1,959,000	5,751,000
WSC	5,536,000	5,072,000

Government Grants

The NSCS is currently participating in numerous grants from various departments and agencies of the Federal and State governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the grant department or agency, the grants are considered closed.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

11. Restricted Net Position

Restricted net position reports resources that are owned by the NSCS, but their use or purpose is restricted. Restricted net position reported on the Statements of Net Position is further classified into the following:

Loans represent institutional loans and Federal program loan funds set aside to serve as revolving loan funds for students.

Debt Service represents Corporation and revenue bond balances reserved for debt service payments.

Plant represents funds reserved for capital improvements net of any related liabilities.

Other represents funds restricted through external constraints imposed by creditors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Restricted net position of \$20,481,586 and \$18,018,722 in fiscal years 2018 and 2017, respectively, was restricted due to enabling legislation.

12. Joint Operation

On September 14, 2006, WSC entered into an interlocal agreement with Northeast Community College (NECC) to build and operate College Center in South Sioux City (CCSSC), Nebraska, which offers classes from both NECC and WSC. CCSSC began offering classes during the fiscal year ended June 30, 2011. On September 6, 2016, WSC entered into a new interlocal agreement with NECC to continue to operate CCSSC.

NECC administers the accounts payable related to joint operation and maintenance costs and provides WSC with quarterly reports and an invoice for WSC's share of expenses accompanied by supporting documentation. Both parties agree the expense allocation between the parties shall be split equally (50%-50%) for all expenses for the term of the Agreement. CCSSC is governed by CCSSC's Administrative Council, which is a four-member voting board composed of two appointees from NECC and two appointees from WSC. In addition to the voting members, the following individuals shall serve on the Council in an ex officio capacity: Facilities Manager and two institutional leaders (one appointed by each President). The chairperson of the Council shall be selected on a rotating basis with a WSC representative in even-numbered years and a Northeast representative in odd-numbered years. Ownership of land and facilities are shared 50%-50% by NECC and WSC. Either party can terminate the agreement with at least twelve (12) months prior notice, giving the other party right of first refusal on purchase of the exiting party's interest in the building, contents, and land.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

13. Component Unit Disclosures – Foundations

On the following pages are the notes taken from the audited financial statements, for the years ended as indicated below, of the Foundations:

<u>Foundation</u>	<u>Years Ended</u>	<u>Pages</u>
Chadron State	June 30, 2018 and 2017	69 - 86
Peru State College	December 31, 2017 and 2016	87 - 96
Wayne State	June 30, 2018 and 2017	97 - 109

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

CHADRON STATE FOUNDATION

Note 1 – Summary of Significant Accounting Policies

Nature of Activities

Chadron State Foundation is a nonprofit organization incorporated in the State of Nebraska in 1963 to promote the education, scientific, and benevolent purposes of Chadron State College (CSC). The Foundation acts largely as a fund-raising organization; soliciting and receiving contributions and pledges on behalf of the College. Assets received by the Foundation are used to acquire equipment to be used by the College, to provide financial aid for college students, or to be otherwise expended for the betterment of the College.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets 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-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. When a restriction expires, 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, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

Designation of Unrestricted Net Assets

It is the policy of the Board of Directors of the Foundation to designate appropriate sums of unrestricted net assets to assure adequate reserves are accumulated to help fund specific future events and the general operations of the Foundation. Accordingly, unrestricted net assets of the Foundation are classified and reported as follows:

Operating – The portion of unrestricted net assets that is undesignated and available for the day-to-day operations, support, and management of the Foundation.

CSC General Fund – Represents the annual accumulation of unrestricted gifts of \$4,999 or less received by the Foundation. These funds must first be used to address any operating deficits for the current fiscal year. The remaining balance will be transferred to the beginning fund balance of the CSC Quasi Endowment in the following fiscal year.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

CHADRON STATE FOUNDATION (Continued)

Note 1 – Summary of Significant Accounting Policies (Continued)

CSC Quasi Endowment – Represents unrestricted gifts designated by the Board of Directors that must adhere to the policies and procedures of Section IV of the Chadron State Foundation Endowment Policy & Guidelines.

Greatest Need – Represents unrestricted gifts and pledges of \$5,000 or more that will be allocated per recommendation of the Development Committee and approved by the Board of Directors. Such recommendations will be based on the initiatives and priorities of the Foundation and, when appropriate, campaign leadership committee. Such recommendations must be approved by the Board of Directors each quarter or per special meetings. Upon approval by the Board of Directors, these gifts and pledges will be accounted for in the appropriate board designated fund. The Board of Directors has allocated the entire fund balance to Capital Campaign Initiatives to be used as needed or necessary to complete the current capital projects.

Cash and Cash Equivalents

For the purposes of the Statements of Financial Position and the Statements of Cash Flows, cash and cash equivalents consist of cash and other highly liquid resources, such as investments in certificates of deposit and money market funds, with an original maturity of three months or less when purchased. Restricted cash and cash equivalents are limited to use as the Foundation acts as a custodian for clubs and organizations of Chadron State College as further discussed in Note 7.

Investments

Investments are reported at fair value. Fair value is the price that would be received if the Foundation was to sell an asset in an orderly transaction between market participants at the measurement date. Investments are comprised of limited liability investment groups, which invest in debt and equity securities and are carried at fair value determined using the following valuation methods:

- Securities traded on a national or regional securities exchange are valued at the last sales price if the security is traded on the valuation date.
- Securities not listed on an exchange or securities in which there were no reported transactions are valued at the mean between the last current closing bid and asking prices.
- Fixed-income securities are valued at prices obtained from pricing services when such prices are available, subject to review by the respective fund's investment advisor.
- Securities or other assets for which reliable recent market quotations are not readily available are valued at fair value as determined in good faith by the managing member of the investment advisors.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

CHADRON STATE FOUNDATION (Continued)

Note 1 – Summary of Significant Accounting Policies (Continued)

Security transactions are accounted for on the date the securities are purchased or sold. Realized gains and losses are calculated using the specific identification method. Dividend income is recognized on the ex-dividend date and interest income is recognized on an accrual basis.

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. However, if a restriction is fulfilled in the same time period the contribution is received, the Foundation reports the support as unrestricted. Gifts and contributions are recorded at fair value at the time of donation. 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 promises are to be received.

Contributed Materials and Services

The Foundation records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses. Total contributed materials and services recognized for the years ending June 30, 2018 and 2017, was \$30,698 and \$28,008, respectively.

Property and Equipment

The purchases of property and equipment are recorded at cost. Donations of property and equipment are recorded at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets each year for the amount of depreciation expense relating to the donated property and equipment.

Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets. When items are disposed of, the cost and accumulated depreciation are eliminated from the records of account, and a gain or loss is reported in the Statement of Activities. Repairs and maintenance charges that do not increase the useful lives of the assets are charged to expense as incurred.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

CHADRON STATE FOUNDATION (Continued)

Note 1 – Summary of Significant Accounting Policies (Continued)

Capitalization thresholds (the dollar value above which individual asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the financial statements are as follows:

	Capitalization Policy	Estimated Useful Life
Land	N/A	N/A
Office Equipment	\$ 1,000	3 – 15 yrs
Building and Improvements	\$ 1,000	39.5 – 50 yrs

Collections

Collection items acquired either through purchase or donation are not capitalized. Purchases of collection items are recorded as decreases in unrestricted net assets if purchased with unrestricted assets and as decreases in temporarily restricted net assets if purchased with donor restricted assets. Contributions of collection items are not recognized in the Statement of Activities. Proceeds from disposal are reflected on the Statement of Activities based on the absence or existence and nature of donor imposed restrictions.

The Foundation has a collection of artwork and other memorabilia that was donated by several supporters of Chadron State College. The collection is on display and is available to those who are interested in studying Nebraska state history. The Foundation has taken steps to ensure that the collection is protected and preserved. It is the policy of the Foundation that proceeds from the sale of any collection items are to be used to purchase additional collection items. Contributions to the collection are not reflected in the accompanying financial statements since the Foundation does not capitalize collections.

Income Tax Status

The Foundation follows the accounting guidance for uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than not the positions will be sustained upon examination by the taxing authorities.

The Foundation is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a)(1) and qualifies for deductible contributions under Section 170(b)(1)(A)(vi). The Foundation is not liable for income taxes if it operates within the confines of its exempt status, though the organization may be responsible for taxes on unrelated business activities. In the event of an examination of the income tax returns, the tax liability of the Foundation could be changed if an adjustment in the exempt purpose or income from unrelated business activities is ultimately determined by the taxing authorities.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

CHADRON STATE FOUNDATION (Continued)

Note 1 – Summary of Significant Accounting Policies (Concluded)

As of June 30, 2018, the Foundation had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Foundation's income tax filings are subject to audit by various tax authorities. The Foundation is no longer subject to federal and state income tax examinations by taxing authorities for years before 2015. Management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. The Foundation believes their estimates are appropriate based on current facts and circumstances. Interest and penalties assessed by income taxing authorities, if any, are included in interest expense.

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.

Revenue Recognition

The Foundation reports contributions as support when assets are received or when an unconditional promise to give has been made. Allowances are provided for amounts estimated to be uncollectible, based on a history of past write-offs and collections. Accounts are written off as uncollectible at the time management determines that collection is unlikely. Revenue from other sources is recorded as earned.

Functional Allocation of Expenses

The cost of providing the various programs and other activities has 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 2 – Cash Deposits

The Foundation maintains several bank accounts. The following table is designed to disclose the level of custody credit risk assumed by the Foundation based upon how its deposits were insured. FDIC regulations state time and savings accounts are insured up to \$250,000 at June 30, 2018 and 2017, respectively. The total bank balance represents the amount held by the bank. The carrying balance represents the reconciled general ledger balance at June 30, 2018 and 2017.

