

Cooper Foundation
Lincoln, Nebraska

December 31, 2019 and 2018

Financial Statements
and
Independent Accountant's Review Report



CPAs & Consultants | Wealth Management

Cooper Foundation

Years ended December 31, 2019 and 2018

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

The Board of Directors
Cooper Foundation
Lincoln, Nebraska

We have reviewed the accompanying financial statements of the Cooper Foundation which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 company 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 these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement 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 any 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 review, 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.

Other Matter

The financial statements of Cooper Foundation for the year ended December 31, 2018, were reviewed by other accountants whose report dated March 29, 2019 stated that, based on their review, they are not aware of any material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

HBE LLP

Lincoln, Nebraska
March 23, 2020

HBE
HBE

Cooper Foundation

STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents (note A)	\$ 285,828	\$ 79,993
Prepaid excise taxes	6,640	-
Prepaid expenses	14,208	13,299
Property and equipment (notes A and E)	7,886	11,294
Investments (notes A, C and K)	<u>25,101,937</u>	<u>21,250,329</u>
 Total assets	 <u>\$ 25,416,499</u>	 <u>\$ 21,354,915</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Grants payable (notes A and F)	\$ 69,607	\$ 209,966
Accounts payable and accrued expenses	25,466	32,387
Excise taxes payable	<u>-</u>	<u>30,233</u>
 Total liabilities	 <u>95,073</u>	 <u>272,586</u>
 NET ASSETS (notes A and G)		
With donor restrictions		
Time-restricted for future periods	20,321,426	16,082,329
Perpetual in nature	<u>5,000,000</u>	<u>5,000,000</u>
 Total net assets	 <u>25,321,426</u>	 <u>21,082,329</u>
 Total liabilities and net assets	 <u>\$ 25,416,499</u>	 <u>\$ 21,354,915</u>

See accompanying notes to financial statements and independent accountant's review report.

Cooper Foundation

STATEMENTS OF ACTIVITIES

Years ended December 31,

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE						
Investment return (loss), net (note C)	\$ -	\$ 5,374,361	\$ 5,374,361	\$ -	\$ (3,062,512)	\$ (3,062,512)
Net assets released from restrictions	<u>1,135,264</u>	<u>(1,135,264)</u>	<u>-</u>	<u>1,307,523</u>	<u>(1,307,523)</u>	<u>-</u>
Total revenue and support	<u>1,135,264</u>	<u>4,239,097</u>	<u>5,374,361</u>	<u>1,307,523</u>	<u>(4,370,035)</u>	<u>(3,062,512)</u>
EXPENSES						
Program	949,249	-	949,249	1,020,233	-	1,020,233
Administrative	<u>186,015</u>	<u>-</u>	<u>186,015</u>	<u>287,290</u>	<u>-</u>	<u>287,290</u>
Total expenses	<u>1,135,264</u>	<u>-</u>	<u>1,135,264</u>	<u>1,307,523</u>	<u>-</u>	<u>1,307,523</u>
Increase (decrease) in net assets	-	4,239,097	4,239,097	-	(4,370,035)	(4,370,035)
Net assets at beginning of year	<u>-</u>	<u>21,082,329</u>	<u>21,082,329</u>	<u>-</u>	<u>25,452,364</u>	<u>25,452,364</u>
Net assets at end of year	<u>\$ -</u>	<u>\$ 25,321,426</u>	<u>\$ 25,321,426</u>	<u>\$ -</u>	<u>\$ 21,082,329</u>	<u>\$ 21,082,329</u>

See accompanying notes to financial statements and independent accountant's review report.

