

ITEMS FOR DISCUSSION AND ACTION/FISCAL, FACILITIES AND AUDIT

January 13, 2021

ACTION: **Approve Acceptance of Basic Financial Audit Report for Year Ended June 30, 2020**

The Auditor of Public Accounts (APA) has completed the Nebraska State College System (NSCS) basic financial audit for the fiscal years ending June 30, 2020 and 2019. The audit is attached.

The audit contains an unmodified opinion from the APA and states: "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, 2020 and 2019, and December 31, 2019 and 2018, (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."

The Facilities Corporation is included in the basic financial audit as a blended component unit of the NSCS. BKD performed a separate audit of the Facilities Corporation, which was accepted at the Annual Meeting of the Board of Directors of the Facilities Corporation on November 12, 2020.

A separate audit of the Revenue Bond program was also completed by BKD and accepted by the Board of Trustees at its November 12, 2020 meeting. The Revenue Bond program activity is incorporated into the basic financial audit figures.

The Colleges' Foundations are included as discretely presented component units in the audit report in accordance with Governmental Accounting Standards Board (GASB) standards. The Foundations' financial statements and corresponding footnotes are incorporated from private audits accepted by the individual foundation boards.

There are no report findings included this year.

The System Office recommends approval of the Basic Financial Audit Report for Year Ended June 30, 2020.

ATTACHMENTS:

- Nebraska State College System Audit Report FY20 and FY19 (PDF)

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

For the Years Ended June 30, 2020 and 2019

**This document is an official public record of the State of Nebraska, issued by
the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original
document and may be prohibited by law.**

Issued on December 15, 2020

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

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NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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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, 2020 and 2019, 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, 2020 and 2019, December 31, 2019 and 2018, and June 30, 2020 and 2019, respectively. Those statements are presented separately on pages 19 through 21, 23 through 27, and 30 through 32. 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 31 percent and 26 percent, respectively, of total assets, and 87 percent and 85 percent, respectively, of total liabilities, and 4 percent and 2 percent, respectively, of total net position at June 30, 2020 and 2019, 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, 2020 and 2019, and December 31, 2019 and 2018, (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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the 2019 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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 9 through 16, 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 14, 2020, 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 NSCS'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.



Zachary Wells, CPA, CISA
Audit Manager

December 14, 2020

Independent Auditor's Report

Board of Directors
Chadron State Foundation
Chadron, Nebraska

We have audited the accompanying financial statements of Chadron State Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, 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.

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 audits 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 Chadron State Foundation as of June 30, 2020 and 2019, 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 Statements of Activities by Fund on pages 26 through 29 are presented for purposes of additional analysis and are 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.

Casey Peterson, LTD.

Casey Peterson, Ltd.
Rapid City, South Dakota
October 12, 2020



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 statements of financial position as of December 31, 2019 and 2018, and the related statement 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.



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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, 2019 and 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.

Emphasis of Matter – Correction of Error

As described in Notes, G, H, I and N to the financial statements, certain errors resulting in an overstatement of net assets without donor restrictions as of December 31, 2018, were discovered by management of the foundation during the current year. Accordingly, a prior period adjustment was made that restated balances of the previously issued financial statements of our report dated October 21, 2019. The result of the restatement was to decrease net asset without donor restrictions and increase net assets with donor restrictions by \$1,728,881. Additionally, on the restated statement of activities the net investment income was changed to reflect the appropriate allocation of net investment income and the management fees earned by the foundation. This correction resulted in an increase of net assets without donor restrictions and a decrease in net assets with donor restrictions by \$999,717. Our opinion is not modified with respect to this matter.

Hayes & Associates, L.L.C.

Hayes & Associates, L.L.C.
Omaha, Nebraska
October 16, 2020



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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Wayne State Foundation
Wayne, Nebraska

We have audited the accompanying financial statements of the Wayne State Foundation which comprise the statements of financial position as of June 30, 2020 and 2019, 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.

Auditor's 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 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.

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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, 2020 and 2019 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note N to the financial statements, in 2019, the entity adopted new accounting guidance ASU 2014-09, *Revenue from Contracts with Customers*, ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, and ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Our opinion is not modified with respect to this matter.

HBE LLP

Lincoln, Nebraska
September 20, 2019

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, 2020 and 2019. 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 the 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 the 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 authorized under LB 198, passed in 2013, LB 957, passed in 2016 and LB 297, passed in 2019. 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
(Continued)

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 19 through 21, 23 through 27, and 30 through 32 of this report.

Condensed statements are presented below for the NSCS for the years ended June 30, 2020, 2019, and 2018.

Nebraska State College System
Net Position as of June 30

	2020	2019	2018
	<u>2020</u>	<u>As Restated</u>	<u>2018</u>
Current Assets	\$ 71,631,537	\$ 65,324,730	\$ 68,902,086
Non-current Assets			
Capital Assets, Net	234,415,245	238,272,063	234,841,616
Other Non-current Assets	<u>32,200,565</u>	<u>6,574,268</u>	<u>13,378,157</u>
Total Assets	<u>338,247,347</u>	<u>310,171,061</u>	<u>317,121,859</u>
 Deferred Outflow of Resources	 <u>28,403</u>	 <u>32,180</u>	 <u>35,959</u>
 Current Liabilities	 20,972,812	 17,167,927	 21,272,732
Non-current Liabilities	<u>91,354,683</u>	<u>72,103,437</u>	<u>78,037,464</u>
Total Liabilities	<u>112,327,495</u>	<u>89,271,364</u>	<u>99,310,196</u>
 Deferred Inflow of Resources	 <u>471</u>	 <u>11,765</u>	 <u>23,060</u>
 Net Position			
Net Investment in Capital Assets	170,023,025	170,637,224	163,790,577
Restricted	27,150,147	24,005,365	24,599,401
Unrestricted	<u>28,774,612</u>	<u>26,277,523</u>	<u>29,434,584</u>
Total Net Position	<u>\$ 225,947,784</u>	<u>\$ 220,920,112</u>	<u>\$ 217,824,562</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

	2020	2019 As Restated	2018
Operating Revenues			
Tuition and Fees, Net	\$ 32,847,286	\$ 30,853,287	\$ 30,742,444
Federal and State Grants and Contracts	3,697,030	2,656,881	2,578,294
Private Grants and Contracts	543,774	667,713	798,969
Auxiliary Enterprises, Net	17,104,213	17,703,801	17,259,109
Other Operating Revenues	2,017,823	1,918,866	1,502,607
Total Operating Revenues	56,210,126	53,800,548	52,881,423
Operating Expenses	130,132,548	123,595,997	118,399,723
Operating Loss	(73,922,422)	(69,795,449)	(65,518,300)
Non-operating Revenues (Expenses)			
State Appropriations	53,551,539	51,622,205	51,091,162
Federal and State Grants and Contracts	16,740,773	12,507,412	11,950,945
Investment Income	1,401,440	1,654,620	1,507,137
Interest on Capital Asset-Related Debt	(1,745,553)	(1,877,741)	(2,024,124)
Gain (Loss) on Disposal of Asset	(267)	11,105	(16,117)
Bond Issuance Costs	(280,912)	-	-
Other Non-operating Revenues (Expenses)	28,431	45,124	(1,554,178)
Net Non-operating Revenues	69,695,451	63,962,725	60,954,825
Loss before Other Revenues, Expenses, Or Gains (Losses)	(4,226,971)	(5,832,724)	(4,563,475)
Other Revenues (Expenses) or Gains (Losses)			
Capital Facilities Fee	2,348,430	2,157,814	2,102,454
Capital Contributions	2,420,174	2,471,221	2,975,634
Capital Appropriations and Grants	4,486,039	4,299,239	5,174,581
Net Other Revenues (Expenses) or Gains (Losses)	9,254,643	8,928,274	10,252,669
Increase in Net Position	5,027,672	3,095,550	5,689,194
Net Position, Beginning of Year	220,920,112	217,824,562	212,135,368
Net Position, End of Year	\$ 225,947,784	\$ 220,920,112	\$ 217,824,562

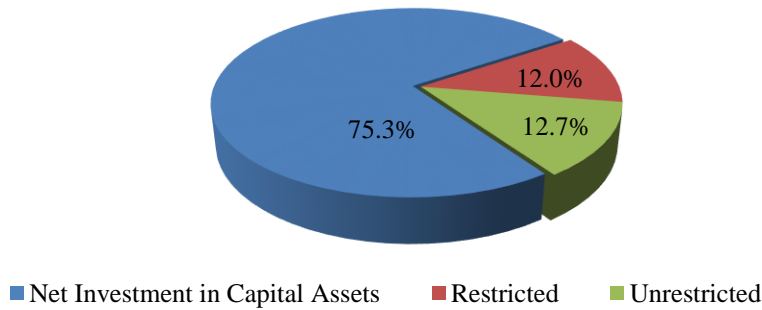
NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

MANAGEMENT’S DISCUSSION AND ANALYSIS – UNAUDITED
(Continued)

CHANGES IN NET POSITION

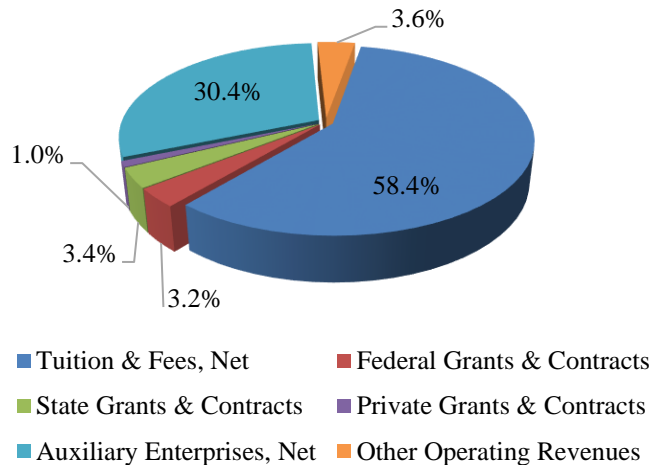
At June 30, 2020, the NSCS had a net position of \$225.9 million, an increase of \$5.0 million or 2.3% over 2019, and up 3.7% from 2018. Net position was comprised of unrestricted – \$28.8 million; restricted – \$27.1 million; and net investment in capital assets – \$170.0 million.

Net Position at June 30, 2020



Operating revenues for fiscal year 2020 were \$56.2 million compared to \$53.8 million in 2019, a 4.5% increase, and were 6.3% over fiscal year 2018 operating revenues. Operating revenues for 2020 include \$32.9 million in net tuition and fees, Federal grants and contracts of \$1.8 million, State grants and contracts of \$1.9 million, private grants and contracts of \$0.5 million, net auxiliary enterprises of \$17.1 million, and other operating revenues of \$2.0 million.

Fiscal Year 2020 Operating Revenues

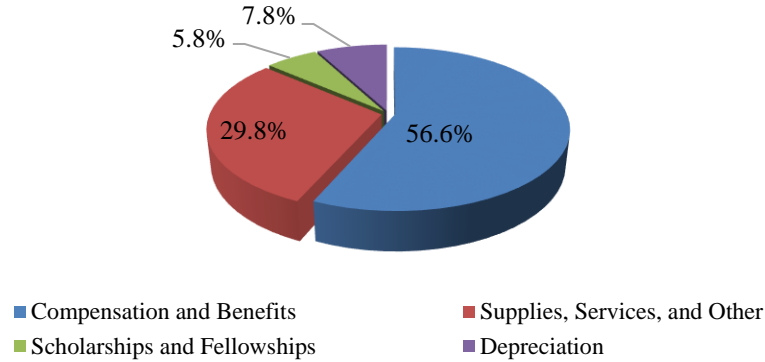


NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

MANAGEMENT’S DISCUSSION AND ANALYSIS – UNAUDITED
(Continued)

Operating expenses for the year ended June 30, 2020, amounted to \$130.1 million, compared to \$123.6 million in 2019, and \$118.4 million in 2018. Compensation and benefits accounted for \$73.6 million, or 56.6% of the total; Supplies, services, and other were \$38.8 million; depreciation, \$10.2 million; and scholarships and fellowships, \$7.5 million.

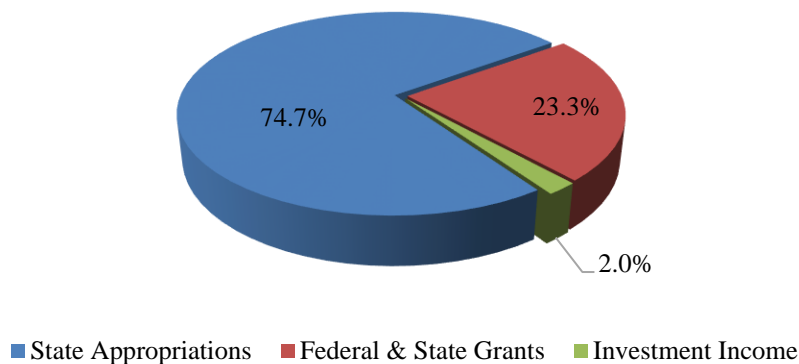
Fiscal Year 2020 Operating Expenses



The current year operating loss amounted to \$73.9 million, compared to an operating loss of \$69.8 million in 2019 and \$65.5 million in 2018.

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

Fiscal Year 2020 Non-Operating Revenues



The most significant change in the schedule of net position from the fiscal year ended June 30, 2018, to the fiscal year ended June 30, 2019, was a decrease in overall cash and cash equivalents, an increase in capital assets, a decrease in accounts payable, along with a decrease in long-term debt. The change in three of the accounts is related to bond funds used for further completion of the capital construction projects related to the Stadium at CSC, the Theatre at PSC, and the Center for Applied Technology at WSC.

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, 2019, to the fiscal year ended June 30, 2020, was an increase in overall cash and cash equivalents, an increase in unearned revenue, along with an increase in long-term debt. The changes in cash and long-term debt is in correlation with the issuance of new Facilities Corporation bonds during the fiscal year. The proceeds of these bonds are for the construction project related to the Math Science Building renovation at CSC. The change in unearned revenue is due to new food service and vending contracts being awarded during the fiscal year.

Fiscal year 2020 operating revenues increased from prior fiscal year, tuition and fee income by \$2 million or 6.5%, auxiliary enterprise revenues decreased \$0.6 million or 3.4%, and Federal, State, and private grants and contracts increased \$0.9 million or 27.6%. From 2018 to 2020, there were increases in tuition and fees of 6.8% and decrease of 0.9% in auxiliary enterprise, while Federal, State, and private grants increased 25.6% from 2018 to 2020.

The decrease in auxiliary enterprise is due to lost revenue when the COVID-19 pandemic began. All courses at the Colleges moved to an online format mid to late March, and the Colleges issued room and board refunds for students who chose to leave at that time. The increase in operating revenues for Federal, State, and private grants and contracts can be largely attributed to LB309 funding for maintenance projects that did not meet the Board's capitalization threshold.

Fiscal year 2020 non-operating revenues reflect a \$1.9 million or 3.7% increase in State appropriations, 33.8% increase in Federal and State grants and contracts, and a 15.3% decrease in investment income over fiscal year 2019. State appropriations increased 4.8%, Federal and State grants and contracts increased 40.1% and investment income decreased 7.0% between fiscal years 2020 and 2018.

The increase in Federal and State grants and contracts is largely due to the colleges receiving almost \$4.3 million as part of the CARES Act due to the COVID-19 pandemic. As part of the CARES Act, the Colleges were able to recuperate the majority of lost revenue with the Institutional share of the federal grant.

Operating expenses for the year ended June 30, 2020, increased by \$6.5 million or 5.3% from the previous fiscal year. Within the operating expenses category, compensation and benefits increased approximately \$2.5 million, supplies, services, and other operating expenses increased \$1.1 million, scholarships and fellowships increased \$2.8 million and depreciation increased by \$0.1 million. The increase in scholarship and fellowship is mainly attributed to the Colleges distributing the Student share of the CARES Act federal grant. Health insurance premiums increased in 2017-2018, had no increase in 2018-2019, and increased in 2019-2020 with the overall composite rates for medical and dental insurance increasing 8.0%, 0.0%, 5.0% and respectively.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2020, the NSCS had recorded \$371.3 million in gross capital assets. During the fiscal year ended June 30, 2020, the investment in buildings and improvements increased by \$1.2 million; infrastructure increased by \$0.2 million; equipment increased by \$0.5 million; and construction in progress increased by \$4.0 million. At the end of the fiscal year, the NSCS had \$136.9 million in accumulated depreciation that left \$234.4 million in net capital assets. Accumulated depreciation for fiscal years 2019 and 2018 were \$127.1 million and \$117.3 million, respectively, and net capital assets were \$238.3 million and \$234.8 million, respectively.

The NSCS had \$100.7 million in long-term liabilities at the end of the 2020 fiscal year. These long-term liabilities consisted primarily of outstanding bonded indebtedness of \$87.9 million. Long-term liabilities were \$78.1 million and \$84.5 million at the end of fiscal years 2019 and 2018, respectively. Additional debt of \$23.5 million was issued in fiscal year 2020.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
(Continued)

Several construction projects have been completed at the Colleges, including the Armstrong Gymnasium Roof Replacement and the High Rise Plumbing Upgrades at CSC; the Field House Phase II Site Improvements, the Electrical Upgrades at Centennial Complex, and the Fire Alarm Upgrades at six campus buildings at PSC; and the Morey Hall Fire Sprinklers Installation and the Student Center HVAC South Penthouse Upgrade at WSC. The funding for these projects came from Facilities Corporation bonds, College cash funds, LB 309 Building Renewal Task Force funds, contingency maintenance funds, capital improvement fees, and/or privately raised funds.

Renovation and construction was also in progress for several projects, including the Andrews Hall Elevator Upgrade and Athletic Track Facility at CSC; the ADA Accessibility Improvements and the replacement of 26 roofs due to hail damage at PSC; and the Energy Plant Efficiency Upgrades, the Morey Hall Restrooms Upgrades, and the Natatorium Indoor Athletic Facility project at WSC. The funding for these projects come from various sources including Facilities Corporation bonds, capital improvement fees, the LB 309 Building Renewal Task Force, College cash funds, contingency maintenance funds, and/or privately raised funds.

Planning & Design was in process for the Math Science Renovation & Addition project at CSC; the Campus ADA Accessibility Improvements at PSC; and the Benthack Hall Renovation project at WSC.

All projects using bond proceeds from LB 605 (2006) and LB 198 (2013) are complete. LB 957 (2016) extended the appropriations related to the LB 605 bonds to fiscal year 2030. This allowed 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 the Center for Applied Technology (CAT) at WSC, all of which are complete. The bonds resulting from LB 957 provided about \$22 million in capital project funds.

LB 297, passed and approved in May of 2019, extended the appropriations related to the LB 198 bonds to fiscal year 2035. This allows for the issuance of new bonds in order to help fund the Math Science Renovation and Addition project at CSC. These bonds were sold in the spring of 2020, netting \$26 million in proceeds for construction.

