

NEVADA STATE COLLEGE FOUNDATION

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2018 AND 2017



HOULDSWORTH, RUSSO & COMPANY

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NEVADA STATE COLLEGE FOUNDATION

JUNE 30, 2018 AND 2017

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**NEVADA STATE COLLEGE FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2018, 2017 AND 2016**

The Nevada State College Foundation (the Foundation) was established in 2000 to solicit financial support for the Nevada State College and manage the resulting charitable gifts. The Foundation is governed by a Board of Trustees elected annually by the Nevada System of Higher Education. The Foundation is supported by professional staff of the Nevada State College (the College).

Overview

The Foundation's Management's Discussion and Analysis (MD&A) of its financial condition provides an overview of the financial activity, identifies changes in financial position and assists the reader in focusing on significant financial issues during the years ending June 30, 2018 and 2017 with comparative information as of June 30, 2016. This discussion provides summary-level financial information; therefore, it should be read in conjunction with accompanying financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

The financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Codification. The financial statements presented focus on the financial condition of the Foundation and the results of operations and cash flows of the Foundation as a whole. There are three financial statements presented: the Statements of Net Position; the Statements of Revenues, Expenses and Changes in Net Position; and the Statements of Cash Flows. They are prepared using the accrual basis of accounting.

Statements of Net Position

The Statements of Net Position outline the Foundation's financial condition at the end of its fiscal year. The Foundation operates on a fiscal year, which begins July 1 and ends June 30. These statements reflect the various assets, liabilities, and net position of the Foundation as of the fiscal years ended June 30, 2018 and 2017.

From the data presented, readers of the Statements of Net Position have the information to determine the assets available to continue the operations of the Foundation. They are also able to determine how much the Foundation owes vendors.

Finally, the Statements of Net Position provide a snapshot of the net position and their availability for expenditure by the Foundation.

The Statements of Net Position are presented in a classified format, which differentiates between current and noncurrent assets and liabilities, and also categorizes net position into three categories:

- Restricted-nonexpendable – Net position subject to donor-imposed stipulations that must be maintained permanently by the Foundation.
- Restricted-expendable – Net position subject to donor-imposed stipulations that will be transferred to the College for direct use by a designated program.
- Unrestricted – Net position not subject to donor-imposed stipulations or received with restrictions that were satisfied in the same period.

During the years presented, the Foundation had restricted-nonexpendable amounts for scholarships. As per agreements with donors, interest income derived from the corpus is transferred to the College for distribution as scholarships for students.

**NEVADA STATE COLLEGE FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2018, 2017 AND 2016**

**Condensed Statements of Net Position
June 30, 2018, 2017, and 2016**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Assets:			
Current assets	\$ 3,503,729	\$ 4,752,682	\$ 2,543,848
Noncurrent investments	1,225,736	1,131,736	1,037,845
Other assets	<u>2,743,694</u>	<u>3,390,509</u>	<u>5,998,707</u>
Total assets	<u>\$ 7,473,159</u>	<u>\$ 9,274,927</u>	<u>\$ 9,580,400</u>
Liabilities:			
Current liabilities	\$ -	\$ -	\$ 17,105
Net Position:			
Restricted-nonexpendable	1,252,198	1,167,907	1,046,345
Restricted-expendable	6,042,603	6,067,096	8,166,061
Unrestricted	<u>178,358</u>	<u>2,039,924</u>	<u>350,889</u>
Total net position	<u>7,473,159</u>	<u>9,274,927</u>	<u>9,563,295</u>
Total liabilities and net position	<u>\$ 7,473,159</u>	<u>\$ 9,274,927</u>	<u>\$ 9,580,400</u>

Current assets include cash of \$1,385,319, pledges of \$714,920, prepaid expenses of \$3,000 and investments of \$1,400,490 at June 30, 2018. The change in current assets included an increase in cash of \$1,015,076, decrease in investments of \$2,031,208, a decrease in pledges of \$235,821 and an increase in prepaid expenses of \$3,000. Noncurrent investments increased by \$94,000 from donations and collections on pledges to the endowment fund in 2018.

