University of Wisconsin - La Crosse Foundation, Inc.

Financial Statements
Years Ended December 31, 2016 and 2015

UW-L Foundation

WIPFLi LLP
CPAs and Consultants

Independent Auditor's Report

Board of Directors
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 postition as of December 31, 2016 and 2015, 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, 2016 and 2015, 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

Wipfli LLP

February 24, 2017
La Crosse, Wisconsin

University of Wisconsin - La Crosse Foundation, Inc.

Statements of Financial Position

December 31, 2016 and 2015	2016	2015
Assets		
Cash and cash equivalents	$ 3,963,809	$ 3,936,236
Certificates of deposit	615,000	615,000
Investments	21,469,510	20,198,744
Other receivable	-	9,875
Interest receivable	803	843
Pledges receivable, less allowance for uncollectible pledges of $14,580 as of December 31, 2016 and 2015	568,386	944,051
Property and equipment - Net	8,599	15,473
Bond issuance costs - Net of accumulated amortization of $256,569 and $237,846 as of December 31, 2016 and 2015	28,008	46,731
Other assets	23,798	36,157
Cash value of life insurance	96,528	112,124
Net assets held in trust	127,903	4,432
Gift annuities	35,768	35,768
Total Assets	$ 26,938,112	$ 25,955,434
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ 44,397	$ 20,302
Accrued and other liabilities	1,397	15,004
Bond debt	935,000	1,560,000
Total liabilities	980,794	1,595,306
Net assets:		
Unrestricted	780,872	178,723
Temporarily restricted	6,938,017	6,961,097
Permanently restricted	18,238,429	17,220,308
Total net assets	25,957,318	24,360,128
Total Liabilities and Net Assets	$ 26,938,112	$ 25,955,434

See accompanying notes to financial statements.

University of Wisconsin - La Crosse Foundation, Inc.

Statements of Activities and Changes in Net Assets

Year Ended December 31, 2016	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
Management and general	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

University of Wisconsin - La Crosse Foundation, Inc.

Statements of Activities (Continued)

Year Ended December 31, 2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:				
Contributions	$ 433,285	$ 1,756,788	$ 1,428,389	$ 3,618,462
Net depreciation on investments	-	(692,867)	-	(692,867)
Interest and dividends	-	380,801	-	380,801
Endowment fees	516,048	-	-	516,048
Other income	83,634	-	-	83,634
Totals	1,032,967	1,444,722	1,428,389	3,906,078
Reclassification of losses on endowment funds	(82,134)	82,134	-	-
Net assets released from restrictions	2,895,260	(2,895,260)	-	-
Total revenue and support	3,846,093	(1,368,404)	1,428,389	3,906,078
Expenses:				
Program services - Scholarships, grants, and awards	3,209,917	-	-	3,209,917
Management and general	376,756	-	-	376,756
Total expenses	3,586,673	-	-	3,586,673
Increase (decrease) in net assets	259,420	(1,368,404)	1,428,389	319,405
Net assets (deficit) at beginning	(80,697)	8,329,501	15,791,919	24,040,723
Net assets at end	$ 178,723	$ 6,961,097	$ 17,220,308	$ 24,360,128

See accompanying notes to financial statements.

University of Wisconsin - La Crosse Foundation, Inc.

Statements of Cash Flows

Years Ended December 31, 2016 and 2015	2016	2015
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Increase in net assets	$ 1,597,190	$ 319,405
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Provision for depreciation and amortization	25,597	27,216
Provision for allowance for uncollectible pledges	-	19,000
Net depreciation (appreciation) on investments	(1,074,583)	692,867
Depreciation (appreciation) on cash value of life insurance	(5,771)	2,196
Changes in operating assets and liabilities:		
Receivables	385,580	147,782
Other assets	12,359	(21,558)
Net assets held in trust	(1,023)	(19,391)
Accounts payable	24,095	(20,651)
Accrued and other liabilities	(13,607)	(12,485)
Total adjustments	(647,353)	814,976
Net cash provided by operating activities	949,837	1,134,381
Cash flows from investing activities:		
Purchase of property and equipment	-	(750)
Proceeds from redemption of life insurance policy	21,367	-
Net decrease from purchases and sales of investments	(196,183)	(555,332)
Purchases of investments in permanently restricted endowments	(1,018,121)	(1,428,389)
Net cash used in investing activities	(1,192,937)	(1,984,471)
Cash flows from financing activities:		
Bond payments	(625,000)	(605,000)
Trust and annuity receipts	(122,448)	106,763
Proceeds from contributions restricted to investments in permanently restricted endowments	1,018,121	1,428,389
Net cash provided by financing activities	270,673	930,152
Net increase in cash and cash equivalents	27,573	80,062
Cash and cash equivalents at beginning	3,936,236	3,856,174
Cash and cash equivalents at end	$ 3,963,809	$ 3,936,236

	2016	2015
Supplemental cash flow information:		
Cash paid during the year for:		
Interest	$ 45,951	$ 55,967

See accompanying 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 administrating 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.

