

Cooper Foundation

Independent Accountants' Review Report
and Financial Statements

December 31, 2014 and 2013

Cooper Foundation
December 31, 2014 and 2013

Contents

Independent Accountants' Review Report 1

Financial Statements

Statements of Financial Position 2

Statements of Activities..... 3

Statements of Cash Flows 4

Notes to Financial Statements 5

Independent Accountants' Review Report

Board of Trustees
Cooper Foundation
Lincoln, Nebraska

We have reviewed the accompanying statements of financial position of Cooper Foundation as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of foundation management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

BKD, LLP

March 6, 2015

Cooper Foundation
Statements of Financial Position
December 31, 2014 and 2013

Assets	2014	2013
Cash and cash equivalents	\$ 122,340	\$ 236,101
Prepaid expenses	8,647	4,819
Property and equipment, net	5,303	6,143
Investments	<u>23,243,051</u>	<u>24,211,288</u>
Total assets	<u><u>\$ 23,379,341</u></u>	<u><u>\$ 24,458,351</u></u>
 Liabilities and Net Assets		
Liabilities		
Grants payable	\$ 333,073	\$ 304,324
Accounts payable and accrued expenses	22,912	27,279
Excise taxes payable	<u>112</u>	<u>2,210</u>
Total liabilities	<u>356,097</u>	<u>333,813</u>
 Net Assets		
Unrestricted	-	100
Temporarily restricted	18,023,244	19,124,438
Permanently restricted	<u>5,000,000</u>	<u>5,000,000</u>
Total net assets	<u>23,023,244</u>	<u>24,124,538</u>
Total liabilities and net assets	<u><u>\$ 23,379,341</u></u>	<u><u>\$ 24,458,351</u></u>

Cooper Foundation
Statements of Activities
Years Ended December 31, 2014 and 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support								
Investment return	\$ -	\$ 346,112	\$ -	\$ 346,112	\$ -	\$ 4,391,956	\$ -	\$ 4,391,956
Contributions	-	-	-	-	100	-	-	100
Net assets released from restrictions	1,447,306	(1,447,306)	-	-	990,787	(990,787)	-	-
 Total revenues, gains and other support	 1,447,306	 (1,101,194)	 -	 346,112	 990,887	 3,401,169	 -	 4,392,056
Grants and Expenses								
Grants	983,109	-	-	983,109	556,362	-	-	556,362
Expenses								
Employees' compensation	235,200	-	-	235,200	215,799	-	-	215,799
Payroll taxes	14,436	-	-	14,436	13,439	-	-	13,439
Rent	47,594	-	-	47,594	45,829	-	-	45,829
Travel and entertainment	9,002	-	-	9,002	14,039	-	-	14,039
Telephone	5,150	-	-	5,150	4,676	-	-	4,676
Repairs and maintenance	14,889	-	-	14,889	8,537	-	-	8,537
Trustees' fees	14,150	-	-	14,150	13,100	-	-	13,100
Depreciation and amortization	2,102	-	-	2,102	3,885	-	-	3,885
Insurance	21,255	-	-	21,255	19,752	-	-	19,752
Property and other taxes	65	-	-	65	3,252	-	-	3,252
Professional services	13,430	-	-	13,430	13,704	-	-	13,704
Investment fees	45,712	-	-	45,712	40,656	-	-	40,656
Other general and administrative	21,642	-	-	21,642	25,670	-	-	25,670
Federal excise tax expense	19,670	-	-	19,670	12,087	-	-	12,087
 Total expenses	 464,297	 -	 -	 464,297	 434,425	 -	 -	 434,425
 Total grants and expenses	 1,447,406	 -	 -	 1,447,406	 990,787	 -	 -	 990,787
Change in Net Assets	(100)	(1,101,194)	-	(1,101,294)	100	3,401,169	-	3,401,269
Net Assets, Beginning of Year	100	19,124,438	5,000,000	24,124,538	-	15,723,269	5,000,000	20,723,269
Net Assets, End of Year	<u>\$ -</u>	<u>\$ 18,023,244</u>	<u>\$ 5,000,000</u>	<u>\$ 23,023,244</u>	<u>\$ 100</u>	<u>\$ 19,124,438</u>	<u>\$ 5,000,000</u>	<u>\$ 24,124,538</u>