Cooper Foundation

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended December 31, 2019

	Program Services	Administrative Services	Total
Grants	\$ 769,837	\$ -	\$ 769,837
Salaries and benefits	118,414	95,820	214,234
Payroll taxes	7,504	6,129	13,633
Rent	30,934	23,786	54,720
Travel and entertainment	1,503	12,241	13,744
Technology	3,800	3,311	7,111
Repairs and maintenance	-	1,763	1,763
Trustees' fees	-	15,400	15,400
Depreciation	2,580	1,984	4,564
Insurance	-	2,686	2,686
Professional services	-	12,983	12,983
Communications	7,424	-	7,424
Dues and publications	4,901	2,849	7,750
Supplies	-	2,927	2,927
Telephone and internet	2,352	1,808	4,160
Federal excise tax expense (note H)	-	2,328	2,328
	<u>\$ 949,249</u>	<u>\$ 186,015</u>	<u>\$ 1,135,264</u>
Total expenses	<u>\$ 949,249</u>	<u>\$ 186,015</u>	<u>\$ 1,135,264</u>

Year ended December 31, 2018

	Program Services	Administrative Services	Total
Grants	\$ 847,906	\$ -	\$ 847,906
Salaries and benefits	114,432	136,934	251,366
Payroll taxes	7,292	8,811	16,103
Rent	24,733	29,472	54,205
Travel and entertainment	5,500	10,778	16,278
Technology	3,800	3,720	7,520
Repairs and maintenance	-	850	850
Trustees' fees	-	16,550	16,550
Depreciation	1,751	2,086	3,837
Insurance	-	2,601	2,601
Professional services	-	15,540	15,540
Communications	7,890	-	7,890
Dues and publications	5,035	2,645	7,680
Supplies	-	1,607	1,607
Telephone and internet	1,894	2,257	4,151
Federal excise tax expense (note H)	-	53,439	53,439
	<u>\$ 1,020,233</u>	<u>\$ 287,290</u>	<u>\$ 1,307,523</u>
Total expenses	<u>\$ 1,020,233</u>	<u>\$ 287,290</u>	<u>\$ 1,307,523</u>

See accompanying notes to financial statements and independent accountant's review report.

Cooper Foundation

STATEMENTS OF CASH FLOWS

December 31,

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Cash paid to employees and vendors	\$ (397,434)	\$ (453,962)
Dividends and interest received	1,098,020	1,964,698
Excise taxes paid	(40,249)	(50,125)
Grants paid	<u>(910,196)</u>	<u>(799,181)</u>
Net cash provided (used) by operating activities	<u>(249,859)</u>	<u>661,430</u>
Cash flows from investing activities		
Purchase of property and equipment	(1,156)	(4,230)
Proceeds from sales of investments	4,045,742	3,625,151
Purchase of investments	(2,495,433)	(2,666,153)
Reinvested interest and dividends on investments	<u>(1,093,459)</u>	<u>(1,961,516)</u>
Net cash provided (used) by investing activities	<u>455,694</u>	<u>(1,006,748)</u>
Net increase (decrease) in cash and cash equivalents	205,835	(345,318)
Cash and cash equivalents, beginning of year	<u>79,993</u>	<u>425,311</u>
Cash and cash equivalents, end of year	<u>\$ 285,828</u>	<u>\$ 79,993</u>
Reconciliation of the increase (decrease) in net assets to net cash provided (used) by operating activities		
Increase (decrease) in net assets	\$ 4,239,097	\$ (4,370,035)
Adjustments to reconcile the increase (decrease) in net assets to net cash provided (used) by operating activities		
Depreciation	4,564	3,837
Net realized and unrealized (gains) losses on investments	(4,308,458)	4,988,218
Increase in assets		
Prepaid excise taxes	(6,640)	-
Prepaid expenses	(909)	(4,427)
Increase (decrease) in liabilities		
Grants payable	(140,359)	48,725
Accounts payable and accrued expenses	(6,921)	(8,202)
Excise taxes payable	<u>(30,233)</u>	<u>3,314</u>
Net cash provided (used) by operating activities	<u>\$ (249,859)</u>	<u>\$ 661,430</u>

See accompanying notes to financial statements and independent accountant's review report.

Cooper Foundation

NOTES TO FINANCIAL STATEMENTS

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting. The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents. For purposes of the statements of cash flows, the Foundation considers all unrestricted highly liquid investments with a maturity of three months or less to be cash equivalents.

Investments. Investments in marketable securities, including equity and debt securities, with readily determinable fair values are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the statement of activities.

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.

Fair Value Measurements. 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. The Foundation utilizes a fair value hierarchy to prioritize the inputs to valuation techniques used to measure 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 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 should maximize the use of observable inputs and minimize the use of unobservable inputs.