Various smaller deferred repair and fire and life safety upgrades – primarily funded through the contingency maintenance programs and the LB309 Task Force for Building Renewal - are in progress at all three State 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 approved State funding for 2019-2020 at \$53,548,946 and 2020-2021 at \$55,527,357, increase of approximately 3.7%. However, LB1008 (2020), increased the fiscal year 2021 appropriation to \$56,527,357 for \$1,000,000 in state aid for the Nebraska Career Scholarships.

The Board of Trustees increased tuition rates for 2020-2021. Tuition rates for 2020-2021 are \$186 for undergraduate resident, \$232.50 for graduate resident, \$372 for undergraduate non-resident, and \$465 for graduate non-resident. Online rates are \$299 for undergraduate and \$380 for graduate. Tuition rates for 2019-2020 were \$181.50 for undergraduate resident, \$227 for graduate resident, \$363 for undergraduate non-resident, and \$454 for graduate non-resident. Online rates were \$296.50 for undergraduate and \$370.75 for graduate.

In accordance with the NSCS Bargaining Unit agreements for 2019-2021, each unit member of professional staff will receive a 2.5% increase in both the 2019-2020 and 2020-2021 fiscal years. Faculty will receive a 2.5% increase for both the 2019-2020 and 2020-2021 fiscal years. Support staff will also receive a 2.5% increase for both the 2019-2020 and 2020-2021 fiscal years, while maintaining longevity increases.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
(Concluded)

In addition to receiving notification that there will be a 6.71% increase in health insurance premium rates for the 2020-2021 year, the NSCS has been notified that there will be a 2.96% increase in premium rates for the 2021-2022 year.

As noted earlier, the Colleges were directly impacted by COVID-19 when the Spring 2020 term classes moved online and students were offered refunds if they chose to leave campus, although campuses did remain open. For Fall 2020, the Colleges welcomed students back a week early and will end the regular fall session just prior to Thanksgiving. A three-week December term has been added, giving students an opportunity to take additional courses, complete an internship, or return home and work until the start of the spring semester. The fall term has included significant changes to face-to-face instruction that include social distancing and the wearing of face masks or other coverings. Preparations have included considerations of traffic flow, room sizes and capacity/seating considerations, additional cleaning protocols, the provision of personal protection equipment (PPE), and for resident students, adjustments to food service and designated areas for quarantine, as needed. The State of Nebraska provided a significant contribution of PPE and available testing capacity. These supplies were critical in the NSCS's ability to resume face-to-face classes and to have students return to living in the residence halls. It is difficult to predict the magnitude or length of the impact of the coronavirus pandemic on the NSCS; however, the NSCS is monitoring closely for any impact on students. This is a continually evolving situation and decisions are being made daily. The leadership teams, with input from all the appropriate external and internal resources available, will continue to move forward with decisions, as appropriate.

Enrollment at the State Colleges (annual FTE) slightly increased for 2019-2020. Fall enrollments are expected to slightly increase for 2020-2021. 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, 2020 and 2019

	2020	2019 As Restated
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 38,505,340	\$ 35,505,109
Restricted Cash and Cash Equivalents	29,673,745	26,807,234
Accounts Receivable, Net of Allowance	1,274,522	1,210,459
Other Receivables	564,537	415,411
Inventories	85,397	58,262
Loans to Students, Net	181,165	175,830
Prepaid Expenses	1,344,564	1,149,717
Deposits with Vendors	2,267	2,708
Total Current Assets	71,631,537	65,324,730
Non-current Assets		
Restricted Cash and Cash Equivalents	30,762,676	3,758,307
Restricted Investments	762,532	2,076,825
Loans to Students, Net	448,928	625,627
Prepaid Expenses	226,429	113,509
Capital Assets, Net	234,415,245	238,272,063
Total Non-current Assets	266,615,810	244,846,331
Total Assets	338,247,347	310,171,061
Deferred Outflow of Resources		
Unamortized Bond Refunding Amount, Net	28,403	32,180
Total Deferred Outflow of Resources	28,403	32,180
Liabilities		
Current Liabilities		
Accounts Payable and Accrued Liabilities	9,589,670	9,173,052
Accrued Compensated Absences	647,658	433,059
Unearned Revenue	1,082,948	731,471
Interest Payable	1,001,222	989,317
Master Lease Payable	87,546	102,475
Long-term Debt	6,915,000	5,430,000
Deposits Held in Custody for Others	343,483	308,553
Refundable Government Grants	1,305,285	-
Total Current Liabilities	20,972,812	17,167,927
Non-current Liabilities		
Accrued Compensated Absences	3,721,463	3,458,227
Refundable Government Grants	-	1,509,621
Unearned Revenue	1,179,000	-
Master Lease Payable	281,697	-
Long-term Debt	86,172,523	67,135,589
Total Non-current Liabilities	91,354,683	72,103,437
Total Liabilities	112,327,495	89,271,364

NEBRASKA STATE COLLEGE SYSTEM – PRIMARY GOVERNMENT
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)
STATEMENTS OF NET POSITION
June 30, 2020 and 2019

	2020	2019 As Restated
Deferred Inflow of Resources		
Unamortized Bond Refunding Amount, Net	471	11,765
Total Deferred Inflow of Resources	471	11,765
Net Position		
Net Investment in Capital Assets	170,023,025	170,637,224
Restricted for:		
Expendable:		
Loans	(515,670)	(418,606)
Debt service	5,613,838	4,179,626
Plant	5,978,134	4,446,734
Other	16,073,845	15,797,611
Unrestricted	28,774,612	26,277,523
Total Net Position	\$ 225,947,784	\$ 220,920,112
		(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, 2020 and 2019

	2020	2019
ASSETS		
Cash and Cash Equivalents	\$ 1,182,560	\$ 1,574,989
Investments	21,518,421	21,376,970
Pledges Receivable, Net of Allowance and Discount	793,813	1,241,116
Prepaid Expenses	9,334	-
Certificates of Deposit	786,063	775,876
Beneficial Interest In Estate Bequest	3,516	851,896
Other Assets	41,852	44,914
Property and Equipment, Net of Accumulated Depreciation	38,530	38,756
TOTAL ASSETS	\$ 24,374,089	\$ 25,904,517
LIABILITIES AND NET ASSETS		
Accounts Payable	\$ 7,869	\$ 16,949
Accrued Salaries and Benefits	34,574	12,801
Scholarships Payable	574,145	513,769
Refundable Advances	97,899	-
Annuity Liability	5,534	8,596
Total Liabilities	720,021	552,115
Net Assets Without Donor Restrictions:		
Operating Fund	45,103	2,898
CSC General Fund	527,877	533,617
CSC Quasi Endowment	861,654	822,652
Greatest Need	681,939	508,861
Total Net Assets Without Donor Restrictions	2,116,573	1,868,028
Net Assets with Donor Restrictions:		
Restricted by Time or Purpose	2,562,456	4,534,826
Restricted in Perpetuity	18,975,039	18,949,548
Total Net Assets with Donor Restrictions	21,537,495	23,484,374
Total Net Assets	23,654,068	25,352,402
TOTAL LIABILITIES AND NET ASSETS	\$ 24,374,089	\$ 25,904,517

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, 2019 and 2018

	2019	(Restated) 2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 591,452	\$ 589,476
Cash investments	244,530	584,049
Unconditional promises to give	194,405	293,157
Interest receivable	1,086	1,348
Pledges receivable	-	3,899
Current portion of note receivable	-	24,996
Total Current assets	1,031,473	1,496,925
Property and Equipment		
Land	60,947	60,947
Office furniture and fixtures	209,352	35,681
Vehicles	31,754	31,754
Less accumulated depreciation	(64,954)	(50,491)
Total Property and Equipment	237,099	77,891
Other Assets		
Investments	16,231,946	11,930,934
Real estate held for future college use	338,862	338,862
Total Other Assets	16,570,808	12,269,796
Total Assets	\$ 17,839,380	\$ 13,844,612
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 6,201	\$ 45,109
Accrued compensation	24,761	76,494
Refundable deposits	13,468	18,022
Short term note payable	-	59,102
Total Current Liabilities	44,430	198,727
NET ASSETS		
Without Donor Restrictions	2,644,412	3,468,183
With Donor Restrictions	15,150,538	10,177,702
Total Net Assets	17,794,950	13,645,885
Total Liabilities and Net Assets	\$ 17,839,380	\$ 13,844,612

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,

ASSETS

	2020	2019
ASSETS		
Cash and cash equivalents, unrestricted (note A)	\$ 159,940	\$ 163,120
Cash and cash equivalents, restricted (note A)	1,979,354	973,382
Accrued interest receivable	-	1,043
Unconditional promises to give (notes A, B and C)	1,953,937	1,444,057
Investments (notes A and C)	28,154,082	27,846,881
Prepaid expenses	-	6,673
Property and equipment (notes A and D)	276,643	285,848
Cash surrender value of life insurance	91,223	87,962
Assets restricted for annuity contracts (notes C and E)	573,024	654,670
Assets held in perpetual trust (note C)	916,628	952,317
	\$ 34,104,831	\$ 32,415,953

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 77,871	\$ 87,301
Note payable (note J)	117,556	-
Payable for capital improvements	3,992	28,578
Unearned event revenue	2,125	4,800
Annuities payable (notes C and E)	272,368	287,686
	473,912	408,365
NET ASSETS (notes A and F)		
Without donor restrictions	3,385,805	3,775,649
With donor restrictions	30,245,114	28,261,939
	33,630,919	32,037,588
	\$ 34,104,831	\$ 32,445,953

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, 2020 and 2019

	2020	2019 As Restated
Operating Revenues		
Tuition and Fees Net of Scholarship Allowances and Institutional Waivers Totaling \$14,347,566 in 2020 and \$13,096,775 in 2019	\$ 32,847,286	\$ 30,853,287
Federal Grants and Contracts	1,796,468	1,854,954
State Grants and Contracts	1,900,562	801,927
Private Grants and Contracts	543,774	667,713
Auxiliary Enterprises Net of Scholarship Allowances and Institutional Waivers Totaling \$4,684,340 in 2020 and \$5,093,949 in 2019	17,104,213	17,703,801
Other Operating Revenues	2,017,823	1,918,866
Total Operating Revenues	56,210,126	53,800,548
Operating Expenses		
Compensation and Benefits	73,600,048	71,076,212
Supplies, Services, and Other	38,802,772	37,734,639
Scholarships and Fellowships	7,560,212	4,774,345
Depreciation	10,169,516	10,010,801
Total Operating Expenses	130,132,548	123,595,997
Operating Loss	(73,922,422)	(69,795,449)
Non-operating Revenues (Expenses)		
State Appropriations	53,551,539	51,622,205
Federal Grants and Contracts	15,258,522	11,124,098
State Grants and Contracts	1,482,251	1,383,314
Investment Income	1,401,440	1,654,620
Interest on Capital Asset-Related Debt	(1,745,553)	(1,877,741)
Gain (Loss) on Disposal of Asset	(267)	11,105
Bond Issuance Costs	(280,912)	-
Other Non-operating Revenue (Expense)	28,431	45,124
Net Non-operating Revenues (Expenses)	69,695,451	63,962,725
Loss Before Other Revenues, Expenses, or Gains (Losses)	(4,226,971)	(5,832,724)
Other Revenues (Expenses) or Gains (Losses)		
Capital Facilities Fees	2,348,430	2,157,814
Capital Contributions	2,420,174	2,471,221
Capital Appropriations and Grants	4,486,039	4,299,239
Net Other Revenues (Expenses) or Gains (Losses)	9,254,643	8,928,274
Increase in Net Position	5,027,672	3,095,550
Net Position, Beginning of Year	220,920,112	217,824,562
Net Position, End of Year	\$ 225,947,784	\$ 220,920,112

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 ACTIVITIES

For the Years Ended June 30, 2020 and 2019

	2020			
	Without Donor Restriction	With Donor Restriction		Total
		Time or Purpose	Restricted in Perpetuity	
REVENUES, GAINS (LOSSES), AND OTHER SUPPORT				
Contributions	\$ 227,962	\$ 838,043	\$ -	\$ 1,066,005
Principle Contributions to Named Endowments	-	-	309,774	309,774
State Income	214,008	-	-	214,008
Investment Return	(65,983)	(317,731)	-	(383,714)
Event Income	1,065	43,974	-	45,039
Miscellaneous Income	1,117	4,754	-	5,871
	378,169	569,040	309,774	1,256,983
Total Revenues and Other Support				
Transfer Between Net Assets	230,446	53,837	(284,283)	-
Released from Restriction:				
Released for Management Fees	384,182	(384,182)	-	-
Purpose Restrictions Accomplished	2,211,065	(2,211,065)	-	-
	3,203,862	(1,972,370)	25,491	1,256,983
Total Support and Reclassifications				
EXPENSES				
Program Services	\$ 2,481,554	\$ -	\$ -	\$ 2,481,554
General and Management	180,382	-	-	180,382
Fundraising	293,381	-	-	293,381
	2,955,317	-	-	2,955,317
Total Expenses				
CHANGE IN NET ASSETS	248,545	(1,972,370)	25,491	(1,698,334)
NET ASSETS, BEGINNING OF YEAR	1,868,028	4,534,826	18,949,548	25,352,402
NET ASSETS, END OF YEAR	\$ 2,116,573	\$ 2,562,456	\$ 18,975,039	\$ 23,654,068

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 ACTIVITIES

For the Years Ended June 30, 2020 and 2019

	2019			
	Without Donor Restriction	With Donor Restriction		Total
		Time or Purpose	Restricted in Perpetuity	
REVENUES, GAINS (LOSSES), AND OTHER SUPPORT				
Contributions	\$ 325,149	\$ 1,256,819	\$ -	\$ 1,581,968
Principle Contributions to Named Endowments	-	-	1,354,004	1,354,004
State Income	219,950	-	-	219,950
Investment Return	206,279	718,949	-	925,228
Event Income	3,290	63,391	-	66,681
Miscellaneous Income	2,314	4,904	-	7,218
Total Revenues and Other Support	756,982	2,044,063	1,354,004	4,155,049
Transfer Between Net Assets	(93,636)	68,087	25,549	-
Released from Restriction:				
Released for Management Fees	368,587	(368,587)	-	-
Purpose Restrictions Accomplished	1,784,610	(1,784,610)	-	-
Total Support and Reclassifications	2,816,543	(41,047)	1,379,553	4,155,049
EXPENSES				
Program Services	\$ 2,095,119	\$ -	\$ -	\$ 2,095,119
General and Management	185,712	-	-	185,712
Fundraising	373,447	-	-	373,447
Total Expenses	2,654,278	-	-	2,654,278
CHANGE IN NET ASSETS	162,265	(41,047)	1,379,553	1,500,771
NET ASSETS, BEGINNING OF YEAR	1,705,763	4,575,873	17,569,995	23,851,631
NET ASSETS, END OF YEAR	\$ 1,868,028	\$ 4,534,826	\$ 18,949,548	\$ 25,352,402

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 ACTIVITIES

For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 216,718	\$ 2,534,438	\$ 2,751,156
Special events	28,365	-	28,365
Net investment income	585,763	2,022,545	2,608,308
Miscellaneous income	8,302	1,875	10,177
Net assets released from restrictions	315,186	(315,186)	-
Total revenues and other support	1,154,334	4,243,672	5,398,006
EXPENSES			
Program services	517,860	-	517,860
Management & general	314,538	-	314,538
Fundraising	416,543	-	416,543
Total expenses	1,248,941	-	1,248,941
CHANGE IN NET ASSETS	(94,607)	4,243,672	4,149,065
NET ASSETS, BEGINNING OF YEAR	2,739,019	10,906,866	13,645,885
NET ASSETS, END OF YEAR	\$ 2,644,412	\$ 15,150,538	\$ 17,794,950

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 ACTIVITIES
For the Year Ended December 31, 2018 (Restated)

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 473,834	\$ 1,087,819	\$ 1,561,653
Special events	11,693	1,196	12,889
Net investment income	85,322	(747,159)	(661,837)
Miscellaneous income	12,735	2,129	14,864
Net assets released from restrictions	474,647	(474,647)	-
Total revenues and other support	1,058,231	(130,662)	927,569
EXPENSES			
Program services	619,614	-	619,614
Management & general	301,829	-	301,829
Fundraising	436,654	-	436,654
Total expenses	1,358,098	-	1,358,098
CHANGE IN NET ASSETS	(299,867)	(130,662)	(430,529)
NET ASSETS, BEGINNING OF YEAR	4,767,767	9,308,647	14,076,414
PRIOR PERIOD ADJUSTMENT	(1,728,881)	1,728,881	-
NET ASSETS, BEGINNING OF YEAR, RESTATED	3,038,886	11,037,528	14,076,414
NET ASSETS, END OF YEAR	\$ 2,739,019	\$ 10,906,866	\$ 13,645,885

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
Years Ended June 30,

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions	\$ 498,212	\$ 3,935,320	\$ 4,433,532	\$ 604,941	\$ 5,241,533	\$ 5,846,474
Interest and dividends	54,600	113,395	167,995	101,081	435,155	536,236
Net gain on investments	40,782	407,705	448,487	206,729	1,327,395	1,534,124
Other income	14,011	27,214	41,225	4,404	52,791	57,195
Net assets released from restrictions	2,228,620	(2,228,620)	-	4,831,077	(4,831,077)	-
Total revenue and support	<u>2,836,225</u>	<u>2,255,014</u>	<u>5,091,239</u>	<u>5,748,232</u>	<u>2,225,797</u>	<u>7,974,029</u>
EXPENSES						
Program services	2,684,416	-	2,684,416	5,053,831	-	5,053,831
Management and general	327,629	-	327,629	318,093	-	318,093
Fundraising	403,744	-	403,744	405,615	-	405,615
	<u>3,415,789</u>	<u>-</u>	<u>3,415,789</u>	<u>5,777,539</u>	<u>-</u>	<u>5,777,539</u>
Amortization on annuity contracts	11,017	71,102	82,119	10,930	72,138	83,068
Total expenses	<u>3,426,806</u>	<u>71,102</u>	<u>3,497,908</u>	<u>5,788,469</u>	<u>72,138</u>	<u>5,860,607</u>
Administrative support fee	200,737	(200,737)	-	341,505	(341,505)	-
Increase (decrease) in net assets	(389,844)	1,983,175	1,593,331	301,268	1,812,154	2,113,422
Net assets at beginning of year	<u>3,775,649</u>	<u>28,261,939</u>	<u>32,037,588</u>	<u>3,474,381</u>	<u>26,449,785</u>	<u>29,924,166</u>
Net assets at end of year	<u>\$ 3,385,805</u>	<u>\$ 30,245,114</u>	<u>\$ 33,630,919</u>	<u>\$ 3,775,649</u>	<u>\$ 28,261,939</u>	<u>\$ 32,037,588</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, 2020 and 2019

