

Cooper Foundation

Independent Accountant's Review Report
and Financial Statements

December 31, 2015 and 2014

Cooper Foundation
December 31, 2015 and 2014

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Independent Accountant's Review Report

Board of Trustees
Cooper Foundation
Lincoln, Nebraska

We have reviewed the accompanying financial statements of Cooper Foundation which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. 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's Responsibility for the Financial Statements

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; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

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

Lincoln, Nebraska
March 4, 2016

Cooper Foundation
Statements of Financial Position
December 31, 2015 and 2014

Assets	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 164,345	\$ 122,340
Prepaid expenses	6,111	8,647
Property and equipment, net	5,398	5,303
Investments	<u>21,168,324</u>	<u>23,243,051</u>
Total assets	<u>\$ 21,344,178</u>	<u>\$ 23,379,341</u>
 Liabilities and Net Assets		
Liabilities		
Grants payable	\$ 234,734	\$ 333,073
Accounts payable and accrued expenses	27,270	22,912
Excise taxes payable	<u>19,352</u>	<u>112</u>
Total liabilities	<u>281,356</u>	<u>356,097</u>
 Net Assets		
Temporarily restricted	16,062,822	18,023,244
Permanently restricted	<u>5,000,000</u>	<u>5,000,000</u>
Total net assets	<u>21,062,822</u>	<u>23,023,244</u>
Total liabilities and net assets	<u>\$ 21,344,178</u>	<u>\$ 23,379,341</u>

Cooper Foundation
Statements of Activities
Years Ended December 31, 2015 and 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support								
Investment return (loss)	\$ -	\$ (844,624)	\$ -	\$ (844,624)	\$ -	\$ 346,112	\$ -	\$ 346,112
Other	-	13,000	-	13,000	-	-	-	-
Net assets released from restrictions	1,128,798	(1,128,798)	-	-	1,447,306	(1,447,306)	-	-
Total revenues, gains and other support	1,128,798	(1,960,422)	-	(831,624)	1,447,306	(1,101,194)	-	346,112
Grants and Expenses								
Grants	620,800	-	-	620,800	983,109	-	-	983,109
Expenses								
Employees' compensation	257,952	-	-	257,952	235,200	-	-	235,200
Payroll taxes	15,226	-	-	15,226	14,436	-	-	14,436
Rent	48,192	-	-	48,192	47,594	-	-	47,594
Travel and entertainment	19,214	-	-	19,214	9,002	-	-	9,002
Telephone	5,357	-	-	5,357	5,150	-	-	5,150
Repairs and maintenance	6,763	-	-	6,763	14,889	-	-	14,889
Trustees' fees	13,350	-	-	13,350	14,150	-	-	14,150
Depreciation and amortization	2,281	-	-	2,281	2,102	-	-	2,102
Insurance	22,348	-	-	22,348	21,255	-	-	21,255
Property and other taxes	56	-	-	56	65	-	-	65
Professional services	15,882	-	-	15,882	13,430	-	-	13,430
Investment fees	45,525	-	-	45,525	45,712	-	-	45,712
Other general and administrative	26,740	-	-	26,740	21,642	-	-	21,642
Federal excise tax expense	29,112	-	-	29,112	19,670	-	-	19,670
Total expenses	507,998	-	-	507,998	464,297	-	-	464,297
Total grants and expenses	1,128,798	-	-	1,128,798	1,447,406	-	-	1,447,406
Change in Net Assets	-	(1,960,422)	-	(1,960,422)	(100)	(1,101,194)	-	(1,101,294)
Net Assets, Beginning of Year	-	18,023,244	5,000,000	23,023,244	100	19,124,438	5,000,000	24,124,538
Net Assets, End of Year	\$ -	\$ 16,062,822	\$ 5,000,000	\$ 21,062,822	\$ -	\$ 18,023,244	\$ 5,000,000	\$ 23,023,244

Cooper Foundation
Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Activities		
Payments to suppliers and employees	\$ (469,711)	\$ (450,720)
Dividends and interest received	1,081,650	1,480,425
Excise taxes paid	(9,872)	(21,768)
Grants recovered	13,000	-
Grants paid	<u>(719,139)</u>	<u>(954,360)</u>
Net cash provided by (used in) operating activities	<u>(104,072)</u>	<u>53,577</u>
Investing Activities		
Purchase of property and equipment	(2,376)	(1,262)
Proceeds from sales of investments	1,957,221	5,132,722
Purchases of investments	(727,195)	(3,818,407)
Reinvested interest and dividends on investments	<u>(1,081,573)</u>	<u>(1,480,391)</u>
Net cash provided by (used in) investing activities	<u>146,077</u>	<u>(167,338)</u>
Increase (Decrease) in Cash and Cash Equivalents	42,005	(113,761)
Cash and Cash Equivalents, Beginning of Year	<u>122,340</u>	<u>236,101</u>
Cash and Cash Equivalents, End of Year	<u>\$ 164,345</u>	<u>\$ 122,340</u>
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Change in net assets	\$ (1,960,422)	\$ (1,101,294)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	2,281	2,102
Net realized and unrealized gains on investments	1,926,274	1,134,313
Changes in operating assets and liabilities		
Prepaid expenses	2,536	(3,828)
Grants payable	(98,339)	28,749
Accounts payable and accrued expenses	4,358	(4,367)
Excise taxes payable	<u>19,240</u>	<u>(2,098)</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ (104,072)</u>	<u>\$ 53,577</u>

Cooper Foundation
Notes to Financial Statements
December 31, 2015 and 2014

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, 2015 and 2014, 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, 2015 and 2014

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 2012.