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, 2016 and 2015, a reclassification of losses on endowment funds was approximately $(36,900) and $82,100, respectively. As of December 31, 2016 and 2015, cumulative-to-date reclassification of losses on endowment funds of approximately $45,800 and $82,700, 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, 2016, relate to funds raised to provide grants and scholarships and support University of Wisconsin - La Crosse academics and activities.

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 is subject to tax on unrelated business income; therefore, it files a Form 990-T.

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, 2016 and 2015, 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 accounting principles generally accepted in the United States (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.

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, 2016, the Foundation expected to collect approximately $466,000 within one year and $102,000 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.

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 24, 2017, 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, 2016 and 2015.

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.

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.

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, 2016 and 2015:

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
Financials	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

Note 2: Fair Value Measurements (Continued)

Assets at Fair Value as of December 31, 2015

	Level 1	Level 2	Level 3	Total assets at Fair Value
Mutual funds:				
Index funds	$ 4,178,185	$ -	$ -	$ 4,178,185
Balanced funds	2,185,370	-	-	2,185,370
Growth funds	2,474,823	-	-	2,474,823
Fixed income funds	4,869,837	-	-	4,869,837
Value funds	3,322,849	-	-	3,322,849
Total mutual funds	17,031,064	-	-	17,031,064
Common stocks:				
Consumer discretionary	10,101	-	-	10,101
Consumer staples	48,719	-	-	48,719
Energy	4,216	-	-	4,216
Financials	16,994	-	-	16,994
Health care	8,254	-	-	8,254
Industrials	14,837	-	-	14,837
Information technology	50,611	-	-	50,611
Total common stocks	153,732	-	-	153,732
Money market funds	465,525	-	-	465,525
Corporate bonds	-	503,477	-	503,477
U.S. government securities	829,209	-	-	829,209
Wisconsin Super Angel Fund	-	-	30,491	30,491
Frontier Market Select Fund	-	-	221,077	221,077
Skybridge Gii Fund	-	-	300,000	300,000
Greenlight Masters Trust	-	-	668,601	668,601
Total assets	$ 18,479,530	$ 503,477	$ 1,220,169	$ 20,203,176

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, 2016 and 2015:

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

Year Ended December 31, 2015

	Greenlight Masters Trust	Wisconsin Super Angel Fund	Skybridge Gii Fund	Frontier Market Select Fund
Balance - Beginning of year	$ 731,008	$ 26,336	$ -	$ -
Appreciation (depreciation)	(62,407)	4,155	-	-
Purchases, sales, issuances, and settlements - Net	-	-	300,000	221,077
Balance - End of year	$ 668,601	$ 30,491	$ 300,000	$ 221,077
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	$ (62,407)	$ -	$ -	$ -

Note 3: Investments

The historical contributed amount of the Foundation's investments totaled $18,226,666 and $17,212,844 at December 31, 2016 and 2015, respectively. The following is a summary of investments at market value and cost at December 31, 2016 and 2015:

	2016		2015	
December 31,	Market Value	Cost	Market Value	Cost
Mutual funds	$ 17,800,328	$ 15,358,416	$ 17,026,783	$ 14,698,291
Common stocks	190,098	107,741	153,732	84,880
Corporate bonds	804,216	802,618	503,477	501,779
U.S. government securities	1,129,421	1,137,640	829,209	805,475
Wisconsin Super Angel Fund	42,481	42,481	30,491	30,491
Frontier Market Select Fund	234,343	250,000	221,077	250,000
Skybridge Gii Fund	285,368	300,000	300,000	300,000
Greenlight Masters Trust	741,640	499,331	668,601	499,331
Money markets	369,518	369,475	465,374	461,435
Totals	$ 21,597,413	$ 18,867,702	$ 20,198,744	$ 17,631,682

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 is as follows:

	2016	2015
Equipment	$ 37,408	$ 176,491
Less - Accumulated depreciation	28,809	161,018
Totals	$ 8,599	$ 15,473

Depreciation expense for the years ended December 31, 2016 and 2015, was $6,874 and $9,093, respectively.