In 2017, the change in current assets included an increase in investments of \$2,797,353, a decrease in pledges of \$134,031 and a decrease in cash of \$449,488. Noncurrent investments increased by \$93,891 from donations and collections on pledges to the endowment fund in 2017.

In 2018, no additional pledges were received. Current collections on prior year pledges were \$1,161,021, with earnings on discount and bad debt write offs resulting in a decrease in long term pledges of \$646,815.

**NEVADA STATE COLLEGE FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2018, 2017 AND 2016**

Statements of Revenues, Expenses and Changes in Net Position

**Condensed Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2018, 2017 and 2016**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating revenues	\$ 1,582,094	\$ 869,081	\$ 7,229,352
Operating expenses	<u>3,468,152</u>	<u>1,279,011</u>	<u>924,808</u>
Operating income (loss)	(1,886,058)	(409,930)	6,304,544
Contributions to permanent endowments	<u>84,290</u>	<u>121,562</u>	<u>17,931</u>
Increase (decrease) in net position	(1,801,768)	(288,368)	6,322,475
Net position, beginning of year	<u>9,274,927</u>	<u>9,563,295</u>	<u>3,240,820</u>
Net position, end of year	<u>\$ 7,473,159</u>	<u>\$ 9,274,927</u>	<u>\$ 9,563,295</u>

The purpose of the Statements of Revenues, Expenses and Changes in Net Position is to present the revenues received by the Foundation, both operating and non-operating, and the expenses paid by the Foundation.

Operating revenues are donations received for providing assistance to the College and the related interest income earned from these donations. Operating expenses are expenses paid to acquire or produce the goods and services related to these restricted donations. The main purpose of the Foundation is to support the College by accepting and managing gifts. Gift and interest income comprise the majority of the revenue received in a given year. Likewise, the primary intention of such funds is to transfer them to the College.

Total operating revenue, comprised of contributions and interest income increased \$713,013 to \$1,582,094 for the year ended June 30, 2018 from \$869,081 for the year ended June 30, 2017, attributable primarily to an increase in contributions. Operating expenses increased \$2,189,141 from 2017 to 2018; primarily from an increase in distributions to the College.

The Statements of Revenues, Expenses and Changes in Net Position reflect the effect of revenues and expenses on net position. Net position decreased from 2017 to 2018 by \$1,801,768. Total net position was \$7,473,159 and \$9,274,927, respectively, at June 30, 2018 and 2017.

Total operating revenue, comprised of contributions and interest income, decreased \$6,360,271 to \$869,081 for the year ended June 30, 2017 from \$7,229,352 for the year ended June 30, 2016, attributable primarily to a decrease in contributions. Operating expenses increased \$354,203 from 2016 to 2017; including an increase of \$101,437 in administrative expenses.

**NEVADA STATE COLLEGE FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2018, 2017 AND 2016**

Statements of Revenues, Expenses and Changes in Net Position (Continued)

The Foundation distributes funds for programs and scholarships only when requested by Nevada State College. Distributions to the College increased \$2,217,699 from 2017 to 2018 and increased \$285,243 from 2016 to 2017. Distributions to the College were \$3,038,414, \$820,715, and \$535,467 for the years ended June 30, 2018, 2017, and 2016, respectively. Distributions for scholarships were \$126,587, \$137,987, and \$12,000 in 2018, 2017, and 2016, respectively, and distributions for other college expenses were \$2,911,827, \$682,782, and \$523,467 and in 2018, 2017, and 2016, respectively.

Administrative expenses, comprised of salary expense, supplies, and services were \$264,268, \$268,789 and \$167,352 in 2018, 2017, and 2016, respectively, including in-kind salaries of \$209,699, \$205,310 and \$128,721 provided by the College. In 2018, fundraising expenses were comprised of salaries expense of \$155,470 and outside services of \$10,000 of which \$86,631 was donated by the College. In 2017, fundraising expenses comprised of salaries expense of \$112,252, outside services of \$60,000 and other expenses of \$3,925 in 2017 of which \$56,245 was donated by the College. In 2016 the fundraising costs were salaries expense of \$140,102, outside services of \$45,000 and various other expenses of \$375 in 2016 of which \$67,846 was donated by the College.

