

University of Wisconsin - La Crosse Foundation, Inc.

Financial Statements
Years Ended December 31, 2017 and 2016

UNIVERSITY *of* WISCONSIN
LA CROSSE

FOUNDATION

WIPFLi^{LLP}
CPAs and Consultants



Independent Auditor's Report

University of Wisconsin - La Crosse Foundation, Inc.
La Crosse, Wisconsin

We have audited the accompanying financial statements of University of Wisconsin - La Crosse Foundation, Inc., which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets 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; 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. 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 University of Wisconsin - La Crosse Foundation, Inc., as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Wipfli LLP

A handwritten signature in cursive script that reads "Wipfli LLP".

February 23, 2018
La Crosse, Wisconsin

University of Wisconsin - La Crosse Foundation, Inc.

Statements of Financial Position

<i>December 31,</i>	2017	2016
Assets		
Cash and cash equivalents	\$ 3,240,802	\$ 3,963,809
Certificates of deposit	617,283	615,000
Investments	24,415,642	21,469,510
Pledges receivable, less allowance for uncollectible pledges of \$44,345 and \$14,580 as of December 31, 2017 and 2016	797,503	568,386
Property and equipment - Net	6,536	8,599
Bond issuance costs - Net of accumulated amortization of \$284,577 and \$256,569 as of December 31, 2017 and 2016	-	28,008
Other assets	27,178	24,601
Cash value of life insurance	61,274	96,528
Net assets held in trust	148,461	127,903
Gift annuities	16,031	35,768
Total Assets	\$ 29,330,710	\$ 26,938,112
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 74,827	\$ 44,397
Accrued and other liabilities	10,036	1,397
Bond debt	-	935,000
Total liabilities	84,863	980,794
Net assets:		
Unrestricted	550,846	780,872
Temporarily restricted	9,327,055	6,938,017
Permanently restricted	19,367,946	18,238,429
Total net assets	29,245,847	25,957,318
Total Liabilities and Net Assets	\$ 29,330,710	\$ 26,938,112

See accompanying notes to financial statements.

University of Wisconsin - La Crosse Foundation, Inc.

Statements of Activities and Changes in Net Assets

<i>Years Ended December 31, 2017</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:				
Contributions	\$ 197,545	\$ 1,955,490	\$ 1,129,517	\$ 3,282,552
Net appreciation on investments	-	2,748,862	-	2,748,862
Interest and dividends	-	441,110	-	441,110
Endowment fees	512,246	-	-	512,246
Other income	78,360	-	-	78,360
Totals	788,151	5,145,462	1,129,517	7,063,130
Restoration of previously recorded losses				
on endowment funds	45,896	(45,896)	-	-
Net assets released from restrictions	2,710,528	(2,710,528)	-	-
Total revenue and support	3,544,575	2,389,038	1,129,517	7,063,130
Expenses:				
Program services - Scholarships, grants, and awards	3,430,527	-	-	3,430,527
Administrative and fundraising	344,074	-	-	344,074
Total expenses	3,774,601	-	-	3,774,601
Increase (decrease) in net assets	(230,026)	2,389,038	1,129,517	3,288,529
Net assets at beginning	780,872	6,938,017	18,238,429	25,957,318
Net assets at end	\$ 550,846	\$ 9,327,055	\$ 19,367,946	\$ 29,245,847

University of Wisconsin - La Crosse Foundation, Inc.

Statements of Activities and Changes in Net Assets (Continued)

<i>Years Ended December 31, 2016</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:				
Contributions	\$ 184,653	\$ 1,925,497	\$ 1,018,121	\$ 3,128,271
Net appreciation on investments	-	1,074,583	-	1,074,583
Interest and dividends	-	371,949	-	371,949
Endowment fees	507,835	-	-	507,835
Other income	97,813	-	-	97,813
Totals	790,301	3,372,029	1,018,121	5,180,451
Reclassification of losses on endowment funds	36,866	(36,866)	-	-
Net assets released from restrictions	3,358,243	(3,358,243)	-	-
Total revenue and support	4,185,410	(23,080)	1,018,121	5,180,451
Expenses:				
Program services - Scholarships, grants, and awards	3,278,083	-	-	3,278,083
Administrative and fundraising	305,178	-	-	305,178
Total expenses	3,583,261	-	-	3,583,261
Increase (decrease) in net assets	602,149	(23,080)	1,018,121	1,597,190
Net assets at beginning	178,723	6,961,097	17,220,308	24,360,128
Net assets at end	\$ 780,872	\$ 6,938,017	\$ 18,238,429	\$ 25,957,318

See accompanying notes to financial statements.