Note 5: Life Insurance Policies

The Foundation is the owner and beneficiary of five whole life insurance policies with face values totaling $460,000 at December 31, 2016. The premiums on these policies are paid by the donors. During 2016 cash of approximately $21,400 was received on the redemption of one policy The cash surrender values were $96,528 and $112,124 at December 31, 2016 and 2015, 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, 2016 and 2015, were $3,747 and $4,111, 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. During the year ended December 31, 2015,a donor passed away, and the Foundation received cash of $106,647 as settlement of the trust. As of December 31, 2016 and 2015, the Foundation reported that the present value of net assets from its interest in the trusts was $127,903 and $4,432, respectively.

Note 7: Gift Annuities

The Foundation was the recipient of a series of gift annuities totaling $65,000 at December 31, 2016 and 2015. 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 University of Wisconsin Foundation shall transfer any remaining portion of the gifts to the Foundation. In the years ended December 31, 2016 and 2015, the Foundation reported the present value of net assets from the gift annuities to be $35,768, for both years, using discount rates of approximately 5%.

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.

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 matures in June 2028 with a variable interest rate that is based on the Securities Industry and Financial Markets Association (SIFMA) index (as of December 31, 2016 and 2015, the variable interest rate was .12% and .14%, respectively). The Foundation is required to make quarterly interest payments to the Alliance during the year. The bond is collateralized by the Foundation's pledges receivable, as well as the letter of credit obtained from the Alliance. As of December 31, 2016 and 2015, the Foundation had $935,000 and $1,560,000, respectively, outstanding.

Maturities of bond principal as of December 31, 2016 are as follows:

2017	$ 625,000
2018	310,000
Total	$ 935,000

The bond with the Alliance is supported by a loan agreement that provides, among other matters, certain restrictive covenants. The Foundation was in compliance with all financial loan covenants as of December 31, 2016 and 2015.

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:

	2016	2015
Scholarships and support	$ 6,938,017	$ 6,961,097

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.

Note 10: Temporarily and Permanently Restricted Net Assets and Endowments
(Continued)

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.

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

	2016	2015
Temporarily restricted	$ 3,628,870	$ 3,290,747
Permanently restricted	18,238,429	17,220,308
Totals	$ 21,867,299	$ 20,511,055

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

2016	Temporarily Restricted	Permanently Restricted
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)	-
Reclassification of gains (losses) on endowment funds	36,866	-
Endowment net assets at end of year	$ 3,628,870	$ 18,238,429

Note 10: Temporarily and Permanently Restricted Net Assets and Endowments

(Continued)

2015		Temporarily Restricted		Permanently Restricted
Endowment net assets at beginning of year	$	4,842,487	$	15,791,919
Investment return		(312,066)		-
Contributions		-		1,428,389
Appropriations of endowment assets for expenditures		(1,157,540)		-
Reclassification of gains (losses) on endowment funds		(82,134)		-
Endowment net assets at end of year	$	3,290,747	$	17,220,308

The reclassification of gains (losses) on endowment funds as presented above represents restricted assets whose current fair market value is no longer lower (is lower) than the original donor-restricted contribution that was to remain in perpetuity. In accordance with generally accepted accounting principles, 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.

Note 11: Functional Expenses Allocation

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

		2016			2015	
		Amount	Percent		Amount	Percent
Administrative	$	235,324	6.6 %	$	236,329	6.6 %
Fundraising		69,854	1.9		140,427	3.9
Program services		3,278,083	91.5		3,209,917	89.5
Totals	$	3,583,261	100.0 %	$	3,586,673	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 2016 and 2015. Pension costs were $8,913 and $24,286 for the years ended December 31, 2016 and 2015, 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: Commitments

During 2010, the Foundation renewed its commitment to the Distinguished Professor Program, payable at $50,000 per year through January 2015. Payment for the project totaled $0 and $4,167 in the years ended December 31, 2016 and 2015, respectively. Because the promise to give was conditional, it had not been recorded as a liability on the books of the Foundation.

Note 15: 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.

The Foundation accepts pledges from its contributors. During the years ended December 31, 2016 and 2015, the Foundation wrote off $0 and $19,000, respectively, of pledges receivable as bad debts.