Economic Outlook

The mission of the Nevada State College Foundation is to raise funds in support of the educational, technology, operational, facility and research needs of the students, faculty, staff and volunteers of the College and Foundation. The role of the Foundation in sustaining and helping to expand the capital, program and scholarship needs of the College is imperative as the College continues to grow and expand at a very rapid pace. For example, the budget for the College has allocated the hiring of 23 new faculty and staff positions in this next academic year. This equals 10% of the entire workforce and is a result of the massive increase in students the College incurred. That kind of growth, along with data that signals the College will continue this trajectory, means more physical space will be needed in a short time to meet the needs of students, faculty and staff.

The Foundation has focused efforts toward the necessary fundraising for a new School of Education Building. The goal of \$6 million in private support must be met for the state to fund the completion of the project. The building is the first phase of the "Teachers Now – Invest. Educate. Empower." Campaign. Should the Foundation raise \$6 million in pledges by October 31, 2018, the legislature will vote to fund the remainder of the building.

Once the capital fundraising goal is met, the Foundation will transition to the second phase of the campaign, which is to raise an additional \$6 million for programs and scholarships in the School of Education. The Foundation anticipates that timeframe to begin in the fall of 2018 and last for at least three more years.

The Foundation welcomed two new staff members to the team in this year, which has increased the amount of fundraising activity within the Foundation. The Foundation anticipates a record year with two additional fundraisers and the completion of the first phase of the Teachers Now campaign.

**NEVADA STATE COLLEGE FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2018, 2017 AND 2016**

While the economy is continuing to recover in southern Nevada, there is still competition for private dollars from local contributors. This challenge for the dollar will require the Foundation Board of Trustees to work cohesively and collaboratively in finding new dollars. The Teachers Now campaign is looked upon by all as a positive challenge for the Foundation in its support of the College to positively impact the young people, families and educational needs of southern Nevada.

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Nevada State College Foundation
Henderson, Nevada

We have audited the accompanying financial statements of business-type activities of the Nevada State College Foundation (the Foundation), a component unit of Nevada State College, as of and for the years ended June 30, 2018 and 2017, which collectively comprise the Foundation's basic financial statements as listed in the table of contents, 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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Nevada State College Foundation, as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants
20 YEARS & COUNTING

HOULDSWORTH, RUSSO & COMPANY

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 1-5 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with the 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.

Houldsworth, Russo & Company, P.C.

Las Vegas, Nevada
August 20, 2018

NEVADA STATE COLLEGE FOUNDATION
STATEMENTS OF NET POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	\$ 175,358	\$ 370,243
Cash, restricted-expendable	1,209,961	-
Investments	-	1,669,681
Investments, restricted-expendable	1,400,490	1,762,017
Pledges receivable, current, net	714,920	950,741
Prepaid expenses	3,000	-
	<u>3,503,729</u>	<u>4,752,682</u>
OTHER ASSETS		
Investments, restricted-nonexpendable	1,225,736	1,131,736
Pledges receivable, long-term, net	2,743,694	3,390,509
	<u>3,969,430</u>	<u>4,522,245</u>
	<u>\$ 7,473,159</u>	<u>\$ 9,274,927</u>
NET POSITION		
NET POSITION		
Restricted-nonexpendable	\$ 1,252,198	\$ 1,167,907
Restricted-expendable	6,042,603	6,067,096
Unrestricted	178,358	2,039,924
	<u>7,473,159</u>	<u>9,274,927</u>
	<u>\$ 7,473,159</u>	<u>\$ 9,274,927</u>

See notes to financial statements.