See independent accountant's review report

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property and Equipment and Depreciation. Property and equipment are carried at cost, if purchased, or at fair market value at the date of contribution, if received by donation, less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives computed primarily on the straight-line method. Furniture and fixtures are depreciated over estimated useful lives from 3 to 10 years. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. It is the Foundation's policy to capitalize additions which have an estimated useful life of more than one year unless the cost is insignificant.

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 Asset Classification. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without donor restrictions. Net assets available for use in general operations and not subject to donor or grantor restrictions.

With donor restrictions. Net assets subject to donor-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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and are reported in the statements activities as net assets released from restrictions. The governing board has designated, from net assets with donor restrictions, board-designated endowments.

Contributions. Contributions are recognized when a donor makes a promise to give that is, in substance, unconditional. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Foundation has not received any conditional contributions.

Leases. Assets which are acquired by lease-purchase agreements and meet the criteria of a capital lease are recorded as assets and obligations at the lesser of the following:

- (1) An amount equal to the present value, at the beginning of the lease term, of minimum lease payments during the lease term, excluding that portion of the payments representing executory costs to be paid by the lessor, together with any profit thereon.
- (2) Fair value of the leased property at the inception of the lease.

Rental payments under agreements which meet the criteria of an operating lease are expensed when incurred.

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Cooper Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Functionalized Expenses. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, payroll taxes, rent, depreciation, and telephone and internet which are allocated on the basis of estimates of time and effort.

Income Taxes. The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. As such, income earned in the performance of the Foundation's exempt purpose is not subject to income tax. Any income earned through unrelated business activities is subject to income tax at normal corporate rates. For the year ended December 31, 2019, the Foundation had no tax liability on unrelated business activity. For the year ended December 31, 2018, the Foundation had qualified transportation fringe benefits which were subject to tax on unrelated business income. On December 20, 2019, H.R. 1865 Further Consolidated Appropriations Act 2020 was signed, repealing the unrelated business income tax on qualified transportation fringe benefits retroactively. At December 31, 2019, the Foundation has recorded an asset of \$1,048 for refunds of the tax on unrelated business income paid for 2018 and estimates paid for 2019. 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 believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Foundation's federal Returns of Private Foundation (990PF) for December 31, 2019, 2018, and 2017 are subject to examination by the IRS, generally three years after they were filed.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - NEW ACCOUNTING STANDARDS

Contributions

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. For nonexchange transactions, the contribution guidance in ASC 958 is typically applied, whereas for exchange transactions, an entity should apply ASC 606 or other appropriate guidance. The Foundation has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

Fair Value Measurement

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU removed some disclosures; modified others, and added some new disclosure requirements. The ASU is effective for all entities for fiscal years beginning after December 15, 2019; however, the Foundation early adopted the standard, effective for the year ended December 31, 2019, as permitted by the standard. See note K for disclosure of the Foundation's assets and liabilities measured at fair value.

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Cooper Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE C - INVESTMENTS AND INVESTMENT RETURN

Investments consist of the following:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Market Value</u>	<u>Cost</u>	<u>Fair Market Value</u>
Mutual funds	\$ 21,641,318	\$ 25,101,937	\$ 22,938,200	\$ 21,250,329
Gross unrealized gain (loss)		<u>\$ 3,460,619</u>		<u>\$ (1,687,871)</u>

Investment return (loss), net consists of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 1,098,020	\$ 1,964,698
Investment expenses	(32,117)	(38,992)
Net realized and unrealized gains (losses) on investments reported at fair value	<u>4,308,458</u>	<u>(4,988,218)</u>
	<u>\$ 5,374,361</u>	<u>\$ (3,062,512)</u>

NOTE D - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement financial position date, comprise the following:

Total financial assets	\$ 25,387,765	\$ 21,330,322
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>20,387,765</u>	<u>16,330,322</u>
Internal designations		
Thompson Family Fund	660,256	481,464
Without purpose restrictions	<u>19,661,170</u>	<u>15,600,865</u>
	<u>20,321,426</u>	<u>16,082,329</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 66,339</u>	<u>\$ 247,993</u>

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

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Cooper Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE D - LIQUIDITY AND AVAILABILITY - CONTINUED

At December 31, 2019 and 2018, the donor-restricted endowment which is time-restricted for future periods is \$19,661,170 and \$15,600,865, 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 and appropriation process, these amounts could be made available if necessary.