Cooper Foundation
Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating Activities		
Payments to suppliers and employees	\$ (450,720)	\$ (416,179)
Dividends and interest received	1,480,425	835,672
Contributions received	-	100
Excise taxes paid	(21,768)	(16,049)
Grants paid	<u>(954,360)</u>	<u>(606,491)</u>
Net cash provided by (used in) operating activities	<u>53,577</u>	<u>(202,947)</u>
Investing Activities		
Purchase of property and equipment	(1,262)	(2,119)
Proceeds from sales of investments	5,132,722	3,216,966
Purchases of investments	(3,818,407)	(2,093,621)
Reinvested interest and dividends on investments	<u>(1,480,391)</u>	<u>(835,657)</u>
Net cash provided by (used in) investing activities	<u>(167,338)</u>	<u>285,569</u>
Increase (Decrease) in Cash and Cash Equivalents	(113,761)	82,622
Cash and Cash Equivalents, Beginning of Year	<u>236,101</u>	<u>153,479</u>
Cash and Cash Equivalents, End of Year	<u>\$ 122,340</u>	<u>\$ 236,101</u>
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Change in net assets	\$ (1,101,294)	\$ 3,401,269
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	2,102	3,885
Net realized and unrealized gains on investments	1,134,313	(3,556,284)
Changes in operating assets and liabilities		
Prepaid expenses	(3,828)	(1,436)
Grants payable	28,749	(50,129)
Accounts payable and accrued expenses	(4,367)	3,710
Excise taxes payable	<u>(2,098)</u>	<u>(3,962)</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 53,577</u>	<u>\$ (202,947)</u>

Cooper Foundation
Notes to Financial Statements
December 31, 2014 and 2013

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Cooper Foundation (the “Foundation”) is a not-for-profit organization whose mission and principal activities are to provide grants for programs which further education, human services, the arts, humanities, community improvement, and the environment in Lincoln, Lancaster County, or Nebraska. The Foundation’s revenues and other support are derived principally from investment income.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2014 and 2013, cash equivalents consisted of a money market fund with a broker and a short term guaranteed trust account with a bank.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value are carried at fair value. Investment return includes dividend and interest income and realized and unrealized gains and losses on investments carried at fair value.

Investment return is reflected in the statements of activities as unrestricted, temporarily restricted, or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Cooper Foundation
Notes to Financial Statements
December 31, 2014 and 2013

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Grants

Grants are recognized as expenses in the period made and as decreases of assets or increases of liabilities depending on the form of the benefits given. Grants that are not expected to be paid within one year are reported at the present value of estimated future cash flows. The resulting discount is amortized as a component of grant expense using the interest method.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Foundation has been limited by donors or by law to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Income Taxes

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income. The Foundation is classified as a private foundation as defined in Section 509(a) of the Internal Revenue Code. As a private foundation, the Foundation is also subject to excise tax on net investment income.

The Foundation files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Foundation is no longer subject to U.S. federal examinations by tax authorities for years before 2011.

Reclassifications

Certain reclassifications have been made the 2013 financial statements to conform to the 2014 financial statement presentation. These reclassifications had no effect on the change in net assets.