Category 1 – Insured by FDIC

Category 2 – Uninsured by FDIC, uncollateralized

Category 3 – Collateralized by United States Government Securities

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

CHADRON STATE FOUNDATION (Continued)

Note 2 – Cash Deposits (Concluded)

June 30, 2018

<u>Type of Deposits</u>	<u>Total Bank Balance</u>	<u>Total Carrying Balance</u>	<u>Custody Credit Risk</u>		
			<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
Demand Deposits:					
Security First Bank					
Operating Account	\$ 1,265,335	\$ 1,265,335	\$ 250,000	\$ -	\$ 1,015,335
FNB - North Platte					
Operating Account	156,888	144,907	156,888	-	-
Credit Card Account	21,091	21,091	-	-	21,091
FNB – Chadron					
Custodial Account	26,345	20,769	26,345	-	-
Edward Jones					
Money Market	24,487	24,487	-	24,487	-
Certificates of Deposit	765,703	765,703	765,703	-	-
	<u>\$ 2,259,849</u>	<u>\$ 2,242,292</u>	<u>\$ 1,198,936</u>	<u>\$ 24,487</u>	<u>\$ 1,036,426</u>

June 30, 2017

<u>Type of Deposits</u>	<u>Total Bank Balance</u>	<u>Total Carrying Balance</u>	<u>Custody Credit Risk</u>		
			<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
Demand Deposits:					
Bank of the West					
Operating Account	\$ 720,998	\$ 720,998	\$ 250,000	\$ -	\$ 470,998
FNB - North Platte					
Operating Account	422,552	316,947	250,000	-	172,552
Credit Card Account	9,309	9,309	-	-	9,309
FNB – Chadron					
Custodial Account	27,423	27,423	27,423	-	-
Edward Jones					
Money Market	23,636	23,636	-	23,636	-
Certificates of Deposit	755,809	755,809	755,809	-	-
	<u>\$ 1,959,727</u>	<u>\$ 1,854,122</u>	<u>\$ 1,283,232</u>	<u>\$ 23,636</u>	<u>\$ 652,859</u>

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

CHADRON STATE FOUNDATION (Continued)

Note 3 – Contributions

Contributions receivable at June 30, 2018 and 2017, were as follows:

	2018	2017
Receivable in Less Than One Year	\$ 401,402	\$ 376,171
Receivable in One to Five Years	747,671	560,112
Receivable in Six to Ten Years	100,000	3,212
Total Contributions Receivable	\$ 1,249,073	\$ 939,495
Less Unamortized Discounts to Net Present Value	(54,789)	(18,242)
Less Allowance for Uncollectable Accounts	(53,500)	(84,000)
Net Contributions Receivable	<u>\$ 1,140,784</u>	<u>\$ 837,253</u>

The discount rates used on long-term promises to give were 2.73% and 1.89% for the years ended June 30, 2018 and 2017, respectively.

Note 4 – Investments

Investments are stated at fair value and are shown below as of June 30, 2018 and 2017:

	Cost	Market Value	Unrealized
	06/30/2018	06/30/2018	Appreciation
Mutual Funds			
Large Cap	\$ 3,377,727	\$ 4,688,148	\$ 1,310,421
Mid Cap	908,397	1,010,167	101,770
Small Cap	870,672	992,862	122,190
International	3,842,658	3,956,801	114,143
Emerging Markets	1,081,617	1,306,971	225,354
Fixed Income	2,149,146	2,106,454	(42,692)
Floating rate corporate loans	1,399,426	1,394,692	(4,734)
Low correlated hedge funds	548,003	549,928	1,925
Publicly Traded Limited Partnership	1,639,915	1,388,309	(251,606)
Hedge Funds	2,160,442	2,510,118	349,676
Total Investments	<u>\$ 17,978,003</u>	<u>\$ 19,904,450</u>	<u>\$ 1,926,447</u>

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

CHADRON STATE FOUNDATION (Continued)

Note 4 – Investments (Continued)

	<u>Cost</u> <u>06/30/2017</u>	<u>Market Value</u> <u>06/30/2017</u>	<u>Unrealized</u> <u>Appreciation</u>
Mutual Funds			
Large Cap	\$ 4,149,206	\$ 5,063,948	\$ 914,742
Mid Cap	994,781	1,036,485	41,704
Small Cap	979,420	1,026,106	46,686
International	3,262,493	3,325,913	63,420
Emerging Markets	1,217,036	1,357,827	140,791
Fixed Income	960,775	940,454	(20,321)
Floating rate corporate loans	1,443,573	1,432,812	(10,761)
Commodities	1,216,737	845,888	(370,849)
Low correlated hedge funds	516,476	524,916	8,440
Publicly Traded Limited Partnership	933,209	836,585	(96,624)
Hedge Funds	2,110,000	2,339,887	229,887
Total Investments	<u>\$ 17,783,706</u>	<u>\$ 18,730,821</u>	<u>\$ 947,115</u>

FASB ASC 820-10, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes 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 under FASB ASC 820-10 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 plan 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, and 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 need to maximize the use of observable inputs and minimize the use of unobservable inputs.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

CHADRON STATE FOUNDATION (Continued)

Note 4 – Investments (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value.

For the year ended June 30, 2018, the majority of the Foundation’s investments are managed in one portfolio fund consisting of bond and equity funds. These funds are priced in an active market (Level 1). The Foundation does hold a portion of the investment pool in hedge funds. These funds are not priced or quoted in the active market, but the assets can be priced in an active market under the valuation methods described in Level 2.

The following table sets forth carrying amounts and estimated fair values for financial instruments as of June 30, 2018 and 2017:

June 30, 2018	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds				
Large Cap	\$ 4,688,148	\$ 4,688,148	\$ -	\$ -
Mid Cap	1,010,167	1,010,167	-	-
Small Cap	992,862	992,862	-	-
International	3,956,801	3,956,801	-	-
Emerging markets	1,306,971	1,306,971	-	-
Fixed Income	2,106,454	2,106,454	-	-
Corporate Loans	1,394,692	1,394,692	-	-
Low correlated hedge funds	549,928	549,928	-	-
Publicly traded limited partnership	1,388,309	1,388,309	-	-
Hedge Funds	2,510,118	-	2,510,118	-
Total Investments	<u>\$ 19,904,450</u>	<u>\$ 17,394,332</u>	<u>\$ 2,510,118</u>	<u>\$ -</u>

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

CHADRON STATE FOUNDATION (Continued)

Note 4 – Investments (Concluded)

<u>June 30, 2017</u>	<u>Fair Value Measurements Using</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>
Mutual Funds				
Large Cap	\$ 5,063,948	\$ 5,063,948	\$ -	\$ -
Mid Cap	1,036,485	1,036,485	-	-
Small Cap	1,026,106	1,026,106	-	-
International	3,325,913	3,325,913	-	-
Emerging markets	1,357,827	1,357,827	-	-
Fixed Income	940,454	940,454	-	-
Corporate Loans	1,432,812	1,432,812	-	-
Commodities	845,888	845,888	-	-
Low correlated hedge funds	524,916	524,916	-	-
Publicly traded limited partnership	836,585	836,585	-	-
Hedge Funds	2,339,887	-	2,339,887	-
Total Investments	<u>\$ 18,730,821</u>	<u>\$ 16,390,934</u>	<u>\$ 2,339,887</u>	<u>\$ -</u>

The following schedule summarizes the investment return in the Statement of Activities for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 471,950	\$ 442,954
Net realized gains (losses)	(54,140)	(315,055)
Net unrealized gains (losses)	979,334	2,083,440
Management fees	(41,358)	(40,494)
Total	<u>\$ 1,355,786</u>	<u>\$ 2,170,845</u>

Note 5 – Other Assets

The Foundation is the beneficiary of various trusts and estates created by donors, the assets of which are not in the possession of the Foundation. The carrying amounts (which are at fair value) of beneficial interests in trusts and estates are based on values provided by an external investment manager, quoted market values, or actuarial valuations. Net realized and unrealized gains and losses related to beneficial interests are reported as changes in net assets based on donor stipulations.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

CHADRON STATE FOUNDATION (Continued)

Note 5 – Other Assets (Concluded)

The fair value of the beneficial interests at June 30, 2018 and 2017, were as follows:

2018	Fair Value	Level 1	Level 2	Level 3
Cash Surrender Value of Life Insurance	\$ 45,839	\$ -	\$ -	\$ 45,839
Beneficial Interest in Annuity	11,483	11,483	-	-
Beneficial Interest in Estates	969,000	969,000	-	-
Total Other Assets	<u>\$1,026,322</u>	<u>\$ 980,483</u>	<u>\$ -</u>	<u>\$ 45,839</u>

2017	Fair Value	Level 1	Level 2	Level 3
Cash Surrender Value of Life Insurance	\$ 43,926	\$ -	\$ -	\$ 43,926
Beneficial Interest in Annuity	13,385	13,385	-	-
Total Other Assets	<u>\$ 57,311</u>	<u>\$ 13,385</u>	<u>\$ -</u>	<u>\$ 43,926</u>

Assets measured at fair market value using significant unobservable inputs (level 3) in an inactive market changed as follows:

2018	Cash Surrender Value of Life Insurance
Beginning balance, July 1, 2017	\$ 43,926
Purchases, issuance, settlements	-
Total gains (realized, unrealized)	1,913
Ending balance, June 30, 2018	<u>\$ 45,839</u>

2017	Cash Surrender Value of Life Insurance
Beginning balance, July 1, 2016	\$ 27,466
Purchases, issuance, settlements	13,827
Total gains (realized, unrealized)	2,633
Ending balance, June 30, 2017	<u>\$ 43,926</u>

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

CHADRON STATE FOUNDATION (Continued)

Note 6 – Property and Equipment

Property and equipment at June 30, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 38,500	\$ 38,500
Office Equipment	97,096	97,096
	<u>\$ 135,596</u>	<u>\$ 135,596</u>
Less Accumulated Depreciation	(96,314)	(95,788)
Property and Equipment, Net of Accumulated Depreciation	<u>\$ 39,282</u>	<u>\$ 39,808</u>

Note 7 – Related Parties

The Foundation, in the normal course of business, engages in transactions with Chadron State College. The College has been designated as the beneficiary of the Foundation. The Foundation pays all scholarships and contributions to the College's students and departments.

The Foundation has acted as an agent to various organizations of Chadron State College. It maintained the cash accounts and provided bookkeeping services for these organizations. At June 30, 2018 and 2017, the restricted cash balance was \$0 and \$27,423, respectively. The total due to other agencies balance was \$0 and \$25,183, respectively. Control and management of these funds has been transferred back to Chadron State College as of June 30, 2018.

Note 8 – Accounting for Investments and Endowments

The Foundation follows FASB ASC 958-205-50-1B, which provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). It also requires additional disclosures about an organization's endowment funds (both donor restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

Investments – Board-designated Endowment

As of June 30, 2018 and 2017, the Board of Directors had designated \$841,044 and \$648,939, respectively, of unrestricted net assets as a general quasi endowment fund to support the mission of the Foundation. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

CHADRON STATE FOUNDATION (Continued)

Note 8 – Accounting for Investments and Endowments (Continued)

Gifts assigned to a quasi endowment shall be divided into two separate fund balances. One shall be called the “Initial Fund Balance” and one shall be called the “Quasi Endowment Fund Balance”. The balance for either the Initial Fund Balance or Quasi Endowment Fund Balance shall be determined as of June 30th of each fiscal year. The annual payout from each of these fund balances shall be calculated individually as hereinafter stated:

Initial Fund Balance – The Initial Fund Balance for each fiscal year shall consist of the value of all contributions to a quasi endowment. The annual payout from this segment of the quasi endowment shall be set by action of the Finance Committee and ratified by the Foundation Board and shall be consistent with the long term goal of portfolio growth and perpetual support to Chadron State College (CSC). The annual payout from this portion can be up to but not exceed 50% of the fund balance. Any remaining balance after deducting the annual payout shall be transferred by the Foundation to the Quasi Endowment Fund Balance.

Quasi Endowment Fund Balance – The annual payout from this segment of the endowment shall be set by action of the Finance Committee and ratified or approved by the Foundation Board consistent with the investment policy and long term goal of portfolio growth and perpetual support of CSC. In accordance with accounting principles generally accepted in the United States of America, the Foundation Board has the discretion to allow payouts from the corpus and principal of a Quasi Endowment Fund Balance. However, the Board has chosen by policy to treat a Quasi Endowment Fund Balance as a Named Endowment and pay out accordingly. See Donor Designated Endowments – *Spending Policy*.