	2020	2019 As Restated
Cash Flows From Operating Activities		
Tuition and Fees	\$ 32,339,847	\$ 30,866,902
Grants and Contracts	4,223,808	3,317,762
Payments to Suppliers	(37,153,219)	(37,846,236)
Payments to Employees	(72,965,899)	(71,051,724)
Collections of Loans to Students	190,363	171,952
Sales and Services of Auxiliary Enterprises	16,679,402	17,087,792
Other Payments	(5,569,635)	(2,842,902)
	<u>(62,255,333)</u>	<u>(60,296,454)</u>
Net Cash Used in Operating Activities		
Cash Flows From Non-capital Financing Activities		
State Appropriations	53,551,539	51,622,205
Grants and Contracts	16,616,202	12,507,412
Receipt of Flex Contributions	315,965	287,273
Payment of Flex Contributions	(280,623)	(292,980)
Direct Lending Receipts	31,837,010	30,708,707
Direct Lending Payments	(31,837,010)	(30,708,707)
Other Receipts (Payments)	94,255	31,847
	<u>70,297,338</u>	<u>64,155,757</u>
Net Cash Provided by Non-capital Financing Activities		
Cash Flows From Capital and Related Financing Activities		
Proceeds from Capital Debt	26,480,186	-
Capital Contributions	2,420,173	3,126,094
Purchase of Capital Assets	(5,675,085)	(17,126,320)
Disposal of Capital Assets	3,326	13,019
Principal Paid on Capital Debt	(5,430,000)	(5,371,562)
Interest Paid on Capital Debt	(2,258,586)	(2,420,578)
Bond Issuance Costs	(268,412)	-
Capital Facilities Fees	2,333,955	2,178,204
Other	(18,725)	(5,594)
Capital Appropriations	4,486,039	4,299,239
	<u>22,072,871</u>	<u>(15,307,498)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities		
Cash Flows From Investing Activities		
Purchase/Sale of Investments	1,350,000	(717,823)
Investment Income	1,406,235	1,615,501
	<u>2,756,235</u>	<u>897,678</u>
Net Cash Provided by Investing Activities		
Increase (Decrease) in Cash and Cash Equivalents	<u>32,871,111</u>	<u>(10,550,517)</u>
Cash and Cash Equivalents, Beginning of Year	<u>66,070,650</u>	<u>76,621,167</u>
Cash and Cash Equivalents, End of Year	<u>\$ 98,941,761</u>	<u>\$ 66,070,650</u>

(Continued)

NEBRASKA STATE COLLEGE SYSTEM – PRIMARY GOVERNMENT
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)
STATEMENTS OF CASH FLOWS
Fiscal Years Ended June 30, 2020 and 2019

	2020	2019 As Restated
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position		
Cash and Cash Equivalents	\$ 38,505,340	\$ 35,505,109
Restricted Cash and Cash Equivalents - Current	29,673,745	26,807,234
Restricted Cash and Cash Equivalents - Non-current	30,762,676	3,758,307
 Total Cash and Cash Equivalents	 \$ 98,941,761	 \$ 66,070,650
 Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities		
Operating Loss	\$ (73,922,422)	\$ (69,795,449)
Depreciation Expense	10,169,516	10,010,801
Changes in Operating Assets and Liabilities:		
Receivables, Net	39,699	20,621
Inventories	(27,135)	8,967
Accounts Payable and Accrued Liabilities	(225,297)	(47,349)
Accrued Compensated Absences	477,835	(35,133)
Other Assets and Liabilities	1,232,471	(458,912)
 Net Cash Used in Operating Activities	 \$ (62,255,333)	 \$ (60,296,454)
 Supplemental Cash Flows Information		
Accounts Payable Incurred for Capital Asset Purchases	\$ 1,096,177	\$ 490,365

(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, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,698,334)	\$ 1,500,771
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities		
Depreciation	227	526
Change in Allowance for Doubtful Accounts	18,833	(8,214)
Non-Cash (Return) Loss on Investments	967,565	(216,430)
Donation of Estate Bequest	-	(851,896)
Increase in Cash Surrender Value of Life Insurance	-	(831)
Donation of Stock	(357,879)	-
Proceeds from Contributions Restricted for Investment in Named Endowments	(309,774)	(1,354,004)
Change In:		
Contributions Receivable	428,470	(92,119)
Prepaid Assets	(9,334)	5,375
Accounts Payable	(9,080)	12,329
Accrued Salaries and Benefits	21,773	(1,468)
Scholarships Payable	60,376	37,266
Proceeds from Refundable Advances	97,899	-
Net Cash Used by Operating Activities	(789,258)	(968,695)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Life Insurance Policy	-	10,352
Proceeds from Estate Bequest	685,447	969,000
Purchases of Investments	(588,204)	(1,696,088)
Withdrawals from Investment Account	-	440,000
Purchases of Certificates of Deposit	(10,187)	(10,173)
Net Cash Provided (Used) by Investing Activities	87,056	(286,909)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Investment in Named Endowments	309,774	1,354,004
Net Cash Provided by Financing Activities	309,774	1,354,004
NET INCREASE IN CASH AND CASH EQUIVALENTS	(392,428)	98,400
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,574,989	1,476,589
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,182,561	\$ 1,574,989
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Estate Bequest Liquidated with Closely Held Stock	\$ 162,933	\$ -

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, 2019 and 2018

	2019	2018
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		
Change in net assets	\$ 4,149,065	\$ (430,529)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	14,463	5,351
Unrealized (gain)/loss on investments	(2,162,575)	912,267
Realized (gain)/loss on investments	(29,290)	98,094
(Increase)/decrease in unconditional promises to give	98,752	(213,157)
Dividends/interest on investment	(461,682)	(426,140)
Investment fees	43,041	79,646
Change in interest receivable	262	379
Change pledges receivable	3,899	(3,899)
Change in accounts payable	(38,908)	(49,806)
Change in accrued compensation	(51,733)	-
Change in refundable deposits	(4,554)	(3,252)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	1,560,740	(31,046)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investment sales	250,000	-
Purchase of investments	(1,600,987)	-
Purchase of Equipment	(173,671)	-
Payments received on notes receivable	24,996	24,150
NET CASH FROM / (USED IN) INVESTING ACTIVITIES	(1,499,662)	24,150
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		
Principle payments on debt	(59,102)	(25,984)
NET CASH FROM / (USED IN) FINANCING ACTIVITIES	(59,102)	(25,984)
CHANGE IN CASH AND CASH EQUIVALENTS	1,976	(32,880)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	589,476	622,356
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 591,452	\$ 589,476

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

Years Ended June 30,

	2020	2019
Cash flows from operating activities		
Increase in net assets	\$ 1,593,331	\$ 2,113,422
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities		
Depreciation	9,205	5,198
Amortization of annuity contracts	82,119	83,068
Realized and unrealized gains on investments	(448,487)	(1,534,124)
Non-cash contributions	(6,000)	(136,996)
Property gifted to college	276,956	-
(Increase) decrease in assets		
Accrued interest receivable	1,043	(118)
Unconditional promises to give	(509,880)	(715,266)
Prepaid expenses	6,673	(6,673)
Cash surrender value of life insurance	(3,261)	(3,793)
Increase (decrease) liabilities		
Accounts payable and accrued expenses	(9,430)	17,548
Payable for capital improvements	(24,586)	(642,489)
Unearned event revenue	(2,675)	3,100
Total adjustment to increase in net assets	(628,323)	(2,930,545)
Net cash provided (used) by operating activities	965,008	(817,123)
Cash flows from investing activities		
Proceeds from sale of investments	2,577,114	1,105,462
Purchases of investments	(2,282,493)	(1,253,051)
Purchases of property and equipment	(276,956)	(195,601)
Net cash provided (used) by investing activities	17,665	(343,190)
Cash flows from financing activities		
Proceeds from long-term obligations	117,556	-
Payments on annuities	(97,437)	(98,297)
Net cash provided (used) by investing activities	20,119	(98,297)
Net decrease in cash and cash equivalents	1,002,792	(1,258,610)
Cash and cash equivalents at beginning of year	1,136,502	2,395,112
Cash and cash equivalents at end of year	\$ 2,139,294	\$ 1,136,502

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, 2020 and 2019

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 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.

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, 2020:

Condensed Statement of Net Position

	<u>NSCS</u>	<u>Corporation</u>	<u>2020 Total</u>
Current Assets	\$ 67,645,641	\$ 3,985,896	\$ 71,631,537
Non-current Assets			
Capital Assets, Net	234,415,245	-	234,415,245
Other Non-current Assets	5,971,567	26,228,998	32,200,565
Total Assets	<u>308,032,453</u>	<u>30,214,894</u>	<u>338,247,347</u>
Deferred Outflow of Resources	<u>28,403</u>	<u>-</u>	<u>28,403</u>
Current Liabilities	15,175,928	5,796,884	20,972,812
Non-current Liabilities	41,306,685	50,047,998	91,354,683
Total Liabilities	<u>56,482,613</u>	<u>55,844,882</u>	<u>112,327,495</u>
Deferred Inflow of Resources	<u>-</u>	<u>471</u>	<u>471</u>
Net Position			
Net Investment in Capital Assets	199,100,052	(29,077,027)	170,023,025
Restricted	23,703,579	3,446,568	27,150,147
Unrestricted	28,774,612	-	28,774,612
Total Net Position	<u>\$ 251,578,243</u>	<u>\$ (25,630,459)</u>	<u>\$ 225,947,784</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

	<u>NSCS</u>	<u>Corporation</u>	<u>2020 Total</u>
Operating Revenues			
Tuition and Fees, Net	\$ 32,847,286	\$ -	\$ 32,847,286
Federal and State Grants and Contracts	3,697,030	-	3,697,030
Private Grants and Contracts	543,774	-	543,774
Auxiliary Enterprises, Net	17,104,213	-	17,104,213
Other Operating Revenues	2,017,823	-	2,017,823
Total Operating Revenues	56,210,126	-	56,210,126
Operating Expenses			
Depreciation	10,169,516	-	10,169,516
Other Operating Expenses	119,963,032	-	119,963,032
Total Operating Expenses	130,132,548	-	130,132,548
Operating Loss	(73,922,422)	-	(73,922,422)
Non-operating Revenues (Expenses)			
State Appropriations	53,551,539	-	53,551,539
Federal and State Grants and Contracts	16,740,773	-	16,740,773
Investment Income	1,350,316	51,124	1,401,440
Interest on Capital Asset-Related Debt	(1,126,760)	(618,793)	(1,745,553)
Gain (Loss) on Disposal of Asset	(267)	-	(267)
Bond Issuance Cost	-	(280,912)	(280,912)
Other Non-operating Revenues (Expenses)	47,181	(18,750)	28,431
Net Non-operating Revenues (Expenses)	70,562,782	(867,331)	69,695,451
Loss Before Other Revenues, Expenses, Or Gains (Losses)	(3,359,640)	(867,331)	(4,226,971)
Other Revenues (Expenses) or Gains (Losses)			
Capital Facilities Fee	2,348,430	-	2,348,430
Capital Contributions	2,420,174	-	2,420,174
Operating Transfers In (Out)	(2,608,981)	2,608,981	-
Capital Appropriations and Grants	3,361,039	1,125,000	4,486,039
Net Other Revenues (Expenses) Or Gains (Losses)	5,520,662	3,733,981	9,254,643
Increase (Decrease) in Net Position	2,161,022	2,866,650	5,027,672
Net Position, Beginning of Year	249,417,221	(28,497,109)	220,920,112
Net Position, End of Year	\$ 251,578,243	\$ (25,630,459)	\$ 225,947,784

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>2020 Total</u>
Cash Flows from Operating Activities	\$ (62,255,333)	\$ -	\$ (62,255,333)
Cash Flows from Non-capital Financing Activities	70,297,338	-	70,297,338
Cash Flows from Capital and Related Financing Activities	(3,684,044)	25,756,915	22,072,871
Cash Flows from Investing Activities	<u>1,360,681</u>	<u>1,395,554</u>	<u>2,756,235</u>
Increase (Decrease) in Cash and Cash Equivalents	5,718,642	27,152,469	32,871,111
Cash and Cash Equivalents, Beginning of Year	<u>63,088,000</u>	<u>2,982,650</u>	<u>66,070,650</u>
Cash and Cash Equivalents, End of Year	<u>\$ 68,806,642</u>	<u>\$ 30,135,119</u>	<u>\$ 98,941,761</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 statements showing NSCS and Corporation balances and transactions are as follows for fiscal year ended June 30, 2019:

Condensed Statement of Net Position

	<u>NSCS</u> <u>As Restated</u>	<u>Corporation</u>	<u>2019 Total</u> <u>As Restated</u>
Current Assets	\$ 62,827,070	\$ 2,497,660	\$ 65,324,730
Non-current Assets			
Capital Assets, Net	238,272,063	-	238,272,063
Other Non-current Assets	4,654,242	1,920,026	6,574,268
Total Assets	<u>305,753,375</u>	<u>4,417,686</u>	<u>310,171,061</u>
 Deferred Outflow of Resources	 32,180	 -	 32,180
 Current Liabilities	 13,164,214	 4,003,713	 17,167,927
Non-current Liabilities	43,204,120	28,899,317	72,103,437
Total Liabilities	<u>56,368,334</u>	<u>32,903,030</u>	<u>89,271,364</u>
 Deferred Inflow of Resources	 -	 11,765	 11,765
 Net Position			
Net Investment in Capital Assets	201,116,413	(30,479,189)	170,637,224
Restricted	22,023,285	1,982,080	24,005,365
Unrestricted	26,277,523	-	26,277,523
Total Net Position	<u>\$ 249,417,221</u>	<u>\$ (28,497,109)</u>	<u>\$ 220,920,112</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	2019 Total As Restated
Operating Revenues			
Tuition and Fees, Net	\$ 30,853,287	\$ -	\$ 30,853,287
Federal and State Grants and Contracts	2,656,881	-	2,656,881
Private Grants and Contracts	667,713	-	667,713
Auxiliary Enterprises, Net	17,703,801	-	17,703,801
Other Operating Revenues	1,918,866	-	1,918,866
Total Operating Revenues	53,800,548	-	53,800,548
Operating Expenses			
Depreciation	10,010,801	-	10,010,801
Other Operating Expenses	113,585,196	-	113,585,196
Total Operating Expenses	123,595,997	-	123,595,997
Operating Loss	(69,795,449)	-	(69,795,449)
Non-operating Revenues (Expenses)			
State Appropriations	51,622,205	-	51,622,205
Federal and State Grants and Contracts	12,507,412	-	12,507,412
Investment Income	1,531,246	123,374	1,654,620
Interest on Capital Asset-Related Debt	(1,160,854)	(716,887)	(1,877,741)
Gain (Loss) on Disposal of Asset	11,105	-	11,105
Other Non-operating Revenues (Expenses)	61,524	(16,400)	45,124
Net Non-operating Revenues (Expenses)	64,572,638	(609,913)	63,962,725
Loss Before Other Revenues, Expenses, Or Gains (Losses)	(5,222,811)	(609,913)	(5,832,724)
Other Revenues (Expenses) or Gains (Losses)			
Capital Facilities Fee	2,157,814	-	2,157,814
Capital Contributions	2,471,221	-	2,471,221
Operating Transfers In (Out)	(370,096)	370,096	-
Capital Appropriations and Grants	3,174,239	1,125,000	4,299,239
Net Other Revenues (Expenses) Or Gains (Losses)	7,433,178	1,495,096	8,928,274
Increase (Decrease) in Net Position	2,210,367	885,183	3,095,550
Net Position, Beginning of Year	247,206,854	(29,382,292)	217,824,562
Net Position, End of Year	\$ 249,417,221	\$ (28,497,109)	\$ 220,920,112

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 <u>As Restated</u>	<u>Corporation</u>	2019 Total As Restated
Cash Flows from Operating Activities	\$ (60,296,454)	\$ -	\$ (60,296,454)
Cash Flows from Non-capital Financing Activities	64,155,757	-	64,155,757
Cash Flows from Capital and Related Financing Activities	(9,309,636)	(5,997,862)	(15,307,498)
Cash Flows from Investing Activities	<u>2,113,951</u>	<u>(1,216,273)</u>	<u>897,678</u>
Increase (Decrease) in Cash and Cash Equivalents	(3,336,382)	(7,214,135)	(10,550,517)
Cash and Cash Equivalents, Beginning of Year	<u>66,424,382</u>	<u>10,196,785</u>	<u>76,621,167</u>
Cash and Cash Equivalents, End of Year	<u>\$ 63,088,000</u>	<u>\$ 2,982,650</u>	<u>\$ 66,070,650</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 14).

During the years ended June 30, 2020 and 2019, Chadron State, Peru State, and Wayne State College Foundations distributed \$2,180,048, \$469,738, and \$2,205,765; and \$1,698,158, \$488,277, and \$4,798,655, respectively, to their Colleges for both restricted and unrestricted purposes. These distributions 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.

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)

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.

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.

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)

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 \$26,161,141 and unrestricted net position deficit of \$29,077,027 in 2020. Reclassifications for 2019 included the Corporation's current restricted cash and cash equivalents of \$495,339 and unrestricted net position deficit of \$30,479,189. 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.

The fiscal year 2019 financial statements have been restated. The NSCS capitalized a final construction payment totaling \$288,281 that was previously recorded as an operating expense. Also, a correction to the Agency fund at Wayne State College was made, resulting in a change in the 2019 net position of \$94,021. The Refundable Government Grants amount of \$1,509,621 for the Perkins loan fund was reclassified in the 2019 financial statements as a non-current liability.

Certain other reclassifications have been made to the 2019 financial statements to conform to the 2020 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, 2020 and 2019.

The NSCS considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2020 and 2019, 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.

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)

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 \$849,347 and \$911,071 at June 30, 2020 and 2019, respectively, and is identified by College as follows:

	2020	2019
CSC	\$ 248,894	\$ 229,734
PSC	372,249	491,765
WSC	214,107	169,152
NSCS Office	14,097	20,420

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, 2020 and 2019, was \$540,406 and \$515,418 for premiums and \$12,154 for discounts, respectively, and it is identified by College as follows:

	2020		2019	
	Premiums	Discounts	Premiums	Discounts
CSC	\$ 2,787	\$ 4,767	\$ 2,787	\$ 4,768
PSC	-	4,941	-	4,940
WSC	6,114	2,446	6,114	2,446
NSCS Office	531,505	-	506,517	-
Total	\$ 540,406	\$ 12,154	\$ 515,418	\$ 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 made loans to students under the Federal Perkins Loan Program; also, small temporary loans are provided to students from the Foundations. Such loan receivables are recorded net of estimated uncollectible amounts. The allowance for uncollectible loans was \$118,209 and \$137,208 at June 30, 2020 and 2019, respectively, at Wayne State College.

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)

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:

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, which totaled \$689,948 and \$731,471 at fiscal year end 2020 and 2019, respectively, 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, totaling \$1,572,000 at fiscal year end 2020.

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)

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.

