January 14, 2020

ACTION: **Approve Acceptance of Basic Financial Audit Report for Year Ended June 30, 2019 and 2018**

The Auditor of Public Accounts (APA) has completed the Nebraska State College System (NSCS) basic financial audit for the fiscal years ending June 30, 2019 and 2018. 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, 2019 and 2018, and December 31, 2018 and 2017, (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 14, 2019.

A separate audit of the Revenue Bond program was also completed by BKD and accepted by the Board of Trustees at its November 14, 2019 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 Acceptance of Basic Financial Audit Report for Year Ended June 30, 2019 and 2018.

ATTACHMENTS:

- Nebraska State College System Audit Report FY19 and FY18 (PDF)

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

For the Years Ended June 30, 2019 and 2018

Issued on December 16, 2019

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

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NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

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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, 2019 and 2018, 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, 2019 and 2018, December 31, 2018 and 2017, and June 30, 2019 and 2018, respectively. Those statements are presented separately on pages 20 through 22, 24 through 28, and 31 through 33. We also did not audit the financial statements of the Nebraska State Colleges Facilities Corporation, a blended component unit of the NSCS, and the activity of the Nebraska State College System Revenue and Refunding Bond Program, which represent 26 percent and 28 percent, respectively, of total assets, and 85 percent and 85 percent, respectively, of total liabilities, and 2 percent and 2 percent, respectively, of total net position at June 30, 2019 and 2018, 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, 2019 and 2018, and December 31, 2018 and 2017, (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 2018 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 10 through 17, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2019, on our consideration of the NSCS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the NCSC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the NSCS's internal control over financial reporting and compliance.

Zachary Wells

December 12, 2019

Zachary Wells, CPA, CISA
Audit Manager

Independent Auditor's Report

Board of Directors
Chadron State Foundation
Chadron, Nebraska

We have audited the accompanying financial statements of Chadron State Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Emphasis of a Matter

As discussed in Note 2 to the financial statements, as of and for the years ended June 30, 2019 and 2018, Chadron State Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

Adjustments to Prior Period Financial Statements

The financial statements of Chadron State Foundation as of June 30, 2018, were audited by other auditors whose report dated October 19, 2018, expressed an unmodified opinion on those financial statements. As discussed in Note 2 to the financial statements, the Foundation has adjusted it's 2018 financial statements to retrospectively apply Accounting Standards Update 2016-14 Presentation of Financial Statements of Not-for-Profit Entities. The other auditors reported on the financial statements before the retrospective adjustment.

As part of our audit of the 2019 financial statements, we also audited the adjustments to the 2018 financial statements to retrospectively apply the change in accounting as described in Note 2. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to Chadron State Foundation's 2018 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2018 financial statements as a whole.

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 24 through 25 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Casey Peterson, LTD.

Casey Peterson, Ltd.
Rapid City, South Dakota
October 11, 2019, except for Note 16, as to which the date is October 23, 2019

HAYES & ASSOCIATES, L.L.C.
CPAs | Consultants

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, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Peru State College Foundation as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A.14 to the financial statements, the Foundation adopted Accounting Standards Update (ASU) No. 2016-14: Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profits Entities. Our opinion is not modified with respect to this matter.

Hayes & Associates, L.L.C.

Hayes & Associates, L.L.C.
Omaha, Nebraska
October 21, 2019

HBE

CPAs & Consultants | Wealth Management

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Wayne State Foundation
Wayne, Nebraska

We have audited the accompanying financial statements of the Wayne State Foundation which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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www.hbecpa.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wayne State Foundation as of June 30, 2019 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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

As part of our audit of the June 30, 2019 Wayne State Foundation financial statements, we also audited the reclassifications described in Note A that were applied to adjust the presentation of the June 30, 2018 Wayne State Foundation financial statements related to the new accounting pronouncement ASU 2016-14, Presentation of Financial Statements of Non-for-Profit Entities. In our opinion, such reclassifications are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the 2018 financial statements of the Wayne State Foundation other than with respect to the reclassifications, and, accordingly, we do not express an opinion or any other assurance on the 2018 financial statements as a whole.

HBE LLP

Lincoln, Nebraska
September 20, 2019

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, 2019 and 2018. 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 provide 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 NSCS 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, and LB 957, passed in 2016. Repayment is from legislative appropriations and student fees. The long-term debt of the Corporation accrues to the NSCS Office, while the assets acquired as the result of renovations and new construction appear as assets at the individual Colleges.

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

Condensed statements are presented below for the NSCS for the years ended June 30, 2019, 2018, and 2017.

Nebraska State College System
Net Position as of June 30

	2019	2018 As Restated	2017 As Restated
Current Assets	$ 65,324,730	$ 68,902,086	$ 61,913,666
Non-current Assets			
Capital Assets, Net	237,983,782	234,841,616	220,659,478
Other Non-current Assets	6,574,268	13,378,157	29,688,578
Total Assets	309,882,780	317,121,859	312,261,722
Deferred Outflow of Resources	32,180	35,959	39,737
Current Liabilities	18,583,527	21,272,732	16,856,339
Non-current Liabilities	70,593,816	78,037,464	83,275,397
Total Liabilities	89,177,343	99,310,196	100,131,736
Deferred Inflow of Resources	11,765	23,060	34,355
Net Position			
Net Investment in Capital Assets	170,348,943	163,790,577	162,506,457
Restricted	24,198,110	24,599,401	22,819,277
Unrestricted	26,178,799	29,434,584	26,809,634
Total Net Position	$ 220,725,852	$ 217,824,562	$ 212,135,368

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
(Continued)

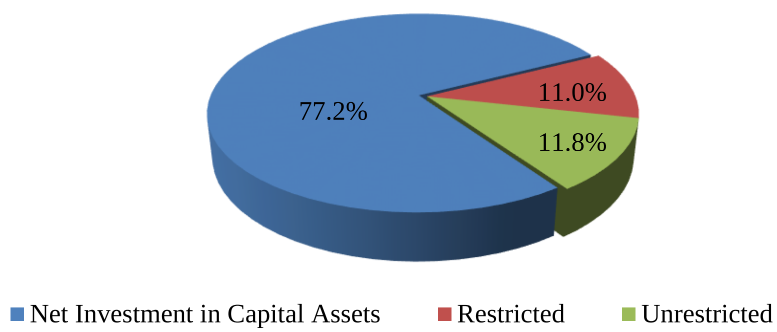
Nebraska State College System
Revenues, Expenses, and Changes in Net Position for Year Ended June 30

	2019	2018 As Restated	2017 As Restated
Operating Revenues			
Tuition and Fees, Net	$ 30,853,287	$ 30,742,444	$ 30,562,471
Federal and State Grants and Contracts	2,656,881	2,578,294	2,550,558
Private Grants and Contracts	665,823	798,969	1,217,839
Auxiliary Enterprises, Net	17,703,801	17,259,109	17,093,655
Other Operating Revenues	1,918,866	1,502,607	1,445,984
Total Operating Revenues	53,798,658	52,881,423	52,870,507
Operating Expenses	123,788,367	118,399,723	118,228,040
Operating Loss	(69,989,709)	(65,518,300)	(65,357,533)
Non-operating Revenues (Expenses)			
State Appropriations	51,622,205	51,091,162	50,357,756
Federal and State Grants and Contracts	12,507,412	11,950,945	11,387,897
Investment Income	1,654,620	1,507,137	1,362,963
Interest on Capital Asset-Related Debt	(1,877,741)	(2,024,124)	(1,254,799)
Gain (Loss) on Disposal of Asset	11,105	(16,117)	20,733
Bond Issuance Costs	-	-	(384,096)
Other Non-operating Revenues (Expenses)	45,124	(1,554,178)	(14,221)
Net Non-operating Revenues	63,962,725	60,954,825	61,476,233
Loss before Other Revenues, Expenses, Or Gains (Losses)	(6,026,984)	(4,563,475)	(3,881,300)
Other Revenues (Expenses) or Gains (Losses)			
Capital Facilities Fee	2,157,814	2,102,454	2,093,812
Capital Contributions	2,471,221	2,975,634	1,855,690
Capital Appropriations and Grants	4,299,239	5,174,581	4,564,990
Net Other Revenues (Expenses) or Gains (Losses)	8,928,274	10,252,669	8,514,492
Increase in Net Position	2,901,290	5,689,194	4,633,192
Net Position, Beginning of Year	217,824,562	212,135,368	207,502,176
Net Position, End of Year	$ 220,725,852	$ 217,824,562	$ 212,135,368

CHANGES IN NET POSITION

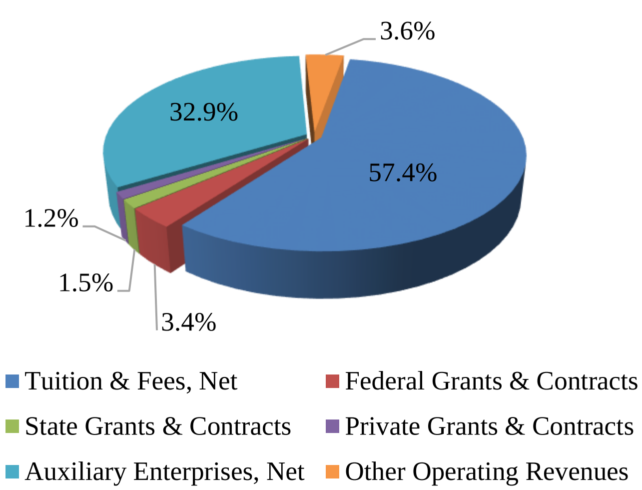
At June 30, 2019, the NSCS had a net position of $220.7 million, an increase of $2.9 million or 1.3% over 2018, and up 4.0% from 2017. Net position was comprised of unrestricted – $26.2 million; restricted – $24.2 million; and net investment in capital assets – $170.3 million.

Net Position at June 30, 2019



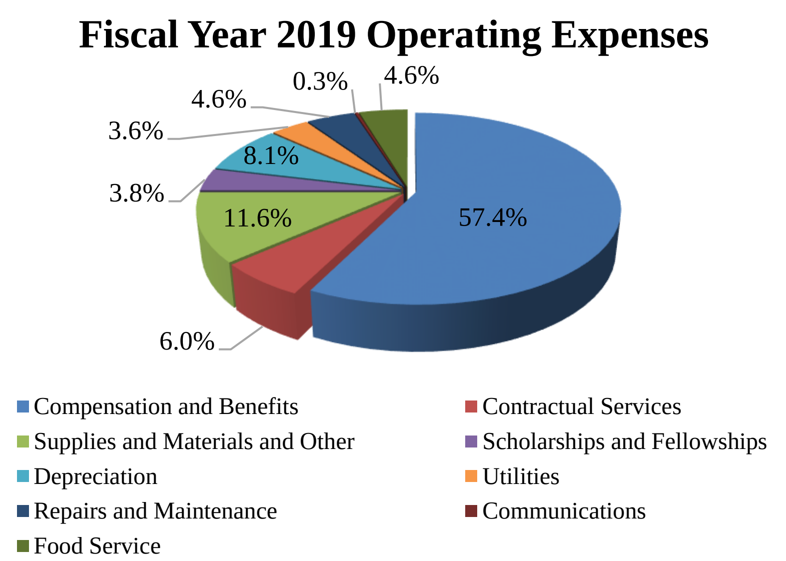
Operating revenues for fiscal year 2019 were $53.8 million compared to $52.9 million in 2018, a 1.7% increase, and were 1.8% over fiscal year 2017 operating revenues. Operating revenues for 2019 include $30.9 million in net tuition and fees, Federal grants and contracts of $1.8 million, State grants and contracts of $0.8 million, private grants and contracts of $0.7 million, net auxiliary enterprises of $17.7 million, and other operating revenues of $1.9 million.

Fiscal Year 2019 Operating Revenues



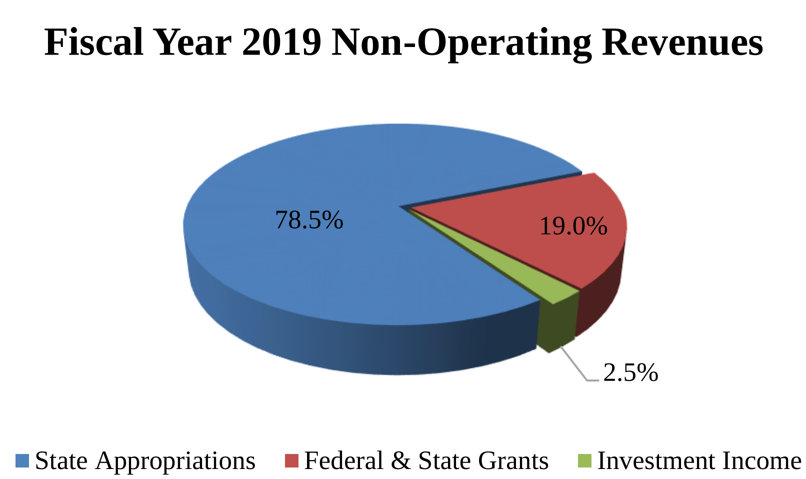
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
(Continued)

Operating expenses for the year ended June 30, 2019, amounted to $123.8 million, compared to $118.4 million in 2018, and $118.2 million in 2017. Compensation and benefits accounted for $71.1 million, or 57.4% of the total; contractual services were $7.5 million; supplies, materials and other, $14.4 million; depreciation, $10.0 million; and utilities, $4.4 million. Other operating expenses consisted of scholarships and fellowships, $4.7 million; repairs and maintenance, $5.6 million; communications, $0.4 million; and food service, $5.7 million.