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

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consists of:

	<u>2019</u>	<u>2018</u>
Land	\$ 60	\$ 60
Furniture and fixtures	124,692	124,692
Leasehold improvements	<u>9,342</u>	<u>8,186</u>
	134,094	132,938
Less accumulated depreciation and amortization	<u>(126,208)</u>	<u>(121,644)</u>
	<u>\$ 7,886</u>	<u>\$ 11,294</u>

The financial statements include depreciation expense of \$4,564 and \$3,837 for the years ended December 31, 2019 and 2018, respectively.

NOTE F - GRANTS PAYABLE

Grants payable activity consisted of the following:

Beginning of year	\$ 209,966	\$ 161,241
Grants paid	(910,196)	(799,181)
New grants promised, net of grants rescinded	767,196	846,856
Change in unamortized discount	<u>2,641</u>	<u>1,050</u>
	<u>\$ 69,607</u>	<u>\$ 209,966</u>

Grants payable at December 31, 2019 are scheduled for payment as follows:

2020	\$ 38,000
2021	18,000
2022	<u>18,000</u>
	74,000
Unamortized discount	<u>(4,393)</u>
	<u>\$ 69,607</u>

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Cooper Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE G - ENDOWMENTS AND NET ASSETS

The Foundation has interpreted the Nebraska Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, we retain in perpetuity (a) the original value of initial and subsequent gift amounts and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. The Foundation is governed subject to the Governing Documents of the Foundation and most contributions are subject to the terms of the Governing Documents, including the Foundation's payout policy. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Foundation and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Foundation
- 7) The investment policies of the Foundation

The Foundation's endowment consists of an individual donor-restricted fund, comprised of \$5,000,000 of net assets with donor restrictions, perpetual in nature, at December 31, 2019 and 2018, and \$20,321,426 and \$16,082,329 of net assets with donor restrictions, time-restricted for future periods at December 31, 2019 and 2018, respectively.

The composition of net assets with donor restriction by type of endowment fund as of December 31, 2019 consisted of:

	<u>2019</u>	<u>2018</u>
Perpetual in nature - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Time-restricted for future periods - portion of perpetual endowment funds subject to a time restriction under UPMIFA		
With board designations - Thompson Family Fund	660,256	481,464
Without purpose restrictions	<u>19,661,170</u>	<u>15,600,865</u>
	<u>20,321,426</u>	<u>16,082,329</u>
	<u>\$ 25,321,426</u>	<u>\$ 21,082,329</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. The Foundation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

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Cooper Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE G - ENDOWMENTS AND NET ASSETS - CONTINUED

As of December 31, 2018, the donor-restricted endowment fund had aggregated original values totaling \$22,959,592, current fair values totaling \$21,271,721, and deficiencies totaling \$1,687,871. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

Changes in endowment net assets with donor restrictions for the year ended December 31, 2019 are as follows:

	Time-restricted for Future Periods	Perpetual in Nature	Total
Balance January 1, 2019	\$ 16,082,329	\$ 5,000,000	\$ 21,082,329
Investment earnings, net	5,374,361	-	5,374,361
Earnings appropriated for expenditure	<u>(1,135,264)</u>	<u>-</u>	<u>(1,135,264)</u>
Balance December 31, 2019	<u>\$ 20,321,426</u>	<u>\$ 5,000,000</u>	<u>\$ 25,321,426</u>

Changes in endowment net assets with donor restrictions for the year ended December 31, 2018 are as follows:

	Time-restricted for Future Periods	Perpetual in Nature	Total
Balance January 1, 2018	\$ 20,452,364	\$ 5,000,000	\$ 25,452,364
Investment loss, net	(3,062,512)	-	(3,062,512)
Earnings appropriated for expenditure	<u>(1,307,523)</u>	<u>-</u>	<u>(1,307,523)</u>
Balance December 31, 2018	<u>\$ 16,082,329</u>	<u>\$ 5,000,000</u>	<u>\$ 21,082,329</u>

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for grants and other expenses supported by its endowment while seeking to maintain the purchasing power of endowment assets. 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 investment policy, endowment assets are invested in a manner which 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.