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, Pell grants, 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 similar Federal and State grants, are recorded as non-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, 2020 and 2019, as calculated under the NACUBO method, were \$14,347,566 and \$4,684,340; and \$13,096,775 and \$5,093,949, respectively, and are identified by College as follows:

	2020		2019	
	Tuition and Fees	Auxiliary Enterprises	Tuition and Fees	Auxiliary Enterprises
CSC	\$ 4,385,520	\$ 1,366,402	\$ 4,103,653	\$ 1,560,217
PSC	3,518,066	1,167,194	3,337,578	1,213,035
WSC	6,443,980	2,150,744	5,655,544	2,320,697

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, 2020 and 2019, cash and cash equivalents of \$59,410,094 and \$54,394,409, 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, 2020 and 2019, was \$6,792. The carrying amounts of the NSCS's deposits not with the State Treasurer at June 30, 2020 and 2019, were \$2,022,085 and \$2,038,707, respectively, and the bank balances were \$2,030,657 and \$2,042,203, respectively. Of the carrying amounts noted above, \$121,092 and \$121,102, 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.

The NSCS's investments consisted of money market mutual funds and debt securities. At June 30, 2020 and 2019, money market mutual funds totaling \$37,502,790 and \$9,630,742, respectively, were held by the trustees, and had weighted average maturities of 17-43 days and 18-44 days, respectively. All money market mutual funds were reported as cash equivalents.

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)

At June 30, 2020, the NSCS had the following securities and maturities:

	Fair Value	Maturities in Years		
		Less than 1	1-5	6-10
Investment type:				
Negotiable CD	\$ 762,532	\$ 247,843	\$ 514,689	\$ -
Total	\$ 762,532	\$ 247,843	\$ 514,689	\$ -

At June 30, 2019, the NSCS had the following securities and maturities:

	Fair Value	Maturities in Years		
		Less than 1	1-5	6-10
Investment type:				
U.S. Agency bonds	\$ 1,338,808	\$ -	\$ 1,338,808	\$ -
Negotiable CD	738,017	-	738,017	-
Total	\$ 2,076,825	\$ -	\$ 2,076,825	\$ -

All U.S. Agency bonds 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. The money market mutual funds are rated Aaa-mf by Moody's and AAAM by S&P, and the U.S. Agency bonds are rated Aaa by Moody's and AA+ by S&P. The investments in negotiable certificate of deposits are unrated.

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, at June 30, 2020, 97% were in U.S. Treasury Money Market Funds, 1% were in Government Money Market Funds, and 2% were in negotiable certificate of deposits compared to 81% in U.S. Treasury Money Market Funds, 1% in Government Money Market Funds, 12% were in U.S. Agency Bonds, and 6% in negotiable certificate of deposits at June 30, 2019.

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.

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)

Summary of Carrying Values

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

	2020	2019
Carrying Value		
Cash	\$ 6,792	\$ 6,792
Deposits:		
Bank Deposits	2,022,085	2,038,707
Short Term Investment Pool	59,410,094	54,394,409
Trustee Money Market Mutual Funds	37,502,790	9,630,742
Negotiable Certificates of Deposit	762,532	738,017
U.S. Agency Bonds	-	1,338,808
Total as of June 30	\$ 99,704,293	\$ 68,147,475
Included in the Statements of Net Position		
Cash and Cash Equivalents	\$ 38,505,340	\$ 35,407,120
Restricted Cash and Cash Equivalents	60,436,421	30,663,530
Restricted Investments	762,532	2,076,825
Total	\$ 99,704,293	\$ 68,147,475

3. Capital Assets

The NSCS capital assets activity for the year ended June 30, 2020, was:

Capital Assets

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 1,124,633	\$ 31,985	\$ -	\$ -	\$ 1,156,618
Building and Improvements	305,308,550	598,612	-	596,426	306,503,588
Infrastructure	37,070,746	75,900	-	75,566	37,222,212
Furniture, Fixtures, and Equipment	20,110,856	909,828	(395,808)	-	20,624,876
Construction in Progress	1,727,564	4,702,990	-	(671,992)	5,758,562
Total Capital Assets	\$ 365,342,349	\$ 6,319,315	\$ (395,808)	\$ -	\$ 371,265,856

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

3. Capital Assets (Continued)

Accumulated Depreciation

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
Building and Improvements	\$ (92,041,898)	\$ (7,225,655)	\$ -	\$ -	\$ (99,267,553)
Infrastructure	(19,353,660)	(1,479,866)	-	-	(20,833,526)
Furniture, Fixtures, and Equipment	(15,674,728)	(1,463,995)	389,191	-	(16,749,532)
Total Accumulated Depreciation	(127,070,286)	(10,169,516)	389,191	-	(136,850,611)
Net Capital Assets	<u>\$ 238,272,063</u>	<u>\$ (3,850,201)</u>	<u>\$ (6,617)</u>	<u>\$ -</u>	<u>\$ 234,415,245</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	\$ 1,089,462	\$ -	\$ 1,156,618
Building and Improvements	53,195,507	54,484,034	99,556,494	-	207,236,035
Infrastructure	3,342,227	4,117,560	8,928,899	-	16,388,686
Furniture, Fixtures, and Equipment	1,303,890	520,443	1,944,295	106,716	3,875,344
Construction in Progress	3,289,103	-	2,469,459	-	5,758,562
Net Capital Assets	<u>\$ 61,180,122</u>	<u>\$ 59,139,798</u>	<u>\$ 113,988,609</u>	<u>\$ 106,716</u>	<u>\$ 234,415,245</u>

The NSCS capital assets activity for the year ended June 30, 2019, was:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
Land	\$ 1,124,633	\$ -	\$ -	\$ -	\$ 1,124,633
Building and Improvements	271,528,174	4,832,291	-	28,948,085	305,308,550
Infrastructure	36,971,424	31,322	-	68,000	37,070,746
Furniture, Fixtures, and Equipment	18,423,915	1,862,778	(198,057)	22,220	20,110,856
Construction in Progress	24,048,618	6,717,251	-	(29,038,305)	1,727,564
Total Capital Assets	<u>\$ 352,096,764</u>	<u>\$ 13,443,642</u>	<u>\$ (198,057)</u>	<u>\$ -</u>	<u>\$ 365,342,349</u>

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

3. Capital Assets (Concluded)

Accumulated Depreciation

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
Building and Improvements	\$ (85,028,111)	\$ (7,013,787)	\$ -	\$ -	\$ (92,041,898)
Infrastructure	(17,840,698)	(1,512,962)	-	-	(19,353,660)
Furniture, Fixtures, and Equipment	(14,386,339)	(1,484,052)	195,663	-	(15,674,728)
Total Accumulated Depreciation	(117,255,148)	(10,010,801)	195,663	-	(127,070,286)
Net Capital Assets	<u>\$ 234,841,616</u>	<u>\$ 3,432,841</u>	<u>\$ (2,394)</u>	<u>\$ -</u>	<u>\$ 238,272,063</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	\$ 1,057,477	\$ -	\$ 1,124,633
Building and Improvements	54,931,101	55,429,368	102,906,183	-	213,266,652
Infrastructure	3,602,576	4,481,479	9,633,031	-	17,717,086
Furniture, Fixtures, and Equipment	1,195,226	631,243	1,862,649	747,010	4,436,128
Construction in Progress	615,596	596,426	515,542	-	1,727,564
Net Capital Assets	<u>\$ 60,393,894</u>	<u>\$ 61,156,277</u>	<u>\$ 115,974,882</u>	<u>\$ 747,010</u>	<u>\$ 238,272,063</u>

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:

	2020			
	<u>Payroll and Withholdings</u>	<u>Payables to Vendors</u>	<u>Payable to Other Government</u>	<u>Total Payables</u>
CSC	\$ 1,366,242	\$ 795,193	\$ 78,986	\$ 2,240,421
PSC	761,813	687,895	88,715	1,538,423
WSC	2,034,104	1,456,681	258,910	3,749,695
NSCS Office	-	1,911,188	149,943	2,061,131
Total	<u>\$ 4,162,159</u>	<u>\$ 4,850,957</u>	<u>\$ 576,554</u>	<u>\$ 9,589,670</u>

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. Accounts Payable and Accrued Liabilities (Concluded)

	2019			
	Payroll and Withholdings	Payables to Vendors	Payable to Other Government	Total Payables
CSC	\$ 1,422,481	\$ 832,832	\$ 142,368	\$ 2,397,681
PSC	721,882	563,093	113,748	1,398,723
WSC	1,906,809	1,357,127	349,476	3,613,412
NSCS Office	-	1,589,613	173,623	1,763,236
Total	\$ 4,051,172	\$ 4,342,665	\$ 779,215	\$ 9,173,052

5. Long-term Liabilities

The following is a summary of long-term obligation transactions for the NSCS for the year ended June 30, 2020:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Master Lease Payable	\$ 102,475	\$ 447,909	\$ (181,141)	\$ 369,243	\$ 87,546
Revenue and Refunding					
Bonds	40,350,000	-	(2,105,000)	38,245,000	2,115,000
Corporation Bonds	29,510,000	23,465,000	(3,325,000)	49,650,000	4,800,000
Total Long-term Debt	69,962,475	23,912,909	(5,611,141)	88,264,243	7,002,546
Accrued Compensated					
Absences	3,891,286	880,169	(402,334)	4,369,121	647,658
Unamortized Bond					
Premium	2,904,486	3,015,186	(540,406)	5,379,266	-
Unamortized Bond Discount	(198,897)	-	12,154	(186,743)	-
Refundable Government					
Grants	1,509,621	-	(204,336)	1,305,285	1,305,285
Unearned Revenue	-	1,965,000	(393,000)	1,572,000	393,000
Total Other Long-term	8,106,496	5,860,355	(1,527,922)	12,438,929	2,345,943
Liabilities					
Total Long-term Liabilities	\$ 78,068,971	\$ 29,773,264	\$ (7,139,063)	\$ 100,703,172	\$ 9,348,489

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

5. Long-term Liabilities (Continued)

The following is a summary of long-term obligation transactions for the NSCS for the year ended June 30, 2019:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Loan Obligations Payable	\$ 24,996	\$ -	\$ (24,996)	\$ -	\$ -
Master Lease Payable	318,255	-	(215,780)	102,475	102,475
Revenue and Refunding					
Bonds	42,410,000	-	(2,060,000)	40,350,000	2,105,000
Corporation Bonds	32,725,000	-	(3,215,000)	29,510,000	3,325,000
Total Long-term Debt	<u>75,478,251</u>	<u>-</u>	<u>(5,515,776)</u>	<u>69,962,475</u>	<u>5,532,475</u>
Accrued Compensated					
Absences	3,926,419	326,561	(361,694)	3,891,286	433,059
Unamortized Bond					
Premium	3,419,904	-	(515,418)	2,904,486	-
Unamortized Bond Discount	(211,051)	-	12,154	(198,897)	-
Refundable Government					
Grants	1,509,621	-	-	1,509,621	-
Other Liabilities	<u>360,711</u>	<u>-</u>	<u>(360,711)</u>	<u>-</u>	<u>-</u>
Total Other Long-term Liabilities	<u>9,005,604</u>	<u>326,561</u>	<u>(1,225,669)</u>	<u>8,106,496</u>	<u>433,059</u>
Total Long-term Liabilities	<u>\$ 84,483,855</u>	<u>\$ 326,561</u>	<u>\$ (6,741,445)</u>	<u>\$ 78,068,971</u>	<u>\$ 5,965,534</u>

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, 2020. 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.

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

5. Long-term Liabilities (Continued)

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, 2020, three employees at CSC, two employee at PSC, and fourteen employees at WSC were participating in the NSCS's voluntary/early retirement programs. As of June 30, 2019, four employees at CSC, one employee at PSC, and four 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.

	2020		2019	
	Ending Balance	Current Portion	Ending Balance	Current Portion
CSC	\$ 48,841	\$ 30,072	\$ 62,118	\$ 26,960
PSC	97,228	28,252	5,579	5,579
WSC	391,165	160,610	97,768	32,959
Total	\$ 537,234	\$ 218,934	\$ 165,465	\$ 65,498

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.

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.

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

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

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.

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,

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

5. Long-term Liabilities (Continued)

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.

The official Revenue bond statements define an event of default as missing principal and/or interest payments, discontinuation, unreasonable delay, or fail to construct the Project or acquire the facility, promptly repair destroyed or damaged buildings and facilities, or the Board become insolvent. In the event of such default, the outstanding bonds contain a provision stating that the registered owners of 25% of the aggregate principal amount of the Bonds then outstanding may declare the principal of all bonds then outstanding to be due and payable immediately.

Corporation Bonds

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

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

5. Long-term Liabilities (Continued)

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.

In May 2020, the Corporation issued \$23,465,000 of Series 2020 Bonds, which was authorized in February 2020 by the Corporation. Proceeds from the issuance of these bonds will be used to renovate the Math Science Building at Chadron State College. The bonds are not obligations of the State of Nebraska, and no tax shall ever be levied to raise the funds for the principal payment thereof or the interest or premium thereon. The bonds do not constitute debt of the Board of Trustees of the Nebraska State Colleges, but the first two interest payments will be paid with funds from Chadron State College and the remaining debt payments shall be payable solely out of moneys derived from legislative appropriations. The bonds bear interest, payable semiannually, at rates of 3.00% to 5.00%. Principal maturities, due in annual installments, begin June 15, 2022, and continue until June 15, 2035. The bonds are not subject to redemption prior to maturity.

The official Corporation bond statements define an event of default as missing principal and/or interest payments on the due date for a period of 60 days after written notice has been given to the Corporation by any registered owner. In the event of such default, the outstanding bonds contain a provision stating that the registered owners of 25% of the aggregate principal amount of the Bonds then outstanding may declare the principal of all bonds then outstanding to be due and payable immediately.

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 equipment in fiscal year 2020. The master lease obligations bear interest payable at a rate of 2.08%. The Master Lease expires in fiscal years 2025 and 2020 while PSC's Master Lease expired in fiscal year 2019. The firewall system was not complete at the end of the fiscal year, the equipment purchased totaling \$43,002 is recorded in construction in progress until it is completed.

The official statement of the master lease agreement defines an event of default as failure to pay any rental payment or other payment required to be paid, failure to observe or perform any covenant, condition or agreement on its part, or representation or warranty made in the Lease was untrue in any material respects. In event of such default, with or without termination of the lease, all rental payments for which funds have been appropriated may be declared due, equipment may become repossessed and dispose of such equipment, or any other remedy available at law or in equity with respect to such event of default.

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

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

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

CSC Master Lease Obligation Summary

Year Ending June 30	Principal	Interest	Total
2021	\$ 87,546	\$ 6,860	\$ 94,406
2022	89,388	5,018	94,406
2023	91,268	3,138	94,406
2024	93,187	1,219	94,406
2025	7,854	14	7,868
Total	<u>\$ 369,243</u>	<u>\$ 16,249</u>	<u>\$ 385,492</u>

CSC Revenue and Refunding Bonds

Year Ending June 30	Principal	Interest	Total
2021	\$ 655,000	\$ 227,578	\$ 882,578
2022	675,000	213,044	888,044
2023	690,000	195,690	885,690
2024	700,000	179,642	879,642
2025	715,000	162,907	877,907
2026 – 2030	3,475,000	519,735	3,994,735
2031 – 2034	1,915,000	116,925	2,031,925
Total	<u>\$ 8,825,000</u>	<u>\$ 1,615,521</u>	<u>\$ 10,440,521</u>

PSC Revenue and Refunding Bonds

Year Ending June 30	Principal	Interest	Total
2021	\$ 570,000	\$ 369,111	\$ 939,111
2022	585,000	359,488	944,488
2023	600,000	348,431	948,431
2024	605,000	336,083	941,083
2025	620,000	322,346	942,346
2026 – 2030	2,895,000	1,368,297	4,263,297
2031 – 2035	1,880,000	1,005,005	2,885,005
2036 – 2040	1,715,000	714,949	2,429,949
2041 – 2045	2,050,000	371,405	2,421,405
2046 – 2047	930,000	35,250	965,250
Total	<u>\$ 12,450,000</u>	<u>\$ 5,230,365</u>	<u>\$ 17,680,365</u>

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

5. Long-term Liabilities (Continued)

WSC Revenue and Refunding Bonds

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	950,000	441,505	1,391,505
2025	980,000	411,929	1,391,929
2026 – 2030	4,350,000	1,603,621	5,953,621
2031 – 2035	2,110,000	1,156,653	3,266,653
2036 – 2040	2,160,000	828,078	2,988,078
2041 – 2045	2,555,000	429,712	2,984,712
2046 – 2047	1,150,000	40,600	1,190,600
Total	<u>\$ 16,970,000</u>	<u>\$ 6,368,882</u>	<u>\$ 23,338,882</u>

Corporation Bonds

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 4,800,000	\$ 2,007,694	\$ 6,807,694
2022	3,055,000	1,675,668	4,730,668
2023	3,195,000	1,552,118	4,747,118
2024	3,305,000	1,442,293	4,747,293
2025	3,420,000	1,328,543	4,748,543
2026 – 2030	19,345,000	4,307,628	23,652,628
2031 – 2035	12,530,000	1,071,647	13,601,647
Total	<u>\$ 49,650,000</u>	<u>\$ 13,385,591</u>	<u>\$ 63,035,591</u>

NSCS Loan Obligation and Bond Summary

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 7,002,546	\$ 3,115,719	\$ 10,118,265
2022	5,309,388	2,739,402	8,048,790
2023	5,496,268	2,565,501	8,061,769
2024	5,653,187	2,400,742	8,053,929
2025	5,742,854	2,225,739	7,968,593
2026 – 2030	30,065,000	7,799,281	37,864,281
2031 – 2035	18,435,000	3,350,230	21,785,230
2036 – 2040	3,875,000	1,543,027	5,418,027
2041 – 2045	4,605,000	801,117	5,406,117
2046 – 2047	2,080,000	75,850	2,155,850
Total	<u>\$ 88,264,243</u>	<u>\$ 26,616,608</u>	<u>\$ 114,880,851</u>

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

5. Long-term Liabilities (Concluded)

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, 2020 and 2019, 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 2025. Renewal options for leases containing such provision ranged from one to two 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, 2020, were:

2021	286,607
2022	170,381
2023	153,339
2024	35,263
2025	1,738
Total	<u>\$ 647,328</u>

The NSCS's operating lease payments for the years ended June 30, 2020, and June 30, 2019, were \$829,472 and \$846,796, respectively.

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.