The current year operating loss amounted to $70.0 million, compared to an operating loss of $65.5 million in 2018 and $65.4 million in 2017.

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



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

The most significant changes in the schedule of net position from the fiscal year ended June 30, 2018, to the fiscal year ended June 30, 2019, were 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.

Fiscal year 2019 operating revenues increased from the prior fiscal year, tuition and fee income increased by $0.1 million or 0.4%, auxiliary enterprise revenues increased $0.4 million or 2.6%, and Federal, State, and private grants and contracts decreased $0.1 million or 1.6%. From 2017 to 2019, there were increases in tuition and fees of 1.0% and 3.6% in auxiliary enterprise, while Federal, State, and private grants decreased 11.8% from 2017 to 2019.

Fiscal year 2019 non-operating revenues reflect a $0.5 million or 1.0% increase in State appropriations, 4.7% increase in Federal and State grants and contracts, and a 9.8% increase in investment income over fiscal year 2018. State appropriations increased 2.5%, Federal and State grants and contracts increased 9.8% and investment income increased 21.4% between fiscal years 2019 and 2017.

Operating expenses for the year ended June 30, 2019, increased by $5.4 million or 4.6% from the previous fiscal year. Within the operating expenses category, compensation and benefits increased approximately $0.6 million, contractual services increased $1.3 million, repairs and maintenance increased $2.7 million, food service increased $0.2 million, and all other operating expenses increased $0.6 million. Health insurance premiums increased slightly in 2016-2017, 2017-2018, and had no increase in 2018-2019, with the overall composite rates for medical and dental insurance increasing 4.9%, 8.0%, and 0.0%, respectively.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2019, the NSCS had recorded $365.1 million in gross capital assets. During the fiscal year ended June 30, 2019, the investment in buildings and improvements increased by $33.8 million; infrastructure increased by $0.1 million; equipment increased by $1.7 million; and construction in progress decreased by $22.6 million. At the end of the fiscal year, the NSCS had $127.1 million in accumulated depreciation that left $238.0 million in net capital assets. Accumulated depreciation for fiscal years 2018 and 2017 were $117.3 million and $108.2 million, respectively, and net capital assets were $234.8 million and $220.7 million, respectively.

The NSCS had $78.1 million in long-term liabilities at the end of the 2019 fiscal year. These long-term liabilities consisted primarily of outstanding bonded indebtedness of $69.9 million and $3.9 million in accrued compensated absences. Long-term liabilities were $84.5 million and $88.6 million at the end of fiscal years 2018 and 2017, respectively. Additional debt of $29.5 million was issued in fiscal year 2017 and previously existing bond obligations were reduced by $16.2 million.

Several construction projects have been completed at the Colleges, including the Andrews Hall Fire Alarms Upgrade and Stadium Replacement projects at CSC; Administration Building Geothermal Upgrades and Theatre/Event Center Renovation & Addition projects at PSC; and Anderson Hall Air Conditioning Upgrades, Connell Hall Window Upgrades, the Stadium Press Box Replacement, and the Center for Applied Technology (CAT) projects at WSC. Projects were completed using Corporation bonds, College cash funds, revenue bond funds, LB 309 Task Force for Building Renewal funds, contingency maintenance funds, capital improvement fee funds, and/or privately raised funds.

Renovation and construction was also in progress for several projects, including the Armstrong Gym Roof Replacement project and the Athletic Track Facility at CSC; the Field House Phase II Site project, Electrical Upgrades projects at Centennial Complex, and the Fire Alarm Upgrade projects at six campus buildings at PSC; and the Energy Plant Chillers Upgrade project, the Morey Hall Fire Sprinklers project, and the Student Center HVAC South projects at WSC. These projects are being funded through various sources including Corporation bonds, capital improvement fee funds, the LB 309 Task Force for Building Renewal, College cash funds, revenue bond funds, and/or privately raised funds.

Planning & Design was in process for the Math Science Renovation & Addition project at CSC, the Campus ADA Accessibility project at PSC, and the Peterson Fine Arts Renovation & Addition project at WSC.

All projects using bond proceeds from LB 605 (2006) and LB 198 (2013) have been completed. 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 CAT at WSC. 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. Bonds are anticipated to be sold in the spring of 2020, with the hope of realizing about $22 million in proceeds for construction.

Various smaller deferred repair and fire and life safety upgrades – primarily funded through the contingency maintenance programs and the LB 309 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
(Concluded)

ECONOMIC OUTLOOK AND SUBSEQUENT EVENTS THAT WILL AFFECT THE FUTURE

The Governor and Legislature initially approved State funding for 2017-2018 and 2018-2019 at $52,142,227. However, LB 944 (2018), reduced the fiscal year 2018 appropriation 2% to $51,099,382 and the fiscal year 2019 appropriation 1% to $51,620,804. State funding for the NSCS increased for the 2019-2021 biennium. The Governor and Legislature approved State funding for 2019-2020 at $53,548,946 and 2020-2021 at $55,527,357, an increase of approximately 3.7% each year.

The Board of Trustees increased tuition rates for 2019-2020. Tuition rates for 2019-2020 are $181.50 for undergraduate resident, $227 for graduate resident, $363 for undergraduate non-resident, and $454 for graduate non-resident. Online rates are $296.50 for undergraduate and $370.75 for graduate. Tuition rates for 2018-2019 were $177 for undergraduate resident, $221.25 for graduate resident, $354 for undergraduate non-resident, and $442.50 for graduate non-resident. Online rates were $289 for undergraduate and $361.25 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.

In addition to receiving notification that there will be a 4.99% increase in health insurance premium rates for the 2019-2020 year, the NSCS has been notified that there will be a 6.71% increase in premium rates for the 2020-2021 year.

Enrollment at the State Colleges (annual FTE) stayed about even for 2018-2019. Fall enrollments are expected to slightly increase for 2019-2020. 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, 2019 and 2018

	2019	2018 As Restated
Assets		
Current Assets		
Cash and Cash Equivalents	$ 35,407,120	$ 38,677,484
Restricted Cash and Cash Equivalents	26,905,223	26,854,443
Accounts Receivable, Net of Allowance	1,210,459	1,055,360
Other Receivables	415,411	1,132,921
Inventories	58,262	67,229
Loans to Students, Net	175,830	186,289
Prepaid Expenses	1,149,717	924,925
Deposits with Vendors	2,708	3,435
Total Current Assets	65,324,730	68,902,086
Non-current Assets		
Restricted Cash and Cash Equivalents	3,758,307	11,089,240
Restricted Investments	2,076,825	1,319,295
Loans to Students, Net	625,627	819,320
Prepaid Expenses	113,509	150,302
Capital Assets, Net	237,983,782	234,841,616
Total Non-current Assets	244,558,050	248,219,773
Total Assets	309,882,780	317,121,859
Deferred Outflow of Resources		
Unamortized Bond Refunding Amount, Net	32,180	35,959
Total Deferred Outflow of Resources	32,180	35,959
Liabilities		
Current Liabilities		
Accounts Payable and Accrued Liabilities	9,173,052	12,905,791
Accrued Compensated Absences	433,059	569,904
Unearned Revenue	731,471	938,661
Interest Payable	989,317	1,021,374
Master Lease Payable	102,475	215,779
Long-term Debt	5,430,000	5,299,996
Deposits Held in Custody for Others	214,532	321,227
Refundable Government Grants	1,509,621	-
Total Current Liabilities	18,583,527	21,272,732
Non-current Liabilities		
Accrued Compensated Absences	3,458,227	3,356,515
Refundable Government Grants	-	1,509,621
Master Lease Payable	-	102,476
Long-term Debt	67,135,589	73,068,852
Total Non-current Liabilities	70,593,816	78,037,464
Total Liabilities	89,177,343	99,310,196

(Continued)

NEBRASKA STATE COLLEGE SYSTEM – PRIMARY GOVERNMENT
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)
STATEMENTS OF NET POSITION
June 30, 2019 and 2018

	2019	2018 As Restated
Deferred Inflow of Resources		
Unamortized Bond Refunding Amount, Net	11,765	23,060
Total Deferred Inflow of Resources	11,765	23,060
Net Position		
Net Investment in Capital Assets	170,348,943	163,790,577
Restricted for:		
Expendable:		
Loans	(418,606)	(345,589)
Debt Service	4,179,626	3,887,960
Plant	4,446,734	4,931,877
Other	15,990,356	16,125,153
Unrestricted	26,178,799	29,434,584
Total Net Position	$ 220,725,852	$ 217,824,562

(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, 2019 and 2018

	2019	2018
ASSETS		
Cash and Cash Equivalents - Unrestricted	$ 1,574,989	$ 1,476,589
Investments	21,376,970	19,904,450
Pledges Receivable, Net of Allowance and Discount	1,241,116	1,140,784
Prepaid Expenses	-	5,375
Certificates of Deposit	775,876	765,703
Beneficial Interest In Estate Bequest	851,896	969,000
Other Assets	44,914	57,322
Property and Equipment, Net of Accumulated Depreciation	38,756	39,282
TOTAL ASSETS	$ 25,904,517	$ 24,358,505
LIABILITIES AND NET ASSETS		
Accounts Payable	$ 16,949	$ 4,619
Accrued Salaries and Benefits	12,801	14,269
Scholarships Payable	513,769	476,503
Annuity Liability	8,596	11,483
Total Liabilities	552,115	506,874
Net Assets Without Donor Restrictions:		
Operating Fund	2,898	(80,772)
CSC General Fund	533,617	534,972
CSC Quasi Endowment	907,146	841,044
Greatest Need	508,861	410,519
Total Net Assets Without Donor Restrictions	1,952,522	1,705,763
Net Assets with Donor Restrictions:		
Restricted by Time or Purpose	4,450,332	4,575,873
Restricted in Perpetuity	18,949,548	17,569,995
Total Net Assets with Donor Restrictions	23,399,880	22,145,868
Total Net Assets	25,352,402	23,851,631
TOTAL LIABILITIES AND NET ASSETS	$ 25,904,517	$ 24,358,505

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, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	$ 589,476	$ 622,356
Cash investments	584,049	-
Unconditional promises to give	293,157	80,000
Interest receivable	1,348	1,727
Pledges receivable	3,899	-
Current portion of note receivable	24,996	24,151
Total Current assets	1,496,925	728,234
Property and Equipment		
Land	60,947	60,947
Office furniture and fixtures	35,681	35,681
Vehicles	31,754	31,754
Less accumulated depreciation	(50,491)	(45,141)
Total Property and Equipment	77,891	83,241
Other Assets		
Investments	11,930,934	13,178,850
Real estate held for future college use	338,862	338,862
Note receivable, less current portion	-	24,996
Total Other Assets	12,269,796	13,542,708
Total Assets	$ 13,844,612	$ 14,354,183
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 45,109	$ 94,915
Accrued compensation	76,494	76,494
Refundable deposits	18,022	21,274
Short term note payable	59,102	85,086
Total Current Liabilities	198,727	277,769
NET ASSETS		
Without Donor Restrictions	3,468,183	4,767,767
With Donor Restrictions	10,177,702	9,308,647
Total Net Assets	13,645,885	14,076,414
Total Liabilities and Net Assets	$ 13,844,612	$ 14,354,183

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

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

LIABILITIES AND NET ASSETS

	2019	**2018**
LIABILITIES		
Accounts payable and accrued expenses	$ 87,301	$ 69,753
Payable for capital improvements	28,578	671,067
Unearned event revenue	4,800	1,700
Annuities payable (notes C and E)	287,686	302,915
Total liabilities	408,365	1,045,435
NET ASSETS (notes A and F)		
Without donor restrictions	3,775,649	3,474,381
With donor restrictions	28,261,939	26,449,785
Total net assets	32,037,588	29,924,166
Total liabilities and net assets	$ 32,445,953	$ 30,969,601

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, 2019 and 2018

	2019	2018 As Restated
Operating Revenues		
Tuition and Fees Net of Scholarship Allowances and Institutional Waivers Totaling $13,096,775 in 2019 and $12,420,113 in 2018	$ 30,853,287	$ 30,742,444
Federal Grants and Contracts	1,854,954	1,804,635
State Grants and Contracts	801,927	773,659
Private Grants and Contracts	665,823	798,969
Auxiliary Enterprises Net of Scholarship Allowances and Institutional Waivers Totaling $5,093,949 in 2019 and $4,628,146 in 2018	17,703,801	17,259,109
Other Operating Revenues	1,918,866	1,502,607
Total Operating Revenues	53,798,658	52,881,423
Operating Expenses		
Compensation and Benefits	71,076,212	70,494,372
Contractual Services	7,471,078	6,155,132
Supplies, Materials, and Other	14,388,837	14,643,937
Scholarships and Fellowships	4,678,434	4,501,753
Depreciation	10,010,801	9,426,904
Utilities	4,433,255	4,312,322
Repairs and Maintenance	5,635,458	2,949,995
Communications	386,975	440,094
Food Service	5,707,317	5,475,214
Total Operating Expenses	123,788,367	118,399,723
Operating Loss	(69,989,709)	(65,518,300)
Non-operating Revenues (Expenses)		
State Appropriations	51,622,205	51,091,162
Federal Grants and Contracts	11,124,098	10,682,865
State Grants and Contracts	1,383,314	1,268,080
Investment Income	1,654,620	1,507,137
Interest on Capital Asset-Related Debt	(1,877,741)	(2,024,124)
Gain (Loss) on Disposal of Asset	11,105	(16,117)
Other Non-operating Revenue (Expense)	45,124	(1,554,178)
Net Non-operating Revenues (Expenses)	63,962,725	60,954,825
Loss Before Other Revenues, Expenses, or Gains (Losses)	(6,026,984)	(4,563,475)
Other Revenues (Expenses) or Gains (Losses)		
Capital Facilities Fees	2,157,814	2,102,454
Capital Contributions	2,471,221	2,975,634
Capital Appropriations and Grants	4,299,239	5,174,581
Net Other Revenues (Expenses) or Gains (Losses)	8,928,274	10,252,669
Increase in Net Position	2,901,290	5,689,194
Net Position, Beginning of Year	217,824,562	212,135,368
Net Position, End of Year	$ 220,725,852	$ 217,824,562