Investments – Donor Designated Endowments

The Foundation’s endowment consisted of approximately 360 individual funds established for a variety of purposes. Its endowment includes both donor-restricted and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors 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 the interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the 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 as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated

NEBRASKA STATE COLLEGE SYSTEM
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NOTES TO THE FINANCIAL STATEMENTS
(Continued)

CHADRON STATE FOUNDATION (Continued)

Note 8 – Accounting for Investments and Endowments (Continued)

from the expenditure by the Foundation in a manner consistent with the standard of prudence prescribed 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 effects of inflation and deflation, (5) the expected total return from the income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation’s investment policies.

Investment Return Objectives, Risk Parameters and Strategies – The Foundation has adopted investment and spending policies, approved by the Board of Directors, for the endowment assets that attempt to provide long-term support to CSC. Accordingly, the investment philosophy of the Foundation is based on a disciplined, consistent, and diversified approach utilizing multiple asset classes and allows for multiple managers. Their intent is to accommodate styles and strategies considered reasonable and prudent. The Foundation has established long-term rates of return, downside risk parameters and asset allocation ranges for each portfolio. If the total return objective is not achieved over a particular measurement period, the shortfall should be explainable in terms of general economic and capital market conditions. A temporary shortfall will not necessarily indicate failure to achieve the long-term objective. An important objective of the Foundation Board of Directors is to create an investment and spending program that allows for growth of the portfolio balance.

Spending Policy – Distributions from Named Endowment are to be according to the Foundation’s Endowment policies. Grant levels are based on the weighted average fund balance, using the adjusted pool of awarding endowments during the past three (3) fiscal years. The distribution approved by the Foundation Board shall not exceed five percent (5.0%) of the weighted average fund balance. Distribution from any individual endowment shall be according to restrictions within that controlling endowment. Distributions from the Quasi Endowment shall be according to its controlling restrictions. 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, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation.

Endowment net asset composition by type of fund as of June 30, 2018, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ -	\$ 2,409,815	\$ 17,569,995	\$ 19,979,810
Board-designated endowment funds	841,044	-	-	841,044
Total funds	\$ 841,044	\$ 2,409,815	\$ 17,569,995	\$ 20,820,854

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

CHADRON STATE FOUNDATION (Continued)

Note 8 – Accounting for Investments and Endowments (Concluded)

Changes in endowment net assets as of June 30, 2018, were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 648,939	\$ 1,988,424	\$ 16,174,441	\$ 18,811,804
Contributions	22,355	142	1,381,969	1,404,466
Investment Income, net of fees	14,311	302,870	-	317,181
Net appreciation	27,465	831,186	-	858,651
Transfers	160,210	205	13,585	174,000
Amounts appropriated for expenditures	(32,236)	(713,012)	-	(745,248)
Endowment net assets, end of year	<u>\$ 841,044</u>	<u>\$ 2,409,815</u>	<u>\$ 17,569,995</u>	<u>\$ 20,820,854</u>

Endowment net asset composition by type of fund as of June 30, 2017, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$ 1,988,424	\$ 16,174,441	\$ 18,162,865
Board-designated endowment funds	648,939	-	-	648,939
Total funds	<u>\$ 648,939</u>	<u>\$ 1,988,424</u>	<u>\$ 16,174,441</u>	<u>\$ 18,811,804</u>

Changes in endowment net assets as of June 30, 2017, were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 554,720	\$ 861,229	\$ 15,566,578	\$ 16,982,527
Contributions	20,592	-	586,150	606,742
Investment Income, net of fees	5,658	77,108	-	82,766
Net appreciation	65,114	1,687,943	-	1,753,057
Transfers	15,711	-	21,713	37,424
Amounts appropriated for expenditures	(12,856)	(637,856)	-	(650,712)
Endowment net assets, end of year	<u>\$ 648,939</u>	<u>\$ 1,988,424</u>	<u>\$ 16,174,441</u>	<u>\$ 18,811,804</u>

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

CHADRON STATE FOUNDATION (Continued)

Note 9 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

	2018	2017
Scholarships and College Use	\$ 4,575,873	\$ 3,308,564
Total Temporarily Restricted Net Assets	\$ 4,575,873	\$ 3,308,564

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	2018	2017
Purpose Restriction Accomplished:		
Scholarships	\$ 493,060	\$ 435,281
College Use	225,553	499,929
Management Fees	328,672	295,686
Investment Fees	33,639	32,848
Total Restrictions Released	\$ 1,080,924	\$ 1,263,744

Note 10 – Permanently Restricted Net Assets

As of June 30, 2018 and 2017, net assets were permanently restricted for the endowment in the amount of \$17,569,995 and \$16,174,441, respectively. The income from the endowment can be used to support Chadron State College. At June 30, 2018 and 2017, the fair value of investments related to the restricted endowment was \$18,532,507 and \$17,624,923, leaving the amount assigned to individual donor restricted endowments required to be maintained in perpetuity with an excess balance of \$962,513 and \$1,450,482 for 2018 and 2017, respectively.

Note 11 – Defined Contribution Plan

The Organization participates in the College's defined contribution plan (the Plan) covering all employees with at least three years of service who agree to make contributions to the Plan. Employees may enroll in the Plan if they are employed full time for 9 out of 12 months of the year. Participation in the Plan is voluntary for employees who are 25 years of age and have been employed at least two years by the Foundation. Participation in the Plan is mandatory for employees over the age of 30. Employees contribute 6% of their salary and the College contributes 8%. Total expenses for the years ended June 30, 2018 and 2017, were \$28,781 and \$29,238, respectively.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

CHADRON STATE FOUNDATION (Continued)

Note 12 – Commitments

The Foundation agreed to provide the College with \$2 million for the Rangeland Center Project. As of June 30, 2018, \$1,673,270 has been provided to the College.

The Foundation began transferring dollars to Chadron State College for the Athletic Complex renovation and expansion that was completed in the previous year. The Nebraska Legislature approved \$6.7 million dollars towards the project with the condition of a \$2 million dollar match from the College. The Foundation approved the \$2 million match, plus an additional \$1 million from the Chicoine Fund for the naming of the facility for a total commitment of \$3 million. As of June 30, 2018, \$2,588,460 has been provided to the College.

In 2013, the board of directors designated \$529,000 from the CSC Quasi endowment plus \$471,000 of earnings from the Chicoine fund to provide the additional \$1 million for the naming. As the Chicoine fund generates earnings, the CSC Quasi endowment will be replenished. As of June 30, 2018, \$292,000 has been paid back to the CSC Quasi Endowment.

In August, 2015, the Foundation committed to provide the College with \$2 million for the Math & Science building renovation. This project, along with the fundraising campaign is still in the initial planning stages.

In May 2016, the Foundation committed \$1 million to the renovation of the football stadium. As of June 30, 2018, \$0 has been provided to the College. However, with the completion of the project in August of 2018, the Foundation expects the College to request funding in September 2018.

Note 13 – Emerging Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which removes inconsistencies and weaknesses in revenue requirements, provides a more robust framework for addressing revenue issues, improves comparability of revenue recognition practices across entities, provides more useful information to users of financial statements through improved disclosure requirements, and simplifies the preparation of financial statements by reducing the number of requirements to which an entity must refer. The ASU outlines five steps to achieve proper revenue recognition: identify the contract with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the entity satisfies the performance obligation. This standard is effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet evaluated the impact implementation will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* which supersedes FASB ASC Topic 840, *Leases (Topic 840)* and provides principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease

NEBRASKA STATE COLLEGE SYSTEM
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NOTES TO THE FINANCIAL STATEMENTS

(Continued)

CHADRON STATE FOUNDATION (Concluded)

Note 13 – Emerging Accounting Standards (Concluded)

expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than twelve months regardless of classification. If the available accounting election is made, leases with a term of twelve months or less can be accounted for similar to existing guidance for operating leases. The standard is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Organization has not yet evaluated the impact this standard will have on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which is intended to provide more useful information to financial statement users. Changes include: 1) presenting only two classes of net assets (with and without donor restrictions), 2) no longer requiring a reconciliation with the indirect method when choosing to utilize the direct method of cash flows, 3) reporting investment return net of expenses with no additional disclosure of expense amounts, and 4) eliminating the option to release donor-imposed restrictions of long-lived assets over the estimate useful life of the asset acquired. In addition, enhanced disclosures are required for board designated and donor restricted net assets, the entity's liquidity and how that liquidity is managed, expenses by both natural and functional classification, the allocation methods among program and support functions, and underwater endowment funds (which will now be classified as net assets with donor restrictions). The standard is effective for fiscal years beginning after December 15, 2017. The Organization has not yet evaluated the impact this standard will have on the financial statements.

Note 14 – Subsequent Events

On August 24, 2018, the Chadron State Foundation Board approved the named endowment and grant to campus payouts for the 2019-2020 academic year. This will result in a liability at October 1, 2018, of \$444,405 for the named endowments, \$46,561 for the grant to campus and \$21,615 for quasi endowments, for a total support to the college of \$512,581.

The Foundation paid \$500,000 of the \$1,000,000 for the renovation of the football stadium commitment in September 2018 to Chadron State College.

The Foundation has evaluated subsequent events through October 19, 2018, the date which the financial statements were issued.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

PERU STATE COLLEGE FOUNDATION

Note A – Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies of the Peru State College Foundation (the Foundation)

1. Nature of the Organization

The Foundation is a nonprofit foundation incorporated in the State of Nebraska. The purpose of the Foundation is to operate as a charitable and educational foundation for the promotion and support of Peru State College (the College) and its students. The Foundation is governed by a self-perpetuating Board of Directors consisting of volunteer board appointed members, some of whom are significant donors to the Foundation. The Foundation is considered a component unit of Peru State College; therefore, the Foundation's net assets and results of operations are included as a component unit in the Peru State College financial statements.

2. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

3. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount 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 may differ from the estimates and assumptions used in preparing the financial statements.

4. Financial Statement Presentation

The Foundation follows Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 958-205 *Not-for-Profit Entities Presentation of Financial Statements*.

Under FASB ASC 958-205, the Foundation is required to report information regarding its financial position and activities according to the following three classes of net assets:

- Unrestricted net assets represent resources over which the Board of Directors has discretionary control and are used to carry out the operations of the Foundation in accordance with its bylaws.
- Temporarily restricted net assets represent resources subject to donor-imposed restrictions until such time as the restriction is met, whether it is the expiration of a time period or the occurrence of an event. Temporarily restricted net assets are available for various scholarship and departmental expenses for the College.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

PERU STATE COLLEGE FOUNDATION (Continued)

Note A – Summary of Significant Accounting Policies (Continued)

- Permanently restricted net assets represent resources subject to donor-imposed restrictions that do not expire. Earnings from permanently restricted net assets are available for scholarships for qualifying students attending the College.