NEVADA STATE COLLEGE FOUNDATION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDING JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Operating contributions	\$ 1,163,838	\$ 379,819
In-kind contributions	298,394	286,715
Investment income	119,862	155,367
Gain on sale of donated property	-	47,180
	<u>1,582,094</u>	<u>869,081</u>
OPERATING EXPENSES		
Program expenses:		
Scholarships	126,587	137,987
Other College distributions	2,911,827	682,728
	<u>3,038,414</u>	<u>820,715</u>
Administrative expenses	264,268	268,789
Fundraising expenses	165,470	176,177
Bad debt expense related to pledges	-	13,330
	<u>3,468,152</u>	<u>1,279,011</u>
Loss before non-operating revenues	<u>(1,886,058)</u>	<u>(409,930)</u>
NON-OPERATING REVENUE		
Additions to permanent endowments	<u>84,290</u>	<u>121,562</u>
	<u>84,290</u>	<u>121,562</u>
DECREASE IN NET POSITION	(1,801,768)	(288,368)
NET POSITION, BEGINNING OF YEAR	<u>9,274,927</u>	<u>9,563,295</u>
NET POSITION, END OF YEAR	<u><u>\$ 7,473,159</u></u>	<u><u>\$ 9,274,927</u></u>

See notes to financial statements.

**NEVADA STATE COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDING JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from contributions	\$ 2,046,474	\$ 1,407,437
Receipts from investment income	124,441	72,030
Payments for fundraising expenses	(10,000)	(63,924)
Payments for employee compensation	(68,839)	(56,008)
Payments for administrative expenses	(57,569)	(75,584)
Distributions to Nevada State College	<u>(3,036,350)</u>	<u>(795,555)</u>
Net cash provided by (used in) operating activities	<u>(1,001,843)</u>	<u>488,396</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gifts for endowment purposes	<u>84,290</u>	<u>121,562</u>
Net cash provided by financing activities	<u>84,290</u>	<u>121,562</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(3,507,514)	(2,807,905)
Sale of investments	5,440,143	-
Disbursements related to property held for sale	-	(48,035)
Proceeds from sale of property	<u>-</u>	<u>1,796,496</u>
Net cash provided by (used in) investing activities	<u>1,932,629</u>	<u>(1,059,444)</u>
NET INCREASE (DECREASE) IN CASH	1,015,076	(449,486)
CASH, BEGINNING OF YEAR	<u>370,243</u>	<u>819,729</u>
CASH, END OF YEAR	<u><u>\$ 1,385,319</u></u>	<u><u>\$ 370,243</u></u>
SUMMARY OF CASH ACCOUNTS		
Cash	\$ 175,358	\$ 370,243
Cash, restricted-expendable	<u>1,209,961</u>	<u>-</u>
	<u><u>\$ 1,385,319</u></u>	<u><u>\$ 370,243</u></u>

See notes to financial statements.

**NEVADA STATE COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDING JUNE 30, 2018 AND 2017**

	2018	2017
RECONCILIATION OF OPERATING LOSS TO		
NET CASH PROVIDED BY (USED IN) OPERATING		
ACTIVITIES		
Operating loss	\$ (1,886,058)	\$ (409,930)
Adjustments to reconcile changes in net position to net cash		
provided by (used in) operating activities:		
Unrealized (gain) loss on investments	4,579	(83,337)
Bad debt expense	-	13,330
Change in pledge discount	(60,575)	(40,444)
Change in allowance for uncollectible pledges receivable	219,310	(3,000)
Donated assets	-	(47,180)
Changes in operating assets and liabilities:		
Decrease in pledges receivable	723,901	1,071,062
(Increase) decrease in prepaid expenses	(3,000)	5,000
Increase in accounts payables	-	(17,105)
	\$ (1,001,843)	\$ 488,396
Net cash provided by (used in) operating activities	\$ (1,001,843)	\$ 488,396

See notes to financial statements.

NEVADA STATE COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Nevada State College Foundation (the Foundation) is a non-profit corporation organized in 2000 in the state of Nevada to support the promotion, growth, and improvement of and to enhance and stimulate the quality of education at the Nevada State College. The Foundation is supported primarily through donations from Southern Nevada residents and businesses.

Basis of Presentation

The Foundation is considered to be a governmental not-for-profit because of its relationship with the Nevada State College (the College), a campus of the Nevada System of Higher Education. The financial statements of the Foundation have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) Codification.