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

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

CHADRON STATE FOUNDATION
(A COMPONENT UNIT OF THE NEBRASKA STATE COLLEGE SYSTEM)
STATEMENT OF ACTIVITIES
For the Years Ended June 30, 2019 and 2018

	2019			
		With Donor Restriction		
	Without Donor Restriction	Restricted by Time or Purpose	Restricted in Perpetuity	Total
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
Management Fees	437,600	-	-	437,600
State Income	219,950	-	-	219,950
Investment Return	171,793	753,435	-	925,228
Event Income	-	63,391	-	63,391
Miscellaneous Income	5,604	4,904	-	10,508
Total Revenues and Other Support	1,160,096	2,078,549	1,354,004	4,592,649
Transfer Between Net Assets	(9,142)	(16,407)	25,549	-
Net Assets Released From Restrictions	2,187,683	(2,187,683)	-	-
Total Support and Reclassifications	3,338,637	(125,541)	1,379,553	4,592,649
EXPENSES				
Program Services	$ 2,095,119	$ -	$ -	$ 2,095,119
General and Management	623,312	-	-	623,312
Fundraising	373,447	-	-	373,447
Total Expenses	3,091,878	-	-	3,091,878
CHANGE IN NET ASSETS	246,759	(125,541)	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	$ 1,952,522	$ 4,450,332	$ 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)

CHADRON STATE FOUNDATION
(A COMPONENT UNIT OF THE NEBRASKA STATE COLLEGE SYSTEM)
STATEMENT OF ACTIVITIES
For the Years Ended June 30, 2019 and 2018

	2018			
		With Donor Restriction		
	Without Donor Restriction	Restricted by Time or Purpose	Restricted in Perpetuity	Total
REVENUES, GAINS (LOSSES), AND OTHER SUPPORT				
Contributions	$ 287,167	$ 1,101,437	$ -	$ 1,388,604
Principle Contributions to Named Endowments	-	-	1,381,969	1,381,969
Management Fees	414,257	-	-	414,257
State Income	216,273	-	-	216,273
Investment Return	212,070	1,167,695	-	1,379,765
Event Income	-	70,446	-	70,446
Miscellaneous Income	3,173	8,450	-	11,623
Total Revenues and Other Support	1,132,940	2,348,028	1,381,969	4,862,937
Transfer Between Net Assets	(13,790)	205	13,585	-
Net Assets Released From Restrictions	1,080,924	(1,080,924)	-	-
Total Support and Reclassifications	2,200,074	1,267,309	1,395,554	4,862,937
EXPENSES				
Program Services	$ 900,424	$ -	$ -	$ 900,424
General and Management	579,676	-	-	579,676
Fundraising	473,324	-	-	473,324
Total Expenses	1,953,424	-	-	1,953,424
CHANGE IN NET ASSETS	246,650	1,267,309	1,395,554	2,909,513
NET ASSETS, BEGINNING OF YEAR	1,459,113	3,308,564	16,174,441	20,942,118
NET ASSETS, END OF YEAR	$ 1,705,763	$ 4,575,873	$ 17,569,995	$ 23,851,631

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

	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
Investment income, net of management fees	(914,395)	252,558	(661,837)
Miscellaneous income	12,735	2,129	14,864
Net assets released from restrictions	474,647	(474,647)	-
Total revenues and other support	58,514	869,055	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	(1,299,584)	869,055	(430,529)
NET ASSETS, BEGINNING OF YEAR	4,767,767	9,308,647	14,076,414
NET ASSETS, END OF YEAR	$ 3,468,183	$ 10,177,702	$ 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)

PERU STATE COLLEGE FOUNDATION
(A COMPONENT UNIT OF THE NEBRASKA STATE COLLEGE SYSTEM)
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

	Without Donor restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	$ 248,328	$ 952,532	$ 1,200,860
Special events	29,755	4,495	34,250
Investment income, net of management fees	1,854,348	43,117	1,897,465
Miscellaneous income	52,279	7,017	59,296
Net assets released from restrictions	216,955	(216,955)	-
Total revenues and other support	2,401,665	790,206	3,191,871
EXPENSES			
Program services	771,924	-	771,924
Management & general	242,882	-	242,882
Fundraising	634,969	-	634,969
Total expenses	1,649,775	-	1,649,775
CHANGE IN NET ASSETS	751,890	790,206	1,542,096
NET ASSETS, BEGINNING OF YEAR	4,015,877	8,518,441	12,534,318
NET ASSETS, END OF YEAR	$ 4,767,767	$ 9,308,647	$ 14,076,414

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,

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

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, 2019 and 2018

	2019	2018 As Restated
Cash Flows From Operating Activities		
Tuition and Fees	$ 30,866,902	$ 30,637,013
Grants and Contracts	3,315,872	3,397,603
Payments to Suppliers	(33,706,578)	(28,671,371)
Payments for Utilities	(4,427,939)	(4,177,346)
Payments to Employees	(71,051,724)	(69,759,780)
Loans Issued to Students	-	(72,356)
Collections of Loans to Students	171,952	179,713
Sales and Services of Auxiliary Enterprises	17,087,792	16,918,950
Other Payments	(2,746,991)	(3,009,076)
Net Cash Used in Operating Activities	(60,490,714)	(54,556,650)
Cash Flows From Non-capital Financing Activities		
State Appropriations	51,622,205	51,091,162
Grants and Contracts	12,507,412	11,950,945
Receipt of Flex Contributions	287,273	289,575
Payment of Flex Contributions	(292,980)	(272,605)
Direct Lending Receipts	30,708,707	30,915,747
Direct Lending Payments	(30,708,707)	(30,915,747)
Other Receipts (Payments)	(62,174)	(125,765)
Net Cash Provided by Non-capital Financing Activities	64,061,736	62,933,312
Cash Flows From Capital and Related Financing Activities		
Capital Contributions	3,126,094	2,302,761
Purchase of Capital Assets	(16,838,039)	(21,987,274)
Disposal of Capital Assets	13,019	(30,524)
Principal Paid on Capital Debt	(5,371,562)	(4,476,240)
Interest Paid on Capital Debt	(2,420,578)	(2,559,793)
Capital Facilities Fees	2,178,204	2,087,729
Other	(5,594)	(2,195)
Capital Appropriations	4,299,239	5,174,581
Net Cash Used by Capital and Related Financing Activities	(15,019,217)	(19,490,955)
Cash Flows From Investing Activities		
Purchase/Sale of Investments	(717,823)	-
Investment Income	1,615,501	1,514,489
Net Cash Provided by Investing Activities	897,678	1,514,489
Increase (Decrease) in Cash and Cash Equivalents	(10,550,517)	(9,599,804)
Cash and Cash Equivalents, Beginning of Year	76,621,167	86,220,971
Cash and Cash Equivalents, End of Year	$ 66,070,650	$ 76,621,167

(Continued)

NEBRASKA STATE COLLEGE SYSTEM – PRIMARY GOVERNMENT
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)
STATEMENTS OF CASH FLOWS
Fiscal Years Ended June 30, 2019 and 2018

	2019	2018 As Restated
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position		
Cash and Cash Equivalents	$ 35,407,120	$ 38,677,484
Restricted Cash and Cash Equivalents - Current	26,905,223	26,854,443
Restricted Cash and Cash Equivalents - Non-current	3,758,307	11,089,240
Total Cash and Cash Equivalents	$ 66,070,650	$ 76,621,167
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities		
Operating Loss	$ (69,989,709)	$ (65,518,300)
Depreciation Expense	10,010,801	9,426,904
Changes in Operating Assets and Liabilities:		
Receivables, Net	2,199	164,934
Inventories	8,967	9,946
Accounts Payable and Accrued Liabilities	(47,349)	1,592,834
Accrued Compensated Absences	(35,133)	(260,320)
Other Assets and Liabilities	(440,490)	27,352
Net Cash Used in Operating Activities	$ (60,490,714)	$ (54,556,650)
Supplemental Cash Flows Information		
Accounts Payable Incurred for Capital Asset Purchases	$ 490,365	$ 4,152,138

(Concluded)

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

CHADRON STATE FOUNDATION
(A COMPONENT UNIT OF THE NEBRASKA STATE COLLEGE SYSTEM)
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 1,500,771	$ 2,909,513
Adjustments to Reconcile Change in Net Assets		
to Net Cash Used by Operating Activities		
Depreciation	526	526
Change in Allowance for Doubtful Accounts	(8,214)	(30,500)
Non-Cash Return on Investments	(216,430)	(1,355,786)
Donation of Estate Bequest	(851,896)	(969,000)
Increase in Cash Surrender Value of Life Insurance	(831)	-
Proceeds from Contributions Restricted for Investment		
in Named Endowments	(1,354,004)	(1,381,969)
Changes in:		
Contributions Receivable	(92,119)	(273,031)
Prepaid Assets	5,375	1,375
Accounts Payable	12,329	(253)
Accrued Salaries and Benefits	(1,468)	(39,723)
Scholarships Payable	37,266	(10,012)
Due to Other Agencies	-	(25,183)
Net Cash Used by Operating Activities	(968,695)	(1,174,043)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Life Insurance Policy	10,352	-
Proceeds from Estate Bequest	969,000	-
Purchases of Investments	(1,696,088)	(57,843)
Withdrawals from Investment Account	440,000	240,000
Increase in Surrender Value of Life Insurance	-	(1,913)
Purchases of Certificates of Deposit	(10,173)	(9,894)
Net Cash Used by Investing Activities	(286,909)	170,350
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted		
for Investment in Named Endowments	1,354,004	1,381,969
NET INCREASE IN CASH AND CASH EQUIVALENTS	98,400	378,276
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,476,589	1,098,313
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,574,989	$ 1,476,589

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, 2018 and 2017

	2018	2017
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		
Change in net assets	$ (430,529)	$ 1,542,096
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	5,351	4,668
Unrealized (gain)/loss on investments	912,267	(1,006,111)
Realized (gain)/loss on investments	98,094	(677,902)
(Increase)/decrease in unconditional promises to give	(213,157)	(65,392)
Dividends/interest on investment	(426,140)	(316,168)
Investment fees	79,646	102,716
Change in interest receivable	379	56
Change pledges receivable	(3,899)	102,635
Change in accounts payable	(49,806)	(95,135)
Change in accrued compensation	-	(20,375)
Change in refundable deposits	(3,252)	927
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	(31,046)	(427,985)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investment sales	-	495,409
Purchase of Equipment	-	(26,753)
Purchase of real estate	-	(1,800)
Payments received on notes receivable	24,150	23,334
NET CASH FROM INVESTING ACTIVITIES	24,150	490,190
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		
Principle payments on debt	(25,984)	(30,000)
NET CASH FROM / (USED IN) FINANCING ACTVITIES	(25,984)	(30,000)
CHANGE IN CASH AND CASH EQUIVALENTS	(32,880)	32,205
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	622,356	590,151
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 589,476	$ 622,356

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,

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

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

Condensed statements showing NSCS and Corporation balances and transactions are as follows for fiscal year ended June 30, 2019:

Condensed Statement of Net Position

	NSCS	Corporation	2019 Total
Current Assets	$ 62,827,070	$ 2,497,660	$ 65,324,730
Non-current Assets			
Capital Assets, Net	237,983,782	-	237,983,782
Other Non-current Assets	4,654,242	1,920,026	6,574,268
Total Assets	305,465,094	4,417,686	309,882,780
Deferred Outflow of Resources	32,180	-	32,180
Current Liabilities	14,579,814	4,003,713	18,583,527
Non-current Liabilities	41,694,499	28,899,317	70,593,816
Total Liabilities	56,274,313	32,903,030	89,177,343
Deferred Inflow of Resources	-	11,765	11,765
Net Position			
Net Investment in Capital Assets	200,828,132	(30,479,189)	170,348,943
Restricted	22,216,030	1,982,080	24,198,110
Unrestricted	26,178,799	-	26,178,799
Total Net Position	$ 249,222,961	$ (28,497,109)	$ 220,725,852

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

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

	NSCS	Corporation	2019 Total
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	665,823	-	665,823
Auxiliary Enterprises, Net	17,703,801	-	17,703,801
Other Operating Revenues	1,918,866	-	1,918,866
Total Operating Revenues	53,798,658	-	53,798,658
Operating Expenses			
Depreciation	10,010,801	-	10,010,801
Other Operating Expenses	113,777,566	-	113,777,566
Total Operating Expenses	123,788,367	-	123,788,367
Operating Loss	(69,989,709)	-	(69,989,709)
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)	(5,417,071)	(609,913)	(6,026,984)
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	2,016,107	885,183	2,901,290
Net Position, Beginning of Year	247,206,854	(29,382,292)	217,824,562
Net Position, End of Year	$ 249,222,961	$ (28,497,109)	$ 220,725,852

