

Cooper Foundation

Independent Accountant's Review Report
and Financial Statements

December 31, 2018 and 2017



Cooper Foundation
December 31, 2018 and 2017

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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, 2018 and 2017, 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 engagements 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 accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 2 to the financial statements, in 2018, Cooper Foundation adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our conclusion is not modified with respect to the matter emphasized.

BKD, LLP

Lincoln, Nebraska
March 29, 2019

Cooper Foundation
Statements of Financial Position
December 31, 2018 and 2017

Assets	2018	2017
Cash and cash equivalents	\$ 79,993	\$ 425,311
Prepaid expenses	13,299	8,872
Property and equipment, net	11,294	10,901
Investments	<u>21,250,329</u>	<u>25,236,029</u>
Total assets	<u><u>\$ 21,354,915</u></u>	<u><u>\$ 25,681,113</u></u>
 Liabilities and Net Assets		
Liabilities		
Grants payable	\$ 209,966	\$ 161,241
Accounts payable and accrued expenses	32,387	40,589
Excise taxes payable	<u>30,233</u>	<u>26,919</u>
Total liabilities	<u>272,586</u>	<u>228,749</u>
 Net Assets With Donor Restrictions		
Time-restricted for future periods	16,082,329	20,452,364
Perpetual in nature	<u>5,000,000</u>	<u>5,000,000</u>
Total net assets	<u>21,082,329</u>	<u>25,452,364</u>
Total liabilities and net assets	<u><u>\$ 21,354,915</u></u>	<u><u>\$ 25,681,113</u></u>

Cooper Foundation
Statements of Activities
Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support						
Investment return (loss), net	\$ -	\$ (3,062,512)	\$ (3,062,512)	\$ -	\$ 5,158,152	\$ 5,158,152
Net assets released from restrictions	1,307,523	(1,307,523)	-	1,162,308	(1,162,308)	-
Total revenues, gains and other support	<u>1,307,523</u>	<u>(4,370,035)</u>	<u>(3,062,512)</u>	<u>1,162,308</u>	<u>3,995,844</u>	<u>5,158,152</u>
Grants and Administrative Expenses						
Grants	847,906	-	847,906	670,706	-	670,706
Administrative Expenses						
Employees' compensation	243,743	-	243,743	274,410	-	274,410
Payroll taxes	16,103	-	16,103	16,334	-	16,334
Rent	51,061	-	51,061	50,298	-	50,298
Travel and entertainment	16,278	-	16,278	23,302	-	23,302
Telephone	4,151	-	4,151	4,311	-	4,311
Repairs and maintenance	7,520	-	7,520	7,151	-	7,151
Trustees' fees	16,550	-	16,550	14,700	-	14,700
Depreciation and amortization	3,837	-	3,837	2,628	-	2,628
Insurance	10,224	-	10,224	12,693	-	12,693
Professional services	15,540	-	15,540	18,855	-	18,855
Other general and administrative	21,171	-	21,171	20,129	-	20,129
Federal excise tax expense	53,439	-	53,439	46,791	-	46,791
Total administrative expenses	<u>459,617</u>	<u>-</u>	<u>459,617</u>	<u>491,602</u>	<u>-</u>	<u>491,602</u>
Total grants and administrative expenses	<u>1,307,523</u>	<u>-</u>	<u>1,307,523</u>	<u>1,162,308</u>	<u>-</u>	<u>1,162,308</u>
Change in Net Assets	-	(4,370,035)	(4,370,035)	-	3,995,844	3,995,844
Net Assets, Beginning of Year	<u>-</u>	<u>25,452,364</u>	<u>25,452,364</u>	<u>-</u>	<u>21,456,520</u>	<u>21,456,520</u>
Net Assets, End of Year	<u><u>\$ -</u></u>	<u><u>\$ 21,082,329</u></u>	<u><u>\$ 21,082,329</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 25,452,364</u></u>	<u><u>\$ 25,452,364</u></u>

Cooper Foundation
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Activities		
Payments to suppliers and employees	\$ (453,962)	\$ (468,326)
Dividends and interest received	1,964,698	1,734,411
Excise taxes paid	(50,125)	(19,976)
Grants paid	<u>(799,181)</u>	<u>(669,568)</u>
Net cash provided by operating activities	<u>661,430</u>	<u>576,541</u>
Investing Activities		
Purchase of property and equipment	(4,230)	(4,805)
Proceeds from sales of investments	3,625,151	3,447,669
Purchases of investments	(2,666,153)	(2,035,138)
Reinvested interest and dividends on investments	<u>(1,961,516)</u>	<u>(1,733,729)</u>
Net cash used in investing activities	<u>(1,006,748)</u>	<u>(326,003)</u>
Increase (Decrease) in Cash and Cash Equivalents	(345,318)	250,538
Cash and Cash Equivalents, Beginning of Year	<u>425,311</u>	<u>174,773</u>
Cash and Cash Equivalents, End of Year	<u>\$ 79,993</u>	<u>\$ 425,311</u>
Reconciliation of Change in Net Assets to Net Cash		
Provided by Operating Activities		
Change in net assets	\$ (4,370,035)	\$ 3,995,844
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	3,837	2,628
Net realized and unrealized (gains) losses on investments	4,988,218	(3,467,291)
Changes in operating assets and liabilities		
Prepaid expenses	(4,427)	365
Grants payable	48,725	1,138
Accounts payable and accrued expenses	(8,202)	17,042
Excise taxes payable	<u>3,314</u>	<u>26,815</u>
Net Cash Provided by Operating Activities	<u>\$ 661,430</u>	<u>\$ 576,541</u>