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

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

Financial information for the Program for June 30, 2020 and 2019, is summarized as follows:

Condensed Statement of Net Position

	2020	2019
Assets		
Current Assets	\$ 19,540,148	\$ 18,492,868
Non-current Assets	56,159,500	57,289,961
Total assets	75,699,648	75,782,829
Deferred Outflows of Resources	28,403	32,180
Liabilities		
Current Liabilities	4,517,069	4,319,671
Non-current Liabilities	37,587,808	38,450,009
Total liabilities	42,104,877	42,769,680
Net Position		
Net investment in capital assets	17,686,594	16,980,052
Restricted for		
Debt service	2,167,270	2,197,545
By enabling legislation	13,769,310	13,867,732
Total net position	\$ 33,623,174	\$ 33,045,329

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

	2020	2019
Operating Revenues		
Rentals	\$ 7,907,588	\$ 8,419,992
Food Service	7,827,832	8,646,810
Facilities	3,511,518	3,399,559
Bookstore	145,966	177,635
Other	309,037	264,391
Total operating revenues	19,701,941	20,908,387
Operating Expenses		
Food Service	5,466,193	5,707,318
Other	15,587,554	14,643,519
Total operating expenses	21,053,747	20,350,837
Operating Income (Loss)	(1,351,806)	557,550
Non-operating Revenue (Expenses)	1,443,753	(662,709)
Capital Contributions	485,898	-
Increase (Decrease) in Net Position	577,845	(105,159)
Net Position, Beginning of Year	33,045,329	33,150,488
Net Position, End of Year	\$ 33,623,174	\$ 33,045,329

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

7. Revenue Bond Program (Concluded)

Condensed Statement of Cash Flows

	2020	2019
Cash Flows from Operating Activities	\$ 2,014,835	\$ 3,035,776
Non-Capital Financing Activities	2,193,486	-
Cash Flows from Capital and Related Financing Activities	(3,498,836)	(3,338,903)
Cash Flows from Investing Activities	375,708	1,063,989
Change in Cash and Cash Equivalents	1,085,193	760,862
Cash and Cash Equivalents, Beginning of Year	20,665,325	19,904,463
Cash and Cash Equivalents, End of Year	\$21,750,518	\$20,665,325

8. Retirement Plans

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). 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 2020 and 2019, expressed as a percentage of covered payroll, 6% and 8%, respectively. Contributions actually made for the fiscal years ended June 30, 2020 and 2019, by plan members and the NSCS were \$2,877,409 and \$2,808,805; and \$3,838,572 and \$3,770,041 respectively. At June 30, 2020 and 2019, the plan had 765 and 779 contributing members, respectively. The NSCS contributions encumbered for the fiscal years ended June 30, 2020 and 2019 in the amounts of \$227,140 and \$224,208, 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 \$787,536 to the SRA, \$204,939 to the Roth 403(b), and \$87,650 to the 457 plan in 2020, while in 2019 plan members contributed \$862,132 to the SRA, \$178,085 to the Roth 403(b), and \$112,450 to the 457 plan. The NSCS does not contribute to these supplemental plans.

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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
- 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, except for tornado and hail, which is a \$300,000 deductible. Newly acquired properties are covered up to \$50,000,000 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 \$4,523,000 and \$5,100,000, as of June 30, 2020 and 2019, 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:

	<u>2020</u>	<u>2019</u>
CSC	\$ 1,692,000	\$ 3,227,000
PSC	941,000	1,063,000
WSC	1,890,000	810,000

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

10. Commitments and Contingencies (Concluded)

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.

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 \$20,311,982 and \$19,948,649 in fiscal years 2020 and 2019, 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. Subsequent Event

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Program. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

14. 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, 2020 and 2019	64 - 78
Peru State College	December 31, 2019 and 2018	79 - 89
Wayne State	June 30, 2020 and 2019	90 - 101

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

CHADRON STATE FOUNDATION

Note 1 – Purpose of Foundation and Description of Program Services

Purpose

Chadron State Foundation (the 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 (the College). The Foundation acts largely as a fundraising 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.

Program Services

Chadron State Foundation is a nonprofit corporation classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3). The Foundation provides support to Chadron State College (the College) through scholarships and awards to the students of the College and provides institutional support of management and special projects related to the College.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The Foundation prepares its financial statements on the accrual basis of accounting; consequently, certain revenue and the related assets are recognized when earned rather than when received, and certain expenses are recognized when incurred rather than when the obligation is paid.

Basis of Presentation

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions - Net assets that are subject to donor/grantor-imposed time or purpose stipulations. Net assets with donor restrictions are broken into two categories: net assets restricted by time or purpose and net assets restricted in perpetuity.

Net Assets Restricted by Time or Purpose - 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, net assets are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Net Assets Restricted in Perpetuity - 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.

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

CHADRON STATE FOUNDATION (Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Designation Net Assets Without Donor Restrictions

It is the policy of the Board of Directors of the Foundation to designate sums of net assets without donor restrictions to assure adequate reserves are accumulated to help fund specific future events and the general operations of the Foundation. Accordingly, net assets without donor restrictions of the Foundation are classified and reported as follows:

Operating Fund – The portion of net assets without donor restrictions 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 gifts without donor restrictions 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 is transferred to the beginning fund balance of the CSC Quasi Endowment in the following fiscal year.

CSC Quasi Endowment – Represents gifts without donor restrictions 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 gifts without donor restrictions 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 are based on the initiatives and priorities of the Foundation and, when appropriate, the Campaign Leadership Committee. Such recommendations must be approved by the Board of Directors. Upon approval by the Board of Directors, these gifts and pledges are 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 to complete the current capital projects.

Cash and Cash Equivalents and Short-term Investments

The Foundation considers all highly liquid investments and deposits with a term to maturity of three months or less when purchased to be cash equivalents. Money market funds and certificates of deposits, with an original maturity of three months or less when purchased, are classified as short-term investments and are not considered to be cash equivalents for purposes of the Statement of Cash Flows.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the Statement of Financial Position. Net investment return/loss is reported in the Statement of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

CHADRON STATE FOUNDATION (Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at the present value of discounted future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted for use after the due date. Promises that remain uncollected for more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

Revenue and Revenue Recognition

The Foundation recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Consequently, at June 30, 2020, contributions approximating \$5,800,000, have not been recognized in the accompanying statements of activities because the conditions on which they depend have not yet been met. The conditional contributions are subject to donors modifying their intent.

A portion of the Foundation's revenue is derived from cost-reimbursable federal and state contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Foundation has incurred expenditures in compliance with specific contract provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. The Foundation received cost-reimbursable grants of \$21,960 for payroll and \$75,939 for federal pandemic relief that have not been recognized at June 30, 2020, because qualifying expenditures have not yet been incurred in accordance with contract provisions. These amounts are reported as refundable advances in the statement of financial position. There were no such grants or contracts during the year ended June 30, 2019.

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 ended June 30, 2020 and 2019, were \$1,746 and \$87,268 respectively.

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

CHADRON STATE FOUNDATION (Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Property and Equipment

Investment in property and equipment is stated at cost less accumulated depreciation or at fair value if donated. All purchases or donations of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of the assets are capitalized. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, as follows:

	Estimated Useful Life
Office Equipment	3 – 15 yrs
Building and Improvements	39.5 – 50 yrs

Refundable Advances

In response to the coronavirus (COVID-19) outbreak in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act that, among other economic stimulus measures, established the Paycheck Protection Program (PPP) to provide small business loans. In April 2020, the Organization obtained a PPP loan for \$75,939, which is included in refundable advances. The Organization believes it used all of the proceeds from the note for qualifying expenses and, thus, expects to receive approval of its application for the loan to be forgiven in the future, at which time the Organization will recognize grant revenue.

Collections

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. Collection items acquired either through purchase or donation are not capitalized. Purchases of collection items are recorded as decreases in net assets without donor restrictions if purchased with assets without donor restrictions and as decreases in net assets with donor restrictions if purchased with donor-restricted assets. Contributions of collection items are not recognized in the Statement of Activities. Proceeds from deaccessions or insurance recoveries are reflected on the Statement of Activities based on the absence or existence and nature of donor-imposed restrictions. If collection items are sold, the proceeds from the sale are used to purchase additional collection items.

Income Tax Status

The Foundation follows the accounting guidance for uncertainty in income taxes. A tax position initially needs to be recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination 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 2 – Summary of Significant Accounting Policies (Continued)

The Foundation is a nonprofit corporation classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3) and as a non-private foundation under Section 509(a)(1) of the Internal Revenue Code. The Foundation is not liable for income taxes if it operates within the confines of its exempt status, though the Foundation 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 tax-exempt purpose or income from unrelated business activities is ultimately determined by the taxing authorities.

As of June 30, 2020, 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 fiscal years before 2017. 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.

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.

Reclassifications

Certain amounts in the financial statements and related notes for the Foundation, for the year ended June 30, 2019, have been reclassified to conform to the presentation in the financial statements for the year ended June 30, 2020.

Accounting Pronouncements Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers Topic (606). This ASU supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Foundation early adopted this ASU on July 1, 2019. The adoption of ASU 2014-09 resulted in changes to the disclosure of revenue. There were no material changes to the recognition or presentation of revenue as a result of the application of ASU 2014-09. As a result, no cumulative-effect adjustment was recorded upon adoption.

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

CHADRON STATE FOUNDATION (Continued)

Note 2 – Summary of Significant Accounting Policies (Concluded)

In June 2018, the FASB issued (ASU) 2018-08, Not-for-Profit Entities: Topic 958. The amendments in this Update provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional. The Foundation early adopted this ASU on July 1, 2019. The adoption of this standard did not result in material changes to the recognition of presentation of revenue.

Note 3 – Liquidity and Availability

Financial assets available for general expenditure, that is, without restrictions limiting their use, within one year of the Statement of Financial Position date, are comprised of the following as of June 30:

	2020	2019
Financial Assets Available for Use:		
Cash and Cash Equivalents	\$ 1,182,560	\$ 1,574,989
Investments	21,518,421	21,376,970
Net Pledges Due Within One Year	341,139	609,858
Certificates of Deposit	786,063	775,876
Certificates of Deposit	23,828,183	24,337,693
Less: Assets Unavailable for General Expenditures		
Within One Year for the Following Purposes		
CSC Quasi Endowment	861,654	822,652
Assets Restricted by Time or Purpose	2,562,456	4,534,826
Assets to be Held in Perpetuity	18,975,039	18,949,548
	22,399,149	24,307,026
Financial Assets Available for General Expenditures	\$ 1,429,034	\$ 30,667

The Foundation's endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for management purposes. Amounts available for management purposes were \$45,103 and \$2,898 as of June 30, 2020 and 2019, respectively. The Foundation's assets are fairly liquid and are intended to be used to support the students and departments of Chadron State College.

The Foundation's Board-designated endowment of \$861,654 and \$822,652 as of June 30, 2020 and 2019, respectively, is subject to an annual spending rate of up to 5%. Although the Foundation does not intend to spend from the Board-designated endowment (other than amounts for general expenditures as part of the Board's annual budget approval or appropriation), these amounts could be made available if necessary.

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

CHADRON STATE FOUNDATION (Continued)

Note 4 – Pledges Receivable

Contributions receivable at June 30, were as follows:

	2020	2019
Receivable in Less Than One Year	\$ 341,139	\$ 609,858
Receivable in One to Five Years	493,693	643,321
Receivable in Six to Ten Years	50,000	75,000
Total Contributions Receivable	\$ 884,832	\$ 1,328,179
Less: Unamortized Discounts to Net Present Value	(26,900)	(41,777)
Less: Allowance for Uncollectable Accounts	(64,119)	(45,286)
Net Contributions Receivable	\$ 793,813	\$ 1,241,116

Unconditional pledges receivable due in more than one year are discounted based on the creditworthiness of donors. Discount rates for the year ended June 30, 2020 were between 0.289% and 5.5% based on the five-year Treasury Rate at the time each pledge was made. The discount rate used on long-term promises to give was between 1.76% and 5.5% for the year ended June 30, 2019.

Note 5 – Fair Market Value Measurements

The Foundation classifies assets and liabilities measured at fair market value within a hierarchy based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level I – Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments that would generally be included in Level I include listed equities. The Foundation, to the extent that it holds such investments, does not adjust the quoted price of these investments.

Level II – Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level I. Fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category are less-liquid and restricted-equity securities.

Level III – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. The Foundation did not have any Level III-type investments as of June 30, 2020 and 2019.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

CHADRON STATE FOUNDATION (Continued)

Note 5 – Fair Market Value Measurements (Continued)

The fair value of each financial instrument in the table below was measured using input guidance and valuation techniques. The following table sets forth carrying amounts and estimated fair values for financial instruments at June 30:

	2020			
	Level I	Level II	NAV	Total
Mutual Funds:				
Large Cap	\$ 4,905,494	\$ -	\$ -	\$ 4,905,494
Mid Cap and Small Cap	2,090,097	-	-	2,090,097
International	4,182,601	-	-	4,182,601
Emerging Markets	1,475,514	-	-	1,475,514
Fixed Income	3,463,491	-	-	3,463,491
Low Correlated Hedge Funds	176,492	-	-	176,492
Energy Funds	1,288,036	-	-	1,288,036
Closely Held Business Stock	-	-	162,933	162,933
Multi-Strategy LLC Funds	-	-	3,173,901	3,173,901
Total Investments	<u>\$ 17,581,725</u>	<u>\$ -</u>	<u>\$ 3,336,834</u>	<u>\$ 20,918,559</u>
Short-term Investments:				
Cash and Cash Equivalents	<u>\$ 599,862</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 599,862</u>
Annuity Assets and Liabilities	<u>\$ -</u>	<u>\$ 5,534</u>	<u>\$ -</u>	<u>\$ 5,534</u>
	2019			
	Level I	Level II	NAV	Total
Mutual Funds:				
Large Cap	\$ 4,910,981	\$ -	\$ -	\$ 4,910,981
Mid Cap and Small Cap	2,161,739	-	-	2,161,739
International	4,429,292	-	-	4,429,292
Emerging Markets	1,492,079	-	-	1,492,079
Fixed Income	2,198,786	-	-	2,198,786
Floating Rate Corporate Loans	1,451,381	-	-	1,451,381
Low Correlated Hedge Funds	195,259	-	-	195,259
Master Limited Partnership	1,464,701	-	-	1,464,701
Multi-Strategy LLC Funds	-	-	2,999,950	2,999,950
Total Investments	<u>\$ 18,304,218</u>	<u>\$ -</u>	<u>\$ 2,999,950</u>	<u>\$ 21,304,168</u>
Short-term Investments:				
Cash and Cash Equivalents	<u>\$ 72,802</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,802</u>
Annuity Assets and Liabilities	<u>\$ -</u>	<u>\$ 8,596</u>	<u>\$ -</u>	<u>\$ 8,596</u>

Multi-Strategy LLC Funds – The fair value of the hedge funds is determined on a daily basis, based on the shares owned on that day and the net asset value (NAV) for that day.

Certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit the reconciliation of fair value hierarchy to the line item presented in the Statements of Financial Position.

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

CHADRON STATE FOUNDATION (Continued)

Note 5 – Fair Market Value Measurements (Concluded)

The following table sets forth additional disclosures of the Foundation’s investments whose fair value is estimated using net asset value per share (or its equivalent) as of June 30:

	2020 Fair Value	2019 Fair Value	Redemption Frequency
Multi-Strategy LLC Funds (a)	\$ 3,173,901	\$ 2,999,950	Daily

(a) These funds invest in pooled entities that are organized in non-U.S. jurisdictions and classified as corporations for U.S. federal income tax purposes with a goal of capital appreciation and limited variability of returns.

The Foundation measures the closely held business stock at the fair market value at the date of donation. Any changes in price or subsequent impairment are adjusted through earnings. The stock is expected to be liquidated subsequent to year-end at a price slightly greater than the amount reported. The change in value will be reported at the time of liquidation.

The Foundation measures annuity assets and liabilities based on donors’ life expectancies. These assets are held by a broker that specializes in this type of investment. The broker evaluates the value quarterly. However, the Foundation is at risk of funding future annuity payments should the annuitants outlive their original contributions.

The Foundation measures pledges receivable at fair market value on a non-recurring basis using unobservable inputs. Pledges receivable are measured at fair market value based on the expected future cash flows and the creditworthiness of the donor as explained in Note 4.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes will occur in the near-term, and such changes could materially affect the investment balances and the amounts reported in the Statement of Financial Position.

Note 6 – Other Assets

Other assets include cash surrender value of life insurance for which the Foundation is named an owner and beneficiary of each policy and several charitable gift annuities.

Under charitable gift annuity contract, the Foundation receives immediate and unrestricted title to contributed assets and agrees to make fixed recurring payments over the stipulated period. Contributed assets are recorded at the fair value on the date of receipt. The related liability for future payments to be made to specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The liability for future trust payments to the donor is reduced by payments made to the donor and is adjusted to reflect changes in the fair value of the liability at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income. The value of the charitable gift annuity contract was \$5,534 and \$8,596 as of June 30, 2020 and 2019, respectively.

The cash surrender value of life insurance is recorded based on estimated amounts available upon surrender of the policies. Cash surrender values of the policies were \$36,318 and \$36,318 as of June 30, 2020 and 2019, respectively.

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

CHADRON STATE FOUNDATION (Continued)

Note 7 – Beneficial Interest in Trust and Estates

The Foundation is the beneficiary of various trusts and estates created by donors. 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. At the date the Foundation is notified of an irrevocable beneficial interest, a contribution is recorded based on the presence of donor restrictions at fair value of the underlying trust or estate assets. Thereafter, beneficial interests in trusts and estates are reported at the fair value of the trusts' assets in the statements of financial position, with trust distributions and changes in fair value recognized in the statement of activities.

The Foundation may also be designated as the beneficiary of trusts, estates, and life insurance policies which are revocable and under the control of the donor. These assets are not recorded by the Foundation until they become irrevocable.

Note 8 – Property and Equipment

Property and equipment at June 30 consisted of the following:

	2020	2019
Land	\$ 38,500	\$ 38,500
Office Equipment	97,097	97,096
	\$ 135,597	\$ 135,596
Less: Accumulated Depreciation	(97,067)	(96,840)
Property and Equipment, Net of Accumulated Depreciation	\$ 38,530	\$ 38,756

Note 9 – 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. Substantially all expenses of the Foundation directly or indirectly benefit the College.

The College also provides staff to the Foundation. The in-kind donations of employee time include services that affect all functions of the Foundation. The estimated cost to the College, or benefit to the Foundation, as a result of the College providing these in-kind staffing contributions was \$196,372 and \$176,972 for the years ended June 30, 2020 and 2019, respectively, which includes salaries and benefits.

Note 10 – Endowment Funds

Investments - Board-designated Endowment - As of June 30, 2020 and 2019, the Board of Directors had designated \$861,654 and \$822,652, respectively, of net assets without donor restrictions 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 net assets without donor restrictions.

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

CHADRON STATE FOUNDATION (Continued)

Note 10 – Endowment Funds (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 the 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 cannot 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 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 Spending Policy below.

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.