1. Summary of Significant Accounting Policies (Continued)

Condensed Statement of Cash Flows

	NSCS	Corporation	2019 Total
Cash Flows from Operating Activities	$ (60,490,714)	$ -	$ (60,490,714)
Cash Flows from Non-capital Financing Activities	64,061,736	-	64,061,736
Cash Flows from Capital and Related Financing Activities	(9,021,355)	(5,997,862)	(15,019,217)
Cash Flows from Investing Activities	2,113,951	(1,216,273)	897,678
Increase (Decrease) in Cash and Cash Equivalents	(3,336,382)	(7,214,135)	(10,550,517)
Cash and Cash Equivalents, Beginning of Year	66,424,382	10,196,785	76,621,167
Cash and Cash Equivalents, End of Year	$ 63,088,000	$ 2,982,650	$ 66,070,650

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, 2018:

Condensed Statement of Net Position

	NSCS As Restated	Corporation	2018 Total As Restated
Current Assets	$ 66,568,243	$ 2,333,843	$ 68,902,086
Non-current Assets			
Capital Assets, Net	234,841,616	-	234,841,616
Other Non-current Assets	5,408,995	7,969,162	13,378,157
Total Assets	306,818,854	10,303,005	317,121,859
Deferred Outflow of Resources	35,959	-	35,959
Current Liabilities	14,341,329	6,931,403	21,272,732
Non-current Liabilities	45,306,630	32,730,834	78,037,464
Total Liabilities	59,647,959	39,662,237	99,310,196
Deferred Inflow of Resources	-	23,060	23,060
Net Position			
Net Investment in Capital Assets	194,975,652	(31,185,075)	163,790,577
Restricted	22,796,618	1,802,783	24,599,401
Unrestricted	29,434,584	-	29,434,584
Total Net Position	$ 247,206,854	$ (29,382,292)	$ 217,824,562

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	2018 Total As Restated
Operating Revenues			
Tuition and Fees, Net	$ 30,742,444	$ -	$ 30,742,444
Federal and State Grants and Contracts	2,578,294	-	2,578,294
Private Grants and Contracts	798,969	-	798,969
Auxiliary Enterprises, Net	17,259,109	-	17,259,109
Other Operating Revenues	1,502,607	-	1,502,607
Total Operating Revenues	52,881,423	-	52,881,423
Operating Expenses			
Depreciation	9,426,904	-	9,426,904
Other Operating Expenses	108,972,819	-	108,972,819
Total Operating Expenses	118,399,723	-	118,399,723
Operating Loss	(65,518,300)	-	(65,518,300)
Non-operating Revenues (Expenses)			
State Appropriations	51,091,162	-	51,091,162
Federal and State Grants and Contracts	11,950,945	-	11,950,945
Investment Income	1,311,180	195,957	1,507,137
Interest on Capital Asset-Related Debt	(1,193,811)	(830,313)	(2,024,124)
Gain (Loss) on Disposal of Asset	(16,117)	-	(16,117)
Other Non-operating Revenues (Expenses)	(1,541,153)	(13,025)	(1,554,178)
Net Non-operating Revenues (Expenses)	61,602,206	(647,381)	60,954,825
Loss Before Other Revenues, Expenses, Or Gains (Losses)	(3,916,094)	(647,381)	(4,563,475)
Other Revenues (Expenses) or Gains (Losses)			
Capital Facilities Fee	2,102,454	-	2,102,454
Capital Contributions	2,975,634	-	2,975,634
Operating Transfers In (Out)	12,672,445	(12,672,445)	-
Capital Appropriations and Grants	4,049,581	1,125,000	5,174,581
Net Other Revenues (Expenses) Or Gains (Losses)	21,800,114	(11,547,445)	10,252,669
Increase (Decrease) in Net Position	17,884,020	(12,194,826)	5,689,194
Net Position, Beginning of Year	229,322,834	(17,187,466)	212,135,368
Net Position, End of Year	$ 247,206,854	$ (29,382,292)	$ 217,824,562

1. Summary of Significant Accounting Policies (Continued)

Condensed Statement of Cash Flows

	NSCS As Restated	Corporation	2018 Total As Restated
Cash Flows from Operating Activities	$ (54,556,650)	$ -	$ (54,556,650)
Cash Flows from Non-capital Financing Activities	62,933,312	-	62,933,312
Cash Flows from Capital and Related Financing Activities	(6,740,848)	(12,750,107)	(19,490,955)
Cash Flows from Investing Activities	1,315,990	198,499	1,514,489
Increase (Decrease) in Cash and Cash Equivalents	2,951,804	(12,551,608)	(9,599,804)
Cash and Cash Equivalents, Beginning of Year	63,472,578	22,748,393	86,220,971
Cash and Cash Equivalents, End of Year	$ 66,424,382	$ 10,196,785	$ 76,621,167

Discretely Presented Component Units

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

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

1. Summary of Significant Accounting Policies (Continued)

During the years ended June 30, 2019 and 2018, Chadron State, Wayne State, and Peru State College Foundations distributed $1,698,158, $4,798,655, and $488,277; and $678,255, $5,720,892, and $449,151, respectively, to their Colleges for both restricted and unrestricted purposes. These distributions also included scholarships to students. Separate audit reports were issued by each foundation and can be obtained from their respective administrative offices or by contacting the Nebraska State College System at 1327 H Street, Suite 200, Lincoln, Nebraska 68508-3751.

Basis of Accounting and Presentation

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

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

1. Summary of Significant Accounting Policies (Continued)

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenses, and other changes in net position during the reporting period. Actual results could differ from those estimates.

Reclassifications

The non-current portion of restricted cash and cash equivalents, along with the net position of the NSCS, include reclassifications for the Corporation's current restricted cash and cash equivalents of $495,339 and unrestricted net position deficit of $30,479,189 in 2019. Reclassifications for 2018 included the Corporation's current restricted cash and cash equivalents of $6,533,644 and unrestricted net position deficit of $31,185,075. 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 2018 financial statements have been restated to present certain federal and state grants as Non-operating Revenues in accordance with generally accepted accounting principles. A total of $10,682,865 of federal grants and $1,268,080 of state grants were reclassified from Operating Revenues to Non-operating Revenues.

The Federal Capital Contribution amount of $1,509,621 for the Perkins loan fund was reclassified in the 2018 financial statements as a liability, resulting in a change in net position.

Certain other reclassifications have been made to the 2018 financial statements to conform to the 2019 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, 2019 and 2018.

1. Summary of Significant Accounting Policies (Continued)

The NSCS considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2019 and 2018, cash equivalents consisted primarily of money market accounts with brokers.

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

Income Tax Status

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

Investments and Investment Income

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

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

Accounts Receivable

The NSCS's accounts receivable consist mainly of tuition and fee charges to students and charges for auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible amounts was $911,071 and $1,476,042 at June 30, 2019 and 2018, respectively, and is identified by College as follows:

	2019	**2018**
CSC	$ 229,734	$ 832,885
PSC	491,765	456,494
WSC	169,152	164,226
NSCS Office	20,420	22,437

1. Summary of Significant Accounting Policies (Continued)

Unamortized Bond Premiums and Discounts

The NSCS's bond premiums and discounts on the revenue bond and Corporation bond issues are being amortized over the life of the bonds using the straight-line method. Total amortization for the years ended June 30, 2019 and 2018, was $515,418 for premiums and $12,154 and $12,155 for discounts, respectively, and it is identified by College as follows:

	2019		2018	
	Premiums	Discounts	Premiums	Discounts
CSC	$ 2,787	$ 4,768	$ 2,787	$ 4,768
PSC	-	4,940	-	4,941
WSC	6,114	2,446	6,114	2,446
NSCS Office	506,517	-	506,517	-
Total	$ 515,418	$ 12,154	$ 515,418	$ 12,155

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 has 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 $137,208 and $105,008 at June 30, 2019 and 2018, respectively, at Wayne State College.

Capital Assets

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

1. Summary of Significant Accounting Policies (Continued)

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

Compensated Absences

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

Unearned Revenue

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

Classification of Revenues

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

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

1. Summary of Significant Accounting Policies (Concluded)

Non-operating revenues – Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as State appropriations, 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, 2019 and 2018, as calculated under the NACUBO method, were $13,096,775 and $5,093,949; and $12,420,113 and $4,628,146, respectively, and are identified by College as follows:

	2019		2018	
	Tuition and Fees	Auxiliary Enterprises	Tuition and Fees	Auxiliary Enterprises
CSC	$ 4,103,653	$ 1,560,217	$ 4,171,896	$ 1,511,466
PSC	3,337,578	1,213,035	3,057,010	1,094,242
WSC	5,655,544	2,320,697	5,191,207	2,022,438

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, 2019 and 2018, cash and cash equivalents of $54,394,409 and $64,279,748, 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, 2019 and 2018, was $6,792 and $6,750, respectively. The carrying amount of the NSCS's deposits not with the State Treasurer at June 30, 2019 and 2018, were $2,038,707 and $2,005,638, respectively, and the bank balances were $2,042,203 and $2,003,690, respectively. Of the carrying amounts noted above, $121,102 and $121,283, 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.

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

The NSCS's investments consisted of money market mutual funds and debt securities. At June 30, 2019 and 2018, money market mutual funds totaling $9,630,742 and $10,329,031, respectively, were held by the trustees, and had weighted average maturities of 18-44 days and 8-46 days, respectively. All money market mutual funds were reported as cash equivalents.

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

		Maturities in Years		
	Fair Value	**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	$ -

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

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

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.

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

Concentration of Credit Risk. The NSCS places no limit on the amount that may be invested in any one issuer. Of the NSCS's investments, at June 30, 2019, 81% were in U.S. Treasury Money Market Funds, 1% were in Government Money Market Funds, 12% were in U.S. Agency Bonds, and 6% were in negotiable certificate of deposits compared to 88% in U.S. Treasury, 1% in Government Money Market Funds, 5% in Federal National Mortgage Association Securities, and 6% in negotiable certificate of deposits at June 30, 2018.

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

Summary of Carrying Values

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

	2019	2018
Carrying Value		
Cash	$ 6,792	$ 6,750
Deposits:		
Bank Deposits	2,038,707	2,005,638
Short Term Investment Pool	54,394,409	64,279,748
Trustee Debt Securities	-	602,259
Trustee Money Market Mutual Funds	9,630,742	10,329,031
Negotiable Certificates of Deposit	738,017	717,036
U.S. Agency Bonds	1,338,808	-
Total as of June 30	$ 68,147,475	$ 77,940,462
Included in the Statements of Net Position		
Cash and Cash Equivalents	$ 35,407,120	$ 38,677,484
Restricted Cash and Cash Equivalents	30,663,530	37,943,683
Restricted Investments	2,076,825	1,319,295
Total	$ 68,147,475	$ 77,940,462

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

3. Capital Assets

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

Capital Assets

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
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	6,428,970	-	(29,038,305)	1,439,283
Total Capital Assets	$ 352,096,764	$ 13,155,361	$ (198,057)	$ -	$ 365,054,068

Accumulated Depreciation

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
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	$ 234,841,616	$ 3,144,560	$ (2,394)	$ -	$ 237,983,782

Net Capital Assets by College

	CSC	PSC	WSC	NSCS Office	Total
Land	$ 49,395	$ 17,761	$ 1,057,477	$ -	$ 1,124,633
Building and Improvements	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	308,145	515,542	-	1,439,283
Net Capital Assets	$ 60,393,894	$ 60,867,996	$ 115,974,882	$ 747,010	$ 237,983,782

3. <u>Capital Assets</u> (Concluded)

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

Capital Assets

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

Accumulated Depreciation

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

Net Capital Assets by College

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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 they consist of the following:

	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

	2018			
	Payroll and Withholdings	Payables to Vendors	Payable to Other Government	Total Payables
CSC	$ 1,402,568	$ 477,464	$ 117,012	$ 1,997,044
PSC	707,878	364,923	96,556	1,169,357
WSC	1,871,482	2,662,481	478,643	5,012,606
NSCS Office	-	4,592,566	134,218	4,726,784
Total	$ 3,981,928	$ 8,097,434	$ 826,429	$ 12,905,791

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

5. Long-term Liabilities

The following is a summary of long-term obligation transactions for the NSCS for the year ended June 30, 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	75,478,251	-	(5,515,776)	69,962,475	5,532,475
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	1,509,621
Other Liabilities	360,711	-	(360,711)	-	-
Total Other Long-term Liabilities	9,005,604	326,561	(1,225,669)	8,106,496	1,942,680
Total Long-term Liabilities	$ 84,483,855	$ 326,561	$ (6,741,445)	$ 78,068,971	$ 7,475,155

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

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Loan Obligations Payable	$ 49,147	$ -	$ (24,151)	$ 24,996	$ 24,996
Master Lease Payable	548,876	-	(230,621)	318,255	215,779
Revenue and Refunding Bonds	44,150,000	-	(1,740,000)	42,410,000	2,060,000
Corporation Bonds	35,360,000	-	(2,635,000)	32,725,000	3,215,000
Total Long-term Debt	80,108,023	-	(4,629,772)	75,478,251	5,515,775
Accrued Compensated Absences	4,186,739	165,894	(426,214)	3,926,419	569,904
Unamortized Bond Premium	3,935,322	-	(515,418)	3,419,904	-
Unamortized Bond Discount	(223,206)	-	12,155	(211,051)	-
Refundable Government Grants	-	1,509,621	-	1,509,621	-
Other Liabilities	610,135	111,287	(360,711)	360,711	360,711
Total Other Long-term Liabilities	8,508,990	1,786,802	(1,290,188)	9,005,604	930,615
Total Long-term Liabilities	$ 88,617,013	$ 1,786,802	$ (5,919,960)	$ 84,483,855	$ 6,446,390

5. Long-term Liabilities (Continued)

Termination Benefits

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

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

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

At June 30, 2019, four employees at CSC, one employee at PSC, and four employees at WSC were participating in the NSCS's voluntary/early retirement programs. As of June 30, 2018, five 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.