5. *Promises to Give*

Unconditional promises to give are recorded as receivables and revenues when received. The receivables that are due in the next year are reflected as current promises to give and are recorded at their estimated net realized value. The Foundation regularly reviews the listing of unconditional promises to give to determine collectability.

6. *Endowments and Investments*

The Foundation's investments in Westwood Management Corp. LLC's are valued at Level 2 of the hierarchy of investment valuation, see Note C. Unrealized gains and losses are included in the statement of activities as a change in unrestricted net assets.

The Foundation pools its investments for greater flexibility in managing those investments. When investments are pooled, they lose their specific identification with specific contributions. Thus, the income and unrealized and realized gains and losses are allocated to the pool participants using the market value method. The market value method assigns a number of units to each pool participant based on the relationship of the individual investment to the total investments at the time the investments are pooled.

The Foundation follows the guidance of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in accounting for endowed assets. UPMIFA permits, subject to donor intent, appropriation for prudent expenditures as determined by the Foundation for the uses, benefits, purposes, and duration of the established endowment fund. The Foundation has determined that maintaining the historical endowed value is prudent for the use of the funds and any appreciation of the endowment is available for use. The amount of the net appreciation is reported as increases in unrestricted net assets in the statement of activities. Net depreciation in donor-restricted endowments is reimbursed from unrestricted net assets as necessary to replenish the endowment fund to its historic dollar value as established by the Foundation.

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while maintaining the purchasing power of these endowment assets over the long-term. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to return 6.5%, net of management fees. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places an emphasis on equity-based investments and fixed income investments to achieve its long-term return objectives within prudent risk parameters.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

PERU STATE COLLEGE FOUNDATION (Continued)

Note A – Summary of Significant Accounting Policies (Continued)

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds, for scholarships and administration. The current spending policy is to distribute an amount at least equal to 4% of a moving four-year average of the fair value of the endowment funds. Accordingly, over the long-term, the Foundation expects its current spending policy to allow its endowment assets to grow at an average rate of 2.5% annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

7. *Property and Equipment*

The Foundation capitalizes all additions, renewals, and betterments at cost whereas expenditures for maintenance and repairs are expensed as incurred.

Depreciation and amortization is computed over the estimated useful lives of the assets using the straight-line method. Estimated useful lives of the assets are:

Office Furniture and Fixtures	3 - 7 years
Vehicles	5 years

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the asset to a specific purpose.

8. *Revenues and Other Support*

Annual campaign contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor.

Grants and other contributions of cash and other assets are recorded as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets.

Endowment contributions and investments are permanently restricted by the donor. Investment earnings available for distribution are recorded as unrestricted net assets. Investment earnings with donor restrictions are recorded as temporarily or permanently restricted net assets based on the nature of the restrictions.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

PERU STATE COLLEGE FOUNDATION (Continued)

Note A – Summary of Significant Accounting Policies (Concluded)

Contributions of donated noncash assets are recorded at their estimated fair values in the period received.

9. Functional Expenses

Directly identifiable expenses are charged to program and supporting services; management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

10. Income Taxes

The Foundation is an organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation is not identified by the Internal Revenue Service as a private foundation.

Management evaluated the Foundation's tax positions including unrelated business income and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

11. Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, investments, unconditional promises to give, student loans, notes receivable, accounts payable, accrued expenses, and the long-term liabilities approximate fair value.

12. Comparative Financial 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Note B – Cash

The Foundation maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to \$250,000. The Organization has not experienced any loss in such accounts. As of December 31, 2017, the uninsured balance is \$4,295. The Organization believes it is not exposed to any significant credit risk on its cash balances.

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NOTES TO THE FINANCIAL STATEMENTS

(Continued)

PERU STATE COLLEGE FOUNDATION (Continued)

Note C – Investments

The Foundation's investments at December 31, 2017 consist of the following:

	Cost	Gross Unrealized Gain	Fair Market Value
Fixed Income Funds			
Westwood Cash Reserves, LLC	\$ 368,585	\$ 421	\$ 369,006
Westwood Core Income, LLC	1,922,560	152,591	2,075,151
Westwood Total Return, LLC	1,386,643	1,178,536	2,565,179
Equity Funds:			
Westwood Tactical Opportunity, LLC	221,797	398,546	620,343
Westwood Diversified Core Equity, LLC	776,997	2,565,556	3,342,553
Westwood Focused Core Equity, LLC	253,186	1,169,378	1,422,564
Westwood Diversified Small/Mid Cap Equity, LLC	92,939	760,295	853,234
Westwood Focused Small Cap Equity, LLC	203,977	320,683	524,660
Westwood International Equity, LLC	945,255	460,905	1,406,160
	<u>\$ 6,171,939</u>	<u>\$ 7,006,911</u>	<u>\$ 13,178,850</u>

The Foundation's investments at December 31, 2016 consist of the following:

	Cost	Gross Unrealized Gain	Fair Market Value
Fixed Income Funds			
Westwood Cash Reserves, LLC	\$ 473,927	\$ 1,128	\$ 475,055
Westwood Core Income, LLC	1,725,560	124,988	1,850,548
Westwood Total Return, LLC	1,386,643	949,747	2,336,390
Equity Funds:			
Westwood Tactical Opportunity, LLC	221,797	349,401	571,198
Westwood Diversified Core Equity, LLC	1,161,050	1,773,878	2,934,928
Westwood Focused Core Equity, LLC	303,186	885,528	1,188,714
Westwood Diversified Small/Mid Cap Equity, LLC	190,939	595,027	785,966
Westwood Focused Small Cap Equity, LLC	211,621	259,444	471,065
Westwood International Equity, LLC	997,748	165,182	1,162,930
	<u>\$ 6,672,471</u>	<u>\$ 5,104,323</u>	<u>\$ 11,776,794</u>

Investment expense which consists of management fees totaled \$102,716 and \$82,334 for the years ended December 31, 2017 and 2016, respectively.

Current requirements for fair value measurements establish a hierarchy that prioritizes the inputs to the valuation techniques used. The hierarchy gives the highest priority to unadjusted observable quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are:

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

PERU STATE COLLEGE FOUNDATION (Continued)

Note C – Investments (Concluded)

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable.

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Note D – Note Receivable

The Foundation’s note receivable consists of the following at December 31:

	2017	2016
The Foundation entered into a purchase lease with the College, whereby the College leased the Al Wheeler Activity Center Renovation for 12 years, payable at \$25,871 per year including interest at 3.5%. The College has the option to purchase the Remodel at the end of the lease term for \$10.	\$ 49,147	\$ 72,481
Current portion of note receivable	24,151	23,334
Long term receivable less current portion	\$ 24,996	\$ 49,147

The aggregate maturities of the note receivable are as follows:

2018	24,151
2019	24,996
	\$ 49,147

Note E – Refundable Deposits

Beginning in 2003, the Peru Booster Club had entered into intermediary agreements with the Foundation. Funds are held in a cash account by the Foundation as an agent of the organization to be disbursed at their request. The funds are not owned by the Foundation and are not pooled with the Foundation’s investments. The liability included in the accompanying statements of financial position represents the amount due to this entity totaling \$20,320 and \$20,347 as of December 31, 2017 and 2016, respectively.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

PERU STATE COLLEGE FOUNDATION (Continued)

Note F – Notes Payable

At December 31, 2017 and 2016 the Foundation had a short-term bank loan that bears interest at 3.50% with balances of \$85,086 and \$115,086 respectively. The loan was refinanced in January 2018 with a new balance of \$ 115,085.67.

Note G – Net Assets

The following net assets amounts represent amounts that are unrestricted, board-designated or have donor-imposed restrictions.

Unrestricted board-designated net assets at December 31, are available for the following:

	2017	2016
Designated for scholarships	\$ 600,620	\$ 600,620
Designated for work stipends	488,044	508,044
Designated for campus improvements	5,500	5,500
	\$ 1,094,164	\$ 1,114,164

Temporarily restricted net assets at December 31, are available for the following uses:

	2017	2016
Restricted for scholarships	\$ 983,267	\$ 695,594
Restricted for education and athletic departments	980,385	951,397
Promise to give - renovation	80,000	-
	\$ 2,043,652	\$ 1,646,991

Permanently restricted net assets consist of endowment fund assets held indefinitely. The income from the assets is used for scholarships and to support the Foundation. Amounts appropriated for scholarships in 2017 and 2016 amounted to \$202,289 and \$174,885, respectively.

Net assets were released from donor restrictions by incurring expenses satisfying the purpose of the restrictions specified by donors as follows:

	2017	2016
Purpose restriction accomplished:		
Scholarships	\$ 190,584	\$ 36,475
Departmental and athletic gifts to College	26,391	8,828
Oakbowl renovations & fundraising	-	5,117
	\$ 216,955	\$ 50,420

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

PERU STATE COLLEGE FOUNDATION (Continued)

Note H – Endowment Funds

Appreciation of endowed assets included in investments at December 31, are as follows:

	<u>2017</u>	<u>2016</u>
Fair value of endowed assets	\$ 9,974,023	\$ 9,246,512
Remaining principle balance	(7,146,698)	(6,871,450)
Net appreciation - endowed assets	<u>\$ 2,827,325</u>	<u>\$ 2,375,062</u>

The Foundation's endowment funds consist of both donor-restricted endowment funds and funds designated by the Board to function as an endowment. As required by generally accepted accounting principles, net assets and the changes therein associated with endowment funds, including fund designations by the Board of Directors to function as endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

The Nebraska Uniform Prudent Management of Institutional Funds Act (NUPMIFA) was enacted April 4, 2007. NUPMIFA sets out guidelines to be considered when managing and investing donor restricted endowment funds. The Foundation has interpreted NUPMIFA as requiring the preservation of the whole dollar value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result, the Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. Interest, dividends, and net appreciation of the donor-restricted endowment funds are classified according to donor stipulations, if any. Absent any donor-imposed restrictions, interest, dividends, and net appreciation (depreciation) of donor-restricted endowment funds is classified as unrestricted net assets.

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 endowment fund;
2. The purposes of the Foundation and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation or deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Foundation; and
7. The investment policy of the Foundation.

NEBRASKA STATE COLLEGE SYSTEM
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NOTES TO THE FINANCIAL STATEMENTS

(Continued)

PERU STATE COLLEGE FOUNDATION (Continued)

Note H – Endowment Funds (Concluded)

Investment Return Objectives, Risk Parameters and Strategies

The Foundation has adopted investment and spending policies, approved by the Foundation’s Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost 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 equity and debt securities, that is intended to result in a consistent inflation-protected rate of return. Therefore, the Foundation expects its endowment assets, over time, to produce an average rate of return in excess of amounts distributed annually. Actual returns in any given year may vary from this amount. 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 for appropriating for distribution each year a portion of its endowment fund. 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, some of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation.