Cooper Foundation
Notes to Financial Statements
December 31, 2015 and 2014

Note 2: Investments and Investment Return

Investments at December 31 consisted of the following:

	<u>2015</u>	<u>2014</u>
Mutual Funds		
Small Value	\$ 1,433,828	\$ 1,692,929
Small Growth	1,507,359	1,706,941
Foreign Small/Mid Growth	1,283,506	1,391,661
Foreign Small/Mid Value	1,282,557	1,412,772
Foreign Large Blend	3,343,633	3,667,259
Large Value	1,750,216	1,898,338
Large Growth	1,781,453	1,922,766
Mid Cap Value	1,507,789	1,681,927
Mid Cap Growth	2,448,808	2,699,465
Global Real Estate	1,045,550	1,177,419
Aggressive Allocation	1,085,020	1,173,211
Emerging Markets	<u>2,698,605</u>	<u>2,818,363</u>
 Total mutual funds	 <u>\$ 21,168,324</u>	 <u>\$ 23,243,051</u>

Total investment return is comprised of the following:

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 1,081,650	\$ 1,480,425
Net realized and unrealized losses on investments reported at fair value	<u>(1,926,274)</u>	<u>(1,134,313)</u>
	<u>\$ (844,624)</u>	<u>\$ 346,112</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, 2015 and 2014

Note 3: Property and Equipment

Property and equipment at December 31 consists of:

	2015	2014
Land	\$ 60	\$ 60
Furniture and fixtures	108,323	105,947
Leasehold improvements	8,186	8,186
	116,569	114,193
Less accumulated depreciation and amortization	111,171	108,890
	\$ 5,398	\$ 5,303

Note 4: Grants Payable

Grants payable activity consisted of the following:

	2015	2014
Beginning of year	\$ 333,073	\$ 304,324
Grants paid	(719,139)	(954,360)
New grants promised, net of grants rescinded	613,389	974,260
Change in unamortized discount	7,411	8,849
	\$ 234,734	\$ 333,073

Grants payable at December 31, 2015, are scheduled for payments as follows:

2016	\$ 58,000
2017	58,000
2018	58,000
2019	40,000
2020	40,000
	254,000
Unamortized discount	(19,266)
	\$ 234,734

Cooper Foundation
Notes to Financial Statements
December 31, 2015 and 2014

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, 2015 and 2014, and \$16,062,822 and \$18,023,244 of temporarily restricted net assets at December 31, 2015 and 2014, respectively.

Cooper Foundation
Notes to Financial Statements
December 31, 2015 and 2014

Note 5: Endowment and Net Assets - Continued

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

	2015		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 18,023,244	\$ 5,000,000	\$ 23,023,244
Investment return			
Interest and dividend income	1,081,650	-	1,081,650
Net depreciation	(1,926,274)	-	(1,926,274)
Total investment loss	(844,624)	-	(844,624)
Appropriation of endowment assets for expenditure	(1,128,798)	-	(1,128,798)
Other	13,000	-	13,000
Endowment net assets, end of year	<u>\$ 16,062,822</u>	<u>\$ 5,000,000</u>	<u>\$ 21,062,822</u>
	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>

Cooper Foundation
Notes to Financial Statements
December 31, 2015 and 2014

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:

	2015	2014
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	\$ 500,609	\$ 519,068
Without purpose restrictions	<u>15,562,213</u>	<u>17,504,176</u>
	<u>\$ 16,062,822</u>	<u>\$ 18,023,244</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, 2015 and 2014

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, 2015 and 2014, the Foundation qualified for the 2% and 1% tax rate, respectively, on net investment income. Federal excise tax expense totaled \$29,112 and \$19,670 for 2015 and 2014, 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 pro-rata share of increases in direct building operating expenses over the lease term. Rental expense totaled \$48,192 and \$47,594 for 2015 and 2014, respectively.

Future minimum lease payments are:

2016	\$ 44,768
2017	<u>7,480</u>
	<u>\$ 52,248</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 \$41,080 and \$37,659 for 2015 and 2014, 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, 2015 and 2014

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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Money market mutual funds (included in cash and cash equivalents)	<u>\$ 158,784</u>	<u>\$ 84,949</u>
Mutual Funds		
Small Value	\$ 1,433,828	\$ 1,692,929
Small Growth	1,507,359	1,706,941
Foreign Small/Mid Growth	1,283,506	1,391,661
Foreign Small/Mid Value	1,282,557	1,412,772
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Global Real Estate	1,045,550	1,177,419
Aggressive Allocation	1,085,020	1,173,211
Emerging Markets	<u>2,698,605</u>	<u>2,818,363</u>
Total mutual funds	<u>\$ 21,168,324</u>	<u>\$ 23,243,051</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, 2015.

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
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Note 10: Subsequent Events

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