5. Long-term Liabilities (Continued)

	2019		2018	
	Ending Balance	**Current Portion**	**Ending Balance**	**Current Portion**
CSC	$ 62,118	$ 26,960	$ 62,999	$ 53,933
PSC	5,579	5,579	18,830	10,461
WSC	97,768	32,959	63,502	42,068
Total	$ 165,465	$ 65,498	$ 145,331	$ 106,462

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.

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.

5. Long-term Liabilities (Continued)

Student Fees and Facilities Revenue Refunding Bonds Series 2016B

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

Student Fees and Facilities Revenue Refunding Bonds Series 2016C

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

The official Revenue bond statements define an event of default as missing principal and/or interest payments, discontinuation, unreasonable delay, or failure to construct the Project or acquire the facility, promptly repair destroyed or damaged buildings and facilities, or the Board becoming 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.

5. Long-term Liabilities (Continued)

Corporation Bonds

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

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

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

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

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

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.

PSC Loan Obligation

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

Master Lease Purchasing Program

The State of Nebraska, through the Department of Administrative Services (DAS) – Accounting Division, has a Master Lease Purchasing Agreement to be used by various agencies to purchase equipment. CSC used this financing arrangement to finance the acquisition of non-capitalized equipment in fiscal years 2014 and 2015. One of CSC's master lease obligations bear interest payable at a rate of 1.05% while the other master lease obligation bears interest payable at a rate of 1.45%. PSC used this financing arrangement to finance the acquisition of capitalized equipment in fiscal year 2015. PSC's master lease obligation bears interest payable at a rate of 1.32%. CSC's Master Leases expire in fiscal years 2019 and 2020 while PSC's Master Lease expired in fiscal year 2019. Assets capitalized under this program totaled $306,019 at June 30, 2019 and 2018, and were net of accumulated depreciation of $130,058 in 2019 and $99,456 in 2018.

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.

5. Long-term Liabilities (Continued)

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

CSC Revenue and Refunding Bonds

Year Ending June 30	Principal	Interest	Total
2020	$ 655,000	$ 238,108	$ 893,108
2021	655,000	227,578	882,578
2022	675,000	213,044	888,044
2023	690,000	195,690	885,690
2024	700,000	179,642	879,642
2025 – 2029	3,745,000	618,518	4,363,518
2030 – 2034	2,360,000	181,050	2,541,050
Total	$ 9,480,000	$ 1,853,630	$ 11,333,630

CSC Master Lease Obligation Summary

Year Ending June 30	Principal	Interest	Total
2020	102,475	745	103,220
Total	$ 102,475	$ 745	$ 103,220

PSC Revenue and Refunding Bonds

Year Ending June 30	Principal	Interest	Total
2020	$ 570,000	$ 377,430	$ 947,430
2021	570,000	369,111	939,111
2022	585,000	359,488	944,488
2023	600,000	348,431	948,431
2024	605,000	336,083	941,083
2025 – 2029	3,030,000	1,448,136	4,478,136
2030 – 2034	2,055,000	1,069,490	3,124,490
2035 – 2039	1,655,000	775,244	2,430,244
2040 – 2044	1,980,000	446,008	2,426,008
2045 – 2047	1,370,000	78,375	1,448,375
Total	$ 13,020,000	$ 5,607,796	$ 18,627,796

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

5. Long-term Liabilities (Continued)

WSC Revenue and Refunding Bonds

Year Ending June 30	Principal	Interest	Total
2020	$ 880,000	$ 521,024	$ 1,401,024
2021	890,000	504,476	1,394,476
2022	905,000	486,184	1,391,184
2023	920,000	466,124	1,386,124
2024	950,000	441,505	1,391,505
2025 – 2029	4,690,000	1,741,306	6,431,306
2030 – 2034	2,360,000	1,224,228	3,584,228
2035 – 2039	2,090,000	898,522	2,988,522
2040 – 2044	2,470,000	516,150	2,986,150
2045 – 2047	1,695,000	90,388	1,785,388
Total	$ 17,850,000	$ 6,889,907	$ 24,739,907

Corporation Bonds

Year Ending June 30	Principal	Interest	Total
2020	$ 3,325,000	$ 1,122,168	$ 4,447,168
2021	4,800,000	976,843	5,776,843
2022	1,790,000	728,968	2,518,968
2023	1,880,000	656,018	2,536,018
2024	1,935,000	598,793	2,533,793
2025 – 2029	10,825,000	1,767,515	12,592,515
2030 – 2031	4,955,000	116,803	5,071,803
Total	$ 29,510,000	$ 5,967,108	$ 35,477,108

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

NSCS Loan Obligation and Bond Summary

Year Ending June 30	Principal	Interest	Total
2020	$ 5,532,475	$ 2,259,475	$ 7,791,950
2021	6,915,000	2,078,008	8,993,008
2022	3,955,000	1,787,684	5,742,684
2023	4,090,000	1,666,263	5,756,263
2024	4,190,000	1,556,023	5,746,023
2025 – 2029	22,290,000	5,575,475	27,865,475
2030 – 2034	11,730,000	2,591,571	14,321,571
2035 – 2039	3,745,000	1,673,766	5,418,766
2040 – 2044	4,450,000	962,158	5,412,158
2045 – 2047	3,065,000	168,763	3,233,763
Total	$ 69,962,475	$ 20,319,186	$ 90,281,661

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, 2019 and 2018, the NSCS was in compliance with these requirements.

6. **Operating Leases**

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

Future noncancellable operating lease payments as of June 30, 2019, were:

2020	343,831
2021	264,451
2022	168,643
2023	151,601
2024	33,525
Total	$ 962,051

The NSCS's operating lease payments for the years ended June 30, 2019, and June 30, 2018, were $817,408 and $833,154, 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.

Financial information for the Program for June 30, 2019 and 2018, is summarized as follows:

Condensed Statement of Net Position

	2019	2018
Assets		
Current Assets	$ 18,492,868	$ 18,189,205
Noncurrent Assets	57,289,961	59,319,462
Total assets	75,782,829	77,508,667
Deferred Outflows of Resources	32,180	35,959
Liabilities		
Current Liabilities	4,319,671	3,813,688
Noncurrent Liabilities	38,450,009	40,580,450
Total liabilities	42,769,680	44,394,138
Net Position		
Net investment in capital assets	16,980,052	16,926,490
Restricted for		
Debt service	2,197,545	2,085,398
By enabling legislation	13,867,732	14,138,600
Total net position	$ 33,045,329	$ 33,150,488

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

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

	2019	2018
Operating Revenues		
Rentals	$ 8,419,992	$ 7,703,203
Food Service	8,646,810	8,727,143
Facilities	3,399,559	3,315,525
Bookstore	177,635	183,229
Other	264,391	299,567
Total operating revenues	20,908,387	20,228,667
Operating Expenses		
Food Service	5,707,318	5,483,374
Other	14,643,519	12,849,699
Total operating expenses	20,350,837	18,333,073
Operating Income	557,550	1,895,594
Nonoperating Revenue (Expenses)	(662,709)	(857,360)
Increase in Net Position	(105,159)	1,038,234
Net Position, Beginning of Year	33,150,488	32,112,254
Net Position, End of Year	$ 33,045,329	$ 33,150,488

Condensed Statement of Cash Flows

	2019	2018
Cash Flows from Operating Activities	$ 3,035,776	$ 2,299,504
Cash Flows from Capital and Related Financing Activities	(3,338,903)	(5,253,658)
Cash Flows from Investing Activities	1,063,989	353,548
Decrease in Cash and Cash Equivalents	760,862	(2,600,606)
Cash and Cash Equivalents, Beginning of Year	19,904,463	22,505,069
Cash and Cash Equivalents, End of Year	$20,665,325	$ 19,904,463

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-CREF). The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and may be amended by action of the Board of Trustees. Contribution rates for plan members and the NSCS for 2019 and 2018, expressed as a percentage of covered payroll, 6% and 8%, respectively. Contributions actually made for the fiscal years ended June 30, 2019 and 2018, by plan members and the NSCS were $2,808,805 and $3,770,041; and $2,760,227 and $3,678,646, respectively. At June 30, 2019 and 2018, the plan had 779 and 772 contributing members, respectively. The NSCS contributions encumbered for the fiscal years ended June 30, 2019 and 2018, in the amounts of $224,208 and $223,456, 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 $862,132 to the SRA, $178,085 to the Roth 403(b), and $112,450 to the 457 plan in 2019, while in 2018 plan members contributed $933,028 to the SRA, $153,436 to the Roth 403(b), and $134,084 to the 457 plan. The NSCS does not contribute to these supplemental plans.

9. Risk Management

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

The NSCS has chosen to purchase insurance for:

A. Health care and life insurance for eligible employees.

9. Risk Management (Concluded)

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. Newly acquired properties are covered up to $100,000,000 for 90 days from the date the insured takes ownership of the property. The perils of flood, earthquake, and acts of terrorism have various coverages and sublimits. Details of these coverages are available from the NSCS.

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

10. Commitments and Contingencies

Construction Contracts

The Board of Trustees has approximate remaining construction commitments of $5,100,000 and $11,238,000, as of June 30, 2019 and 2018, respectively. These projects will be funded through cash funds, LB 309 Task Force for Building Renewal funds, Foundation gifts, bond proceeds, contingency maintenance funds, and capital improvement fees. Construction commitments are identified by College, as follows:

	2019	2018
CSC	$ 3,227,000	$ 3,743,000
PSC	1,063,000	1,959,000
WSC	810,000	5,536,000

Government Grants

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

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 $19,948,649 and $20,481,586 in fiscal years 2019 and 2018, 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 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 is 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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

13. Component Unit Disclosures – Foundations

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

Foundation	Years Ended	Pages
Chadron State	June 30, 2019 and 2018	69 – 83
Peru State College	December 31, 2018 and 2017	84 - 96
Wayne State	June 30, 2019 and 2018	97 - 108

CHADRON STATE FOUNDATION

Note 1 – Purpose of Foundation and Description of Program Services

Nature of Activities

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.

CHADRON STATE FOUNDATION (Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Designation of Unrestricted Net Assets

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.

CHADRON STATE FOUNDATION (Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Pledges Receivable

Unconditional promises to give are recorded in the period received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts and contributions are recorded at fair value at the time of donation. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which promises are to be received. Allowances are provided for amounts estimated to be uncollectible, based on a history of past write-offs and collections. Accounts are written off as uncollectible at the time management determines that collection is unlikely.

Revenue Recognition

The Foundation reports contributions as support when assets are received or when an unconditional promise to give has been made. Conditional promises to give are recognized when the conditions on which they depend are substantially met. However, if a restriction is fulfilled in the same time period the contribution is received, the Foundation reports the support as without donor restrictions.

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, 2019 and 2018 were $87,268 and $30,698, respectively.

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:

CHADRON STATE FOUNDATION (Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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

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, 2019, the Foundation had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Foundation's income tax filings are subject to audit by various tax authorities. The Foundation is no longer subject to federal and state income tax examinations by taxing authorities for years before 2016. 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.

CHADRON STATE FOUNDATION (Continued)

Note 2 – Summary of Significant Accounting Policies (Concluded)

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.

Accounting Pronouncements Adopted

In August 2016, the FASB issued (ASU) 2016-14, Not-for-Profit Entities: Topic 958. The amendments in this update affect not-for-profit entities and the users of their general-purpose financial statements. In addition to changes in the terminology used to describe categories of net assets throughout the financial statements, the accounting and reporting of investment return and underwater endowments was modified and new disclosures were added. The Foundation adopted this ASU effective for the year ended June 30, 2019. The adoption required a restatement of the June 30, 2018 financial statements, but did not impact the total net assets reported in 2018.

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:

	2019	2018
Financial Assets Available for Use:		
Cash and Cash Equivalents	$ 949,990	$ 890,589
Net Pledges Due Within One Year, Unrestricted	20,226	15,100
Endowment Distributions for Management Purposes	426,800	414,250
	1,397,016	1,319,939
Less Current Liabilities:		
Accounts Payable	16,949	4,619
Scholarships Payable, Unrestricted	46,561	30,642
Other Liabilities	12,801	14,269
	76,311	49,530
Total Available Assets	$ 1,320,705	$ 1,270,409

CHADRON STATE FOUNDATION (Continued)

Note 3 – Liquidity and Availability (Concluded)

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.

The Foundation's Board-designated endowment of $907,146 and $841,044 as of June 30, 2019 and 2018, 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.

Cash held in certificates of deposit and approximately $625,000 and $586,000 as of June 30, 2019 and 2018, respectively, in cash held at a local bank are donor-restricted funds for projects planned on the College campus. These funds are held in short-term instruments such that funds are available as projects progress.