Note I – Related Party Transactions

The Foundation incurs various expenses with the College throughout the year such as payroll reimbursements, gifts, and other departmental expenses. The following is a summary of transactions with the College for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Salary and wage reimbursement	\$ 414,111	\$ 376,998
Gifts and campus improvements	1,522,595	1,527,408
Departmental expenses	<u>62,009</u>	<u>71,661</u>
	<u>\$ 1,998,715</u>	<u>\$ 1,976,067</u>

The Foundation owed the College for salary and wage expenses paid to its employees by the College in the amount of \$55,813 and \$30,310 at December 31, 2017 and 2016, respectively.

NEBRASKA STATE COLLEGE SYSTEM
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NOTES TO THE FINANCIAL STATEMENTS

(Continued)

PERU STATE COLLEGE FOUNDATION (Concluded)

Note J – Retirement Plan

The College sponsors a defined contribution retirement pension plan, Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF), in which the Foundation's employees are allowed to participate. The plan covers all employees upon attaining 30 years of age and having two years of college service. Employee contributions are limited to 6% of gross salary. The Foundation reimburses the College for the retirement fund contributions along with the salary reimbursements. The Foundation's contributions to the plan totaled \$23,256 and \$18,055 for the years ended December 31, 2017 and 2016, respectively, and is included in salaries and wages on the statement of functional expenses.

Note K – Concentrations

During 2017, the Foundation received approximately 41% of its contributions from five (5) individuals/estates. During 2016, the Foundation received approximately 35% of its contributions from two (2) individuals/estates.

Note L – Prepaid Scholarships

The Foundation prepays the spring scholarships to the College at the end of the fiscal year. As of December 31, 2017, there was no scholarships prepaid. As of December 31, 2016, there was \$102,635 of prepaid scholarships.

Note M – Subsequent Events

As of June 15, 2018, the date which the financial statements were available to be issued, the Foundation did not have any subsequent events affecting the amounts reported in the financial statements for the year ended December 31, 2017 which are required to be disclosed in the notes to the financial statements for the year then ended

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

WAYNE STATE FOUNDATION

Note A – Foundation

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

Note B – Summary of Significant Accounting Policies

Basis of Presentation

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

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

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

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

Prior-Year Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the years ended June 30, 2017 and 2016, from which the summarized information was derived.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

WAYNE STATE FOUNDATION (Continued)

Note B – Summary of Significant Accounting Policies (Continued)

Contributions

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

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

Pervasiveness of Estimates

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

Cash and Cash Equivalents

The Foundation considers checking accounts, including interest bearing checking accounts, to be cash equivalents.

Property

Property is recorded at cost or estimated value at the date of purchase or contribution. Additions in excess of \$2,500 are capitalized. Expenditures for repairs and maintenance are expensed as incurred. Assets are being depreciated using the straight-line method with estimated useful lives of 40 years for real property, 26 years for improvements, and 10 years for the donor display case. Depreciation expense was \$4,358 for the year ended June 30, 2018.

Investments

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

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.

NEBRASKA STATE COLLEGE SYSTEM
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NOTES TO THE FINANCIAL STATEMENTS
(Continued)

WAYNE STATE FOUNDATION (Continued)

Note B – Summary of Significant Accounting Policies (Concluded)

The Foundation files required income tax returns in the U.S. federal jurisdiction. With few exceptions, the Foundation is no longer subject to U.S. federal income tax examinations by tax authorities for tax years ending before 2015. The Foundation has concluded no material uncertain tax positions have been taken on any open tax returns. For the current year the Foundation believes all tax positions are fully supportable by existing Federal law and related interpretations and there are no uncertain tax positions to consider.

Collections

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

Advertising

The Foundation expenses advertising costs as they are incurred. Advertising expenses for the year ended June 30, 2018, was \$26,461.

Subsequent Events

In the normal course of preparing the Foundation's financial statements, management reviews events that occur after the statement of financial position date (June 30, 2018) for potential recognition or disclosure in the financial statements. Management has evaluated subsequent events through September 7, 2018, which is the date the financial statements were available to be issued. See Note T for recently issued accounting pronouncements.

Note C – Credit Risk Arising From Cash Deposits

At times the Foundation may have uninsured bank deposits. At June 30, 2018, the Foundation had bank deposits of \$3,658,579, of which \$866,900 was uninsured. The Foundation approved a policy of bank deposits up to \$350,000. All bank deposits were below the approved policy except for Elkhorn Valley Bank & Trust (EVB&T) which had deposits of \$1,092,882. In June 2016 the Finance Committee approved exceeding the approved policy amount for EVB&T.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

WAYNE STATE FOUNDATION (Continued)

Note D – Promises to Give

Unconditional Promises

Unconditional promises are recorded at their net realizable value.

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

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

Estimated future cash flows of unconditional promises are as follows:

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

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

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

WAYNE STATE FOUNDATION (Continued)

Note E – Investments

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

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

Market Risk from Concentration of Investments with Advisor

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

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

WAYNE STATE FOUNDATION (Continued)

Note E – Investments (Continued)

Fair Value Measurement

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

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

The following is a summary of the inputs used as of June 30, 2018 in valuing the Foundation’s investments:

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

Level 3 Activity

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

The Foundation did not hold other financial instruments as of June 30, 2018.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

WAYNE STATE FOUNDATION (Continued)

Note E – Investments (Concluded)

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.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investment Management Fees	\$ 8,688	\$ 59,704	\$ 10,887	\$ 79,279

Note F – Property

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

Note G – Life Insurance – Cash Value

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

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

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

WAYNE STATE FOUNDATION (Continued)

Note H – Annuity Contracts

The Foundation has entered into several annuity agreements whereby the donor transfers either cash, property, or both and, in consideration, the Foundation agrees to pay the donor a stated dollar amount annually for the remainder of his/her life, at which time the remaining assets are available for their unrestricted (or restricted if so designated by the donor) use by the Foundation. The Foundation records the assets at fair value when received. The liability is recorded at the present value of expected future cash flows to be paid to the annuitant with the difference recorded as an unrestricted or restricted contribution. The liabilities are computed using discount rates varying from 1.2% to 8.2% and life expectancies of annuity beneficiaries based on IRS tables.

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

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

Note I – Unrestricted Net Assets

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

Board Designated:	
Quasi-Endowment	\$ 402,814
Total board designated	\$ 402,814

Note J – Temporarily Restricted Net Assets

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

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

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

WAYNE STATE FOUNDATION (Continued)

Note K – Permanently Restricted Net Assets

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

Note L – Endowment Funds

The Foundation’s endowment consists of 369 individual funds established for a variety of purposes. Its endowment includes both donor restricted funds and funds designated by the Executive Committee to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds including funds designated by the Executive Committee to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

Endowment Net Asset Composition by Type of Fund as of June 30, 2018

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

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

WAYNE STATE FOUNDATION (Continued)

Note L – Endowment Funds (Continued)

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

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

Other permanently restricted net assets:

Interest in Robert Cunningham Perpetual Trust	945,371
Cash Value of Life Insurance to Fund Permanently Restricted Endowment Funds	36,642
Charitable Gift Annuity Net Assets to Fund Permanently Restricted Endowments at a Future Date	198,477
Promises to Fund Permanently Restricted Endowment Funds	14,743
Total Permanently Restricted Net Assets	<u>\$ 17,896,402</u>

Funds with Deficiencies. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NUPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets was \$125 as of June 30, 2018. Deficiencies, if any, result from unfavorable market fluctuations that occur after the investment of permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Executive Committee of the Foundation.

Contributions. Contributions above include the decrease in promises to fund permanently restricted endowment funds (net endowment receivables) of \$114,347.

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

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

WAYNE STATE FOUNDATION (Continued)

Note L – Endowment Funds (Concluded)

acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes debt and equity securities, that is intended to result in a consistent inflation protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

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

Note M – Functional Allocation of Expenses

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

Note N – Contributed Services

The Foundation receives donated accounting services, secretarial services and rent from Wayne State College. The estimated fair value for these services is \$166,908 for the year ended June 30, 2018. The amounts have been recognized in the financial statements.

Note O – Pension Plan

The Foundation contributes to a defined contribution retirement plan and is required to contribute 8% of the employee's salary. The Foundation's contributions to the retirement plan were \$21,590 for the year ended June 30, 2018.

Note P – Vacation, Sick Pay, and Other Employee Benefit Amounts

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

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

WAYNE STATE FOUNDATION (Continued)

Note Q – Commitments

U.S. Conn Library Renovation

A three-year renovation of the U.S. Conn Library began in May 2014 and was completed in June 2017. The Wayne State Foundation raised \$3.1 million in gifts and pledges toward the \$21.9 million project while the State of Nebraska, L.B. 301, and Wayne State College funded the difference. The Foundation has reimbursed the College \$2,044,526 and at June 30, 2018, the Foundation had \$381,081 in funds available and \$293,500 pledges receivable, for a total of \$674,581 remaining for the U.S. Conn Library renovation project. The Foundation also has \$428,590 for a maintenance reserve for the Library.

Press Box Replacement

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

Center for Applied Technology

Wayne State College secured \$8.9 million through a state bond program underscoring the importance of a \$15.2 million state-of-the-art Center for Applied Technology to address workforce and economic development in Nebraska. The Wayne State Foundation raised \$1,456,270 in private support for this project including \$200,000 of unrecorded conditional pledges. Construction began in August 2017 and is scheduled to be completed in December 2018. As of June 30, 2018, the Foundation had a payable of \$671,067 to Wayne State College. Also at June 30, 2018 the Foundation had \$362,795 in funds available and \$222,408 pledges receivable, for a total of \$585,203 remaining for the Center for Applied Technology project.

Criminal Justice Lab

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

Note R – Related Parties

For the year ended June 30, 2018 the Foundation provided direct support to Wayne State College of \$5,674,448 and reimbursed the College for \$393,752 for payroll and other operating expenses. Direct support consisted of \$2,302,490 for annual scholarships; \$607,136 for endowed scholarships; \$21,900 for Neihardt stipends; \$382,185 for athletic scholarships; \$107,187 for athletics administration

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS
(Concluded)

WAYNE STATE FOUNDATION (Concluded)

Note R – Related Parties (Concluded)

support; \$697,477 for capital improvements to U.S. Conn Library; \$720,071 for capital improvements to the press box renovation; \$671,067 payable to Wayne State College for capital improvements for the Center for Applied Technology; and \$27,937 for general budget support college departments. The Foundation also provided \$53,281 of indirect support.

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

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

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

Note S – Leases

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

Note T – Recently Issued Accounting Pronouncements

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

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

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

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

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

The standard will take effect for annual financial statements issued for fiscal years beginning after Dec. 15, 2017. The Foundation will implement the standard for the fiscal year ending June 30, 2019.