The Foundation is a component unit of the Nevada State College as defined by GASB Codification. As such, the Foundation reports its financial activities and position using a single column enterprise fund presentation.

The financial statements of the Foundation have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. The statement of net position and the statement of revenues, expenses and changes in net position display information about the Foundation. These statements include the financial activity of the overall reporting entity.

The statement of revenues, expenses and changes in net position is the statement of financial activities related to the current period.

Net Position

The Foundation classifies net position, revenues, gains, and other support and expenses based on the existence or absence of donor-imposed restrictions. Accordingly, net position of the Foundation and changes therein are classified and reported as follows:

Restricted-nonexpendable - Net position subject to donor-imposed stipulations that must be maintained permanently by the Foundation.

Restricted-expendable - Net position subject to donor-imposed stipulations that will be transferred to the College for direct use by a designated program.

NEVADA STATE COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

Unrestricted - Net position not subject to donor-imposed stipulations or received with restrictions that were satisfied in the same period.

The Foundation solicits contributions for Foundation operations and for specific program uses. When disbursements are made to the College for a specific program, funds restricted for that program are the first amounts used. If the College requests funds for a specific program that exceed the amount available by donor restriction, the Foundation Board of Trustees may consider using unrestricted funds to satisfy the request.

Use of Estimates

Timely 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, some of which may require revision in future periods.

Cash and Cash Equivalents

The Foundation considers all highly-liquid investments with an original maturity date of three months or less to be cash equivalents.

Restricted Cash and Cash Equivalents and Investments

Cash and cash equivalents and investments that are restricted in accordance with donor stipulations for endowments are classified as noncurrent assets in the statements of net position.

Pledges Receivable

In accordance with GASB Codification, private donations are recognized when all eligibility requirements are met, provided that the promise is verifiable, the resources are measurable and collection is probable. Pledges receivable are recorded at net present value using the appropriate discount rate. An allowance for uncollectible pledges is estimated based on the Foundation's collection history and is netted against the gross pledges receivable. When a pledge is identified as uncollectible, the pledge is written off against the allowance. The allowance for uncollectible pledges is \$146,000 and \$365,310 at June 30, 2018 and 2017, respectively.

From time to time, a donor may amend the terms of a pledge agreement to redirect the use of pledged funds. When this occurs, management reassesses the pledge to determine whether it meets the applicable revenue recognition criteria.

NEVADA STATE COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Noncash tangible assets, other than marketable securities, contributed to the Foundation are recorded on the date legal title passes at the appraised value when it is provided by an independent third party acceptable to Foundation management. If no such independent third-party appraisal is available, the asset is recorded at an objective, verifiable basis which is, in the judgement of Foundation management, a fair value to the Foundation for its purposes. If it is not practicable to determine an objective, verifiable valuation, the contribution is not recorded. Marketable securities contributed to the Foundation are recorded at market value as of the date of the gift.

Operating and Nonoperating Revenues and Expenses

Revenues and expenses are classified as operating if they result from providing services in connection with the Foundation's ongoing operations. The Foundation's operating revenues consist primarily of contributions received without permanent restrictions and interest income. As the primary function of the Foundation is to invest donations to benefit the College, interest income is included in operations. Foundation expenses are those costs associated with the acquisition of donations and promotion of the College's image. In accordance with GASB Codification, as discussed above, pledges receivable are recorded at net present value using the appropriate discount rate.

Revenues and expenses are classified as nonoperating if they result from contributions to permanent endowments.

Restricted and Unrestricted Revenue

Donations, gifts, and pledges are recognized as income when all eligibility requirements are met, provided that the promise is verifiable, the resources are measurable, and collection is probable. Contributions received are recorded as unrestricted or restricted, including both expendable and nonexpendable resources, depending on the existence and/or nature of any donor restrictions.

Capital Assets

Capital assets are defined with an initial cost of \$500 or more and an estimated useful life in excess of one year. Such assets are stated as cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Accumulated depreciation is computed on a straight-line basis over the life of the asset. There are currently no capital assets held by the Foundation.

