



FINANCIAL STATEMENTS
June 30, 2018 and 2017
(With Independent Auditor's Report Thereon)

**Thomas &
Thomas LLP**

Certified Public Accountants

Henderson State University Foundation

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Henderson State University Foundation
Arkadelphia, Arkansas

We have audited the accompanying financial statements of **Henderson State University Foundation (the Foundation)**, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

The Board of Directors
Henderson State University Foundation
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Opinion

In our opinion, the financial statements referred to on the preceding page present fairly, in all material respects, the financial position of **Henderson State University Foundation** as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Thomas & Thomas LLP
Certified Public Accountants

September 27, 2018
Little Rock, Arkansas

Financial Statements

Henderson State University Foundation

STATEMENTS OF FINANCIAL POSITION June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 2,337,173	\$ 2,562,920
Accrued interest receivable	1,509	-
Receivable for securities sold	1,345	20,213
Contributions receivable, net	570,611	119,318
Investments	16,672,859	14,988,709
Prepaid expenses	11,500	15,334
	<u>11,500</u>	<u>15,334</u>
TOTAL ASSETS	<u>\$ 19,594,997</u>	<u>\$ 17,706,494</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 166,667	\$ 178,637
Payable for securities purchased	45,493	-
	<u>45,493</u>	<u>-</u>
TOTAL LIABILITIES	<u>212,160</u>	<u>178,637</u>
Net Assets		
Unrestricted	188,431	161,979
Temporarily restricted	7,697,341	6,216,908
Permanently restricted	11,497,065	11,148,970
Total Net Assets	<u>19,382,837</u>	<u>17,527,857</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 19,594,997</u>	<u>\$ 17,706,494</u>

See accompanying notes to financial statements.

Henderson State University Foundation

STATEMENTS OF ACTIVITIES Years Ended June 30, 2018 and 2017

	2018	2017
CHANGES IN UNRESTRICTED NET ASSETS		
Unrestricted Support and Revenue		
Grants	\$ 1,094	\$ 29,404
Interest and dividends, net	80	26
Net assets released from restrictions	1,498,729	1,769,225
Total Unrestricted Support and Revenue	1,499,903	1,798,655
Expenses		
Program services	1,357,866	1,644,729
General and administrative supporting services	115,585	130,311
Total Expenses	1,473,451	1,775,040
Increase in Unrestricted Net Assets	26,452	23,615
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	1,937,581	1,313,368
Interest and dividends, net	299,761	570,620
Net appreciation in fair value of investments	741,820	937,329
Net assets released from restrictions	(1,498,729)	(1,769,225)
Increase in Temporarily Restricted Net Assets	1,480,433	1,052,092
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Contributions	345,855	584,069
Interest and dividends, net	2,240	4,302
Increase in Permanently Restricted Net Assets	348,095	588,371
INCREASE IN TOTAL NET ASSETS	1,854,980	1,664,078
NET ASSETS, BEGINNING OF YEAR	17,527,857	15,863,779
NET ASSETS, END OF YEAR	\$ 19,382,837	\$ 17,527,857

See accompanying notes to financial statements.

Henderson State University Foundation

STATEMENTS OF CASH FLOWS Years Ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Total Net Assets	\$ 1,854,980	\$ 1,664,078
Adjustments to Reconcile Increase in Total Net Assets to Net Cash Provided by Operating Activities		
Donated securities	(190,219)	(91,849)
Net appreciation in fair value of investments	(741,820)	(937,329)
Changes in operating assets and liabilities:		
Accrued interest receivable	(1,509)	1,001
Contributions receivable	(451,293)	69,834
Prepaid expenses	3,834	3,833
Accounts payable	(11,970)	178,637
Net Cash Provided by Operating Activities	462,003	888,205
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturity of investments	2,824,475	14,216,297
Purchases of investments	(3,512,225)	(15,257,159)
Net Cash Used by Investing Activities	(687,750)	(1,040,862)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(225,747)	(152,657)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,562,920	2,715,577
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,337,173	\$ 2,562,920

See accompanying notes to financial statements.