University of Wisconsin - La Crosse Foundation, Inc.

Statements of Cash Flows

Years Ended December 31,	2017	2016
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Increase in net assets	\$ 3,288,529	\$ 1,597,190
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Provision for depreciation and amortization	34,399	25,597
Provision for allowance for uncollectible pledges	29,765	-
Loss on disposal of assets	96	-
Net appreciation on investments	(2,748,862)	(1,074,583)
Appreciation on cash value of life insurance	(5,393)	(5,771)
Interest reinvested in certificates of deposit	(2,283)	-
Changes in operating assets and liabilities:		
Receivables	(259,761)	385,580
Other assets	(1,698)	12,359
Net assets held in trust	(21,786)	(1,023)
Accounts payable	30,430	24,095
Accrued and other liabilities	8,639	(13,607)
Total adjustments	(2,936,454)	(647,353)
Net cash provided by operating activities	352,075	949,837
Cash flows from investing activities:		
Purchase of property and equipment	(4,424)	-
Proceeds from redemption of life insurance policy	40,647	21,367
Proceeds from redemption of gift annuities	19,737	-
Net decrease from purchases and sales of investments	(197,270)	(196,183)
Purchases of investments in permanently restricted endowments	(1,129,517)	(1,018,121)
Net cash used in investing activities	(1,270,827)	(1,192,937)
Cash flows from financing activities:		
Bond payments	(935,000)	(625,000)
Trust and annuity receipts	1,228	(122,448)
Proceeds from contributions restricted to investments in permanently restricted endowments	1,129,517	1,018,121
Net cash provided by financing activities	195,745	270,673
Net increase (decrease) in cash and cash equivalents	(723,007)	27,573
Cash and cash equivalents at beginning	3,963,809	3,936,236
Cash and cash equivalents at end	\$ 3,240,802	\$ 3,963,809

Supplemental cash flow information:

Cash paid during the year for interest	\$ 43,893	\$ 45,951
--	-----------	-----------

See accompanying notes to financial statements.

University of Wisconsin - La Crosse Foundation, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

The Entity

University of Wisconsin - La Crosse Foundation, Inc. (the "Foundation") was formed to solicit and receive gifts and bequests for the development, promotion, and benefit of the University of Wisconsin - La Crosse. The responsibility of the Foundation is gathering and administering gifts from private sources and directing those funds into areas that best assist the University of Wisconsin - La Crosse in delivering affordable, accessible, and quality educational opportunities.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States (GAAP).

Net Assets

All assets have been recorded and reported as unrestricted, temporarily restricted, or permanently restricted net assets.

Unrestricted net assets consist of investments and otherwise unrestricted amounts that are available for use in carrying out the mission of the Foundation and include those expendable resources which have been designated for special use by the Foundation's Board of Directors. The reclassification made between unrestricted and temporarily restricted net assets addresses those restricted assets whose current fair market value is lower than the original donor-restricted contribution. For the years ended December 31, 2017 and 2016, a reclassification for restoration of previously recorded losses on endowment funds was approximately \$45,900 and \$36,900, respectively. As of December 31, 2017 and 2016, cumulative-to-date reclassification of losses on endowment funds of approximately \$0 and \$45,900, respectively, had been made.

Temporarily restricted net assets represent those amounts which are donor-restricted for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or a 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.

Permanently restricted net assets result from contributions from donors who place restrictions on the use of the funds that mandate that the original principal be invested in perpetuity. This original principal is reported as a permanently restricted net asset, the income from which may be either temporarily restricted or unrestricted, depending on the donor's specifications.

Substantially all of the restrictions on assets as of December 31, 2017, relate to funds raised to provide grants and scholarships and support University of Wisconsin - La Crosse academics and activities.

University of Wisconsin - La Crosse Foundation, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Tax-Exempt Status

As a nonprofit organization, the Foundation is exempt from income taxes under Internal Revenue Code Section 501(c)(3). The tax-exempt status is based on the stated purpose of the operations and supporting evidence presented to the Internal Revenue Service with the application for tax-exempt status. Such status is subject to reevaluation should there be changes in operations, character, or purpose of the Foundation.