Maintenance, repairs, and minor renewals are charged to operations as incurred. When an asset is disposed of, accumulated depreciation is deducted from the original cost, and any gain or loss arising from its disposal is credited or charged to operations.

**NEVADA STATE COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Foundation is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income taxes on related income pursuant to the appropriate section of the Internal Revenue Code. The Foundation did not conduct any unrelated business activities and, consequently, has no provision for federal or state taxes in the accompanying financial statements.

Investments

The Foundation holds investments in money market accounts, equity securities and fixed income securities. Investments in marketable equity securities with readily determinable fair values are stated at fair market value. Unrealized gains and losses are included in the change in net position in the accompanying statements of revenues, expenses and changes in net position.

NOTE 2. PLEDGES RECEIVABLE

Pledges receivable contain purpose restrictions for scholarships and College programs and development. Pledges receivable expected to be received after one year are discounted based on the year promised at a rate of 3%.

The Foundation's pledges receivable at June 30 are as follows:

	<u>2018</u>	<u>2017</u>
Gross pledges	\$ 4,260,300	\$ 5,421,321
Less: allowance for doubtful pledges	<u>(146,000)</u>	<u>(365,310)</u>
Pledges, net of allowance	<u>\$ 4,114,300</u>	<u>\$ 5,056,011</u>
Receivable in less than one year	\$ 714,920	\$ 950,741
Receivable in one to five years	<u>3,399,380</u>	<u>4,105,270</u>
Pledges, net of allowance	4,114,300	5,056,011
Less: discount to present value	<u>(655,686)</u>	<u>(714,761)</u>
	3,458,614	4,341,250
Less: current pledges	<u>(714,920)</u>	<u>(950,741)</u>
Long-term pledges	<u>\$ 2,743,694</u>	<u>\$ 3,390,509</u>

**NEVADA STATE COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017**

NOTE 3. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Cash and cash equivalents are stated at cost, which approximates market, and consists of cash which is covered by the Federal Deposit Insurance Corporation (the FDIC). The balance of cash and cash equivalents totaled \$1,385,319 and \$370,243 at June 30, 2018 and 2017, respectively, and is uncollateralized. Of these balances, \$1,135,314 and \$120,240 was not insured at June 30, 2018 and 2017, respectively.

Restricted cash includes funds restricted for scholarships and other college programs that are included in the cash balances noted above.

Credit risk is the risk that an issuer will not fulfill its obligations to the holder of the investments. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Foundation's policy for reducing its exposure to credit risk is to limit the asset allocation. Cash equivalents must be rated either "A2 or P2" or higher. Fixed income securities shall be US government obligations, agencies of the US government, corporate securities, and notes primarily rated with an investment grade of BBB from Standard & Poor's and/or BAA rating from Moody's or higher. Equities shall include primarily large capitalization, value, core, and growth orientations.

Custodial credit risk is the risk that the Foundation may not be able to recover the value of the investments that are in the possession of an outside party. Concentration risk is the risk of loss attributed to one issuer. The Foundation does not have a formal policy for custodial credit risk.

Interest rate risk is the risk that the value of fixed income securities will decline because of changes in interest rates. The prices of fixed income securities with shorter duration to maturity tend to be more sensitive to changes in interest rates, and, therefore, more volatile than those with longer investment lives. The Foundation does not have a formal policy for interest rate risk.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair market value of an investment. The Foundation does not have any foreign currency risk.

At June 30, the Foundation had investments with a fair market value as follows:

	<u>2018</u>	<u>2017</u>
Money market	\$ 226,619	\$ 1,016,078
Fixed income securities	1,249,913	2,402,199
Equity securities	<u>1,149,694</u>	<u>1,145,157</u>
	<u>\$ 2,626,226</u>	<u>\$ 4,563,434</u>

The above investments are not rated.