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

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)
SCHEDULE OF NET POSITION - UNAUDITED
June 30, 2018

	CSC	PSC	WSC	NSCS Office	Total
Assets					
Current Assets					
Cash and Cash Equivalents	\$ 7,040,561	\$ 5,939,236	\$ 22,246,137	\$ 3,451,550	\$ 38,677,484
Restricted Cash and Cash Equivalents	6,551,171	4,463,075	10,032,902	5,807,295	26,854,443
Accounts Receivable, Net of Allowance	107,426	746,825	168,229	32,880	1,055,360
Other Receivables	162,990	158,757	776,439	21,373	1,119,559
Inventories	15,340	41,367	10,522	-	67,229
Loans to Students, Net	-	-	186,289	-	186,289
Prepaid Expenses	356,188	187,194	275,069	61,474	879,925
Deposits with Vendors	-	-	-	3,435	3,435
Total Current Assets	<u>14,233,676</u>	<u>11,536,454</u>	<u>33,695,587</u>	<u>9,378,007</u>	<u>68,843,724</u>
Non-current Assets					
Restricted Cash and Cash Equivalents	960,604	1,017,694	1,231,298	7,879,644	11,089,240
Restricted Investments	-	717,036	602,259	-	1,319,295
Loans to Students, Net	-	-	819,320	-	819,320
Prepaid Expenses	26,332	17,221	16,654	90,095	150,302
Capital Assets, Net	<u>58,755,791</u>	<u>61,098,076</u>	<u>113,481,520</u>	<u>1,506,229</u>	<u>234,841,616</u>
Total Non-current Assets	<u>59,742,727</u>	<u>62,850,027</u>	<u>116,151,051</u>	<u>9,475,968</u>	<u>248,219,773</u>
Total Assets	<u>73,976,403</u>	<u>74,386,481</u>	<u>149,846,638</u>	<u>18,853,975</u>	<u>317,063,497</u>
Deferred Outflow of Resources					
Unamortized Bond Refunding Amount, Net	19,558	5,842	10,559	-	35,959
Total Deferred Outflow of Resources	<u>19,558</u>	<u>5,842</u>	<u>10,559</u>	<u>-</u>	<u>35,959</u>
Liabilities					
Current Liabilities					
Accounts Payable and Accrued Liabilities	1,997,044	1,169,357	5,012,606	4,726,784	12,905,791
Accrued Compensated Absences	173,324	63,791	221,561	111,228	569,904
Unearned Revenue	80,328	-	858,333	-	938,661
Interest Payable	126,481	194,131	271,524	429,238	1,021,374
Master Lease Payable	144,213	71,566	-	-	215,779
Long-term Debt	640,000	584,996	860,000	3,215,000	5,299,996
Deposits Held in Custody for Others	87,578	44,210	68,827	120,612	321,227
Total Current Liabilities	<u>3,248,968</u>	<u>2,128,051</u>	<u>7,292,851</u>	<u>8,602,862</u>	<u>21,272,732</u>
Non-current Liabilities					
Accrued Compensated Absences	1,083,592	488,341	1,637,327	147,255	3,356,515
Master Lease Payable	102,476	-	-	-	102,476
Long-term Debt	9,436,352	12,902,477	17,999,189	32,730,834	73,068,852
Total Non-current Liabilities	<u>10,622,420</u>	<u>13,390,818</u>	<u>19,636,516</u>	<u>32,878,089</u>	<u>76,527,843</u>
Total Liabilities	<u>13,871,388</u>	<u>15,518,869</u>	<u>26,929,367</u>	<u>41,480,951</u>	<u>97,800,575</u>
Deferred Inflow of Resources					
Unamortized Bond Refunding Amount, Net	-	-	-	23,060	23,060
Total Deferred Inflow of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,060</u>	<u>23,060</u>
Net Position					
Net Investment in Capital Assets	49,508,993	48,680,584	95,279,846	(29,678,846)	163,790,577
Restricted for:					
Expendable:					
Loans	-	-	1,164,032	-	1,164,032
Debt Service	649,291	564,018	871,868	1,802,783	3,887,960
Plant	910,387	548,973	473,763	2,998,754	4,931,877
Other	4,738,974	3,815,367	7,179,049	391,763	16,125,153
Unrestricted	<u>4,316,928</u>	<u>5,264,512</u>	<u>17,959,272</u>	<u>1,835,510</u>	<u>29,376,222</u>
Total Net Position	<u>\$ 60,124,573</u>	<u>\$ 58,873,454</u>	<u>\$ 122,927,830</u>	<u>\$ (22,650,036)</u>	<u>\$ 219,275,821</u>

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)
SCHEDULE OF NET POSITION - UNAUDITED
June 30, 2017

	CSC As Restated	PSC As Restated	WSC As Restated	NSCS Office	Total
Assets					
Current Assets					
Cash and Cash Equivalents	\$ 6,593,630	\$ 5,181,477	\$ 19,867,414	\$ 2,452,070	\$ 34,094,591
Restricted Cash and Cash Equivalents	6,791,360	3,747,574	8,827,662	5,536,859	24,903,455
Accounts Receivable, Net of Allowance	230,820	721,608	145,268	28,924	1,126,620
Other Receivables	157,026	107,066	152,058	23,262	439,412
Inventories	17,729	47,442	12,004	-	77,175
Loans to Students, Net	-	-	222,437	-	222,437
Prepaid Expenses	366,424	221,812	398,849	57,476	1,044,561
Deposits with Vendors	-	-	1,310	4,105	5,415
Total Current Assets	<u>14,156,989</u>	<u>10,026,979</u>	<u>29,627,002</u>	<u>8,102,696</u>	<u>61,913,666</u>
Non-current Assets					
Restricted Cash and Cash Equivalents	1,019,694	2,094,573	3,097,758	21,010,900	27,222,925
Restricted Investments	-	740,968	604,238	-	1,345,206
Loans to Students, Net	-	-	898,169	-	898,169
Prepaid Expenses	16,450	29,421	74,652	101,755	222,278
Capital Assets, Net	56,031,707	58,566,668	103,676,730	2,384,373	220,659,478
Total Non-current Assets	<u>57,067,851</u>	<u>61,431,630</u>	<u>108,351,547</u>	<u>23,497,028</u>	<u>250,348,056</u>
Total Assets	<u>71,224,840</u>	<u>71,458,609</u>	<u>137,978,549</u>	<u>31,599,724</u>	<u>312,261,722</u>
Deferred Outflow of Resources					
Unamortized Bond Refunding Amount, Net	21,514	6,491	11,732	-	39,737
Total Deferred Outflow of Resources	<u>21,514</u>	<u>6,491</u>	<u>11,732</u>	<u>-</u>	<u>39,737</u>
Liabilities					
Current Liabilities					
Accounts Payable and Accrued Liabilities	2,535,320	2,023,893	4,229,036	917,161	9,705,410
Accrued Compensated Absences	130,399	57,460	144,748	18,526	351,133
Unearned Revenue	76,648	23,372	717,635	-	817,655
Interest Payable	130,622	197,688	276,691	441,261	1,046,262
Master Lease Payable	153,532	77,089	-	-	230,621
Long-term Debt	635,000	284,151	845,000	2,635,000	4,399,151
Deposits Held in Custody for Others	110,644	51,038	39,826	104,599	306,107
Total Current Liabilities	<u>3,772,165</u>	<u>2,714,691</u>	<u>6,252,936</u>	<u>4,116,547</u>	<u>16,856,339</u>
Non-current Liabilities					
Accrued Compensated Absences	1,243,422	577,242	1,768,806	246,136	3,835,606
Unearned Revenue	-	-	249,424	-	249,424
Master Lease Payable	246,689	71,566	-	-	318,255
Long-term Debt	10,074,371	13,482,533	18,862,857	36,452,351	78,872,112
Total Non-current Liabilities	<u>11,564,482</u>	<u>14,131,341</u>	<u>20,881,087</u>	<u>36,698,487</u>	<u>83,275,397</u>
Total Liabilities	<u>15,336,647</u>	<u>16,846,032</u>	<u>27,134,023</u>	<u>40,815,034</u>	<u>100,131,736</u>
Deferred Inflow of Resources					
Unamortized Bond Refunding Amount, Net	-	-	-	34,355	34,355
Total Deferred Inflow of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,355</u>	<u>34,355</u>
Net Position					
Net Investment in Capital Assets	46,240,922	46,372,957	85,906,171	(16,013,593)	162,506,457
Restricted for:					
Expendable:					
Loans	-	-	1,280,398	-	1,280,398
Debt Service	636,776	259,605	852,239	1,210,500	2,959,120
Plant	119,476	152,326	599,683	3,326,473	4,197,958
Other	5,218,731	2,558,592	6,220,924	383,554	14,381,801
Unrestricted	3,693,802	5,275,588	15,996,843	1,843,401	26,809,634
Total Net Position	<u>\$ 55,909,707</u>	<u>\$ 54,619,068</u>	<u>\$ 110,856,258</u>	<u>\$ (9,249,665)</u>	<u>\$ 212,135,368</u>

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
UNAUDITED**
Fiscal Year Ended June 30, 2018

	CSC	PSC	WSC	NSCS Office	Total
Operating Revenues					
Tuition and Fees, Net of Scholarship					
Allowances and Institutional Waivers	\$ 10,579,254	\$ 6,843,319	\$ 13,376,210	\$ -	\$ 30,798,783
Federal Grants and Contracts	4,004,178	3,512,856	4,970,466	-	12,487,500
State Grants and Contracts	735,957	489,472	816,310	-	2,041,739
Private Grants and Contracts	238,176	236,906	323,887	-	798,969
Auxiliary Enterprises, Net of Scholarship					
Allowances and Institutional Waivers	5,675,072	3,683,525	8,203,077	-	17,561,674
Other Operating Revenues	808,315	267,007	427,285	-	1,502,607
Total Operating Revenues	22,040,952	15,033,085	28,117,235	-	65,191,272
Operating Expenses					
Compensation and Benefits	24,745,826	13,993,605	29,981,187	1,773,754	70,494,372
Contractual Services	1,396,636	1,828,173	2,167,865	807,458	6,200,132
Supplies, Materials, and Other	5,462,413	2,864,308	6,316,927	272,518	14,916,166
Scholarships and Fellowships	1,405,236	1,441,582	1,741,610	-	4,588,428
Depreciation	2,302,963	2,125,769	4,120,028	878,144	9,426,904
Utilities	1,422,410	769,367	2,120,545	-	4,312,322
Repairs and Maintenance	1,572,328	117,133	1,260,534	-	2,949,995
Communications	119,716	160,502	159,876	-	440,094
Food Service	2,110,990	1,248,155	2,116,069	-	5,475,214
Total Operating Expenses	40,538,518	24,548,594	49,984,641	3,731,874	118,803,627
Operating Loss	(18,497,566)	(9,515,509)	(21,867,406)	(3,731,874)	(53,612,355)
Non-operating Revenues (Expenses)					
State Appropriations	17,393,991	9,795,267	21,768,589	2,133,315	51,091,162
Investment Income	262,390	201,245	674,594	355,546	1,493,775
Interest on Capital Asset-Related Debt	(256,514)	(396,743)	(540,554)	(830,313)	(2,024,124)
Gain (Loss) on Disposal of Asset	(3,529)	-	(12,588)	-	(16,117)
Other Non-operating Revenue					
(Expense)	-	-	(66,452)	21,895	(44,557)
Net Non-operating Revenues (Expenses)	17,396,338	9,599,769	21,823,589	1,680,443	50,500,139
Income (Loss) Before Other Revenues, Expenses, Gains or (Losses)	(1,101,228)	84,260	(43,817)	(2,051,431)	(3,112,216)
Other Revenues (Expenses) or Gains (Losses)					
Capital Facilities Fees	-	-	-	2,102,454	2,102,454
Capital Contributions	-	-	2,975,634	-	2,975,634
Operating Transfers In (Out)	3,100,094	3,576,332	8,199,968	(14,876,394)	-
Capital Appropriations and Grants	2,216,000	593,794	939,787	1,425,000	5,174,581
Net Other Revenues (Expenses) or Gains (Losses)	5,316,094	4,170,126	12,115,389	(11,348,940)	10,252,669
Increase (Decrease) in Net Position	4,214,866	4,254,386	12,071,572	(13,400,371)	7,140,453
Net Position, Beginning of Year	55,909,707	54,619,068	110,856,258	(9,249,665)	212,135,368
Net Position, End of Year	\$ 60,124,573	\$ 58,873,454	\$ 122,927,830	\$ (22,650,036)	\$ 219,275,821