Cooper Foundation
Notes to Financial Statements
December 31, 2014 and 2013

Note 2: Investments and Investment Return

Investments at December 31 consisted of the following:

	<u>2014</u>	<u>2013</u>
Mutual funds		
Small Value	\$ 1,692,929	\$ 1,728,307
Small Growth	1,706,941	1,709,010
Foreign Small/Mid Growth	1,391,661	1,454,116
Foreign Small/Mid Value	1,412,772	1,456,053
Foreign Large Blend	3,667,259	3,878,836
Large Value	1,898,338	1,922,519
Large Growth	1,922,766	1,968,696
Mid Cap Value	1,681,927	1,715,289
Mid Cap Growth	2,699,465	2,912,933
Global Real Estate	1,177,419	1,180,336
Aggressive Allocation	1,173,211	1,202,157
Emerging Markets	<u>2,818,363</u>	<u>3,083,036</u>
Total mutual funds	<u>\$ 23,243,051</u>	<u>\$ 24,211,288</u>

Total investment return is comprised of the following:

	<u>2014</u>	<u>2013</u>
Interest and dividend income	\$ 1,480,425	\$ 835,672
Net realized and unrealized gains (losses) on investments reported at fair value	<u>(1,134,313)</u>	<u>3,556,284</u>
	<u>\$ 346,112</u>	<u>\$ 4,391,956</u>

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statements of financial position.

Cooper Foundation
Notes to Financial Statements
December 31, 2014 and 2013

Note 3: Property and Equipment

Property and equipment at December 31 consists of:

	<u>2014</u>	<u>2013</u>
Land	\$ 60	\$ 60
Furniture and fixtures	105,947	104,685
Leasehold improvements	<u>8,186</u>	<u>8,186</u>
	114,193	112,931
Less accumulated depreciation and amortization	<u>108,890</u>	<u>106,788</u>
	<u><u>\$ 5,303</u></u>	<u><u>\$ 6,143</u></u>

Note 4: Grants Payable

Grants payable activity consisted of the following:

	<u>2014</u>	<u>2013</u>
Beginning of year	\$ 304,324	\$ 354,453
Grants paid	(954,360)	(606,491)
New grants promised, net of grants rescinded	974,260	546,041
Change in unamortized discount	<u>8,849</u>	<u>10,321</u>
	<u><u>\$ 333,073</u></u>	<u><u>\$ 304,324</u></u>

Grants payable at December 31, 2014, are scheduled for payments as follows:

2015	\$ 105,750
2016	58,000
2017	58,000
2018	58,000
2019	40,000
Thereafter	<u>40,000</u>
	359,750
Unamortized discount	<u>(26,677)</u>
	<u><u>\$ 333,073</u></u>

Cooper Foundation
Notes to Financial Statements
December 31, 2014 and 2013

Note 5: Endowment and Net Assets

The Foundation's endowment consists of an individual donor-restricted fund. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's governing body has interpreted the State of Nebraska Prudent Management of Institutional Funds Act (SPMIFA) as requiring 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 remaining portion of donor-restricted endowment funds 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 SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

The endowment fund consisted of a donor-restricted endowment fund, comprised of \$5,000,000 of permanently restricted net assets at December 31, 2014 and 2013, and \$18,023,244 and \$19,124,438 of temporarily restricted net assets at December 31, 2014 and 2013, respectively.

Cooper Foundation
Notes to Financial Statements
December 31, 2014 and 2013

Note 5: Endowment and Net Assets - Continued

Changes in endowment net assets for the years ended December 31 were:

	2014		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 19,124,438	\$ 5,000,000	\$ 24,124,438
Investment return			
Interest and dividend income	1,480,425	-	1,480,425
Net depreciation	(1,134,313)	-	(1,134,313)
Total investment return	346,112	-	346,112
Appropriation of endowment assets for expenditure	(1,447,306)	-	(1,447,306)
Endowment net assets, end of year	<u>\$ 18,023,244</u>	<u>\$ 5,000,000</u>	<u>\$ 23,023,244</u>
	2013		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 15,723,269	\$ 5,000,000	\$ 20,723,269
Investment return			
Interest and dividend income	835,672	-	835,672
Net appreciation	3,556,284	-	3,556,284
Total investment return	4,391,956	-	4,391,956
Appropriation of endowment assets for expenditure	(990,787)	-	(990,787)
Endowment net assets, end of year	<u>\$ 19,124,438</u>	<u>\$ 5,000,000</u>	<u>\$ 24,124,438</u>