The Foundation assesses the potential outcome of uncertain tax positions. The Foundation's policy for interest and penalties related to income tax exposures is to recognize interest and penalties as other income (expense) in the statements of activities. As of December 31, 2017 and 2016, management believed the Foundation had no material uncertain tax positions requiring recognition or measurement. The federal and state returns remain open to examination by taxing authorities through their statutory periods.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The most sensitive estimates affecting the financial statements are:

- Collectibility of pledges receivable
- Valuation of investments

Cash and Cash Equivalents

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

Investments

Investments, which consist primarily of common stocks, bonds, and equity and fixed income mutual funds, are stated at market value. Interest and dividend income is recognized when earned. Realized gains and losses arising from the sale, collection, or other disposition of investments are determined using the specific - identification method. Unrealized gains and losses are recognized on a current basis.

University of Wisconsin - La Crosse Foundation, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Promise 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 temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. All pledges receivable are due to be collected over a period of one to five years.

Pledges Receivable

Unconditional pledges are recorded as receivables in the year pledged. Conditional pledges receivable are recognized only when the conditions on which they depend are substantially met. Pledges and other promises to give whose eventual uses are restricted by the donors are recorded as increases in temporarily restricted net assets. Unrestricted pledges to be collected in future periods are also recorded as an increase to temporarily restricted net assets and reclassified to unrestricted net assets when received, unless the donor's intention is to support current-period activities.

Management individually reviews all past due pledge receivable balances and estimates the portion, if any, of the balance that will not be collected. The carrying amounts of pledges receivable are reduced by allowances that reflect management's estimate of uncollectible amounts.

As of December 31, 2017, the Foundation expected to collect approximately \$480,000 within one year and \$331,000 within one to five years, net of allowance for uncollectible pledges.

Property, Equipment, and Depreciation

Property and equipment are capitalized at cost or, if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset. The Foundation capitalizes property and equipment with a value greater than or equal to \$2,500 and a useful life of greater than one year.

The Foundation reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Bond Issuance Costs

Bond service costs have been capitalized and are being amortized to interest expense over the related debt term of 20 years at a rate consistent with the debt repayment.

University of Wisconsin - La Crosse Foundation, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Subsequent Events

The Foundation have evaluated events and transactions for potential recognition or disclosure in the financial statements through February 23, 2018, which is the date the financial statements were available to be issued.

Note 2: Fair Value Measurements

The Foundation measures fair value of its financial instruments using a three-tier hierarchy that prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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

Level 2 - Inputs to the valuation methodology include:

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

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

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

Common stocks and U.S. government securities: Valued at the closing price reported in the active market in which the individual securities are traded.

University of Wisconsin - La Crosse Foundation, Inc.

Notes to Financial Statements

Note 2: Fair Value Measurements (Continued)

Money market: Valued at the balance in the account, which approximates fair value.

Corporate bonds: Certain corporate bonds are valued at the closing price reported in the active market in which the bond is traded. Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

The corporate bonds are debt securities issued by private and public corporations to raise money for a variety of purposes, such as building infrastructure, purchasing equipment, or growing their business. In exchange, the companies promise to return the principal investment on a specified maturity date. Until that date, the companies pay a stated rate of interest.

Greenlight Masters Trust: Valued at the NAV as reported by the Master Trust. The assets of the trust consist principally of investments in investment funds.

Wisconsin Super Angel Fund: Valued at the NAV as reported by the fund. The assets of the fund consist principally of investments in investment funds.

Frontier Market Select Fund: Valued at the NAV as reported by the fund. The assets of the fund consist principally of investments in investment funds.

Skybridge Gii Fund: Valued at the NAV as reported by the fund. The assets of the fund consist principally of investments in investment funds.

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.

University of Wisconsin - La Crosse Foundation, Inc.

Notes to Financial Statements

Note 2: Fair Value Measurements (Continued)

The following tables set forth by level, within the fair value hierarchy, the Foundation's investments and net assets held in trust at fair value as of December 31, 2017 and 2016:

Assets at Fair Value as of December 31, 2017

	Level 1	Level 2	Level 3	Total assets at Fair Value
Mutual funds:				
Index funds	\$ 6,753,113	\$ -	\$ -	\$ 6,753,113
Balanced funds	2,782,398	-	-	2,782,398
Growth funds	4,048,144	-	-	4,048,144
Fixed income funds	4,499,909	-	-	4,499,909
Value funds	2,282,807	-	-	2,282,807
Total mutual funds	20,366,371	-	-	20,366,371
Common stocks:				
Consumer discretionary	5,743	-	-	5,743
Consumer staples	45,911	-	-	45,911
Energy	18,725	-	-	18,725
Financial	35,613	-	-	35,613
Health care	24,828	-	-	24,828
Industrials	64,784	-	-	64,784
Information technology	83,658	-	-	83,658
Total common stocks	279,262	-	-	279,262
Money market funds	178,915	-	-	178,915
Corporate bonds	-	1,137,327	-	1,137,327
U.S. government securities	1,145,198	-	-	1,145,198
Wisconsin Super Angel Fund	-	-	42,481	42,481
Frontier Market Select Fund	-	-	280,190	280,190
Skybridge Gii Fund	-	-	285,368	285,368
Greenlight Masters Trust	-	-	848,991	848,991
Total assets	\$ 21,969,746	\$ 1,137,327	\$ 1,457,030	\$ 24,564,103

University of Wisconsin - La Crosse Foundation, Inc.

Notes to Financial Statements

Note 2: Fair Value Measurements (Continued)

Assets at Fair Value as of December 31, 2016

	Level 1	Level 2	Level 3	Total assets at Fair Value
Mutual funds:				
Index funds	\$ 6,420,259	\$ -	\$ -	\$ 6,420,259
Balanced funds	2,054,618	-	-	2,054,618
Growth funds	3,331,995	-	-	3,331,995
Fixed income funds	4,126,519	-	-	4,126,519
Value funds	1,866,937	-	-	1,866,937
Total mutual funds	17,800,328	-	-	17,800,328
Common stocks:				
Consumer discretionary	4,329	-	-	4,329
Consumer staples	49,422	-	-	49,422
Energy	14,033	-	-	14,033
Financial	27,883	-	-	27,883
Health care	21,815	-	-	21,815
Industrials	18,070	-	-	18,070
Information technology	54,546	-	-	54,546
Total common stocks	190,098	-	-	190,098
Money market funds	369,518	-	-	369,518
Corporate bonds	-	804,216	-	804,216
U.S. government securities	1,129,421	-	-	1,129,421
Wisconsin Super Angel Fund	-	-	42,481	42,481
Frontier Market Select Fund	-	-	234,343	234,343
Skybridge Gii Fund	-	-	285,368	285,368
Greenlight Masters Trust	-	-	741,640	741,640
Total assets	\$ 19,489,365	\$ 804,216	\$ 1,303,832	\$ 21,597,413

University of Wisconsin - La Crosse Foundation, Inc.

Notes to Financial Statements

Note 2: Fair Value Measurements (Continued)

Level 3 Gains and Losses

The following tables set forth a summary of changes in the fair value of the Foundation's Level 3 assets for the years ended December 31, 2017 and 2016:

Year Ended December 31, 2017

	Greenlight Masters Trust	Wisconsin Super Angel Fund	Skybridge Gii Fund	Frontier Market Select Fund
Balance - Beginning of year	\$ 741,640	\$ 42,481	\$ 285,368	\$ 234,343
Appreciation	107,351	-	-	45,847
Balance - End of year	\$ 848,991	\$ 42,481	\$ 285,368	\$ 280,190

Amount of total gains for the period included in changes in net assets attributable to the change in unrealized gains relating to assets still held at the reporting date

	\$ 107,351	\$ -	\$ -	\$ 45,847
--	------------	------	------	-----------

Year Ended December 31, 2016

	Greenlight Masters Trust	Wisconsin Super Angel Fund	Skybridge Gii Fund	Frontier Market Select Fund
Balance - Beginning of year	\$ 668,601	\$ 30,491	\$ 300,000	\$ 221,077
Appreciation (depreciation)	73,039	11,990	(14,632)	13,266
Balance - End of year	\$ 741,640	\$ 42,481	\$ 285,368	\$ 234,343

Amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date

	\$ 73,039	\$ -	\$ (14,632)	\$ 13,266
--	-----------	------	-------------	-----------

University of Wisconsin - La Crosse Foundation, Inc.