Henderson State University Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Organization and Operations

Henderson State University Foundation (the Foundation) was incorporated under the laws of the State of Arkansas and is a component unit of Henderson State University (the University). The Foundation's primary purpose is to receive, invest and manage gifts for the development, growth, expansion, progress, accomplishment of educational objectives, development of the physical plant, improvement of faculty and staff, and aid to the student body and alumni of the University.

The activities of the Foundation are the responsibility of the Board of Directors (the Board) of the Foundation, the members of which are nominated by the Board and subsequently confirmed by the University Board of Trustees.

(b) Basis of Accounting and Financial Statement Presentation

These financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Accounting principles generally accepted in the United States of America require the Foundation to report information regarding its financial position and activities according to three classes of net assets - unrestricted, temporarily restricted and permanently restricted.

(c) Cash and Cash Equivalents

For purposes of presentation in the statements of cash flows, cash and cash equivalents include all highly liquid investments with original maturities of three months or less. At times during the years ended June 30, 2018 and 2017, cash and cash equivalents exceeded amounts insured by the Federal Deposit Insurance Corporation (FDIC) or the Securities Investor Protection Corporation (SIPC) and were not collateralized. In the event of an institutional failure, the excess over FDIC or SIPC insurance may not be recoverable. For the years ended June 30, 2018 and 2017, approximately \$400,000 and \$812,000 were not insured or collateralized, respectively.

(d) Investments

The Foundation's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly fashion between market participants at the measurement date. See Note 2 for further discussion of fair value measurements.

Realized and unrealized gains and losses on investments are included in net appreciation (depreciation) in fair value of investments in the statements of activities. Purchases and sales are recorded on the trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment income and gains restricted by donors are reported as increases in permanently restricted net assets or temporarily restricted net assets, depending on the nature of the restrictions.

Henderson State University Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Investments (Continued)

Contributed investment securities are recorded based on the average of the high and low market prices on the date the investment securities are received. Generally, the Foundation liquidates contributed investment securities on the same day they are received, or as soon as reasonably possible thereafter. The difference between the initial recorded value and the sales proceeds is reflected on the statements of activities as net appreciation (depreciation) in fair value of investments.

For the years ended June 30, 2018 and 2017, expenses relating to investment income, including custodial fees and investment advisory fees, totaled \$84,870 and \$34,557, respectively, and have been netted against interest and dividend income in the statements of activities.

(e) Property and Equipment

Property and equipment are reported at historical cost or at the estimated fair value at the date of receipt for contributed assets. Major renewals and improvements are capitalized, while normal repairs and maintenance are expensed in the period incurred.

Depreciation of property and equipment is recorded using the straight-line method over estimated useful lives ranging from 3 to 39 years.

(f) Contributions

Contributions, including unconditional promises to give, are recognized as support in the statements of activities in the period received or when the Foundation becomes aware that a promise to give has been made, whichever occurs first.

Contributions that are restricted by the donor are recorded as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Management expects all unconditional promises to give to be fully collected; therefore no allowance for uncollectible amounts has been recorded.

(g) Grant Income

Grant income includes funds received by the Foundation to pass through to the University. The Foundation has no required oversight of these funds other than receiving and disbursing these funds to the University. These disbursements are included in program expenses on the statements of activities in the same amount as shown as grant income.

Henderson State University Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Expense Allocation

The Foundation allocates its expenses on a functional basis among program and supporting services. Expenses that are directly related to the fiduciary services performed by the Foundation are included in program expenses. Expenses that are solely and directly related to operation and administration of the Foundation are included in supporting services. Such supporting services include various costs associated with administrative, financial, personnel, information systems, fundraising and other general and administrative functions of the Foundation. Other expenses that are common to several functions are allocated based on various statistical bases.

(i) Estimates

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

(j) Income Taxes

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation.