**NEVADA STATE COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017**

NOTE 4. RELATED PARTY TRANSACTIONS

As the Foundation is managed by College employees, compensated absences are not accrued by the Foundation. The salaries and fringe benefits of these employees are paid for by the College with a predetermined amount paid for by the Foundation. During the years ended June 30, 2018 and 2017, the Foundation paid \$68,839 and \$56,008 to the College for the services of these employees. Additionally, the College contributed in-kind salaries and fringe benefits of \$296,330 and \$261,555 to the Foundation for the years ended June 30, 2018 and 2017, respectively. The transactions were recorded as revenues and related expenses. The payments made on behalf of the Foundation include payments to the Nevada Public Employee Retirement System (“PERS”), a cost-sharing multiple-employer public employee retirement system. PERS issues a comprehensive annual financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERS at 693 W. Nye Lane, Carson City, NV 89703-1599.

During the years ended June 30, 2018 and 2017, the Foundation transferred funds to be used for various College programs and capital projects to the College in the amount of \$3,036,350 and \$795,555, respectively.

During the years ended June 30, 2018 and 2017, the Foundation received donated items from donors in the amount of \$2,064 and \$25,090, respectively, which were transferred to the College and included in distributions to the College.

NOTE 5. RESTRICTED NET POSITION

Restricted-nonexpendable net position at June 30:

	2018	2017
Scholarship endowments	\$ 1,252,198	\$ 1,167,907

Restricted-nonexpendable position consists of the following at June 30:

	2018	2017
Pledges	\$ 26,462	\$ 36,171
Investments	1,225,736	1,131,736
	\$ 1,252,198	\$ 1,167,907

Restricted-expendable net position is available for the following purposes at June 30:

	2018	2017
Scholarships	\$ 1,018,744	\$ 1,030,477
College programs	655,752	199,630
Capital improvements	4,294,065	4,722,903
Time restricted only	74,042	114,086
	\$ 6,042,603	\$ 6,067,096

**NEVADA STATE COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017**

NOTE 5. RESTRICTED NET POSITION (CONTINUED)

Restricted-expendable position consists of the following at June 30:

	2018	2017
Cash	\$ 1,209,961	\$ -
Investments	1,400,490	1,762,017
Pledges receivable	3,432,152	4,305,079
	\$ 6,042,603	\$ 6,067,096

Restricted-nonexpendable position consists of endowments given by various donors with the restriction that the corpus of the donation not be spent. The investment income generated from the endowment investments is restricted for scholarships and reported as restricted-expendable. The endowment corpus at June 30, 2018 and 2017 is \$1,252,198 and \$1,167,907.

The Foundation follows the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) with respect to prudent investing and spending of donor-restricted endowments. The Foundation utilizes a spending rule for its endowments, which determines the endowment income to be distributed currently for spending. For the years ended June 30, 2018 and 2017, the Foundation followed the endowment spending policy, as approved by the Board of Regents, authorizing a distribution of current interest earned only. The Foundation's policy is to retain the endowment's investment income consisting of interest with the endowment after the annual income distribution has been made. The investment income retained in endowment investments was \$53,164 and \$92,571 at June 30, 2018 and 2017, respectively, and is reflected within the restricted-expendable for scholarships net position category and is available to meet future spending needs subject to the approval of the Board of Trustees.

NOTE 6. PROPERTY HELD FOR SALE

During the fiscal year ending of June 30, 2016, the Foundation received a donation of property in Pocatello, Idaho. This property was valued at \$1,600,000 and posted to the accounting records upon transfer of the deed. Additional costs of approximately \$249,316 have been incurred while holding the property for sale. An offer was received and accepted in May 2016, which resulted in \$100,000 deposit before fiscal year end June 30, 2016, that reduced the carrying value of the investment. The sale of the property for \$1,796,496 was finalized August 23, 2016 and resulted in a gain on the sale over the value carried in these financial statements of \$47,180.

**NEVADA STATE COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017**

NOTE 7. SCHOLARSHIP COMMITMENT

During the fiscal year ending June 30, 2017, the Foundation entered into an agreement to provide scholarship funds to the Miss Nevada Scholarship Organization. The scholarships will only be paid if the eligible winners opt-in to receive the awards. The following is the future commitment of payments at June 30:

2019	\$	7,500
2020		7,500
2021		<u>7,500</u>
	\$	<u>22,500</u>