Notes to Financial Statements

Note 3: Investments

The historical contributed amount of the Foundation's investments totaled \$19,349,490 and \$18,226,664 at December 31, 2017 and 2016, respectively. The following is a summary of investments at market value and cost at December 31, 2017 and 2016:

<i>December 31,</i>	2017		2016	
	Market Value	Cost	Market Value	Cost
Mutual funds	\$ 20,222,219	\$ 16,068,577	\$ 17,676,884	\$ 15,274,487
Common stocks	279,262	176,018	190,098	107,741
Corporate bonds	1,137,327	1,134,417	804,216	802,618
U.S. government securities	1,145,198	1,162,565	1,129,421	1,137,640
Wisconsin Super Angel Fund	42,481	42,481	42,481	42,481
Frontier Market Select Fund	280,190	250,000	234,343	250,000
Skybridge Gii Fund	285,368	300,000	285,368	300,000
Greenlight Masters Trust	848,991	499,331	741,640	499,331
Money markets	174,606	174,606	365,059	365,059
Totals	\$ 24,415,642	\$ 19,807,995	\$ 21,469,510	\$ 18,779,357

Investments, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Because of the level of risk associated with various investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported on the financial statements.

Note 4: Property and Equipment

A summary of property and equipment as of December 31, 2017 and 2016, is as follows:

	2017	2016
Equipment	\$ 38,444	\$ 37,408
Less - Accumulated depreciation	31,908	28,809
Totals	\$ 6,536	\$ 8,599

Depreciation expense for the years ended December 31, 2017 and 2016, was \$6,391 and \$6,874, respectively.

University of Wisconsin - La Crosse Foundation, Inc.

Notes to Financial Statements

Note 5: Life Insurance Policies

The Foundation is the owner and beneficiary of six whole life insurance policies with face values totaling \$560,000 at December 31, 2017. The premiums on these policies are paid by the donors. During 2017, cash of approximately \$40,600 was received on the redemption of one policy and the remaining cash surrender values were \$61,274 and \$96,528 at December 31, 2017 and 2016, respectively.

Note 6: Assets Held in Trust

Under GAAP, the Foundation must recognize the net present value designated to the Foundation as beneficiary of the assets held in trust. The Foundation uses a discount rate of 5% in valuing the assets held in trust.

Under the terms of these irrevocable charitable remainder trusts, the Foundation as trustee is required to pay 6% to 7% of the net fair market value annually over the life of the agreements. Payments to the donors in the years ended December 31, 2017 and 2016, were \$3,741 and \$3,747, respectively. Upon the death of the donors, the balance of the trusts is to be distributed to the Foundation as designated in the trust agreement. During the year ended December 31, 2016, the Foundation was identified as a beneficiary on an additional charitable remainder trust. As of December 31, 2017 and 2016, the Foundation reported that the present value of net assets from its interest in the trusts was \$148,461 and \$127,903, respectively.

Note 7: Gift Annuities

The Foundation was the recipient of a series of gift annuities totaling \$25,000 and \$65,000 for the years ended December 31, 2017 and 2016. The annuities are being administered by the University of Wisconsin Foundation. Under the terms of these annuities, the University of Wisconsin Foundation is required to pay the donor a specified rate or dollar amount per year. Within one year of the death of the donors, the Foundation shall transfer any remaining portion of the gifts to the Foundation. In the years ended December 31, 2017 and 2016, the Foundation reported the present value of net assets from the gift annuities to be \$16,031 and \$35,768, for 2017 and 2016 respectively, using discount rates of approximately 5%. During 2017 cash of approximately \$19,700 was received on the redemption of two gift annuities.

Note 8: Related Parties

University of Wisconsin - La Crosse

In exchange for the Foundation promoting the welfare of the University of Wisconsin - La Crosse (the "University"), the University provides and pays for certain services for the benefit of the Foundation. These services are outlined in the articulation agreement between the Foundation and the University. These amounts have not been quantified and are not recognized in the financial statements.

University of Wisconsin - La Crosse Foundation, Inc.

Notes to Financial Statements

Note 8: Related Parties (Continued)

University of Wisconsin - La Crosse Alumni Association

The Foundation provides personnel, office space, support, and other items to the University of Wisconsin - La Crosse Alumni Association (the "Alumni Association") at no charge. These amounts have not been quantified and are not separately identified in the financial statements.

Note 9: Bond Debt

In 2008, the Foundation entered into a variable-rate demand industrial development revenue bond, Series 2008, with an alliance of local financial institutions ("the Alliance") in the amount of \$9,500,000 to be used to finance eligible costs for construction of the University of Wisconsin - La Crosse Veterans Memorial Field Sports Complex. The revenue bond was scheduled to mature in June 2028 with a variable interest rate that was based on the Securities Industry and Financial Markets Association (SIFMA) index. The bond was collateralized by the Foundation's pledges receivable, as well as the letter of credit obtained from the Alliance. In 2017, the Foundation paid off all outstanding debt. In 2016, the Foundation had \$935,000 outstanding.