Interpretation of Relevant Law

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 this interpretation, the Foundation classifies as net assets with donor restrictions - restricted in perpetuity (a) the original value of the gifts, (b) the original value of subsequent gifts, and (c) accumulations of earnings 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 net assets with donor restrictions - restricted in perpetuity is classified as net assets with donor restrictions - restricted by time until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

CHADRON STATE FOUNDATION (Continued)

Note 10 – Endowment Funds (Continued)

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

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

Endowment net assets, by type of fund, were comprised of the following as of June 30:

	2020	2019
Without Donor Restrictions	\$ 861,654	\$ 822,652
With Donor Restrictions – Restricted by Time or Purpose	1,237,750	2,367,806
With Donor Restrictions – Restricted in Perpetuity	18,975,039	18,949,548
Total Funds	\$ 21,074,443	\$ 22,140,006

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

		With Donor Restrictions		Total Net
2020	Without Donor Restrictions	Restricted by Time or Purpose	Restricted in Perpetuity	Endowment Assets
Endowment Net Assets, Beginning of Year	\$ 822,652	\$ 2,367,806	\$ 18,949,548	\$ 22,140,006
Contributions	16,748	-	309,774	326,522
Investment Return (Loss)	(24,889)	(317,139)	-	(342,028)
Transfers	89,342	(4,196)	(284,283)	(199,137)
Management Fees	(19,082)	(358,684)	-	(377,766)
Amounts Appropriated for Expenditures	(23,117)	(450,037)	-	(473,154)
Endowment Net Assets, End of Year	\$ 861,654	\$ 1,237,750	\$ 18,975,039	\$ 21,074,443
		With Donor Restrictions		Total Net
2019	Without Donor Restrictions	Restricted by Time or Purpose	Restricted in Perpetuity	Endowment Assets
Endowment Net Assets, Beginning of Year	\$ 841,044	\$ 2,409,815	\$ 17,569,995	\$ 20,820,854
Contributions	25,331	-	1,354,004	1,379,335
Investment Return	39,767	718,949	-	758,716
Transfers	(44,174)	1,140	25,549	(17,485)
Management Fees	(17,646)	(345,314)	-	(362,960)
Amounts Appropriated for Expenditures	(21,670)	(416,784)	-	(438,454)
Endowment Net Assets, End of Year	\$ 822,652	\$ 2,367,806	\$ 18,949,548	\$ 22,140,006

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

CHADRON STATE FOUNDATION (Continued)

Note 10 – Endowment Funds (Concluded)

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2020 and 2019, funds with donor restrictions reported no deficiencies.

The Foundation has adopted investment and spending policies for endowment assets that seek to preserve its real (inflation-adjusted) purchasing power while providing a relatively predictable, stable, and constant (in real terms) stream of earnings consistent with prudent risk limits and the Foundation’s spending needs. The Foundation’s spending and investment policies work together to achieve this objective. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

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 and How the Investment Objectives Relate to the 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.

Note 11 – Net Assets with Donor Restrictions

Net assets restricted by time or purpose are available for the following purposes or periods, as of June 30:

	<u>2020</u>	<u>2019</u>
Scholarships and College Use	\$ 2,562,456	\$ 4,534,826

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

CHADRON STATE FOUNDATION (Continued)

Note 11 – Net Assets with Donor Restrictions (Concluded)

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows for the year ended June 30:

	<u>2020</u>	<u>2019</u>
Purpose Restriction Accomplished:		
Scholarships	\$ 563,468	\$ 556,832
College Use	1,647,597	1,227,778
Management Fees	384,182	368,587
Total Restrictions Released	<u>\$ 2,595,247</u>	<u>\$ 2,153,197</u>

Net assets with donor restrictions, restricted in perpetuity, consist of endowment funds which are to be held indefinitely (see Note 10). The earnings from the related assets can be used to support the Foundation's scholarship, award, and grant activities.

Note 12 – Defined Contribution Plan

The Foundation 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, 2020 and 2019, were \$23,753 and \$25,220, respectively.

Note 13 – Commitments

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 of the Chicoine athletic complex. As the Chicoine Fund generates earnings, the CSC Quasi Endowment will be replenished. As of June 30, 2020, \$313,700 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. As of June 30, 2020, the Foundation had provided \$1.26 million in funds to the College for this project. No funds were provided to the College during the year ended June 30, 2020.

In May 2016, the Foundation committed \$1 million toward the renovation of the football stadium. For the years ended June 30, 2020 and 2019, the Foundation had provided \$250,000 and \$850,000, respectively, to the College for the renovations. Funds in excess of the original commitment were raised and subsequently provided to the College for the project.

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

CHADRON STATE FOUNDATION (Concluded)

Note 14 – Contingencies

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus (COVID-19) as a pandemic. Due to the pandemic, many local and state governments had declared a state of emergency. It is anticipated that the pandemic will continue for some time, and the impacts are not known. There may be impacts on the investment earnings of the Foundation and the need for students attending Chadron State College. The financial impact and duration of the pandemic cannot be reasonably estimated at this time.

Note 15 – Emerging Accounting Standards

In February 2016, the FASB issued (ASU) 2016-02, Leases. This ASU affects any entity that enters into a lease, with some specified scope exemptions. The main difference between previous GAAP and this ASU is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2021. The Foundation has not yet implemented this ASU and is in the process of assessing the effect on the Organization's financial statements.

Note 16 – Subsequent Events

Subsequent events were evaluated through the date of the independent auditor's report, which is the date the financial statements were available to be 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).

Nature of the Organization

The Foundation is a nonprofit organization 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.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, which is a basis of accounting generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when incurred.

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.

Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to the following two classes of net assets:

- a. Net assets without donor restrictions are assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors. A board-designated endowment, which results from an internal designation, is generally not donor-restricted and is classified as net assets without donor restrictions. The governing board has the right to decide at any time to expend such funds.
- b. Net assets with donor restrictions are assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Some donor-imposed restrictions impose limits that are permanent.

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)

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Foundation considers highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash or cash equivalents for purposes of the statement of cash flows.

Receivables

Accounts receivable consists primarily of amounts due from third party contracts and stated as unpaid balances. Management considers all receivables to be fully collectable; therefore, no allowance for doubtful accounts has been established. In management's opinion, the carrying value of all receivables approximates fair value.

Promises-to-Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in the appropriate category of net assets. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Promises to give are considered by management to be fully collectible, therefore, no allowance for doubtful accounts is provided. All promises are deemed by management to be receivable within one year.

Endowments and Investments

The Foundation's investments in Bridges Investment Management, Inc. are valued at Level 1 of the hierarchy of investment valuation, see Note C. Unrealized gains and losses are included in the statement of activities as a change in net assets without donor restrictions.

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 net assets without donor restrictions in the statement of activities. Net depreciation in donor-restricted endowments is reimbursed from net assets without donor restrictions as necessary to replenish the endowment fund to its historic dollar value as established by the Foundation.

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 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.

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.

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.

Revenues and Other Support

Annual campaign contributions are generally available to use without donor restrictions for the related campaign year unless specifically restricted by the donor.

Grants and other contributions of cash and other assets are recorded with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor restrictions that are met in the same reporting period are reported as an increase in net assets without donor 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 (Continued)

Endowment contributions and investments are permanently restricted by the donor and are included in net assets with donor restrictions. Investment earnings available for distribution are recorded as net assets without donor restrictions. Investment earnings with donor restrictions are recorded as net assets with donor restrictions based on the nature of the restrictions.

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

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.

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.

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.

Change in Accounting Principle

The FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. This new revenue recognition standard affects all entities, public, private, not-for-profit, that have contracts with customers, except where there is other specific revenue recognition guidance previously issued by FASB. This new revenue recognition standard effectively eliminates the transaction-and industry specific revenue recognition guidance under current GAAP and replaces it with the principle-based approach for determining an entity's revenue recognition policies. The core principle of the revenue recognition standard is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Foundation has adopted FASB Update 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This ASU includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. It also provides a framework for determining whether a contribution is conditional or unconditional which will impact the timing of revenue recognition.

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

PERU STATE COLLEGE FOUNDATION (Continued)

Note A – Summary of Significant Accounting Policies (Concluded)

The Foundation has adopted FASB Update 2016-18, *Restricted Cash*. The update addresses classification and presentation of changes in restricted cash on the statement of cash flows. ASU 2016-18 requires an entity's reconciliation of the beginning-of-period and end-of-period total amounts shown on the statement of cash flows to include in cash and cash equivalents amounts generally described as restricted cash and restricted cash equivalents. The Foundation adopted ASU 2016-18 for the fiscal year ended December 31, 2019 and 2018, using a retrospective transition method for each period presented. This adoption did not have a significant impact on the Foundation's financial statements.

Note B – Concentration of Credit Risk

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 Foundation has not experienced any loss in such accounts. As of December 31, 2019, the uninsured balance is \$206,869. The Foundation believes it is not exposed to any significant credit risk on its cash balances.

Note C – Investments

The Foundation's investments at December 31, 2019, consist of the following:

	Cost	Gross Unrealized Gain	Fair Market Value
CASH AND EQUIVALENTS	\$ 244,530	\$ -	\$ 244,530
CORPORATE BONDS	695,459	13,355	708,814
COMMON STOCK	3,269,096	410,849	3,679,945
MUTUAL FUNDS	10,810,139	1,033,049	11,843,188
	<u>\$ 15,019,223</u>	<u>\$ 1,457,253</u>	<u>\$ 16,476,476</u>

The Foundation's investments at December 31, 2018, consist of the following:

	Cost	Gross Unrealized Gain	Fair Market Value
CASH AND EQUIVALENTS	\$ 584,049	\$ -	\$ 584,049
CORPORATE BONDS	1,075,187	295	1,075,482
COMMON STOCK	2,912,501	(164,173)	2,748,327
MUTUAL FUNDS	8,667,577	(560,453)	8,107,125
	<u>\$ 13,239,315</u>	<u>\$ (724,331)</u>	<u>\$ 12,514,983</u>

Investment expense which consists of management fees totaled \$43,041 and \$77,645 for the years ended December 31, 2019 and 2018, respectively.

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

PERU STATE COLLEGE FOUNDATION (Continued)

Note C – Investments (Concluded)

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:

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

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. 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:

	2019	2018
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.	\$ -	\$ 24,996
Current portion of note receivable	-	24,996
Long term receivable less current portion	\$ -	\$ -

As of December 31, 2018, the College exercised its option to purchase the Remodel.

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 \$13,468 and \$18,022 as of December 31, 2019 and 2018, respectively.

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

PERU STATE COLLEGE FOUNDATION (Continued)

Note F – Notes Payable

At December 31, 2019 and 2018, the Foundation had a short-term bank loan that bears interest at 4.00% with balances of \$0 and \$59,102, respectively. The loan was paid off in December 2019 with cash interest paid of \$2,706. Included in the balance paid off in 2019 was \$35,462 of interest accrued over the life of the loan.

Note G – Net Assets

The following net assets amounts represent amounts that are without donor restrictions, board-designated, or are with donor restrictions.

Net assets without donor restrictions and board-designated net assets at December 31, are available for the following:

	2019	Restated 2018
Unrestricted	\$ 1,589,854	\$ 1,669,477
Board Designated		
For scholarships	600,620	600,620
For work stipends	448,438	463,422
For campus improvements	5,500	5,500
Total net assets without donor restrictions	\$ 2,644,412	\$ 2,739,019

Net assets with donor restrictions at December 31, are available for the following uses:

	2019	Restated 2018
Perpetual endowment	\$ 12,384,373	\$ 8,775,366
For scholarships	1,366,878	719,325
For education and athletic departments	1,047,820	1,061,958
Promise to give - renovation	351,467	350,217
Total net assets with donor restrictions	\$ 15,150,538	\$ 10,906,866

Net assets with donor restrictions 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 2019 and 2018 amounted to \$153,107 and \$300,716, respectively.

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

	2019	2018
Purpose restriction accomplished:		
Scholarships	\$ 157,872	\$ 357,434
Departmental and athletic gifts to College	31,865	94,227
Oakbowl / Theater renovations & fundraising	125,449	22,986
	\$ 315,186	\$ 474,647

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 – Availability and Liquidity

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities of program services, as well as, to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of December 31, 2019 and 2018, the following tables show the total financial assets held by the Foundation and the amounts of those financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures:

	2019	Restated 2018
Financial Assets at yearend:		
Cash and cash equivalents	\$ 591,452	\$ 589,476
Cash Investments	244,530	584,049
Pledge receivable	-	3,899
Interest receivable	1,086	1,348
Unconditional promises to give	194,405	293,157
Note receivable	-	24,996
Investments convertible to cash in the next 12 months	16,231,946	11,930,934
	\$ 17,263,419	\$ 13,427,859
Less amounts not available to be used over the next 12 months:		
Board designated funds	\$ (1,054,558)	\$ (1,069,542)
Donor restriction on purpose	(15,150,538)	(10,906,866)
Financial assets available to meet general expenditures over the next 12 months:	\$ 1,058,323	\$ 1,451,451

Note I – Endowment Funds

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

	2019	Restated 2018
Fair value of endowed assets	\$ 14,956,133	\$ 10,906,866
Remaining principle balance	(9,682,283)	(7,514,290)
Net appreciation - endowed assets	\$ 5,273,850	\$ 3,392,576

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

PERU STATE COLLEGE FOUNDATION (Continued)

Note I – Endowment Funds (Continued)

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 net assets with donor restrictions 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 net assets without donor restrictions.

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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

PERU STATE COLLEGE FOUNDATION (Continued)

Note I – Endowment Funds (Concluded)

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 J – 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>2019</u>	<u>2018</u>
Salary and wage reimbursement	\$ 454,093	\$ 434,209
Gifts and campus improvements	192,146	82,113
Departmental expenses	102,913	112,753
	<u>\$ 749,152</u>	<u>\$ 629,075</u>

The Foundation owed the College for salary and wage expenses paid to its employees by the College in the amount of \$0 and \$35,909 at December 31, 2019 and 2018, respectively.

Note K – 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 \$26,485 and \$24,883 for the years ended December 31, 2019 and 2018, respectively, and is included in salaries and wages on the statement of functional expenses.

Note L – Concentrations

During 2019, the Foundation received approximately 79% of its contributions from six (6) individuals/estates. During 2018, the Foundation received approximately 46% of its contributions from five (5) individuals/estates.

Note M – Commitments

Construction Contracts

The Foundation has approximate remaining construction commitments of \$538,342 and \$825,791 as of December 31, 2019 and 2018, respectively. These projects will be funded through contributions to the Foundation, which have been restricted for these purposes. Construction Commitments are identified by the Foundation, as follows:

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

PERU STATE COLLEGE FOUNDATION (Concluded)

Note M – Commitments (Concluded)

	<u>2019</u>	<u>2018</u>
Fieldhouse	\$ 12,148	\$ 100,000
Office renovation	-	162,000
Theater	526,194	563,791
Total	<u>\$ 538,342</u>	<u>\$ 825,791</u>

Note N – Prior Period Adjustment – Correction of an Error

The accompanying financial statements have been restated to correct an error made in prior years. The error relates to an overstatement of net assets without donor restrictions due to the allocation methodology of investment income and calculation of management fees earned by the Foundation. The effect of the restatement was to decrease net asset without donor restrictions and increase net assets with donor restrictions by \$1,728,881. Additionally, on the restated Statement of activities, the net investment income was changed to reflect the appropriate allocation of net investment income and the management fees earned by the foundation. This correction resulted in an increase of net assets without donor restrictions and a decrease in net assets with donor restrictions by \$999,717.

Note O – Subsequent Events

The Foundation's operations are heavily dependent on private and public donations from individuals and foundations. The COVID-19 outbreak may have a continued material impact on economic conditions, triggering a period of global economic slowdown. This situation may depress donations during fiscal year 2020 and may negatively impact our ability to provide scholarship opportunities to students of Peru State College. Management evaluated all activity of Peru State College Foundation through October 16, 2020, (the date the financial statements are available for issuance) and concluded that no other subsequent events have occurred that would require recognition in the audited financial statements of disclosure in the related notes to the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

WAYNE STATE FOUNDATION

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

Note A – Summary of Significant Accounting Policies

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

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

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

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

Property and Equipment and Depreciation. Property and equipment are carried at cost, if purchased, and at fair market value at the date of contribution, if received by donation, less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives computed primarily on the straight-line method. It is the Foundation's policy to capitalize property and equipment over \$2,500. Buildings and improvements are depreciated over estimated lives of 26 to 40 years. Furniture, fixtures and equipment are depreciated over estimated lives of ten years.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

WAYNE STATE FOUNDATION (Continued)

Note A – Summary of Significant Accounting Policies (Continued)

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

Fair Value Measurement. The FASB has issued guidance defining fair value, establishing a framework for measuring fair value, and expanding disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Foundation utilizes a fair value hierarchy to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

WAYNE STATE FOUNDATION (Continued)

Note A – Summary of Significant Accounting Policies (Concluded)

Income Taxes. The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. As such, income earned in the performance of the Foundation’s exempt purpose is not subject to income tax. Any income earned through unrelated business activities is subject to income tax at normal corporate rates. For the years ended June 30, 2020 and 2019, the Foundation had no tax liability on unrelated business activity. The Foundation believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation’s Federal Exempt Organization Business Income Tax Returns (Form 990) for June 30, 2020, 2019, and 2018, are subject to examination by the Internal Revenue Service (IRS), generally for three years after they were filed.

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

Note B – Unconditional Promises to Give and Receivables

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

	2020	2019
Less than one year	\$ 8,000	\$ 8,500
One to two years	492,142	399,225
Two to three years	705,290	389,375
Three to four years	624,375	375,375
Four to five years	286,000	375,375
More than five years	26,800	47,000
	2,142,607	1,594,850
Less discount to present value (4%)	(188,670)	(150,793)
	\$ 1,953,937	\$ 1,444,057

Note C – Fair Value of Assets and Liabilities

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in methodologies used during the years ended June 30, 2020 and 2019.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

WAYNE STATE FOUNDATION (Continued)

Note C – Fair Value of Assets and Liabilities (Continued)

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

Annuity agreements: Valued using the estimated present value of the annuity obligation. The discount rate used varied from 1.7% to 6.6% and 1.2% to 9.6% for the years ended June 30, 2020 and 2019, respectively.

The following table sets forth the balances of assets and liabilities measured at fair value on a recurring basis at June 30, 2020.

<u>June 30, 2020</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Money market and certificates of deposit	\$ 1,980,201	\$ 17,562	\$ 1,962,639	\$ -
Investments				
Commonfund Group Funds				
U.S. equity	12,589,181	-	12,589,181	-
International equity	5,237,745	-	5,237,745	-
Emerging markets equity	1,652,147	-	1,652,147	-
Fixed income	7,038,215	-	7,038,215	-
Mutual funds				
U.S. equity	645,862	645,862	-	-
International equity	123,073	123,073	-	-
Emerging markets equity	20,392	20,392	-	-
Fixed income	247,930	247,930	-	-
Private company stock	108,988	-	-	108,988
Total investments	<u>\$ 29,643,734</u>	<u>\$ 1,054,819</u>	<u>\$ 28,479,927</u>	<u>\$ 108,988</u>
Unconditional promises to give receivable	<u>\$ 1,953,937</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,953,937</u>
Annuities payable	<u>\$ 272,368</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 272,368</u>

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

WAYNE STATE FOUNDATION (Continued)

Note C – Fair Value of Assets and Liabilities (Continued)

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

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

The following table sets forth a summary of changes in the fair value of the Foundation's level 3 assets for the year ended June 30, 2020.