Note 4 – Pledges Receivable

Contributions receivable at June 30, were as follows:

	2019	2018
Receivable in Less Than One Year	$ 609,858	$ 401,402
Receivable in One to Five Years	643,321	747,671
Receivable in Six to Ten Years	75,000	100,000
Total Contributions Receivable	$ 1,328,179	$ 1,249,073
Less: Unamortized Discounts to Net Present Value	(41,777)	(54,789)
Less: Allowance for Uncollectable Accounts	(45,286)	(53,500)
Net Contributions Receivable	$ 1,241,116	$ 1,140,784

Unconditional pledges receivable due in more than one year are discounted based on the credit worthiness of donors. Discount rates for the year ended June 30, 2019 were between 1.15% 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 2.73% for the year ended June 30, 2018.

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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

CHADRON STATE FOUNDATION (Continued)

Note 5 – Fair Market Value Measurements (Continued)

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 which 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, 2019 and 2018.

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.

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:

2019	Level I	Level II	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
Hedge Funds	-	2,999,950	2,999,950
Total Investments	$ 18,304,218	$ 2,999,950	$ 21,304,168
Short-term Investments: Cash and Cash Equivalents	$ 72,802	$ -	$ 72,802
Annuity Assets and Liabilities	$ -	$ 8,596	$ 8,596

CHADRON STATE FOUNDATION (Continued)

Note 5 – Fair Market Value Measurements (Concluded)

2018	Level I	Level II	Total
Mutual Funds:			
Large Cap	$ 4,688,148	$ -	$ 4,688,148
Mid Cap	1,010,167	-	1,010,167
Small Cap	992,862	-	992,862
International	3,956,801	-	3,956,801
Emerging Markets	1,306,971	-	1,306,971
Fixed Income	2,106,454	-	2,106,454
Floating Rate Corporate Loans	1,394,692	-	1,394,692
Low Correlated Hedge Funds	549,928	-	549,928
Publicly-traded Limited Partnership	1,388,309	-	1,388,309
Hedge Funds	-	2,510,118	2,510,118
Total Investments	$ 17,394,332	$ 2,510,118	$ 19,904,450
Annuity Assets and Liabilities	$ -	$ 11,483	$ 11,483

Hedge Funds - These funds are not priced or quoted in the active market, but the assets can be priced in an active market under the valuation methods described in Level II.

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 credit worthiness 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.

CHADRON STATE FOUNDATION (Continued)

Note 6 – Other Assets (Concluded)

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 $8,596 and $11,483 as of June 30, 2019 and 2018, 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 $45,839 as of June 30, 2019 and 2018, respectively.

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:

	2019	2018
Land	$ 38,500	$ 38,500
Office Equipment	97,096	97,096
	$ 135,596	$ 135,596
Less: Accumulated Depreciation	(96,840)	(96,314)
Property and Equipment, Net of Accumulated Depreciation	$ 38,756	$ 39,282

CHADRON STATE FOUNDATION (Continued)

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 $176,972 and $173,368 for the years ended June 30, 2019 and 2018, respectively, which includes salaries and benefits.

Note 10 – Endowment Funds

Investments - Board-designated Endowment - As of June 30, 2019 and 2018, the Board of Directors had designated $907,146 and $841,044, 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.

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.

CHADRON STATE FOUNDATION (Continued)

Note 10 – Endowment Funds (Continued)

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.

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:

	2019	2018
Without Donor Restrictions	$ 907,146	$ 841,044
With Donor Restrictions – Restricted by Time or Purpose	2,367,806	2,409,815
With Donor Restrictions – Restricted in Perpetuity	18,949,548	17,569,995
Total Funds	$ 22,224,500	$ 20,820,854

CHADRON STATE FOUNDATION (Continued)

Note 10 – Endowment Funds (Continued)

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

2019	Without Donor Restrictions	With Donor Restrictions: Restricted by Time or Purpose	With Donor Restrictions: Restricted in Perpetuity	Total 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	40,320	1,140	25,549	67,009
Amounts Appropriated for Expenditures	(39,316)	(762,098)	-	(801,414)
Endowment Net Assets, End of Year	907,146	2,367,806	18,949,548	22,224,500

2018	Without Donor Restrictions	With Donor Restrictions: Restricted by Time or Purpose	With Donor Restrictions: Restricted in Perpetuity	Total Endowment Assets
Endowment Net Assets, Beginning of Year	$ 648,939	$ 1,988,424	$ 16,174,441	$ 18,811,804
Contributions	22,355	142	1,381,969	1,404,466
Investment Return	41,776	1,134,056	-	1,175,832
Transfers	160,210	205	13,585	174,000
Amounts Appropriated for Expenditures	(32,236)	(713,012)	-	(745,248)
Endowment Net Assets, End of Year	841,044	2,409,815	17,569,995	20,820,854

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, 2019 and 2018, 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

CHADRON STATE FOUNDATION (Continued)

Note 10 – Endowment Funds (Concluded)

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:

	2019	2018
Scholarships and College Use	$ 4,450,332	$ 4,575,873

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:

	2019	2018
Purpose Restriction Accomplished:		
Scholarships	$ 556,832	$ 493,060
College Use	1,250,554	225,553
Management Fees	345,314	328,672
Investment Fees	34,983	33,639
Total Restrictions Released	$ 2,187,683	$ 1,080,924

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

CHADRON STATE FOUNDATION (Continued)

Note 11 – Net Assets with Donor Restrictions (Concluded)

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 Organization participates in the College's defined contribution plan (the Plan) covering all employees with at least three years of service who agree to make contributions to the Plan. Employees may enroll in the Plan if they are employed full time for 9 out of 12 months of the year. Participation in the Plan is voluntary for employees who are 25 years of age and have been employed at least two years by the Foundation. Participation in the Plan is mandatory for employees over the age of 30. Employees contribute 6% of their salary and the College contributes 8%. Total expenses for the years ended June 30, 2019 and 2018 were $25,220 and $28,781, 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, 2019, $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. This project, along with the fundraising campaign is still in the initial planning stages.

In May 2016, the Foundation committed $1 million toward the renovation of the football stadium. As of June 30, 2019 the Foundation had provided $850,000 to the College for the renovations.

Note 14 – Emerging Accounting Standards

During the year ended June 30, 2020, the Foundation will implement FASB Topic 606. This standard specifies the recognition criteria for revenue related to contributions and contracts. The effects of the implementation of the standard cannot be readily determined.

During the year ended June 30, 2021, the Foundation will implement the revisions to FASB Topic 958. This update clarifies and improves guidance about whether a transfer of assets is a contribution or exchange transaction, for purposes of determining revenue recognition. The Foundation is in the process of assessing the effect on the financial statements.

During the year ended June 30, 2021, the Foundation will implement the revisions to FASB Topic 820. This update modifies the disclosure requirements on fair value. The Foundation is in the process of assessing the effect on the financial statements.

CHADRON STATE FOUNDATION (Concluded)

Note 15 – 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.

Note 16 – Basis for Reissuance of Financial Statements

Subsequent to the issuance of the financial statements for the year ended June 30, 2019 dated October 11, 2019, it was determined the Foundation needed to provide comparative financial statements to the State of Nebraska for inclusion in the State's audited financial statements. The June 30, 2019 financial statements were revised to incorporate June 30, 2018 financial information, which was audited by another firm, with a report issuance date of October 19, 2018.

As explained in Note 1, the Foundation implemented ASU 2016-14 during the year ended June 30, 2019. The implementation of this standard required a restatement of the financial statements for the year ended June 30, 2018 for the presentation to be consistent with June 30, 2019 statements. Revisions included the use of the net asset categories of donor restricted and without donor restrictions; the reporting of investment return as one line in the Statement of Activities rather than separate components for interest, dividends, gains/losses, and fees; and disclosures of liquidity in the notes to the financial statements. The revisions to the June 30, 2018 financial statements were audited during the year ended June 30, 2019. The Independent Auditor's Report explains the responsibility of the auditor in issuing an opinion.

PERU STATE COLLEGE FOUNDATION

Note A – Summary of Significant Accounting Policies

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

1. Nature of the Organization

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

2. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting 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.

3. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from the estimates and assumptions used in preparing the financial statements.

4. Cash and Cash Equivalents

For purposes 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.

5. 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.

PERU STATE COLLEGE FOUNDATION (Continued)

Note A – Summary of Significant Accounting Policies (Continued)

6. Financial Statement Presentation

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

- 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.

- 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.

7. 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 fully receivable within one year from the dates of the statements of financial position.

8. 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.

PERU STATE COLLEGE FOUNDATION (Continued)

Note A – Summary of Significant Accounting Policies (Continued)

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.

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 though 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.

9. 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 are 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

PERU STATE COLLEGE FOUNDATION (Continued)

Note A – Summary of Significant Accounting Policies (Continued)

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.

10. 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.

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.

11. 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.

12. 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.

PERU STATE COLLEGE FOUNDATION (Continued)

Note A – Summary of Significant Accounting Policies (Concluded)

13. 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.

14. *Change in Accounting Principle and Reclassifications*

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements for Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability or resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented. As a result, the net assets section of the statement of position was changed to disclose the net assets without donor restrictions and the net assets with donor restrictions. The statement of activities was changed to disclose the changes in net assets without donor restrictions and the changes in net assets with donor restrictions, as well as, netting investment management fees against investment income instead of reporting it on the statement of functional expenses as we previously required. The Foundation also included a disclosure of their methodology for allocating expenses by their natural and functional categories and disclosed both quantitative and qualitative information about its liquidity in the footnotes. As allowed by the ASU, the liquidity footnote was not prepared retrospectively.

Note B – Cash

The Foundation maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to $250,000. The Foundation has not experienced any loss in such accounts. As of December 31, 2018 and 2017, the uninsured balance is $77,268 and 4,295 respectively. The Foundation believes it is not exposed to any significant credit risk on its cash balances.

PERU STATE COLLEGE FOUNDATION (Continued)

Note C – Investments

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 – 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. As of December 31, 2018, and 2017, all investments held by the Foundation were considered a level 1.

Investment expense which consists of management fees totaled $77,645 and $102,716 for the years ended December 31, 2018 and 2017, respectively.

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
	$ 13,239,315	$ (724,331)	$ 12,514,983

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

PERU STATE COLLEGE FOUNDATION (Continued)

Note C – Investments (Concluded)

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

FIXED INCOME FUNDS	Cost	Gross Unrealized Gain	Fair Market Value
WESTWOOD CASH RESERVES, LLC	$ 368,585	$ 421	$ 369,006
WESTWOOD CORE INCOME, LLC	1,922,560	152,591	2,075,151
WESTWOOD TOTAL RETURN, LLC	1,386,643	1,178,536	2,565,179
Equity Funds:			
WESTWOOD TACTITCLE OPPORTUNITY, LLC	221,797	398,546	620,343
WESTWOOD DIVERSIFIED CORE EQUITY, LLC	776,997	2,565,556	3,342,553
WESTWOOD FOCUSED CORE EQUITY, LLC	253,186	1,169,378	1,422,564
WESTWOOD DIVERSIFIED SMALL/MID CAP EQUITY, LLC	92,939	760,295	853,234
WESTWOOD FOCUSED SMALL CAP EQUITY, LLC	203,977	320,683	524,660
WESTWOOD INTERNATIONAL EQUITY, LLC	945,255	460,905	1,406,160
	$ 6,171,939	$ 7,006,911	$ 13,178,850

Note D – Note Receivable

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

	2018	2017
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	$ 49,147
Current portion of note receivable	24,996	24,151
Long term receivable less current portion	$ -	$ 24,996

As of December 31, 2018, the College exercised its option to purchase the Remodel. As of December 31, 2017, the aggregate maturities of the notes receivable were as follows:

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

PERU STATE COLLEGE FOUNDATION (Continued)

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 $18,022 and $20,320 as of December 31, 2018 and 2017, respectively.

Note F – Notes Payable

At December 31, 2018 and 2017 the Foundation had a short-term bank loan that bears interest at 3.50% with balances of $59,102 and $85,086 respectively. The loan was refinanced in January 2019 with a new balance of $82,676 at a 4% interest rate and a new maturity date of January 31, 2020.

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 in December 31, are available for the following:

	2018	2017
Unrestricted	$ 2,398,641	$ 3,673,603
Board Designated		
For scholarships	600,620	600,620
For work stipends	463,422	488,044
For campus improvements	5,500	5,500
Total net assets without donor restrictions	$ 3,468,183	$ 4,767,767

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

	2018	2017
Perpetual endowment	$ 8,046,202	$ 7,264,995
For scholarships	719,325	983,267
For education and athletic departments	1,061,958	980,385
Promise to give - renovation	350,217	80,000
Total net assets with donor restrictions	$ 10,177,702	$ 9,308,647

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

PERU STATE COLLEGE FOUNDATION (Continued)

Note G – Net Assets (Concluded)

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 2018 and 2017 amounted to $300,716 and $202,289, respectively.

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

	2018	2017
Purpose restriction accomplished		
Scholarships	$ 357,434	$ 190,584
Departmental and athletic gifts to College	94,227	26,391
Oakbowl / Theater renovations & fundraising	22,986	50,420
	$ 474,647	$ 267,395

Note H – Cash Interest Paid

As of December 31, 2018 and 2017, there was no cash interest paid by the Foundation.