Cooper Foundation
Notes to Financial Statements
December 31, 2018 and 2017

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, 2018 and 2017, 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 with or without donor restrictions 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, 2018 and 2017

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.

Net Assets with Donor Restrictions

Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

Cooper Foundation
Notes to Financial Statements
December 31, 2018 and 2017

Note 2: Change in Accounting Principle

In 2018, the Foundation adopted ASU 2016-14, *Not-For-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-For-Profit Entities*. A summary of the changes is as follows:

Statements of Financial Position

- The statements of financial position distinguishes between two new classes of net assets – those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets – unrestricted, temporarily restricted, and permanently restricted.

Statements of Activities

- Investment income is shown net of external and direct internal investment expenses.

Notes to Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one-year from the date of the statements of financial position.
- Amounts and purposes of Board designations and appropriations as of the end of the period are disclosed.

This change had no impact on the previously reported total change in net assets.

Cooper Foundation
Notes to Financial Statements
December 31, 2018 and 2017

Note 3: Investments and Investment Return

Investments at December 31 consisted of the following:

	<u>2018</u>	<u>2017</u>
Mutual Funds		
Small Value	\$ 1,317,576	\$ 1,782,515
Small Growth	1,380,819	1,788,975
Foreign Small/Mid Growth	1,326,009	1,528,118
Foreign Small/Mid Value	1,278,829	1,511,712
Foreign Large Blend	3,383,463	3,994,724
Large Value	1,732,410	2,025,048
Large Growth	1,694,321	1,984,615
Mid Cap Value	1,433,195	1,772,875
Mid Cap Growth	2,526,926	3,062,317
Global Real Estate	1,060,785	1,292,364
Aggressive Allocation	1,101,221	1,257,655
Emerging Markets	<u>3,014,775</u>	<u>3,235,111</u>
Total mutual funds	<u>\$ 21,250,329</u>	<u>\$ 25,236,029</u>

Total investment return is comprised of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 1,964,698	\$ 1,734,411
Investment expenses	(38,992)	(43,550)
Net realized and unrealized gains (losses) on investments reported at fair value	<u>(4,988,218)</u>	<u>3,467,291</u>
	<u>\$ (3,062,512)</u>	<u>\$ 5,158,152</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, 2018 and 2017

Note 4: Property and Equipment

Property and equipment at December 31 consists of:

	<u>2018</u>	<u>2017</u>
Land	\$ 60	\$ 60
Furniture and fixtures	124,692	120,462
Leasehold improvements	<u>8,186</u>	<u>8,186</u>
	132,938	128,708
Less accumulated depreciation and amortization	<u>121,644</u>	<u>117,807</u>
	<u><u>\$ 11,294</u></u>	<u><u>\$ 10,901</u></u>

Note 5: Grants Payable

Grants payable activity consisted of the following:

	<u>2018</u>	<u>2017</u>
Beginning of year	\$ 161,241	\$ 160,103
Grants paid	(799,181)	(669,568)
New grants promised, net of grants rescinded	846,856	665,393
Change in unamortized discount	<u>1,050</u>	<u>5,313</u>
	<u><u>\$ 209,966</u></u>	<u><u>\$ 161,241</u></u>

Grants payable at December 31, 2018, are scheduled for payments as follows:

2019	\$ 123,000
2020	58,000
2021	18,000
2022	<u>18,000</u>
	217,000
Unamortized discount	<u>(7,034)</u>
	<u><u>\$ 209,966</u></u>

Cooper Foundation
Notes to Financial Statements
December 31, 2018 and 2017

Note 6: 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 net assets with donor restrictions, perpetual in nature, the original value of gifts donated to the permanent endowment. The remaining portion of donor-restricted endowment funds is classified as net assets with donor restrictions, time-restricted for future periods, 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 net assets with donor restrictions, perpetual in nature, at December 31, 2018 and 2017, and \$16,082,329 and \$20,452,364 of net assets with donor restrictions, time-restricted for future periods, at December 31, 2018 and 2017, respectively.