Note 10: Temporarily and Permanently Restricted Net Assets and Endowments

Temporarily restricted net assets include assets set aside in accordance with donor restrictions as to time or use. Temporarily restricted net assets are available for the following purposes at December 31:

	2017	2016
Scholarships and support	\$ 9,327,055	\$ 6,938,017

Permanently restricted net assets have been restricted by donors to be maintained in perpetuity, the income from which is expendable to support scholarship programs of the Foundation.

The Foundation's endowments consist of funds that are invested in money market accounts, certificates of deposit, mutual funds, common stocks, corporate bonds, U.S. government securities, and limited partnerships. These endowments include only donor-restricted endowment funds. Net assets associated with the endowment funds are classified and reported on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift to the endowment fund (1) absent any explicit donor stipulations that would otherwise dictate the management of contributed funds or (2) subject to the discretionary authority of the Board pursuant to and using the criteria set forth in the Act. The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a dependable method of funding programs supported by the endowment funds while seeking to preserve the purchasing power of the endowment assets. Under this policy, the Foundation invests the endowment assets in a manner that is intended to produce a real return net of inflationary factors, Foundation management fees, and investment management fees. The Foundation realizes that actual returns in any given year may vary.

University of Wisconsin - La Crosse Foundation, Inc.

Notes to Financial Statements

Note 10: Temporarily and Permanently Restricted Net Assets and Endowments

(Continued)

Donor-restricted endowments consisted of the following at December 31:

	2017	2016
Temporarily restricted	\$ 5,499,023	\$ 3,628,870
Permanently restricted	19,367,946	18,238,429
Totals	\$ 24,866,969	\$ 21,867,299

Changes in endowment net assets for the years ended December 31, consisted of the following:

	Temporarily Restricted	Permanently Restricted
2017		
Endowment net assets at beginning of year	\$ 3,628,870	\$ 18,238,429
Investment return	3,189,972	-
Contributions	-	1,129,517
Appropriations of endowment assets for expenditures	(1,365,715)	-
Restoration of previously recorded loss on endowment funds	45,896	-
Endowment net assets at end of year	\$ 5,499,023	\$ 19,367,946

	Temporarily Restricted	Permanently Restricted
2016		
Endowment net assets at beginning of year	\$ 3,290,747	\$ 17,220,308
Investment return	1,446,532	-
Contributions	-	1,018,121
Appropriations of endowment assets for expenditures	(1,145,275)	-
Restoration of previously recorded loss on endowment funds	36,866	-
Endowment net assets at end of year	\$ 3,628,870	\$ 18,238,429

The reclassification of gains on endowment funds as presented above represents restricted assets whose current fair market value is no longer lower than the original donor-restricted contribution that was to remain in perpetuity. In accordance with GAAP, all dollars originally reclassified to temporarily restricted net assets to ensure the original donor contributions remained in perpetuity are now reclassified back to unrestricted net assets.

University of Wisconsin - La Crosse Foundation, Inc.

Notes to Financial Statements

Note 11: Functional Expenses Allocation

The allocation of expenses by function for the years ended December 31 was as follows:

	2017		2016	
	Amount	Percent	Amount	Percent
Administrative	\$ 263,179	7.0 %	\$ 235,324	6.6 %
Fundraising	80,895	2.1	69,854	1.9
Program services	3,430,527	90.9	3,278,083	91.5
Totals	\$ 3,774,601	100.0 %	\$ 3,583,261	100.0 %

Note 12: Pension Benefits

The Foundation sponsors a money purchase pension plan covering substantially all employees. The Foundation contributed 10% of each participant's annual compensation to the plan during 2017 and 2016. Pension costs were \$6,750 and \$8,913 for the years ended December 31, 2017 and 2016, respectively.

Note 13: Contingent Assets and Liabilities

The Foundation has received pledges in the form of designation of beneficiary of life insurance policies and will bequests. These pledges are not reflected on the Foundation's statements of financial position because beneficiary designations are subject to change.

Note 14: Concentration of Credit Risk

The Foundation maintains its cash in bank deposits at various financial institutions. Certain cash balances held by financial institutions exceed Federal Deposit Insurance Corporation (FDIC) limits. Management believes these financial institutions have strong credit ratings and that credit risk related to these deposits is minimal.