Note I – 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, 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:

PERU STATE COLLEGE FOUNDATION (Continued)

Note I – Availability and Liquidity (Concluded)

Financial Assets at yearend:	
Cash and cash equivalents	$ 589,476
Cash Investments	584,049
Pledges receivable	3,899
Interest receivable	1,348
Unconditional promises to give	293,157
Note receivable	24,996
Investments convertible to cash in the next 12 months	11,930,934
	$ 13,427,859
Less amounts not available to be used over the next 12 months:	
Board designated funds	$ (1,069,542)
Donor restriction on purpose	(10,169,326)
Financial assets available to meet general expenditures over the next 12 months:	$ (11,238,868)

Note J – Endowment Funds

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

	2018	2017
Fair value of endowed assets	$ 10,169,326	$ 9,974,023
Remaining principle balance	(7,514,290)	(7,146,698)
Net appreciation - endowed assets	$ 2,655,036	$ 2,827,325

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.

PERU STATE COLLEGE FOUNDATION (Continued)

Note J – Endowment Funds (Continued)

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.

PERU STATE COLLEGE FOUNDATION (Continued)

Note J – 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 K – 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:

	2018	2017
Salary and wage reimbursement	$ 434,209	$ 414,111
Gifts and campus improvements	82,113	1,522,595
Departmental expenses	112,753	62,009
	$ 629,075	$ 1,998,715

The Foundation owed the College for salary and wage expenses paid to its employees by the College in the amount of $35,909 and $55,813 at December 31, 2018 and 2017, respectively.

Note L – 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 $24,883 and $23,256 for the years ended December 31, 2018 and 2017, respectively, and is included in salaries and wages on the statement of functional expenses.

Note M – Concentrations

During 2018, the Foundation received approximately 46% of its contributions from five (5) individuals/estates. During 2017, the Foundation received approximately 41% of its contributions from five (5) individuals/estates.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

PERU STATE COLLEGE FOUNDATION (Concluded)

Note N – Prepaid Scholarships

The Foundation prepays the spring scholarships to the College at the end of the fiscal year. As of December 31, 2018 and 2017, there was no scholarships prepaid.

Note O – Subsequent Events

As of October 21, 2019, the date which the financial statements were available to be issued, the Foundation did not have any subsequent events affecting the amounts reported in the financial statements for the year ended December 31, 2018 which are required to be disclosed in the notes to the financial statements for the year then ended.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

WAYNE STATE FOUNDATION

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

Note A – Summary of Significant Accounting Policies

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

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

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

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

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

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

WAYNE STATE FOUNDATION (Continued)

Note A – Summary of Significant Accounting Policies (Continued)

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

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

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

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

Fair Value 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;

WAYNE STATE FOUNDATION (Continued)

Note A – Summary of Significant Accounting Policies (Concluded)

- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Transfers between levels shall occur at the actual date of the event or change in circumstances that caused the transfer. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

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

Income Taxes. The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. As such, income earned in the performance of the Foundation's exempt purpose is not subject to income tax. Any income earned through unrelated business activities is subject to income tax at normal corporate rates. For the years ended June 30, 2019 and 2018, the Foundation had no tax liability on unrelated business activity. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation's Federal Exempt Organization Business Income Tax Returns (Form 990) for June 30, 2019, 2018, and 2017 are subject to examination by the Internal Revenue Service (IRS), generally for three years after they were filed.

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

WAYNE STATE FOUNDATION (Continued)

Note B – Unconditional Promises to Give and Receivables

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

WAYNE STATE FOUNDATION (Continued)

Note C – Fair Value of Assets and Liabilities

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in methodologies used during the years ended June 30, 2019 and 2018.

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

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

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

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

Annuity agreements: Valued using the estimated present value of the annuity obligation. The discount rate used varied from 1.2% to 9.6% and 1.2% to 8.2% for the years ended June 30, 2019 and 2018, respectively.

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

June 30, 2019	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money markets and certificate 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	$ 29,483,867	$ 1,095,187	$ 28,279,692	$ 108,988
Unconditional promises to give receivable	$ 1,444,057	$ -	$ -	$ 1,444,057
Annuities payable	$ 287,686	$ -	$ -	$ 287,686

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, 2018.

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

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.

June 30, 2019	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	$ 1,444,057	$ 287,686	$ 108,988

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, 2018.

June 30, 2018	Unconditional Promises to Give	Annuities Payable	Private Company Stock
Beginning balance	$ 1,259,944	$ 336,581	$ 8,988
Unconditional promises to give received during the year	275,000	-	-
Unconditional promise to give collected during the year	(855,511)	-	-
Change in discount of unconditional promises to give	49,358	-	-
Payments on annuity contracts	-	(118,890)	-
Amortization of annuity obligations	-	85,314	-
Ending balance	$ 728,791	$ 302,915	$ 8,988

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

Note D – Property and Equipment

Property and equipment consist of:

	2019	2018
Land	$ 37,000	$ 20,000
Buildings and improvements	313,018	134,417
Furniture, fixtures and equipment	10,713	10,713
	360,731	165,130
Less discount to present value (4%)	(74,883)	(69,685)
	$ 285,848	$ 95,445

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

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 1.2% to 9.6% and 1.2% to 8.2% for the years ended June 30, 2019 and 2018, respectively. The amount of the liability is adjusted annually in accordance with the IRS actuarial tables and a gain or loss is recorded to reflect the change in value.

There were no new contributions for the years ended June 30, 2019 and 2018.

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

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

Note F – Net Assets

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

	2019	2018
Board designated:		
Quasi-endowment to support general activities	$ 437,248	$ 402,814

Net assets with donor restrictions comprise the following:

	2019	2018
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until received	$ 26,390	$ 40,554
Subject to the purpose restrictions:		
College departments	475,163	471,227
Renovation projects	982,010	2,023,162
Scholarships	7,516,401	5,998,701
Other designated programs	16,037	19,689
Subject to the perpetual restrictions:		
Assets held under split-interest agreements and other	216,819	235,119
Interest in perpetual trust	952,317	945,371
Permanent endowments and promises to fund permanent endowments	18,076,802	16,715,912
	$ 28,261,939	$ 26,449,785

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, 2019 and 5% for the year ended June 30, 2018 of the endowment fund’s average fair value of the prior three years through June 30 of the preceding fiscal year in which the distribution is planned. The Foundation may, at its discretion, set a lower payout rate which appears in line with the current yield from investment and general economic conditions. In establishing this policy, the Foundation considered the long-term expected investment returns, the nature and duration of the individual endowment funds, and the possible effect of inflation.

WAYNE STATE FOUNDATION (Continued)

Note G – Endowments (Concluded)

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

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

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

	Without Donor Restrictions	With Donor Restrictions	Total
Balance July 1, 2017	$ 369,893	$ 20,702,379	$ 21,072,272
Interest and dividends	5,442	317,181	322,623
Realized and unrealized gains	27,354	1,340,851	1,368,205
Contributions	-	780,004	780,004
Transfers	-	7,100	7,100
Amounts appropriated for expenditure	-	(864,046)	(864,046)
Balance June 30, 2018	$ 402,689	$ 22,283,469	$ 22,686,158

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NUPMIFA requires the Foundation to retain as a fund of perpetual duration. As of June 30, 2018 endowment funds had deficiencies totaling $125. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Executive Committee of the Foundation.

WAYNE STATE FOUNDATION (Continued)

Note H – Liquidity and Availability

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

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

Cash and cash equivalents	$ 183,173
Certificates of deposits	35,000
Investments	2,683,036
	$ 2,901,209

Note I – Operating Leases

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

Note J – Related Party

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

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

WAYNE STATE FOUNDATION (Concluded)

Note J – Related Party (Concluded)

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

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

Note K – Retirement

The Foundation contributes to a defined contribution retirement plan. The plan provides contributions of 8% of the eligible employee's wages. The Foundation contributed $30,854 and $21,590 for the years ended June 30, 2019 and 2018, respectively.

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

Note M – Subsequent Events

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

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

	CSC	PSC	WSC	NSCS Office	Total
Assets					
Current Assets					
Cash and Cash Equivalents	$ 6,826,235	$ 5,838,610	$ 19,217,324	$ 3,524,951	$ 35,407,120
Restricted Cash and Cash Equivalents	5,363,943	4,932,994	9,564,932	7,043,354	26,905,223
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	13,115,812	11,809,182	29,663,658	10,736,078	65,324,730
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	60,867,996	115,974,882	747,010	237,983,782
Total Non-current Assets	61,355,971	62,504,314	118,030,729	2,667,036	244,558,050
Total Assets	74,471,783	74,313,496	147,694,387	13,403,114	309,882,780
Deferred Outflow of Resources					
Unamortized Bond Refunding Amount, Net	17,602	5,193	9,385	-	32,180
Total Deferred Outflow of Resources	17,602	5,193	9,385	-	32,180
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	4,099	116,387	214,532
Refundable Government Grants	-	-	1,509,621	-	1,509,621
Total Current Liabilities	3,539,173	2,242,785	7,139,417	5,662,152	18,583,527
Non-current Liabilities					
Accrued Compensated Absences	1,115,236	534,727	1,635,094	173,170	3,458,227
Master Lease Payable	-	-	-	-	-
Long-term Debt	8,783,334	12,337,418	17,115,520	28,899,317	67,135,589
Total Non-current Liabilities	9,898,570	12,872,145	18,750,614	29,072,487	70,593,816
Total Liabilities	13,437,743	15,114,930	25,890,031	34,734,639	89,177,343
Deferred Inflow of Resources					
Unamortized Bond Refunding Amount, Net	-	-	-	11,765	11,765
Total Deferred Inflow of Resources	-	-	-	11,765	11,765
Net Position					
Net Investment in Capital Assets	51,789,042	49,007,879	99,284,201	(29,732,179)	170,348,943
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	7,080,174	403,604	15,990,356
Unrestricted	4,100,985	5,169,759	14,943,941	1,964,114	26,178,799
Total Net Position	$ 61,051,642	$ 59,203,759	$ 121,813,741	$ (21,343,290)	$ 220,725,852

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

	CSC	PSC	WSC As Restated	NSCS Office As Restated	Total
Assets					
Current Assets					
Cash and Cash Equivalents	$ 7,040,561	$ 5,939,236	$ 22,246,137	$ 3,451,550	$ 38,677,484
Restricted Cash and Cash Equivalents	6,551,171	4,463,075	10,032,902	5,807,295	26,854,443
Accounts Receivable, Net of Allowance	107,426	746,825	168,229	32,880	1,055,360
Other Receivables	162,990	158,757	789,801	21,373	1,132,921
Inventories	15,340	41,367	10,522	-	67,229
Loans to Students, Net	-	-	186,289	-	186,289
Prepaid Expenses	356,188	187,194	275,069	106,474	924,925
Deposits with Vendors	-	-	-	3,435	3,435
Total Current Assets	14,233,676	11,536,454	33,708,949	9,423,007	68,902,086
Non-current Assets					
Restricted Cash and Cash Equivalents	960,604	1,017,694	1,231,298	7,879,644	11,089,240
Restricted Investments	-	717,036	602,259	-	1,319,295
Loans to Students, Net	-	-	819,320	-	819,320
Prepaid Expenses	26,332	17,221	16,654	90,095	150,302
Capital Assets, Net	58,755,791	61,098,076	113,481,520	1,506,229	234,841,616
Total Non-current Assets	59,742,727	62,850,027	116,151,051	9,475,968	248,219,773
Total Assets	73,976,403	74,386,481	149,860,000	18,898,975	317,121,859
Deferred Outflow of Resources					
Unamortized Bond Refunding Amount, Net	19,558	5,842	10,559	-	35,959
Total Deferred Outflow of Resources	19,558	5,842	10,559	-	35,959
Liabilities					
Current Liabilities					
Accounts Payable and Accrued Liabilities	1,997,044	1,169,357	5,012,606	4,726,784	12,905,791
Accrued Compensated Absences	173,324	63,791	221,561	111,228	569,904
Unearned Revenue	80,328	-	858,333	-	938,661
Interest Payable	126,481	194,131	271,524	429,238	1,021,374
Master Lease Payable	144,213	71,566	-	-	215,779
Long-term Debt	640,000	584,996	860,000	3,215,000	5,299,996
Deposits Held in Custody for Others	87,578	44,210	68,827	120,612	321,227
Total Current Liabilities	3,248,968	2,128,051	7,292,851	8,602,862	21,272,732
Non-current Liabilities					
Accrued Compensated Absences	1,083,592	488,341	1,637,327	147,255	3,356,515
Refundable Government Grants	-	-	1,509,621	-	1,509,621
Master Lease Payable	102,476	-	-	-	102,476
Long-term Debt	9,436,352	12,902,477	17,999,189	32,730,834	73,068,852
Total Non-current Liabilities	10,622,420	13,390,818	21,146,137	32,878,089	78,037,464
Total Liabilities	13,871,388	15,518,869	28,438,988	41,480,951	99,310,196
Deferred Inflow of Resources					
Unamortized Bond Refunding Amount, Net	-	-	-	23,060	23,060
Total Deferred Inflow of Resources	-	-	-	23,060	23,060
Net Position					
Net Investment in Capital Assets	49,508,993	48,680,584	95,279,846	(29,678,846)	163,790,577
Restricted for:					
Expendable:					
Loans	-	-	(345,589)	-	(345,589)
Debt Service	649,291	564,018	871,868	1,802,783	3,887,960
Plant	910,387	548,973	473,763	2,998,754	4,931,877
Other	4,738,974	3,815,367	7,179,049	391,763	16,125,153
Unrestricted	4,316,928	5,264,512	17,972,634	1,880,510	29,434,584
Total Net Position	$ 60,124,573	$ 58,873,454	$ 121,431,571	$ (22,605,036)	$ 217,824,562

