

NEBRASKA STATEWIDE ARBORETUM, INC.

MANAGEMENT LETTER

June 30, 2016



To the Board of Directors
Nebraska Statewide Arboretum, Inc.

In planning and performing our audit of the financial statements of Nebraska Statewide Arboretum, Inc. (the Organization) as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered Nebraska Statewide Arboretum, Inc.'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control that we consider to be significant deficiencies. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

Cash receipt controls

During the recent change of administrative staff, the Organization did not maintain its segregation of duties over cash receipts and the Financial Associate performed nearly all cash receipt functions for portions of the year. We suggest management resume these key internal controls in these areas and cross-train staff as necessary to assure the controls operate effectively as designed.

Foundation beneficiary interests

During the year ended June 30, 2016, the Nebraska Community Foundation obtained two large contributions on behalf of the Organization, the Cyril Bish Statewide Arboretum Support Fund and the Nebraska Statewide Arboretum Fund of the Nebraska Community Foundation. These contributions, totaling over \$250,000 are intended as a benefit to the Organization but due to the terms of the respective gifts and agency agreements are considered assets of the Foundation rather than the Organization.

At the time of the audit, the Organization did not maintain sufficient documentation on-site to assess the appropriate financial statement ramifications of the beneficial interests or to evaluate the potential ramifications and commitments that the Organization was entering by accepting the funds.

Foundation beneficiary interests – Continued

It is incumbent upon management and the Board of Directors to maintain full documentation and to analyze all factors of major contributions received including the presence or absence of a donor's right of rescission and modification or an agent's right to redirect the fund (i.e., variance power).

We suggest the Board consider a contributions committee to review and research sizeable donations to the Organization as they arise to ensure all donations received are structured as advantageously as possible for the Organization, are free from any unforeseen commitments or risks, complement with the Organization's mission and are properly recorded in the Organization's financial statements.

Audit adjustments

Our 2016 audit resulted in six proposed audit adjustments totaling approximately \$828,000. Three of the adjustments for \$800,00 were related to the Foundation beneficial interests discussed above and related adjustments to net assets. We recommend your staff consult with our Firm or another professional resource when unfamiliar transactions arise in order to properly record the transactions throughout the year.

Status of prior year audit recommendations

We reviewed the status of our prior year recommendations. Management should review these recommendations again for possible implementation at this time:

- Implementing a conflict of interest policy as a basic control over related party transactions.
- Obtaining a Board member with financial statement reporting expertise sufficient to oversee the appropriateness of the financial statements and disclosures and to mitigate the Organization's reliance on the auditor for financial reporting.

This communication is intended solely for the information and use of management, Board of Directors and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.



November 14, 2016