Cooper Foundation
Notes to Financial Statements
December 31, 2014 and 2013

Note 5: Endowment and Net Assets - Continued

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at December 31 consisted of:

	<u>2014</u>	<u>2013</u>
Permanently restricted net assets - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Temporarily restricted net assets - portion of perpetual endowment funds subject to a time restriction under SPMIFA		
With Board restrictions - Thompson Family Fund	\$ 519,068	\$ 541,642
Without purpose restrictions	<u>17,504,176</u>	<u>18,582,796</u>
	<u>\$ 18,023,244</u>	<u>\$ 19,124,438</u>

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to grants and other expenses supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity as specified by the donor. Under the Foundation's policies, endowment assets are invested in a manner that is intended to produce results that exceed the performance of the capital markets in which the funds are invested. The Foundation expects its endowment funds to provide an average rate of return of approximately 10% annually over time. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy. The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a policy (the spending policy) of appropriating for expenditure each year 5% of its endowment fund's five-year running average. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 5% annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets held in perpetuity, as well as to provide additional real growth through investment return.

Cooper Foundation
Notes to Financial Statements
December 31, 2014 and 2013

Note 6: Federal Excise Taxes

The Foundation is subject to either a 1% or 2% excise tax on net investment income, including realized gains, depending on the amount of qualifying distributions made during the year. For the years ended December 31, 2014 and 2013, the Foundation qualified for the 1% and 2% tax rate, respectively, on net investment income. Federal excise tax expense totaled \$19,670 and \$12,087 for 2014 and 2013, respectively.

Note 7: Operating Leases

The Foundation leases its office space under a noncancelable ten year operating lease, which expires in 2017. The Foundation is responsible for a prorata share of increases in direct building operating expenses over the lease term. Rental expense totaled \$47,594 and \$45,829 for 2014 and 2013, respectively.

Future minimum lease payments are:

2015	\$ 44,110
2016	44,768
2017	<u>7,480</u>
	<u>\$ 96,358</u>

Note 8: Pension and Other Postretirement Benefit Plans

The Foundation has a simplified employee pension plan covering substantially all employees. The Board of Trustees annually determines the amount, if any, of the Foundation's contributions to the plan. Pension expense was \$37,659 and \$35,979 for 2014 and 2013, respectively.

Note 9: Disclosure About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Cooper Foundation
Notes to Financial Statements
December 31, 2014 and 2013

Note 9: Disclosure About Fair Value of Assets and Liabilities - Continued

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

All of the Foundation's assets measured at fair value on a recurring basis are measured using quoted prices in active markets for identical assets (Level 1). The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Money market mutual funds (included in cash and cash equivalents)	\$ 84,948	\$ 82,158
Mutual funds		
Small Value	\$ 1,692,929	\$ 1,728,307
Small Growth	1,706,941	1,709,010
Foreign Small/Mid Growth	1,391,661	1,454,116
Foreign Small/Mid Value	1,412,772	1,456,053
Foreign Large Blend	3,667,259	3,878,836
Large Value	1,898,338	1,922,519
Large Growth	1,922,766	1,968,696
Mid Cap Value	1,681,927	1,715,289
Mid Cap Growth	2,699,465	2,912,933
Global Real Estate	1,177,419	1,180,336
Aggressive Allocation	1,173,211	1,202,157
Emerging Markets	2,818,363	3,083,036
Total mutual funds	<u>\$ 23,243,051</u>	<u>\$ 24,211,288</u>

Following is a description of the inputs and valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2014.

Mutual and money market mutual funds are valued at the net asset value (NAV) of shares held by the Foundation at year end.

Cooper Foundation
Notes to Financial Statements
December 31, 2014 and 2013

Note 10: Subsequent Events

Subsequent events have been evaluated through the date of the Independent Accountants' Review Report, which is the date the financial statements were available to be issued.