Accounting standards require the Foundation to evaluate tax positions and recognize a tax liability (or asset) if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Foundation has analyzed the tax positions taken and has concluded that as of June 30, 2018 and 2017, there are no uncertain positions taken or expected to be taken that would require the recognition of a liability (or asset) or disclosure in the financial statements. The Foundation may be subject to audit by the Internal Revenue Service; however, there are currently no audits for any tax periods in progress.

(k) Recently Issued Accounting Standards

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The purpose of ASU No. 2016-14 is to amend existing financial reporting standards applicable to not-for-profit entities to improve the usefulness, relevance and clarity of information presented in financial statements and to enhance the information presented in the notes thereto. This new standard, which becomes effective for the Foundation on July 1, 2018, requires the following:

- Presentation of two classes of net assets – net assets with donor restrictions and net assets without donor restrictions.
- Elimination of the requirement to present a reconciliation of cash flows using the indirect method if the organization elects to use the direct method for purposes of preparing the statement of cash flows.

Henderson State University Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Recently Issued Accounting Standards (Continued)

- Enhanced disclosures about governing board designations and other self-imposed limits on the use of resources, as well as the composition of net assets with donor restrictions at the end of the period and how those restrictions affect the use of resources.
- New disclosures containing qualitative information communicating how liquid resources are managed to meet cash needs for general expenditures within one year of the financial reporting date and quantitative information communicating the availability of resources to meet cash needs for general expenditures within one year of the financial reporting date.
- Presentation of expenses by natural and functional classification, either on the statement of activities, in a separate statement or in the notes to the financial statements.
- Reporting of underwater amounts of donor-restricted endowment funds in net assets with donor restrictions and enhanced disclosures about underwater endowments.
- Enhanced disclosures about the method(s) used to allocate costs among program and support functions.
- Reporting of investment return net of external and direct internal investment expenses.

While this new standard will significantly impact the presentation of the financial statements and the content of disclosures in the notes to the financial statements, it is not expected to have a material impact on the recording or measurement of amounts presented therein.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The new guidance requires lessees to record a right-of-use asset and a corresponding liability equal to the present value of future rental payments on their statement of financial position for all leases with a term greater than one year and becomes effective for the Foundation on July 1, 2019. Management of the Foundation has not yet determined the significance of the impact of implementation of this standard or any related amendments.

(l) Reclassifications

Certain 2017 amounts have been reclassified in order to conform with 2018 financial statement presentation.

Henderson State University Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 2: INVESTMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). 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 the following:

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

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

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

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

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

The fair values of mutual funds are determined based on the daily closing price as reported by the fund. These funds are required to publish their daily net asset value (NAV) and to transact at that price.

The fair values of exchange traded funds are determined based on the closing price as reported by the fund. The funds are priced continuously throughout the day but are required to publish their daily NAV at market close based on the value of the underlying securities.

The fair values of equities are determined based on the closing price reported on the active market in which the individual securities are traded.

Henderson State University Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 2: INVESTMENTS (Continued)

The fair values of U.S. Treasury obligations, government-sponsored entity obligations and bonds are determined based on pricing models maximizing the use of observable inputs for similar securities.

The fair values of real property are determined based on an appraisal at the date of donation. The appraisal considered sales of comparable property at the date of donation.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following are the fair values of the Foundation's assets measured on a recurring and nonrecurring basis at June 30. Level 1 and Level 2 investments are measured on a recurring basis and Level 3 investments are measured on a nonrecurring basis. No activity occurred in Level 3 investments during the years ended June 30, 2018 and 2017. There have been no changes in methodologies used at June 30, 2018 and 2017:

	June 30, 2018			
	Fair Value	Level 1	Level 2	Level 3
Investments				
Mutual funds				
Corporate bond	\$ 1,014,204	\$ 1,014,204	\$ -	\$ -
Intermediate government	1,017,154	1,017,154	-	-
High yield bond	852,181	852,181	-	-
Diversified emerging markets	530,071	530,071	-	-
Real estate	863,464	863,464	-	-
Total mutual funds	<u>4,277,074</u>	<u>4,277,074</u>	<u>-</u>	<u>-</u>
Exchange traded funds				
Small blend	291,414	291,414	-	-
Large blend	326,690	326,690	-	-
Foreign large blend	1,953,584	1,953,584	-	-
Corporate bond	52,618	52,618	-	-
Large value	1,940,583	1,940,583	-	-
Large growth	1,838,019	1,838,019	-	-
Commodities	54,390	54,390	-	-
Total exchange traded funds	<u>6,457,298</u>	<u>6,457,298</u>	<u>-</u>	<u>-</u>

(Continued)

Henderson State University Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 2: INVESTMENTS (Continued)

	June 30, 2018			
	Fair Value	Level 1	Level 2	Level 3
Investments (Continued)				
Equity securities				
Consumer discretionary	\$ 253,429	\$ 253,429	\$ -	\$ -
Consumer staples	322,044	322,044	-	-
Energy	133,783	133,783	-	-
Financial services	446,663	446,663	-	-
Health care	324,498	324,498	-	-
Industrials	359,706	359,706	-	-
Information technology	553,336	553,336	-	-
Materials	69,454	69,454	-	-
Real estate	68,482	68,482	-	-
Telecommunication services	83,442	83,442	-	-
Utilities	84,573	84,573	-	-
Total equity securities	2,699,410	2,699,410	-	-
U.S. Treasury obligations	2,483,221	-	2,483,221	-
Government-sponsored entity obligations	317,355	-	317,355	-
Municipal bond	252,377	-	252,377	-
International bond	109,624	-	109,624	-
Real estate	76,500	-	-	76,500
	\$ 16,672,859	\$ 13,433,782	\$ 3,162,577	\$ 76,500

	June 30, 2017			
	Fair Value	Level 1	Level 2	Level 3
Investments				
Mutual funds				
Corporate bond	\$ 874,404	\$ 874,404	\$ -	\$ -
Intermediate term bond	851,236	851,236	-	-
High yield bond	711,150	711,150	-	-
Diversified emerging markets	539,473	539,473	-	-
Tactical tilts	688,050	688,050	-	-
Real estate	703,867	703,867	-	-
Total mutual funds	4,368,180	4,368,180	-	-

(Continued)

Henderson State University Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 2: INVESTMENTS (Continued)

	June 30, 2017			
	Fair Value	Level 1	Level 2	Level 3
Investments (Continued)				
Exchange traded funds				
Small blend	\$ 217,271	\$ 217,271	\$ -	\$ -
Large blend	263,804	263,804	-	-
Foreign large blend	1,704,243	1,704,243	-	-
Emerging markets bond	9,949	9,949	-	-
Corporate bond	55,263	55,263	-	-
Large value	1,690,186	1,690,186	-	-
Large growth	1,591,938	1,591,938	-	-
Commodities	13,501	13,501	-	-
Real estate	51,686	51,686	-	-
Total exchange traded funds	5,597,841	5,597,841	-	-
Equity securities				
Consumer discretionary	212,217	212,217	-	-
Consumer staples	269,978	269,978	-	-
Energy	90,226	90,226	-	-
Financial services	384,407	384,407	-	-
Health care	310,561	310,561	-	-
Industrials	327,004	327,004	-	-
Information technology	500,178	500,178	-	-
Materials	60,647	60,647	-	-
Real estate	81,708	81,708	-	-
Telecommunication services	75,966	75,966	-	-
Utilities	61,846	61,846	-	-
Total equity securities	2,374,738	2,374,738	-	-
U.S. Treasury obligations	1,999,736	-	1,999,736	-
Government-sponsored entity obligations	318,921	-	318,921	-
Municipal bond	252,793	-	252,793	-
Real estate	76,500	-	-	76,500
	\$ 14,988,709	\$ 12,340,759	\$ 2,571,450	\$ 76,500