<u>June 30, 2020</u>	<u>Unconditional Promises to Give</u>	<u>Annuities Payable</u>	<u>Private Company Stock</u>
Beginning balance	\$ 1,444,057	\$ 287,686	\$ 108,988
Unconditional promises to give received during the year	1,604,000	-	-
Unconditional promise to give collected during the year	(1,056,243)	-	-
Change in discount of unconditional promises to give	(37,877)	-	-
Payments on annuity contracts	-	(97,437)	-
Amortization of annuity obligations	-	82,119	-
Ending balance	<u>\$ 1,953,937</u>	<u>\$ 272,368</u>	<u>\$ 108,988</u>

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

WAYNE STATE FOUNDATION (Continued)

Note C – Fair Value of Assets and Liabilities (Concluded)

The following table sets forth a summary of changes in the fair value of the Foundation’s level 3 assets for the year ended June 30, 2019.

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

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

Note D – Property and Equipment

Property and equipment consist of:

	<u>2020</u>	<u>2019</u>
Land	\$ 37,000	\$ 37,000
Buildings and improvements	313,018	313,018
Furniture, fixtures and equipment	10,713	10,713
	<u>360,731</u>	<u>360,731</u>
Less accumulated depreciation	(84,088)	(74,883)
	<u>\$ 276,643</u>	<u>\$ 285,848</u>

Depreciation expense for the years ended June 30, 2020 and 2019, was \$9,205 and \$5,198, respectively.

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

WAYNE STATE FOUNDATION (Continued)

Note E – Split Interest Agreements

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

A liability is recognized for the estimated present value of the annuity obligation, and the contributed assets are recorded at their gross market value. The discount rate and actuarial assumptions used in calculating the annuity obligation are those provided in IRS guidelines and actuarial tables. The discount rate used varied from 1.7% to 6.6% and 1.2% to 9.6% for the years ended June 30, 2020 and 2019, respectively. The amount of the liability is adjusted annually in accordance with the IRS actuarial tables, and a gain or loss is recorded to reflect the change in value.

There were no new contributions for the years ended June 30, 2020 and 2019.

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

	2020	2019
Assets invested in securities	\$ 573,024	\$ 654,670
Annuities payable	\$ 272,368	\$ 287,686

Note F – Net Assets

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

Board designated:		
Quasi-endowment to support general activities	\$ 161,129	\$ 437,248

Net assets with donor restrictions comprise the following:

Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until received	\$ 102,455	\$ 26,390
Subject to the purpose restrictions:		
College departments	689,294	475,163
Renovation projects	897,355	982,010
Scholarships	8,201,738	7,516,401
Other designated programs	36,323	16,037
Subject to the perpetual restrictions:		
Assets held under split-interest agreements and other	157,526	216,819
Interest in perpetual trust	916,627	952,317
Permanent endowments and promises to fund permanent endowments	19,243,796	18,076,802
	\$ 30,245,114	\$ 28,261,939

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

WAYNE STATE FOUNDATION (Continued)

Note G – Endowments

The Executive Committee of the Foundation has interpreted the Nebraska Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies the original value of gifts donated as permanent endowments.

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

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

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

The spending policy determines the amount of money distributable from the Foundation's various endowment funds for grant making. The spending rate allows for distribution of 6% for the year ended June 30, 2020, and 6% for the year ended June 30, 2019, of the endowment fund's average fair value of the prior three years through June 30 of the preceding fiscal year in which the distribution is planned. The Foundation may, at its discretion, set a lower payout rate which appears in line with the current yield from investment and general economic conditions. In establishing this policy, the Foundation considered the long-term expected investment returns, the nature and duration of the individual endowment funds, and the possible effect of inflation.

Changes in endowment net assets for year ended June 30, 2020, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance July 1, 2019	\$ 437,278	\$ 23,757,684	\$ 24,194,932
Interest and dividends	1,101	86,661	87,762
Realized and unrealized gains (losses)	(27,220)	423,468	396,248
Contributions	-	1,051,225	1,051,225
Transfers	-	710	710
Amount appropriated for expenditure	(250,000)	(1,019,387)	(1,269,387)
Balance June 30, 2020	<u>\$ 161,129</u>	<u>\$ 24,300,361</u>	<u>\$ 24,461,490</u>

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

WAYNE STATE FOUNDATION (Continued)

Note G – Endowments (Concluded)

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

Balance July 1, 2018	\$ 402,689	\$ 22,283,469	\$ 22,686,158
Interest and dividends	6,864	400,565	407,429
Realized and unrealized gains	27,695	1,262,095	1,289,790
Contributions	-	897,155	897,155
Transfers	-	20,400	20,400
Amount appropriated for expenditure	-	(1,106,000)	(1,106,000)
Balance June 30, 2019	<u>\$ 437,248</u>	<u>\$ 23,757,684</u>	<u>\$ 24,194,932</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NUPMIFA requires the Foundation to retain as a fund of perpetual duration. As of June 30, 2020, endowment funds had deficiencies totaling \$10,888. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Executive Committee of the Foundation.

Note H – Liquidity and Availability

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

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 159,940	\$ 163,120
Certificates of deposits	-	35,000
Investments	2,747,747	2,703,089
	<u>\$ 2,907,687</u>	<u>\$ 2,901,209</u>

Note I – Operating Leases

On June 22, 2018, the Foundation entered into a 24-month operating lease for a vehicle. Under the terms of the lease, monthly rent payments are \$697. This lease was paid in full on May 22, 2020.

On June 19, 2020, the Foundation entered into a 36-month operating lease for a vehicle. Under the terms of the lease, monthly rent payments are \$650.

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

WAYNE STATE FOUNDATION (Continued)

Note I – Operating Leases (Concluded)

Future minimum lease payments for the years following June 30, 2020, are:

2021	\$	7,794
2022		7,794
2023		7,144
		7,144
	\$	22,732

Note J – Long-Term Debt

Long term debt consists of the following:

	2020	2019
Note payable, State Nebraska Bank & Trust	\$ 117,556	\$ -
Less current maturities	(54,809)	-
	\$ 62,747	\$ -

Note payable, State Nebraska Bank & Trust, dated April 14, 2020. Original amount of \$124,282, payable in 18 installments of \$6,994 beginning November 14, 2020, including interest at 1% per annum. The final payment is due April 14, 2022. This note was obtained through the Payroll Protection Program with the Small Business Administration. The loan may be eligible for partial or complete forgiveness when spent on qualified expenditures.

Note K – Related Parties

The Foundation provides support to the College to assist in fulfilling its mission of educating students. For the years ended June 30, 2020 and 2019, the Foundation provided support in the form of the following:

	2020	2019
Direct support		
Scholarships	\$ 970,967	\$ 2,970,003
Athletic scholarships	195,397	307,233
Capital improvements	855,975	1,371,221
Neihardt stipends	32,400	32,100
Athletics administration support	67,774	79,029
General budget support	21,685	39,087
Property gifted	276,956	-
Indirect support	69,042	58,399
	\$ 2,490,196	\$ 4,857,072

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

WAYNE STATE FOUNDATION (Continued)

Note K – Related Parties (Concluded)

The Foundation also reimbursed the College for payroll and other operating expenses in the amount of \$673,081 and \$593,245 for years ended June 30, 2020 and 2019, respectively.

The Foundation receives donated accounting services, secretarial services, and rent from the College. The estimated fair value for these services was \$6,000 and \$36,996 for the years ended June 30, 2020 and 2019, respectively. These amounts have been recognized in the financial statements.

Note L – Retirement

The Foundation contributes to a defined contribution retirement plan. The plan provides contributions of 8% of the eligible employee's wages. The Foundation contributed \$39,438 and \$30,854 for the years ended June 30, 2020 and 2019, respectively.

Note M – Concentration of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of checking, money market, and certificate of deposit accounts at financial institutions. Accounts at each institution are insured by the FDIC up to \$250,000. The bank account, at June 30, 2020 and 2019, exceeded federally insured limits by \$1,703,890 and \$1,219,700, respectively. The Foundation has not experienced any losses on such accounts.

Note N – New Accounting Standards

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 provides a single model for entities to use in accounting for revenue arising from contracts with customers. The new standard also requires expanded disclosures regarding the qualitative and quantitative information about nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The FASB has subsequently issued additional, clarifying standards to address issues arising from implementation of the new revenue recognition standard. ASU 2014-09 and all subsequently issued amendments, collectively "ASC 606," is effective for annual reporting periods beginning after December 15, 2018. The standard permits the use of either a full retrospective or a modified retrospective approach.

The Foundation adopted ASC 606 on July 1, 2019, using the modified retrospective method. The amount and timing of revenue recognition was not impacted by the new standard, and therefore, no cumulative adjustment was recognized in net assets upon adoption. During the year, the Foundation did not have any transactions that fell under the guidance of ASC 606.

Contributions

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. For nonexchange transactions, the contribution guidance in ASC 958 is typically applied, whereas for exchange transactions, an entity should apply ASC 606 or other appropriate guidance. The Foundation has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

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

NOTES TO THE FINANCIAL STATEMENTS
(Concluded)

WAYNE STATE FOUNDATION (Concluded)

Note N – New Accounting Standards (Concluded)

Fair Value Measurement

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU removed some disclosures; modified others, and added some new disclosure requirements. The ASU is effective for all entities for fiscal years beginning after December 15, 2019; however, the Foundation early adopted the standard, effective for the year ended June 30, 2020, as permitted by the standard. See Note C for disclosure of the Foundation’s assets and liabilities measured at fair value.

Statement of Cash Flows

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The ASU requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The ASU is effective for all entities for fiscal years beginning after December 15, 2018, and should be applied using a retrospective transition method to each period presented. The Foundation adopted ASU 2016-18 on July 1, 2019.

Note O – Cash and Cash Equivalents

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents, unrestricted	\$ 159,940	\$ 163,120
Cash and cash equivalents, restricted	<u>1,979,354</u>	<u>973,382</u>
Total cash and cash equivalents		
Shown in the statement of cash flows	<u>\$ 2,139,294</u>	<u>\$ 1,136,502</u>

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

Note P – Subsequent Events

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

The COVID-19 (coronavirus) outbreak has prompted global health concerns. Consequently, the Foundation’s 2021 revenue and support could be negatively impacted. An estimate of the financial effect of the COVID-19 pandemic cannot be made at this time. In addition, both domestic and global markets have experienced fluctuation, which may be temporary.

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)
SCHEDULE OF NET POSITION
June 30, 2020

	CSC	PSC	WSC	NSCS Office	Total
Assets					
Current Assets					
Cash and Cash Equivalents	\$ 6,948,770	\$ 5,751,674	\$ 22,069,551	\$ 3,735,345	\$ 38,505,340
Restricted Cash and Cash Equivalents	5,825,938	5,110,105	10,383,632	8,354,070	29,673,745
Accounts Receivable, Net of Allowance	279,267	747,616	208,899	38,740	1,274,522
Other Receivables	204,635	225,472	121,558	12,872	564,537
Inventories	35,885	35,334	14,178	-	85,397
Loans to Students, Net	-	-	181,165	-	181,165
Prepaid Expenses	408,745	306,541	504,148	125,130	1,344,564
Deposits with Vendors	-	-	-	2,267	2,267
Total Current Assets	<u>13,703,240</u>	<u>12,176,742</u>	<u>33,483,131</u>	<u>12,268,424</u>	<u>71,631,537</u>
Non-current Assets					
Restricted Cash and Cash Equivalents	2,120,197	494,341	1,986,997	26,161,141	30,762,676
Restricted Investments	-	762,532	-	-	762,532
Loans to Students, Net	-	-	448,928	-	448,928
Prepaid Expenses	18,252	1,955	138,338	67,884	226,429
Capital Assets, Net	61,180,122	59,139,798	113,988,609	106,716	234,415,245
Total Non-current Assets	<u>63,318,571</u>	<u>60,398,626</u>	<u>116,562,872</u>	<u>26,335,741</u>	<u>266,615,810</u>
Total Assets	<u>77,021,811</u>	<u>72,575,368</u>	<u>150,046,003</u>	<u>38,604,165</u>	<u>338,247,347</u>
Deferred Outflow of Resources					
Unamortized Bond Refunding Amount, Net	15,647	4,544	8,212	-	28,403
Total Deferred Outflow of Resources	<u>15,647</u>	<u>4,544</u>	<u>8,212</u>	<u>-</u>	<u>28,403</u>
Liabilities					
Current Liabilities					
Accounts Payable and Accrued Liabilities	2,240,421	1,538,423	3,749,695	2,061,131	9,589,670
Accrued Compensated Absences	152,355	90,653	334,503	70,147	647,658
Unearned Revenue	88,517	66,000	904,266	24,165	1,082,948
Interest Payable	116,737	186,775	256,581	441,129	1,001,222
Master Lease Payable	87,546	-	-	-	87,546
Long-term Debt	655,000	570,000	890,000	4,800,000	6,915,000
Deposits Held in Custody for Others	82,191	42,348	69,982	148,962	343,483
Refundable Government Grants	-	-	1,305,285	-	1,305,285
Total Current Liabilities	<u>3,422,767</u>	<u>2,494,199</u>	<u>7,510,312</u>	<u>7,545,534</u>	<u>20,972,812</u>
Non-current Liabilities					
Accrued Compensated Absences	1,119,316	630,580	1,795,596	175,971	3,721,463
Unearned Revenue	-	198,000	981,000	-	1,179,000
Master Lease Payable	281,697	-	-	-	281,697
Long-term Debt	8,130,314	11,772,359	16,221,852	50,047,998	86,172,523
Total Non-current Liabilities	<u>9,531,327</u>	<u>12,600,939</u>	<u>18,998,448</u>	<u>50,223,969</u>	<u>91,354,683</u>
Total Liabilities	<u>12,954,094</u>	<u>15,095,138</u>	<u>26,508,760</u>	<u>57,769,503</u>	<u>112,327,495</u>
Deferred Inflow of Resources					
Unamortized Bond Refunding Amount, Net	-	-	-	471	471
Total Deferred Inflow of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>471</u>	<u>471</u>
Net Position					
Net Investment in Capital Assets	53,214,394	47,953,818	97,825,124	(28,970,311)	170,023,025
Restricted for:					
Expendable:					
Loans	-	-	(515,670)	-	(515,670)
Debt Service	667,664	596,157	903,449	3,446,568	5,613,838
Plant	1,619,980	86,443	447,762	3,823,949	5,978,134
Other	4,613,860	4,114,371	6,939,521	406,093	16,073,845
Unrestricted	3,967,466	4,733,985	17,945,269	2,127,892	28,774,612
Total Net Position	<u>\$ 64,083,364</u>	<u>\$ 57,484,774</u>	<u>\$ 123,545,455</u>	<u>\$ (19,165,809)</u>	<u>\$ 225,947,784</u>

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)
SCHEDULE OF NET POSITION
June 30, 2019

	CSC	PSC As Restated	WSC As Restated	NSCS Office	Total
Assets					
Current Assets					
Cash and Cash Equivalents	\$ 6,826,235	\$ 5,838,610	\$ 19,315,313	\$ 3,524,951	\$ 35,505,109
Restricted Cash and Cash Equivalents	5,363,943	4,932,994	9,466,943	7,043,354	26,807,234
Accounts Receivable, Net of Allowance	263,223	747,642	167,729	31,865	1,210,459
Other Receivables	212,271	65,808	115,549	21,783	415,411
Inventories	2,628	42,973	12,661	-	58,262
Loans to Students, Net	-	-	175,830	-	175,830
Prepaid Expenses	447,512	181,155	409,633	111,417	1,149,717
Deposits with Vendors	-	-	-	2,708	2,708
Total Current Assets	<u>13,115,812</u>	<u>11,809,182</u>	<u>29,663,658</u>	<u>10,736,078</u>	<u>65,324,730</u>
Non-current Assets					
Restricted Cash and Cash Equivalents	949,434	880,591	1,425,751	502,531	3,758,307
Restricted Investments	-	738,017	-	1,338,808	2,076,825
Loans to Students, Net	-	-	625,627	-	625,627
Prepaid Expenses	12,643	17,710	4,469	78,687	113,509
Capital Assets, Net	60,393,894	61,156,277	115,974,882	747,010	238,272,063
Total Non-current Assets	<u>61,355,971</u>	<u>62,792,595</u>	<u>118,030,729</u>	<u>2,667,036</u>	<u>244,846,331</u>
Total Assets	<u>74,471,783</u>	<u>74,601,777</u>	<u>147,694,387</u>	<u>13,403,114</u>	<u>310,171,061</u>
Deferred Outflow of Resources					
Unamortized Bond Refunding Amount, Net	17,602	5,193	9,385	-	32,180
Total Deferred Outflow of Resources	<u>17,602</u>	<u>5,193</u>	<u>9,385</u>	<u>-</u>	<u>32,180</u>
Liabilities					
Current Liabilities					
Accounts Payable and Accrued Liabilities	2,397,681	1,398,723	3,613,412	1,763,236	9,173,052
Accrued Compensated Absences	146,969	59,414	207,435	19,241	433,059
Unearned Revenue	45,313	-	660,407	25,751	731,471
Interest Payable	121,682	190,655	264,443	412,537	989,317
Master Lease Payable	102,475	-	-	-	102,475
Long-term Debt	655,000	570,000	880,000	3,325,000	5,430,000
Deposits Held in Custody for Others	70,053	23,993	98,120	116,387	308,553
Total Current Liabilities	<u>3,539,173</u>	<u>2,242,785</u>	<u>5,723,817</u>	<u>5,662,152</u>	<u>17,167,927</u>
Non-current Liabilities					
Accrued Compensated Absences	1,115,236	534,727	1,635,094	173,170	3,458,227
Refundable Government Grants	-	-	1,509,621	-	1,509,621
Long-term Debt	8,783,334	12,337,418	17,115,520	28,899,317	67,135,589
Total Non-current Liabilities	<u>9,898,570</u>	<u>12,872,145</u>	<u>20,260,235</u>	<u>29,072,487</u>	<u>72,103,437</u>
Total Liabilities	<u>13,437,743</u>	<u>15,114,930</u>	<u>25,984,052</u>	<u>34,734,639</u>	<u>89,271,364</u>
Deferred Inflow of Resources					
Unamortized Bond Refunding Amount, Net	-	-	-	11,765	11,765
Total Deferred Inflow of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,765</u>	<u>11,765</u>
Net Position					
Net Investment in Capital Assets	51,789,042	49,296,160	99,284,201	(29,732,179)	170,637,224
Restricted for:					
Expendable:					
Loans		-	(418,606)	-	(418,606)
Debt Service	676,081	609,266	912,199	1,982,080	4,179,626
Plant	49,216	346,595	11,832	4,039,091	4,446,734
Other	4,436,318	4,070,260	6,887,429	403,604	15,797,611
Unrestricted	4,100,985	5,169,759	15,042,665	1,964,114	26,277,523
Total Net Position	<u>\$ 61,051,642</u>	<u>\$ 59,492,040</u>	<u>\$ 121,719,720</u>	<u>\$ (21,343,290)</u>	<u>\$ 220,920,112</u>

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Fiscal Year Ended June 30, 2020