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

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - UNAUDITED

Fiscal Year Ended June 30, 2019

	CSC	PSC	WSC	NSCS Office	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	124,558	-	665,823
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	17,180,986	11,588,188	25,029,484	-	53,798,658
Operating Expenses					
Compensation and Benefits	24,662,256	14,187,608	30,372,407	1,853,941	71,076,212
Contractual Services	1,592,314	2,399,976	2,640,328	838,460	7,471,078
Supplies, Materials, and Other	4,549,827	2,722,125	6,824,419	292,466	14,388,837
Scholarships and Fellowships	1,382,632	1,369,218	1,926,584	-	4,678,434
Depreciation	2,395,041	2,306,723	4,549,818	759,219	10,010,801
Utilities	1,515,439	796,249	2,121,567	-	4,433,255
Repairs and Maintenance	890,201	1,155,925	3,589,332	-	5,635,458
Communications	91,641	125,901	169,433	-	386,975
Food Service	2,133,408	1,313,488	2,260,421	-	5,707,317
Total Operating Expenses	39,212,759	26,377,213	54,454,309	3,744,086	123,788,367
Operating Loss	(22,031,773)	(14,789,025)	(29,424,825)	(3,744,086)	(69,989,709)
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)	21,048,620	13,169,519	27,805,914	1,938,672	63,962,725
Income (Loss) Before Other Revenues, Expenses, Gains or (Losses)	(983,153)	(1,619,506)	(1,618,911)	(1,805,414)	(6,026,984)
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)	1,910,222	1,949,811	2,001,081	3,067,160	8,928,274
Increase (Decrease) in Net Position	927,069	330,305	382,170	1,261,746	2,901,290
Net Position, Beginning of Year	60,124,573	58,873,454	121,431,571	(22,605,036)	217,824,562
Net Position, End of Year	$ 61,051,642	$ 59,203,759	$ 121,813,741	$ (21,343,290)	$ 220,725,852

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

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - UNAUDITED

Fiscal Year Ended June 30, 2018

	CSC 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	$ 10,579,254	$ 6,843,319	13,319,871	$ -	$ 30,742,444
Federal Grants and Contracts	831,967	384,586	588,082	-	1,804,635
State Grants and Contracts	424,415	164,456	184,788	-	773,659
Private Grants and Contracts	238,176	236,906	323,887	-	798,969
Auxiliary Enterprises, Net of Scholarship Allowances and Institutional Waivers	5,402,843	3,683,525	8,172,741	-	17,259,109
Other Operating Revenues	808,315	267,007	427,285	-	1,502,607
Total Operating Revenues	18,284,970	11,579,799	23,016,654	-	52,881,423
Operating Expenses					
Compensation and Benefits	24,745,826	13,993,605	29,981,187	1,773,754	70,494,372
Contractual Services	1,396,636	1,828,173	2,167,865	762,458	6,155,132
Supplies, Materials, and Other	5,190,184	2,864,308	6,316,927	272,518	14,643,937
Scholarships and Fellowships	1,405,236	1,441,582	1,654,935	-	4,501,753
Depreciation	2,302,963	2,125,769	4,120,028	878,144	9,426,904
Utilities	1,422,410	769,367	2,120,545	-	4,312,322
Repairs and Maintenance	1,572,328	117,133	1,260,534	-	2,949,995
Communications	119,716	160,502	159,876	-	440,094
Food Service	2,110,990	1,248,155	2,116,069	-	5,475,214
Total Operating Expenses	40,266,289	24,548,594	49,897,966	3,686,874	118,399,723
Operating Loss	(21,981,319)	(12,968,795)	(26,881,312)	(3,686,874)	(65,518,300)
Non-operating Revenues (Expenses)					
State Appropriations	17,393,991	9,795,267	21,768,589	2,133,315	51,091,162
Federal grants and contracts	3,172,211	3,128,270	4,382,384	-	10,682,865
State grants and contracts	311,542	325,016	631,522	-	1,268,080
Investment Income	262,390	201,245	687,956	355,546	1,507,137
Interest on Capital Asset-Related Debt	(256,514)	(396,743)	(540,554)	(830,313)	(2,024,124)
Gain (Loss) on Disposal of Asset	(3,529)	-	(12,588)	-	(16,117)
Other Non-operating Revenue (Expense)	-	-	(1,576,073)	21,895	(1,554,178)
Net Non-operating Revenues (Expenses)	20,880,091	13,053,055	25,341,236	1,680,443	60,954,825
Income (Loss) Before Other Revenues, Expenses, Gains or (Losses)	(1,101,228)	84,260	(1,540,076)	(2,006,431)	(4,563,475)
Other Revenues (Expenses) or Gains (Losses)					
Capital Facilities Fees	-	-	-	2,102,454	2,102,454
Capital Contributions	-	-	2,975,634	-	2,975,634
Operating Transfers In (Out)	3,100,094	3,576,332	8,199,968	(14,876,394)	-
Capital Appropriations and Grants	2,216,000	593,794	939,787	1,425,000	5,174,581
Net Other Revenues (Expenses) or Gains (Losses)	5,316,094	4,170,126	12,115,389	(11,348,940)	10,252,669
Increase (Decrease) in Net Position	4,214,866	4,254,386	10,575,313	(13,355,371)	5,689,194
Net Position, Beginning of Year	55,909,707	54,619,068	110,856,258	(9,249,665)	212,135,368
Net Position, End of Year	$ 60,124,573	$ 58,873,454	$ 121,431,571	$ (22,605,036)	$ 217,824,562

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

	CSC	PSC	WSC	NSCS Office	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	823,658	-	3,315,872
Payments to Suppliers	(8,910,128)	(7,430,446)	(16,266,558)	(1,099,446)	(33,706,578)
Payments for Utilities	(1,479,213)	(789,015)	(2,159,711)	-	(4,427,939)
Payments to Employees	(24,676,881)	(14,131,594)	(30,353,439)	(1,889,810)	(71,051,724)
Loans Issued to Students	-	-	-	-	-
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)	(1,304,332)	(430)	(2,746,991)
Net Cash Used in Operating Activities	(19,550,164)	(12,220,166)	(25,730,698)	(2,989,686)	(60,490,714)
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	(60,385)	30,578	(62,174)
Net Cash Provided by Non-capital Financing Activities	20,839,198	13,376,541	27,478,854	2,367,143	64,061,736
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)	(2,404,733)	(8,405,116)	-	(16,838,039)
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 Used by Capital and Related Financing Activities	(3,017,284)	(1,176,286)	(6,420,239)	(4,405,408)	(15,019,217)
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 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

(Continued)

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

	CSC	PSC	WSC	NSCS Office	Total
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position					
Cash and Cash Equivalents	$ 6,826,235	$ 5,838,610	$ 19,217,324	$ 3,524,951	$ 35,407,120
Restricted Cash and Cash Equivalents - Current	5,363,943	4,932,994	9,564,932	7,043,354	26,905,223
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
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities					
Operating Loss	$ (22,031,773)	$ (14,789,025)	$ (29,424,825)	$ (3,744,086)	$ (69,989,709)
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)	204,652	5,946	2,199
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)	(291,282)	(4,366)	(440,490)
Net Cash Used in Operating Activities	$ (19,550,164)	$ (12,220,166)	$ (25,730,698)	$ (2,989,686)	$ (60,490,714)
Supplemental Cash Flows Information					
Accounts Payable Incurred for Capital Asset Purchases	$ 84,339	$ 21,385	$ 118,465	$ 266,176	$ 490,365

(Concluded)

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

	CSC As Restated	PSC As Restated	WSC As Restated	NSCS Office As Restated	Total
Cash Flows From Operating Activities					
Tuition and Fees	$ 10,567,629	$ 6,691,346	$ 13,378,038	$ -	$ 30,637,013
Grants and Contracts	1,493,825	777,748	1,126,491	(461)	3,397,603
Payments to Suppliers	(10,895,506)	(5,996,541)	(10,668,198)	(1,111,126)	(28,671,371)
Payments for Utilities	(1,393,815)	(763,317)	(2,020,214)	-	(4,177,346)
Payments to Employees	(24,874,411)	(14,079,664)	(30,079,719)	(725,986)	(69,759,780)
Loans Issued to Students	-	-	(72,356)	-	(72,356)
Collections of Loans to Students	-	-	179,713	-	179,713
Sales and Services of Auxiliary Enterprises	5,395,248	3,553,551	7,970,151	-	16,918,950
Other Payments	(608,270)	(1,182,956)	(1,217,850)	-	(3,009,076)
Net Cash Used in Operating Activities	(20,315,300)	(10,999,833)	(21,403,944)	(1,837,573)	(54,556,650)
Cash Flows From Non-capital Financing Activities					
State Appropriations	17,393,991	9,795,267	21,768,589	2,133,315	51,091,162
Grants and Contracts	3,483,753	3,453,286	5,013,906		11,950,945
Receipt of Flex Contributions	-	-	-	289,575	289,575
Payment of Flex Contributions	-	-	-	(272,605)	(272,605)
Direct Lending Receipts	9,968,067	8,887,304	12,060,376	-	30,915,747
Direct Lending Payments	(9,968,067)	(8,887,304)	(12,060,376)	-	(30,915,747)
Other Receipts (Payments)	(153,532)	35,702	(42,520)	34,585	(125,765)
Net Cash Provided by Non-capital Financing Activities	20,724,212	13,284,255	26,739,975	2,184,870	62,933,312
Cash Flows From Capital and Related Financing Activities					
Capital Contributions	-	-	2,302,761	-	2,302,761
Purchase of Capital Assets	(3,099,709)	(5,076,626)	(13,810,939)	-	(21,987,274)
Disposal of Capital Assets	(30,524)	-	-	-	(30,524)
Principal Paid on Capital Debt	(635,000)	(361,240)	(845,000)	(2,635,000)	(4,476,240)
Interest Paid on Capital Debt	(256,718)	(394,711)	(548,216)	(1,360,148)	(2,559,793)
Capital Facilities Fees	-	-	-	2,087,729	2,087,729
Transfers In (Out)	1,286,806	3,131,079	7,663,828	(12,081,713)	-
Other	-	-	-	(2,195)	(2,195)
Capital Appropriations	2,216,000	593,794	939,787	1,425,000	5,174,581
Net Cash Used by Capital and Related Financing Activities	(519,145)	(2,107,704)	(4,297,779)	(12,566,327)	(19,490,955)
Cash Flows From Investing Activities					
Purchase/Sale of Investments	-	-	-	-	-
Investment Income	257,885	219,663	679,251	357,690	1,514,489
Net Cash Provided by Investing Activities	257,885	219,663	679,251	357,690	1,514,489
Increase (Decrease) in Cash and Cash Equivalents	147,652	396,381	1,717,503	(11,861,340)	(9,599,804)
Cash and Cash Equivalents, Beginning of Year	14,404,684	11,023,624	31,792,834	28,999,829	86,220,971
Cash and Cash Equivalents, End of Year	$ 14,552,336	$ 11,420,005	$ 33,510,337	$ 17,138,489	$ 76,621,167

(Continued)

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

	CSC As Restated	PSC As Restated	WSC As Restated	NSCS Office As Restated	Total
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position					
Cash and Cash Equivalents	$ 7,040,561	$ 5,939,236	$ 22,246,137	$ 3,451,550	$ 38,677,484
Restricted Cash and Cash Equivalents - Current	6,551,171	4,463,075	10,032,902	5,807,295	26,854,443
Restricted Cash and Cash Equivalents - Non-current	960,604	1,017,694	1,231,298	7,879,644	11,089,240
Total Cash and Cash Equivalents	$ 14,552,336	$ 11,420,005	$ 33,510,337	$ 17,138,489	$ 76,621,167
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities					
Operating Loss	$ (21,981,319)	$ (12,968,795)	$ (26,881,312)	$ (3,686,874)	$ (65,518,300)
Depreciation Expense	2,302,963	2,125,769	4,120,028	878,144	9,426,904
Changes in Operating Assets and Liabilities:					
Receivables, Net	121,935	(105,620)	137,850	10,769	164,934
Inventories	2,389	6,075	1,482	-	9,946
Accounts Payable and Accrued Liabilities	(625,331)	10,166	1,193,264	1,014,735	1,592,834
Accrued Compensated Absences	(116,905)	(82,570)	(54,666)	(6,179)	(260,320)
Other Assets and Liabilities	(19,032)	15,142	79,410	(48,168)	27,352
Net Cash Used in Operating Activities	$ (20,315,300)	$ (10,999,833)	$ (21,403,944)	$ (1,837,573)	$ (54,556,650)
Supplemental Cash Flows Information					
Accounts Payable Incurred for Capital Asset Purchases	$ 90,200	$ 7,677	$ 767,096	$ 3,287,165	$ 4,152,138

(Concluded)

NEBRASKA 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, 2019 and 2018, and the related notes to the financial statements, which collectively comprise Nebraska State College System's basic financial statements, and have issued our report thereon dated December 12, 2019. 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 12, 2019, 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

December 12, 2019

Zachary Wells, CPA, CISA
Audit Manager