Henderson State University Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 3: CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable at June 30 include the following:

	2018	2017
Contributions receivable	\$ 601,000	\$ 123,000
Less unamortized discount on long-term contributions receivable	(30,389)	(3,682)
	\$ 570,611	\$ 119,318

Contributions receivable at June 30 are expected to be collected as follows:

	2018	2017
Amounts due in:		
Less than one year	\$ 112,000	\$ 52,000
One to five years	489,000	71,000
	\$ 601,000	\$ 123,000

Contributions receivable which are scheduled to be received after one year are reported at the present value of estimated future cash flows using a discount rate of four percent.

NOTE 4: ENDOWMENTS

The Foundation's endowment consists of approximately 300 individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the 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 as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence 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

Henderson State University Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 4: ENDOWMENTS (Continued)

various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation and (7) the Foundation's investment policies.

The Foundation has adopted investment and spending policies, approved by the Board, 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 is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distribution to meet the operating needs of the Foundation, while growing the funds if possible. Investment risk is measured in terms of the total endowment funds; investment assets and allocation between asset classes and strategies are managed to not expose the funds to unacceptable levels of risk.

The Foundation has a spending policy of appropriating for distribution each year 5.5% of its endowment fund's average fair value of the 5 years through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this spending policy, the Foundation considers 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.

Changes in donor restricted endowment net assets for the years ended June 30 are as follows:

	2018		2017	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Endowment net assets,				
beginning of year	\$ 4,171,397	\$ 11,148,970	\$ 3,063,419	\$ 10,560,599
Contributions	11,325	345,855	16,139	584,069
Interest and dividends, net	299,761	2,240	570,620	4,302
Net appreciation in fair value				
of investments	741,820	-	937,329	-
Appropriation of endowment				
assets for expenditure	(436,333)	-	(416,110)	-
Endowment net assets,				
end of year	<u>\$ 4,787,970</u>	<u>\$ 11,497,065</u>	<u>\$ 4,171,397</u>	<u>\$ 11,148,970</u>

Henderson State University Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 5: NET ASSETS

Temporarily restricted net assets consist of endowment income and contributions received with donor-imposed restrictions limiting the Foundation's use of contributed assets to a later period, a specific purpose or both. The amounts are transferred to unrestricted net assets in the period the donor-imposed restrictions expire or the donor-stipulated purpose has been fulfilled by the Foundation.

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

	<u>2018</u>	<u>2017</u>
Athletics and other	\$ 4,315,919	\$ 3,275,986
Scholarship	2,702,315	2,385,234
Capital projects	679,107	555,688
	<u>\$ 7,697,341</u>	<u>\$ 6,216,908</u>

The following provides a description of the purposes for which net assets are permanently restricted at June 30:

	<u>2018</u>	<u>2017</u>
Athletics and other	\$ 4,048,978	\$ 4,020,618
Scholarship	7,448,087	7,128,352
	<u>\$ 11,497,065</u>	<u>\$ 11,148,970</u>

NOTE 6: RELATED PARTY TRANSACTIONS

During the years ended June 30, 2018 and 2017, the Foundation contributed to the University approximately \$1,316,000 and \$1,595,000 to be used for purposes as required by endowment agreements and/or donors for specific programs.

During the years ended June 30, 2018 and 2017, two employees of the University were provided to oversee the operations of the Foundation. For the years ended June 30, 2018 and 2017, the Foundation reimbursed the University approximately \$52,000 and \$51,000, respectively, for salary expense. The University contributed in-kind salary expense of \$29,213 for both of the years ended June 30, 2018 and 2017. These in-kind contributions are included in contributions and expenses in the statements of activities.

During the year ended June 30, 2016, the Foundation sold a building to the University. As part of the sale agreement, the sales price of the building to the University was reduced by \$23,000 in lieu of rent for the University owned space used by the Foundation through the year ended June 30, 2021.

Henderson State University Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 7: SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 27, 2018, the date the financial statements were available to be issued.