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
UNAUDITED
Fiscal Year Ended June 30, 2017

	CSC As Restated	PSC	WSC As Restated	NSCS Office	Total
Operating Revenues					
Tuition and Fees, Net of Scholarship Allowances and Institutional Waivers	\$ 10,876,670	\$ 6,977,809	\$ 12,764,481	\$ -	\$ 30,618,960
Federal Grants and Contracts	4,030,157	3,264,001	4,548,286	-	11,842,444
State Grants and Contracts	478,463	568,445	1,049,103	-	2,096,011
Private Grants and Contracts	194,100	235,056	765,090	23,593	1,217,839
Auxiliary Enterprises, Net of Scholarship Allowances and Institutional Waivers	6,188,167	3,654,117	7,552,806	-	17,395,090
Other Operating Revenues	834,095	199,228	412,661	-	1,445,984
Total Operating Revenues	22,601,652	14,898,656	27,092,427	23,593	64,616,328
Operating Expenses					
Compensation and Benefits	24,390,583	13,827,428	30,040,177	1,807,505	70,065,693
Contractual Services	1,488,357	1,518,870	2,013,475	737,844	5,758,546
Supplies, Materials, and Other	5,619,543	2,869,327	5,884,105	263,299	14,636,274
Scholarships and Fellowships	1,416,173	1,393,574	1,640,444	-	4,450,191
Depreciation	2,374,196	1,761,912	3,262,867	878,149	8,277,124
Utilities	1,417,764	720,434	1,743,796	-	3,881,994
Repairs and Maintenance	1,988,548	926,119	2,255,811	-	5,170,478
Communications	126,495	164,356	164,069	-	454,920
Food Service	2,133,265	1,296,700	2,460,779	-	5,890,744
Total Operating Expenses	40,954,924	24,478,720	49,465,523	3,686,797	118,585,964
Operating Loss	(18,353,272)	(9,580,064)	(22,373,096)	(3,663,204)	(53,969,636)
Non-operating Revenues (Expenses)					
State Appropriations	17,179,001	9,704,951	21,332,564	2,141,240	50,357,756
Investment Income	241,508	231,908	726,847	162,700	1,362,963
Interest on Capital Asset-Related Debt	(264,566)	(256,691)	(351,125)	(382,417)	(1,254,799)
Gain (Loss) on Disposal of Asset	15,579	5,154	-	-	20,733
Bond Issuance Costs	-	(44,103)	-	(339,993)	(384,096)
Other Non-operating Revenue (Expense)	-	11,716	(43,187)	17,250	(14,221)
Net Non-operating Revenues (Expenses)	17,171,522	9,652,935	21,665,099	1,598,780	50,088,336
Income (Loss) Before Other Revenues, Expenses, Gains or (Losses)					
	(1,181,750)	72,871	(707,997)	(2,064,424)	(3,881,300)
Other Revenues (Expenses) or Gains (Losses)					
Capital Facilities Fees	-	-	-	2,093,812	2,093,812
Capital Contributions	288,679	786,314	780,697	-	1,855,690
Operating Transfers In (Out)	(1,749,134)	862,450	1,454,784	(568,100)	-
Capital Appropriations and Grants	2,216,000	540,376	383,614	1,425,000	4,564,990
Net Other Revenues (Expenses) or Gains (Losses)	755,545	2,189,140	2,619,095	2,950,712	8,514,492
Increase (Decrease) in Net Position	(426,205)	2,262,011	1,911,098	886,288	4,633,192
Net Position, Beginning of Year	56,335,912	52,357,057	108,945,160	(10,135,953)	207,502,176
Net Position, End of Year	\$ 55,909,707	\$ 54,619,068	\$ 110,856,258	\$ (9,249,665)	\$ 212,135,368

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)
SCHEDULE OF CASH FLOWS - UNAUDITED
Fiscal Year Ended June 30, 2018

	CSC	PSC	WSC	NSCS Office	Total
Cash Flows From Operating Activities					
Tuition and Fees	\$ 10,663,053	\$ 6,769,323	\$ 13,463,985	\$ -	\$ 30,896,361
Grants and Contracts	4,977,578	4,231,034	6,140,397	(461)	15,348,548
Payments to Suppliers	(11,301,586)	(6,094,862)	(10,717,505)	(1,114,668)	(29,228,621)
Payments for Utilities	(1,393,815)	(763,317)	(2,020,214)	-	(4,177,346)
Payments to Employees	(24,874,411)	(14,079,664)	(30,079,719)	(725,986)	(69,759,780)
Loans Issued to Students	-	-	(72,356)	-	(72,356)
Collections of Loans to Students	-	-	179,713	-	179,713
Sales and Services of Auxiliary Enterprises	5,705,904	3,573,895	8,020,185	-	17,299,984
Other Payments	(608,270)	(1,182,956)	(1,304,525)	-	(3,095,751)
Net Cash Used in Operating Activities	<u>(16,831,547)</u>	<u>(7,546,547)</u>	<u>(16,390,039)</u>	<u>(1,841,115)</u>	<u>(42,609,248)</u>
Cash Flows From Non-capital Financing Activities					
State Appropriations	17,393,991	9,795,267	21,768,589	2,133,315	51,091,162
Receipt of Flex Contributions	-	-	-	289,575	289,575
Payment of Flex Contributions	-	-	-	(272,605)	(272,605)
Direct Lending Receipts	9,968,067	8,887,304	12,060,376	-	30,915,747
Direct Lending Payments	(9,968,067)	(8,887,304)	(12,060,376)	-	(30,915,747)
Other Receipts (Payments)	(153,532)	35,702	(42,520)	34,585	(125,765)
Net Cash Provided by Non-capital Financing Activities	<u>17,240,459</u>	<u>9,830,969</u>	<u>21,726,069</u>	<u>2,184,870</u>	<u>50,982,367</u>
Cash Flows From Capital and Related Financing Activities					
Capital Contributions	-	-	2,302,761	-	2,302,761
Purchase of Capital Assets	(3,099,709)	(5,076,626)	(13,810,939)	-	(21,987,274)
Disposal of Capital Assets	(30,524)	-	-	-	(30,524)
Principal Paid on Capital Debt	(635,000)	(361,240)	(845,000)	(2,635,000)	(4,476,240)
Interest Paid on Capital Debt	(256,718)	(394,711)	(548,216)	(1,360,148)	(2,559,793)
Capital Facilities Fees	-	-	-	2,091,271	2,091,271
Transfers In (Out)	1,286,806	3,131,079	7,663,828	(12,081,713)	-
Other	-	-	-	(2,195)	(2,195)
Capital Appropriations	2,216,000	593,794	939,787	1,425,000	5,174,581
Net Cash Used by Capital and Related Financing Activities	<u>(519,145)</u>	<u>(2,107,704)</u>	<u>(4,297,779)</u>	<u>(12,562,785)</u>	<u>(19,487,413)</u>
Cash Flows From Investing Activities					
Investment Income	257,885	219,663	679,252	357,690	1,514,490
Net Cash Provided by Investing Activities	<u>257,885</u>	<u>219,663</u>	<u>679,252</u>	<u>357,690</u>	<u>1,514,490</u>
Increase (Decrease) in Cash and Cash Equivalents	147,652	396,381	1,717,503	(11,861,340)	(9,599,804)
Cash and Cash Equivalents, Beginning of Year	<u>14,404,684</u>	<u>11,023,624</u>	<u>31,792,834</u>	<u>28,999,829</u>	<u>86,220,971</u>
Cash and Cash Equivalents, End of Year	<u>\$ 14,552,336</u>	<u>\$ 11,420,005</u>	<u>\$ 33,510,337</u>	<u>\$ 17,138,489</u>	<u>\$ 76,621,167</u>

(Continued)

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)
SCHEDULE OF CASH FLOWS - UNAUDITED
Fiscal Year Ended June 30, 2018

	<u>CSC</u>	<u>PSC</u>	<u>WSC</u>	<u>NSCS Office</u>	<u>Total</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position					
Cash and Cash Equivalents	\$ 7,040,561	\$ 5,939,236	\$ 22,246,137	\$ 3,451,550	\$ 38,677,484
Restricted Cash and Cash Equivalents - Current	6,551,171	4,463,075	10,032,902	5,807,295	26,854,443
Restricted Cash and Cash Equivalents - Non-current	960,604	1,017,694	1,231,298	7,879,644	11,089,240
Total Cash and Cash Equivalents	<u>\$ 14,552,336</u>	<u>\$ 11,420,005</u>	<u>\$ 33,510,337</u>	<u>\$ 17,138,489</u>	<u>\$ 76,621,167</u>
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities					
Operating Loss	\$ (18,497,566)	\$ (9,515,509)	\$ (21,867,406)	\$ (3,731,874)	\$ (53,612,355)
Depreciation Expense	2,302,963	2,125,769	4,120,028	878,144	9,426,904
Changes in Operating Assets and Liabilities:					
Receivables, Net	121,935	(105,620)	137,849	7,227	161,391
Inventories	2,389	6,075	1,482	-	9,946
Accounts Payable and Accrued Liabilities	(625,331)	10,166	1,193,264	1,014,735	1,592,834
Accrued Compensated Absences	(116,905)	(82,570)	(54,666)	(6,179)	(260,320)
Other Assets and Liabilities	(19,032)	15,142	79,410	(3,168)	72,352
Net Cash Used in Operating Activities	<u>\$ (16,831,547)</u>	<u>\$ (7,546,547)</u>	<u>\$ (16,390,039)</u>	<u>\$ (1,841,115)</u>	<u>\$ (42,609,248)</u>
Supplemental Cash Flows Information					
Accounts Payable Incurred for Capital Asset Purchases	\$ 90,200	\$ 7,677	\$ 767,096	\$ 3,287,165	\$ 4,152,138

(Concluded)

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)
SCHEDULE OF CASH FLOWS - UNAUDITED
Fiscal Year Ended June 30, 2017