	<u>CSC</u>	<u>PSC</u>	<u>WSC</u>	<u>NSCS Office</u>	<u>Total</u>
Operating Revenues					
Tuition and Fees, Net of Scholarship Allowances and Institutional Waivers	\$ 10,033,669	\$ 6,460,057	16,353,560	\$ -	\$ 32,847,286
Federal Grants and Contracts	809,445	392,382	594,641	-	1,796,468
State Grants and Contracts	1,553,789	220,937	125,836	-	1,900,562
Private Grants and Contracts	127,999	240,814	174,961	-	543,774
Auxiliary Enterprises, Net of Scholarship Allowances and Institutional Waivers	4,575,039	4,038,670	8,490,504	-	17,104,213
Other Operating Revenues	475,699	1,054,849	472,352	14,923	2,017,823
Total Operating Revenues	<u>17,575,640</u>	<u>12,407,709</u>	<u>26,211,854</u>	<u>14,923</u>	<u>56,210,126</u>
Operating Expenses					
Compensation and Benefits	24,351,754	14,652,863	32,656,135	1,939,296	73,600,048
Supplies, Services, and Other	11,966,239	9,552,413	16,265,293	1,018,827	38,802,772
Scholarships and Fellowships	2,100,199	2,035,557	3,424,456	-	7,560,212
Depreciation	2,412,688	2,400,843	4,715,691	640,294	10,169,516
Total Operating Expenses	<u>40,830,880</u>	<u>28,641,676</u>	<u>57,061,575</u>	<u>3,598,417</u>	<u>130,132,548</u>
Operating Loss	<u>(23,255,240)</u>	<u>(16,233,967)</u>	<u>(30,849,721)</u>	<u>(3,583,494)</u>	<u>(73,922,422)</u>
Non-operating Revenues (Expenses)					
State Appropriations	18,185,612	10,189,610	22,770,336	2,405,981	53,551,539
Federal grants and contracts	4,013,265	3,765,833	7,479,424	-	15,258,522
State Grants and Contracts	339,901	368,611	773,739	-	1,482,251
Investment Income	263,769	249,327	674,593	213,751	1,401,440
Interest on Capital Asset-Related Debt	(236,954)	(379,140)	(510,666)	(618,793)	(1,745,553)
Gain (Loss) on Disposal of Asset	248	3,025	(3,540)	-	(267)
Bond Issuance Costs	-	-	-	(280,912)	(280,912)
Other Non-operating Revenue (Expense)	11,289	-	19,027	(1,885)	28,431
Net Non-operating Revenues (Expenses)	<u>22,577,130</u>	<u>14,197,266</u>	<u>31,202,913</u>	<u>1,718,142</u>	<u>69,695,451</u>
Income (Loss) Before Other Revenues, Expenses, Gains or (Losses)	<u>(678,110)</u>	<u>(2,036,701)</u>	<u>353,192</u>	<u>(1,865,352)</u>	<u>(4,226,971)</u>
Other Revenues (Expenses) or Gains (Losses)					
Capital Facilities Fees	-	-	-	2,348,430	2,348,430
Capital Contributions	1,510,000	94,903	815,271	-	2,420,174
Operating Transfers In (Out)	(592,714)	(65,468)	388,779	269,403	-
Capital Appropriations and Grants	2,792,546	-	268,493	1,425,000	4,486,039
Net Other Revenues (Expenses) or Gains (Losses)	<u>3,709,832</u>	<u>29,435</u>	<u>1,472,543</u>	<u>4,042,833</u>	<u>9,254,643</u>
Increase (Decrease) in Net Position	<u>3,031,722</u>	<u>(2,007,266)</u>	<u>1,825,735</u>	<u>2,177,481</u>	<u>5,027,672</u>
Net Position, Beginning of Year	<u>61,051,642</u>	<u>59,492,040</u>	<u>121,719,720</u>	<u>(21,343,290)</u>	<u>220,920,112</u>
Net Position, End of Year	<u>\$ 64,083,364</u>	<u>\$ 57,484,774</u>	<u>\$ 123,545,455</u>	<u>\$ (19,165,809)</u>	<u>\$ 225,947,784</u>

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Fiscal Year Ended June 30, 2019

	CSC As Restated	PSC As Restated	WSC As Restated	NSCS Office As Restated	Total
Operating Revenues					
Tuition and Fees, Net of Scholarship Allowances and Institutional Waivers	\$ 10,146,377	\$ 6,252,024	14,454,886	\$ -	\$ 30,853,287
Federal Grants and Contracts	871,061	407,150	576,743	-	1,854,954
State Grants and Contracts	183,127	481,904	136,896	-	801,927
Private Grants and Contracts	323,502	217,763	126,448	-	667,713
Auxiliary Enterprises, Net of Scholarship Allowances and Institutional Waivers	4,754,206	3,808,401	9,141,194	-	17,703,801
Other Operating Revenues	902,713	420,946	595,207	-	1,918,866
Total Operating Revenues	<u>17,180,986</u>	<u>11,588,188</u>	<u>25,031,374</u>	<u>-</u>	<u>53,800,548</u>
Operating Expenses					
Compensation and Benefits	24,662,256	14,187,608	30,372,407	1,853,941	71,076,212
Supplies, Services, and Other	10,772,830	8,225,383	17,605,500	1,130,926	37,734,639
Scholarships and Fellowships	1,382,632	1,369,218	2,022,495	-	4,774,345
Depreciation	2,395,041	2,306,723	4,549,818	759,219	10,010,801
Total Operating Expenses	<u>39,212,759</u>	<u>26,088,932</u>	<u>54,550,220</u>	<u>3,744,086</u>	<u>123,595,997</u>
Operating Loss	<u>(22,031,773)</u>	<u>(14,500,744)</u>	<u>(29,518,846)</u>	<u>(3,744,086)</u>	<u>(69,795,449)</u>
Non-operating Revenues (Expenses)					
State Appropriations	17,508,452	9,858,268	21,913,213	2,342,272	51,622,205
Federal grants and contracts	3,112,588	3,064,767	4,946,743	-	11,124,098
State grants and contracts	348,803	355,228	679,283	-	1,383,314
Investment Income	312,823	276,174	766,537	299,086	1,654,620
Interest on Capital Asset-Related Debt	(247,134)	(387,329)	(526,391)	(716,887)	(1,877,741)
Gain (Loss) on Disposal of Asset	(480)	-	11,585	-	11,105
Other Non-operating Revenue (Expense)	13,568	2,411	14,944	14,201	45,124
Net Non-operating Revenues (Expenses)	<u>21,048,620</u>	<u>13,169,519</u>	<u>27,805,914</u>	<u>1,938,672</u>	<u>63,962,725</u>
Income (Loss) Before Other Revenues, Expenses, Gains or (Losses)	<u>(983,153)</u>	<u>(1,331,225)</u>	<u>(1,712,932)</u>	<u>(1,805,414)</u>	<u>(5,832,724)</u>
Other Revenues (Expenses) or Gains (Losses)					
Capital Facilities Fees	-	-	-	2,157,814	2,157,814
Capital Contributions	850,000	-	1,621,221	-	2,471,221
Operating Transfers In (Out)	(1,155,778)	1,949,811	(278,379)	(515,654)	-
Capital Appropriations and Grants	2,216,000	-	658,239	1,425,000	4,299,239
Net Other Revenues (Expenses) or Gains (Losses)	<u>1,910,222</u>	<u>1,949,811</u>	<u>2,001,081</u>	<u>3,067,160</u>	<u>8,928,274</u>
Increase (Decrease) in Net Position	927,069	618,586	288,149	1,261,746	3,095,550
Net Position, Beginning of Year	<u>60,124,573</u>	<u>58,873,454</u>	<u>121,431,571</u>	<u>(22,605,036)</u>	<u>217,824,562</u>
Net Position, End of Year	<u>\$ 61,051,642</u>	<u>\$ 59,492,040</u>	<u>\$ 121,719,720</u>	<u>\$ (21,343,290)</u>	<u>\$ 220,920,112</u>

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)
SCHEDULE OF CASH FLOWS
Fiscal Year Ended June 30, 2020

	CSC	PSC	WSC	NSCS Office	Total
Cash Flows From Operating Activities					
Tuition and Fees	\$ 10,011,234	\$ 6,188,241	\$ 16,140,372	\$ -	\$ 32,339,847
Grants and Contracts	2,496,744	859,014	868,050	-	4,223,808
Payments to Suppliers	(11,958,271)	(8,857,977)	(15,253,938)	(1,083,033)	(37,153,219)
Payments to Employees	(24,398,527)	(14,502,594)	(32,241,270)	(1,823,508)	(72,965,899)
Collections of Loans to Students	-	-	190,363	-	190,363
Sales and Services of Auxiliary Enterprises	4,505,705	3,894,348	8,279,349	-	16,679,402
Other Payments	(1,616,017)	(1,012,128)	(2,956,413)	14,923	(5,569,635)
Net Cash Used in Operating Activities	(20,959,132)	(13,431,096)	(24,973,487)	(2,891,618)	(62,255,333)
Cash Flows From Non-capital Financing Activities					
State Appropriations	18,185,612	10,189,610	22,770,336	2,405,981	53,551,539
Grants and Contracts	4,353,166	4,009,873	8,253,163	-	16,616,202
Receipt of Flex Contributions	-	-	-	315,965	315,965
Payment of Flex Contributions	-	-	-	(280,623)	(280,623)
Direct Lending Receipts	8,943,956	8,409,067	14,483,987	-	31,837,010
Direct Lending Payments	(8,943,956)	(8,409,067)	(14,483,987)	-	(31,837,010)
Other Receipts (Payments)	278,057	-	(201,959)	18,157	94,255
Net Cash Provided by Non-capital Financing Activities	22,816,835	14,199,483	30,821,540	2,459,480	70,297,338
Cash Flows From Capital and Related Financing Activities					
Proceeds from Capital Debt	-	-	-	26,480,186	26,480,186
Capital Contributions	1,510,000	94,902	815,271	-	2,420,173
Purchase of Capital Assets	(2,645,297)	(647,515)	(2,382,273)	-	(5,675,085)
Disposal of Capital Assets	1,824	-	1,502	-	3,326
Principal Paid on Capital Debt	(655,000)	(570,000)	(880,000)	(3,325,000)	(5,430,000)
Interest Paid on Capital Debt	(237,964)	(377,430)	(521,023)	(1,122,169)	(2,258,586)
Bond Issuance Costs	-	-	-	(268,412)	(268,412)
Capital Facilities Fees	-	-	-	2,333,955	2,333,955
Transfers In (Out)	(1,135,969)	200,708	388,779	546,482	-
Other	25	-	-	(18,750)	(18,725)
Capital Appropriations	2,792,546	-	268,493	1,425,000	4,486,039
Net Cash Provided (Used) by Capital and Related Financing Activities	(369,835)	(1,299,335)	(2,309,251)	26,051,292	22,072,871
Cash Flows From Investing Activities					
Purchase/Sale of Investments	-	-	-	1,350,000	1,350,000
Investment Income	267,425	234,873	693,371	210,566	1,406,235
Net Cash Provided by Investing Activities	267,425	234,873	693,371	1,560,566	2,756,235
Increase (Decrease) in Cash and Cash Equivalents	1,755,293	(296,075)	4,232,173	27,179,720	32,871,111
Cash and Cash Equivalents, Beginning of Year	13,139,612	11,652,195	30,208,007	11,070,836	66,070,650
Cash and Cash Equivalents, End of Year	\$ 14,894,905	\$ 11,356,120	\$ 34,440,180	\$ 38,250,556	\$ 98,941,761
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position					
Cash and Cash Equivalents	\$ 6,948,770	\$ 5,751,674	\$ 22,069,551	\$ 3,735,345	\$ 38,505,340
Restricted Cash and Cash Equivalents - Current	5,825,938	5,110,105	10,383,632	8,354,070	29,673,745
Restricted Cash and Cash Equivalents - Non-current	2,120,197	494,341	1,986,997	26,161,141	30,762,676
Total Cash and Cash Equivalents	\$ 14,894,905	\$ 11,356,120	\$ 34,440,180	\$ 38,250,556	\$ 98,941,761

(Continued)

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)
SCHEDULE OF CASH FLOWS
Fiscal Year Ended June 30, 2020

	CSC	PSC	WSC	NSCS Office	Total
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities					
Operating Loss	\$ (23,255,240)	\$ (16,233,967)	\$ (30,849,721)	\$ (3,583,494)	\$ (73,922,422)
Depreciation Expense	2,412,688	2,400,843	4,715,691	640,294	10,169,516
Changes in Operating Assets and Liabilities:					
Receivables, Net	(12,089)	(45,129)	91,399	5,518	39,699
Inventories	(33,257)	7,639	(1,517)	-	(27,135)
Accounts Payable and Accrued Liabilities	(169,200)	139,701	(201,896)	6,098	(225,297)
Accrued Compensated Absences	9,466	127,092	287,570	53,707	477,835
Other Assets and Liabilities	88,500	172,725	984,987	(13,741)	1,232,471
Net Cash Used in Operating Activities	<u>\$ (20,959,132)</u>	<u>\$ (13,431,096)</u>	<u>\$ (24,973,487)</u>	<u>\$ (2,891,618)</u>	<u>\$ (62,255,333)</u>
Supplemental Cash Flows Information					
Accounts Payable Incurred for Capital Asset Purchases	\$ 96,278	\$ -	\$ 456,644	\$ 543,255	\$ 1,096,177

(Concluded)

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)
SCHEDULE OF CASH FLOWS
Fiscal Year Ended June 30, 2019

	CSC As Restated	PSC As Restated	WSC As Restated	NSCS Office As Restated	Total
Cash Flows From Operating Activities					
Tuition and Fees	\$ 9,957,736	\$ 6,190,983	\$ 14,718,183	\$ -	\$ 30,866,902
Grants and Contracts	1,363,873	1,128,341	825,548	-	3,317,762
Payments to Suppliers	(10,389,341)	(7,931,180)	(18,426,269)	(1,099,446)	(37,846,236)
Payments to Employees	(24,676,881)	(14,131,594)	(30,353,439)	(1,889,810)	(71,051,724)
Collections of Loans to Students	-	-	171,952	-	171,952
Sales and Services of Auxiliary Enterprises	4,710,826	3,737,417	8,639,549	-	17,087,792
Other Payments	(516,377)	(925,852)	(1,400,243)	(430)	(2,842,902)
Net Cash Used in Operating Activities	(19,550,164)	(11,931,885)	(25,824,719)	(2,989,686)	(60,296,454)
Cash Flows From Non-capital					
Financing Activities					
State Appropriations	17,508,452	9,858,268	21,913,213	2,342,272	51,622,205
Grants and Contracts	3,461,391	3,419,995	5,626,026	-	12,507,412
Receipt of Flex Contributions	-	-	-	287,273	287,273
Payment of Flex Contributions	-	-	-	(292,980)	(292,980)
Direct Lending Receipts	8,882,858	8,332,909	13,492,940	-	30,708,707
Direct Lending Payments	(8,882,858)	(8,332,909)	(13,492,940)	-	(30,708,707)
Other Receipts (Payments)	(130,645)	98,278	33,636	30,578	31,847
Net Cash Provided by Non-capital Financing Activities	20,839,198	13,376,541	27,572,875	2,367,143	64,155,757
Cash Flows From Capital and Related					
Financing Activities					
Capital Contributions	850,000	-	2,276,094	-	3,126,094
Purchase of Capital Assets	(6,028,190)	(2,693,014)	(8,405,116)	-	(17,126,320)
Disposal of Capital Assets	(480)	-	13,499	-	13,019
Principal Paid on Capital Debt	(640,000)	(656,562)	(860,000)	(3,215,000)	(5,371,562)
Interest Paid on Capital Debt	(247,996)	(385,215)	(535,967)	(1,251,400)	(2,420,578)
Capital Facilities Fees	-	-	-	2,178,204	2,178,204
Transfers In (Out)	833,407	2,270,224	433,012	(3,536,643)	-
Other	(25)	-	-	(5,569)	(5,594)
Capital Appropriations	2,216,000	-	658,239	1,425,000	4,299,239
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,017,284)	(1,464,567)	(6,420,239)	(4,405,408)	(15,307,498)
Cash Flows From Investing Activities					
Purchase/Sale of Investments	-	-	602,259	(1,320,082)	(717,823)
Investment Income	315,526	252,101	767,494	280,380	1,615,501
Net Cash Provided (Used) by Investing Activities	315,526	252,101	1,369,753	(1,039,702)	897,678
Increase (Decrease) in Cash and Cash Equivalents	(1,412,724)	232,190	(3,302,330)	(6,067,653)	(10,550,517)
Cash and Cash Equivalents, Beginning of Year	14,552,336	11,420,005	33,510,337	17,138,489	76,621,167
Cash and Cash Equivalents, End of Year	\$ 13,139,612	\$ 11,652,195	\$ 30,208,007	\$ 11,070,836	\$ 66,070,650
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position					
Cash and Cash Equivalents	\$ 6,826,235	\$ 5,838,610	\$ 19,315,313	\$ 3,524,951	\$ 35,505,109
Restricted Cash and Cash Equivalents - Current	5,363,943	4,932,994	9,466,943	7,043,354	26,807,234
Restricted Cash and Cash Equivalents - Non-current	949,434	880,591	1,425,751	502,531	3,758,307
Total Cash and Cash Equivalents	\$ 13,139,612	\$ 11,652,195	\$ 30,208,007	\$ 11,070,836	\$ 66,070,650

(Continued)

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)
SCHEDULE OF CASH FLOWS
Fiscal Year Ended June 30, 2019

	<u>CSC</u> <u>As Restated</u>	<u>PSC</u> <u>As Restated</u>	<u>WSC</u> <u>As Restated</u>	<u>NSCS</u> <u>Office</u> <u>As Restated</u>	<u>Total</u>
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities					
Operating Loss	\$ (22,031,773)	\$ (14,500,744)	\$ (29,518,846)	\$ (3,744,086)	\$ (69,795,449)
Depreciation Expense	2,395,041	2,306,723	4,549,818	759,219	10,010,801
Changes in Operating Assets and Liabilities:					
Receivables, Net	(207,756)	(643)	223,074	5,946	20,621
Inventories	12,712	(1,606)	(2,139)	-	8,967
Accounts Payable and Accrued Liabilities	406,498	237,043	(750,563)	59,673	(47,349)
Accrued Compensated Absences	5,289	42,009	(16,359)	(66,072)	(35,133)
Other Assets and Liabilities	(130,175)	(14,667)	(309,704)	(4,366)	(458,912)
Net Cash Used in Operating Activities	<u>\$ (19,550,164)</u>	<u>\$ (11,931,885)</u>	<u>\$ (25,824,719)</u>	<u>\$ (2,989,686)</u>	<u>\$ (60,296,454)</u>
Supplemental Cash Flows Information					
Accounts Payable Incurred for Capital Asset Purchases	\$ 84,339	\$ 21,385	\$ 118,465	\$ 266,176	\$ 490,365

(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, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Nebraska State College System's basic financial statements, and have issued our report thereon dated December 14, 2020. 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 14, 2020, certain other matters that we reported to management of the NSCS.

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.



Zachary Wells, CPA, CISA
Audit Manager

December 14, 2020