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Cooper Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE G - ENDOWMENTS AND NET ASSETS - CONTINUED

The Foundation's spending policy calls for appropriating 5% of the endowment assets five-year running average for expenditure on grants and other expenses supported by the endowment annually. 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 purchasing power of endowment assets held in perpetuity as well as to provide additional real growth through investment return.

NOTE H - 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 year ended December 31, 2019, the Foundation qualified for the 1% tax rate on net investment income. For the year ended December 31, 2018, the Foundation qualified for the 2% tax rate on net investment income. Federal excise tax expenses totaled \$2,328 and \$53,439 for the years ended December 31, 2019 and 2018, respectively.

NOTE I - OPERATING LEASE

The Foundation leases its office space under a non-cancelable 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 \$51,353 and \$51,061 for the years ended December 31, 2019 and 2018, respectively.

Future minimum lease payments for the years following December 31, 2019 are:

2020	\$	48,130
2021		47,838
2022		<u>7,746</u>
	\$	<u>103,714</u>

NOTE J - 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. The Foundation contributed \$29,364 and \$39,592 to the retirement plan for the years ended December 31, 2019 and 2018, respectively.

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NOTES TO FINANCIAL STATEMENTS

NOTE K - FAIR VALUE OF ASSETS AND LIABILITIES

The following is a description of the valuation methodology used for assets and liabilities measured at fair value. There have been no changes in the methodology used during the years ended December 31, 2019 and 2018.

Mutual funds: Valued at the observable net asset value (NAV) of shares held by the Foundation at year end.

The preceding method 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.

The following table sets forth the balances of assets and liabilities measured at fair value on a recurring basis at December 31, 2019.

<u>December 31, 2019</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds				
Small value	\$ 1,890,260	\$ 1,890,260	\$ -	\$ -
Small growth	1,886,457	1,886,457	-	-
Foreign small/mid growth	1,570,717	1,570,717	-	-
Foreign small/mid value	1,589,347	1,589,347	-	-
Foreign large blend	2,108,853	2,108,853	-	-
Foreign large growth	2,108,122	2,108,122	-	-
Large value	2,105,442	2,105,442	-	-
Large growth	2,106,696	2,106,696	-	-
Mid cap value	1,836,709	1,836,709	-	-
Mid cap growth	1,923,843	1,923,843	-	-
Global real estate	1,233,082	1,233,082	-	-
Aggressive allocation	1,308,665	1,308,665	-	-
Emerging markets	<u>3,433,744</u>	<u>3,433,744</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 25,101,937</u>	<u>\$ 25,101,937</u>	<u>\$ -</u>	<u>\$ -</u>

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NOTES TO FINANCIAL STATEMENTS

NOTE K - FAIR VALUE OF ASSETS AND LIABILITIES - CONTINUED

The following table sets forth the balances of assets and liabilities measured at fair value on a recurring basis at December 31, 2018.

<u>December 31, 2018</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds				
Small value	\$ 1,317,576	\$ 1,317,576	\$ -	\$ -
Small growth	1,380,819	1,380,819	-	-
Foreign small/mid growth	1,326,009	1,326,009	-	-
Foreign small/mid value	1,278,829	1,278,829	-	-
Foreign large blend	1,641,359	1,641,359	-	-
Foreign large growth	1,742,104	1,742,104	-	-
Large value	1,732,410	1,732,410	-	-
Large growth	1,694,321	1,694,321	-	-
Mid cap value	1,433,195	1,433,195	-	-
Mid cap growth	2,526,926	2,526,926	-	-
Global real estate	1,060,785	1,060,785	-	-
Aggressive allocation	1,101,221	1,101,221	-	-
Emerging markets	3,014,775	3,014,775	-	-
Total	<u>\$ 21,250,329</u>	<u>\$ 21,250,329</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE L - RECLASSIFICATIONS

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. These reclassifications had no effect on the 2018 change in net assets.

NOTE M - SUBSEQUENT EVENTS

Subsequent events have been evaluated through the audit report date, the date the financial statements were available to be issued.

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