Cooper Foundation
Notes to Financial Statements
December 31, 2018 and 2017

Note 6: Endowment and Net Assets - Continued

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

	2018		
	Time-restricted for Future Periods	Perpetual in Nature	Total
Endowment net assets, beginning of year	\$ 20,452,364	\$ 5,000,000	\$ 25,452,364
Investment return			
Interest and dividend income	1,964,698	-	1,964,698
Investment fees	(38,992)	-	(38,992)
Net depreciation	(4,988,218)	-	(4,988,218)
Total investment return (loss)	(3,062,512)	-	(3,062,512)
Appropriation of endowment assets for expenditure	(1,307,523)	-	(1,307,523)
Endowment net assets, end of year	\$ 16,082,329	\$ 5,000,000	\$ 21,082,329
	2017		
	Time-restricted for future periods	Perpetual in Nature	Total
Endowment net assets, beginning of year	\$ 16,456,520	\$ 5,000,000	\$ 21,456,520
Investment return			
Interest and dividend income	1,734,411	-	1,734,411
Investment fees	(43,550)	-	(43,550)
Net appreciation	3,467,291	-	3,467,291
Total investment return	5,158,152	-	5,158,152
Appropriation of endowment assets for expenditure	(1,162,308)	-	(1,162,308)
Endowment net assets, end of year	\$ 20,452,364	\$ 5,000,000	\$ 25,452,364

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Notes to Financial Statements
December 31, 2018 and 2017

Note 6: Endowment and Net Assets - Continued

The composition of net assets with donor restrictions by type of endowment fund at December 31 consisted of:

	2018	2017
Perpetual in nature - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation	\$ 5,000,000	\$ 5,000,000
Time-restricted for future periods - portion of perpetual endowment funds subject to a time restriction under SPMIFA		
With Board designations - Thompson Family Fund	\$ 481,464	\$ 608,887
Without purpose restrictions	15,600,865	19,843,477
Total time-restricted for future periods	16,082,329	20,452,364
Total endowment funds	\$ 21,082,329	\$ 25,452,364

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, 2018 and 2017

Note 7: 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, 2018 and 2017, the Foundation qualified for the 2% tax rate, on net investment income. Federal excise tax expense totaled \$53,439 and \$46,791 for 2018 and 2017, respectively.

Note 8: Operating Leases

The Foundation leases its office space under a noncancelable ten year operating lease, with an original term expiring in 2017. The lease was renewed for an additional five years. The Foundation is responsible for a pro-rata share of increases in direct building operating expenses over the lease term. Rental expense totaled \$51,061 and \$50,298 for 2018 and 2017, respectively.

Future minimum lease payments are:

2019	\$ 44,629
2020	45,241
2021	45,854
2022	<u>7,659</u>
	<u>\$ 143,383</u>

Note 9: 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 \$39,592 and \$40,100 for 2018 and 2017, respectively.

Cooper Foundation
Notes to Financial Statements
December 31, 2018 and 2017

Note 10: 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
- 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Mutual Funds		
Small Value	\$ 1,317,576	\$ 1,782,515
Small Growth	1,380,819	1,788,975
Foreign Small/Mid Growth	1,326,009	1,528,118
Foreign Small/Mid Value	1,278,829	1,511,712
Foreign Large Blend	3,383,463	3,994,724
Large Value	1,732,410	2,025,048
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Global Real Estate	1,060,785	1,292,364
Aggressive Allocation	1,101,221	1,257,655
Emerging Markets	3,014,775	3,235,111
	<u>\$ 21,250,329</u>	<u>\$ 25,236,029</u>

Cooper Foundation
Notes to Financial Statements
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Note 10: Disclosure About Fair Value of Assets and Liabilities - Continued

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, 2018.

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

Note 11: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018 and 2017, comprise the following:

	<u>2018</u>	<u>2017</u>
Total financial assets	\$ 21,330,322	\$ 25,661,340
Donor imposed restrictions		
Perpetual endowment fund required to be retained permanently	<u>5,000,000</u>	<u>5,000,000</u>
Net financial assets after donor imposed restrictions	<u>16,330,322</u>	<u>20,661,340</u>
Internal designations		
Thompson Family Fund	481,464	608,887
Without purpose restrictions	<u>15,600,865</u>	<u>19,843,477</u>
	<u>16,082,329</u>	<u>20,452,364</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 247,993</u>	<u>\$ 208,976</u>

The Foundation's endowment funds consist of donor restricted endowments and funds designed by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure.

At December 31, 2018 and 2017, the donor-restricted endowment which is time-restricted for future periods is \$15,600,865 and \$19,843,477, respectively. Although the Foundation, does not intend to spend from this donor-restricted endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, these amounts could be made available if necessary.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

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Note 12: Subsequent Events

Subsequent events have been evaluated through March 29, 2019, which is the date the financial statements were available to be issued.