	CSC As Restated	PSC As Restated	WSC	NSCS Office	Total
Cash Flows From Operating Activities					
Tuition and Fees	\$ 10,933,858	\$ 7,041,486	\$ 12,862,682	\$ -	\$ 30,838,026
Grants and Contracts	4,723,204	4,131,500	6,356,900	23,319	15,234,923
Payments to Suppliers	(11,055,868)	(6,768,895)	(12,480,483)	(919,531)	(31,224,777)
Payments for Utilities	(1,406,330)	(734,754)	(1,909,987)	-	(4,051,071)
Payments to Employees	(24,380,861)	(13,838,329)	(30,094,165)	(2,935,841)	(71,249,196)
Loans Issued to Students	(4)	-	(148,668)	-	(148,672)
Collections of Loans to Students	10,671	-	192,879	-	203,550
Sales and Services of Auxiliary Enterprises	6,268,420	3,721,935	7,337,150	-	17,327,505
Other Payments	(462,053)	(1,208,186)	(1,276,600)	-	(2,946,839)
Net Cash Used in Operating Activities	<u>(15,368,963)</u>	<u>(7,655,243)</u>	<u>(19,160,292)</u>	<u>(3,832,053)</u>	<u>(46,016,551)</u>
Cash Flows From Non-capital Financing Activities					
State Appropriations	17,179,001	9,704,951	21,332,564	2,141,240	50,357,756
Receipt of Flex Contributions	-	-	-	289,575	289,575
Payment of Flex Contributions	-	-	-	(292,834)	(292,834)
Direct Lending Receipts	10,825,747	9,166,109	11,435,701	-	31,427,557
Direct Lending Payments	(10,825,747)	(9,166,109)	(11,435,701)	-	(31,427,557)
Other Receipts (Payments)	(151,499)	46,096	(6,724)	34,901	(77,226)
Net Cash Provided by Non-capital Financing Activities	<u>17,027,502</u>	<u>9,751,047</u>	<u>21,325,840</u>	<u>2,172,882</u>	<u>50,277,271</u>
Cash Flows From Capital and Related Financing Activities					
Proceeds from Capital Debt	-	2,865,000	-	29,202,551	32,067,551
Capital Contributions	288,679	786,314	780,697	-	1,855,690
Purchase of Capital Assets	(698,140)	(9,260,051)	(13,335,388)	-	(23,293,579)
Disposal of Capital Assets	14,079	6,543	-	-	20,622
Principal Paid on Capital Debt	(630,000)	(3,324,410)	(450,000)	(11,905,000)	(16,309,410)
Interest Paid on Capital Debt	(367,823)	(570,899)	(822,132)	(722,729)	(2,483,583)
Bond Issuance Costs	-	(44,103)	-	-	(44,103)
Capital Facilities Fees	-	-	-	2,084,928	2,084,928
Transfers In (Out)	(1,925,031)	934,992	2,138,065	(1,148,026)	-
Other	-	-	-	32,402	32,402
Capital Appropriations	2,216,000	540,376	383,614	1,425,000	4,564,990
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,102,236)</u>	<u>(8,066,238)</u>	<u>(11,305,144)</u>	<u>18,969,126</u>	<u>(1,504,492)</u>
Cash Flows From Investing Activities					
Purchase/Sale of Investments	-	(737,000)	-	-	(737,000)
Investment Income	238,952	225,515	738,530	154,258	1,357,255
Net Cash Provided by Investing Activities	<u>238,952</u>	<u>(511,485)</u>	<u>738,530</u>	<u>154,258</u>	<u>620,255</u>
Increase (Decrease) in Cash and Cash Equivalents	795,255	(6,481,919)	(8,401,066)	17,464,213	3,376,483
Cash and Cash Equivalents, Beginning of Year	13,609,429	17,505,543	40,193,900	11,535,616	82,844,488
Cash and Cash Equivalents, End of Year	<u>\$ 14,404,684</u>	<u>\$ 11,023,624</u>	<u>\$ 31,792,834</u>	<u>\$ 28,999,829</u>	<u>\$ 86,220,971</u>

(Continued)

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)
SCHEDULE OF CASH FLOWS - UNAUDITED
Fiscal Year Ended June 30, 2017

	<u>CSC</u> <u>As Restated</u>	<u>PSC</u> <u>As Restated</u>	<u>WSC</u>	<u>NSCS</u> <u>Office</u>	<u>Total</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position					
Cash and Cash Equivalents	\$ 6,593,630	\$ 5,181,477	\$ 19,867,414	\$ 2,452,070	\$ 34,094,591
Restricted Cash and Cash Equivalents - Current	6,791,360	3,747,574	8,827,662	5,536,859	24,903,455
Restricted Cash and Cash Equivalents - Non-current	1,019,694	2,094,573	3,097,758	21,010,900	27,222,925
Total Cash and Cash Equivalents	<u>\$ 14,404,684</u>	<u>\$ 11,023,624</u>	<u>\$ 31,792,834</u>	<u>\$ 28,999,829</u>	<u>\$ 86,220,971</u>
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities					
Operating Loss	\$ (18,353,272)	\$ (9,580,064)	\$ (22,373,096)	\$ (3,663,204)	\$ (53,969,636)
Depreciation Expense	2,374,196	1,761,912	3,262,867	878,149	8,277,124
Changes in Operating Assets and Liabilities:					
Receivables, Net	283,069	255,461	107,962	4,391	650,883
Inventories	(1,661)	3,074	4,669	-	6,082
Accounts Payable and Accrued Liabilities	283,282	(84,103)	29,329	(1,060,368)	(831,860)
Accrued Compensated Absences	4,295	(17,917)	47,625	(25,312)	8,691
Other Assets and Liabilities	41,128	6,394	(239,648)	34,291	(157,835)
Net Cash Used in Operating Activities	<u>\$ (15,368,963)</u>	<u>\$ (7,655,243)</u>	<u>\$ (19,160,292)</u>	<u>\$ (3,832,053)</u>	<u>\$ (46,016,551)</u>
Supplemental Cash Flows Information					
Accounts Payable Incurred for Capital Asset Purchases	\$ 3,145	\$ 872,379	\$ 1,176,769	\$ 492,484	\$ 2,544,777

(Concluded)



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITOR'S REPORT

Board of Trustees of the Nebraska State College System
Lincoln, NE

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business type activities and the discretely presented component units of the Nebraska State College System (NSCS) (a component unit of the State of Nebraska), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise Nebraska State College System's basic financial statements, and have issued our report thereon dated December 12, 2018. Our report includes a reference to other auditors who audited the financial statements of the Nebraska State College System Foundations, the Nebraska State Colleges Facilities Corporation, and the activity of the Nebraska State College System Revenue and Refunding Bond Program, as described in our report on the NSCS's financial statements. The financial statements of these entities and program were not audited in accordance with *Government Auditing Standards*, and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these entities.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the NSCS's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the NSCS's internal control. Accordingly, we do not express an opinion on the effectiveness of the NSCS's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination

of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the NSCS’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in our separately issued management letter that we consider to be a significant deficiency: Comment Number 2018-001: Financial Statement Errors.

- The Nebraska State College System (NSCS) did not have adequate review procedures to ensure the accuracy of its financial statements. The draft financial statements that the NSCS submitted to the Auditor of Public Accounts (APA) for fiscal year ended June 30, 2018, were materially misstated, resulting in revisions to 53 of the 82 line items therein. Some of these revisions were a result of 40 errors discovered and corrected on the Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position for that fiscal year. Thirty-three of those errors were identified by the APA, and the other 7 were noted by the NSCS subsequent to submission of the original statements. Not all of the 40 errors were significant enough to require a proposed adjustment; however, the NSCS chose to adjust the financial statements for these errors regardless of dollar amount.

The table below summarizes, by campus and financial statement, the number of lines that were revised due to errors for fiscal year ended June 30, 2018. The individual financial statement line item changes ranged from \$167 to \$4,018,662 for NSCS in total.

Financial Statement	Statement of Net Position	Statement of Changes	Cash Flows Statement	Totals
Available Line Items	31	25	26	82
PSC Lines Revised	14	13	12	39
PSC Error Rate	45%	52%	46%	48%
WSC Lines Revised	11	8	7	26
WSC Error Rate	35%	32%	27%	32%
CSC Lines Revised	8	7	3	18
CSC Error Rate	26%	28%	12%	22%
SO Lines Revised	2	2	2	6
SO Error Rate	6%	8%	8%	7%
NSCS Total Lines Revised	21	17	15	53
NSCS Total Error Rate	68%	68%	58%	65%

The APA noted several other financial statement errors for fiscal year ended June 30, 2018, which the NSCS chose not to correct and were not significant enough to require adjustment. The amounts disclosed in the footnotes and the Management Discussion and Analysis were also found to contain errors. Furthermore, additional errors were noted that required revisions to the financial statements for fiscal year ended June 30, 2017, which are not included in the table above. In the end, all material errors were subsequently corrected by the NSCS.

A similar finding was noted as a material weakness in the prior-year report.

A good internal control plan requires procedures, including a sufficient review process, to ensure that the NSCS prepares the financial statements accurately and in accordance with government accounting standards. Without such procedures, there is an increased risk that material misstatements may occur and remain undetected.

More details regarding the adjusted errors discussed above are included in a separately issued management letter dated December 12, 2018.

NSCS's Response: Subsequent to the fiscal year 2017 audit that ended in December 2017, the NSCS has taken multiple steps to improve financial statement preparation. The NSCS has taken the following actions to address the material weakness in the 2017 audit:

- *Reorganized accounting departments and hired accounting professionals with significant financial statement experience as Comptrollers at all three Colleges, with two having CPA credentials. The NSCS hired these individuals into their positions in late spring, 2018.*
- *Put into practice procedures to improve consistency, including use of a financial statement template at all three colleges.*
- *Addressed specific concerns that arose during the prior year audit.*
- *Implemented monthly meetings of the Director of Systemwide Accounting and the Comptrollers to address questions that arise and to improve uniformity on the treatment of items across the system.*

*The NSCS also wants to note that the "significant deficiency" noted above is a substantial improvement from last years "material weakness". As noted by the APA, "A significant deficiency is a deficiency or combination of deficiencies in internal control that is **less severe** than a material weakness, yet important enough to merit attention by those charged with governance."*

When an adjustment or reclassification is made to the financial statements, it automatically affects at least two line items, therefore dramatically increasing the error rate percentage in the table shown above. However, the NSCS understands that the financial statements are its responsibility and will consider the significance of each adjustment before a correction is made in the future.

The NSCS remains committed to finding ways to continue to improve on existing procedures for financial statement preparation in order to reduce financial statement errors. With strong accounting teams now in place, the NSCS will continue to provide training opportunities, when available and where necessary, to ensure staff are informed and up to date on the proper financial statement line item handling of transactions.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the NSCS's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Nebraska State College System's Findings and Responses

We also noted in our separately issued management letter dated December 12, 2018, certain other matters that we reported to management of the NSCS. The NSCS's responses to the findings identified in our audit are described above and in the separately issued management letter. The NSCS's responses were not subjected to the auditing procedures applied in the audit of the financial statements; accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the NSCS's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the NSCS's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

December 12, 2018



Stephanie Todd, CPA, CFE
Audit Manager