

LINCOLN PARKS AND RECREATION
FOUNDATION

FINANCIAL STATEMENTS

December 31, 2014 and 2013



STRAIN SLATTERY BARKLEY & CO, CPAs, P.C.

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LINCOLN PARKS AND RECREATION FOUNDATION
FINANCIAL STATEMENTS
December 31, 2014 and 2013

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STRAIN SLATTERY BARKLEY & CO., CPAs, P.C.

Shareholders:

James R. Slattery, CPA
Shaun A. Barkley, CPA, CMA
Laura J. Lawrence, CPA
Edward A. Bates, CPA, CITP
Rachel B. Ficek, CPA

Director:

William V. Strain, CPA/ABV, CVA

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lincoln Parks and Recreation Foundation

We have audited the accompanying financial statements of the Lincoln Parks and Recreation Foundation (a nonprofit organization), which comprise the statements of assets, liabilities and net assets – modified cash basis as of December 31, 2014 and 2013, and the related statements of revenue, expenses and changes in net assets – modified cash basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements. •

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and net assets of the Lincoln Parks and Recreation Foundation as of December 31, 2014 and 2013, and its revenue, expenses and changes in net assets for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Strain Stattery Buckley & Co., CPAs, P.C.

Lincoln, Nebraska
August 6, 2015

EXHIBIT A
 LINCOLN PARKS AND RECREATION FOUNDATION
 STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS – MODIFIED CASH BASIS
 December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,504,463	\$ 1,960,178
Certificates of deposit	3,372,839	1,118,377
Cash equivalents restricted for endowment (Note 6):		
Appropriated for distribution	217,871	155,052
Other endowment	891,493	146,140
Investments (Note 4)	5,181,698	2,301,330
Real estate – A Street (Note 5)	<u>-</u>	<u>214,423</u>
<u>Total assets</u>	<u>\$ 11,168,364</u>	<u>\$ 5,895,500</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Payroll taxes payable	\$ <u>1,979</u>	\$ <u>1,562</u>
Net assets:		
Unrestricted	142,267	103,665
Temporarily restricted (Note 2)	5,249,171	3,684,698
Permanently restricted (Note 3)	<u>5,774,947</u>	<u>2,105,575</u>
<u>Total net assets</u>	<u>11,166,385</u>	<u>5,893,938</u>
<u>Total liabilities and net assets</u>	<u>\$ 11,168,364</u>	<u>\$ 5,895,500</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT B
 LINCOLN PARKS AND RECREATION FOUNDATION
 STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS – MODIFIED CASH BASIS
 For the Years Ended December 31, 2014 and 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue:								
Contributions	\$ 41,655	\$ 4,777,514	\$ 5,120	\$ 4,824,289	\$ 19,229	\$ 1,760,902	\$ 69,996	\$ 1,850,127
Transfer of endowment funds from City of Lincoln (Note 7)	-	-	998,366	998,366	-	-	-	-
Golf outing, net of direct costs	9,503	-	-	9,503	4,326	-	-	4,326
Sale of pickle cards	37,446	-	-	37,446	44,959	-	-	44,959
Pickle card direct costs	(18,096)	-	-	(18,096)	(20,126)	-	-	(20,126)
Other sales, net of direct costs	(933)	-	-	(933)	(290)	-	-	(290)
Program fees	8,628	-	-	8,628	5,696	-	-	5,696
Interest income	38,524	-	-	38,524	6,376	-	-	6,376
Net investment income (Note 4)	-	72,806	-	72,806	-	337,492	-	337,492
Total revenue	116,727	4,850,320	1,003,486	5,970,533	60,170	2,098,394	69,996	2,228,560
Reclassifications:								
Net assets released from restrictions	621,876	(621,876)	-	-	549,122	(549,122)	-	-
Funds reclassified	(1,915)	1,915	-	-	(24,991)	24,991	-	-
Transfer of net assets to endowment (Note 6)	-	(2,665,886)	2,665,886	-	-	(162,000)	162,000	-
Total reclassifications	619,961	(3,285,847)	2,665,886	-	524,131	(686,131)	162,000	-

The accompanying notes are an integral part of these financial statements.

EXHIBIT B
 LINCOLN PARKS AND RECREATION FOUNDATION
 STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS – MODIFIED CASH BASIS – Continued
 For the Years Ended December 31, 2014 and 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses:								
Program	\$ 390,515	\$ -	\$ -	\$ 390,515	\$ 411,985	\$ -	\$ -	\$ 411,985
Management and general	58,732	-	-	58,732	54,625	-	-	54,625
Fundraising	248,839	-	-	248,839	156,079	-	-	156,079
<u>Total expenses</u>	<u>698,086</u>	<u>-</u>	<u>-</u>	<u>698,086</u>	<u>622,689</u>	<u>-</u>	<u>-</u>	<u>622,689</u>
<u>Change in net assets</u>	<u>38,602</u>	<u>1,564,473</u>	<u>3,669,372</u>	<u>5,272,447</u>	<u>(38,388)</u>	<u>1,412,263</u>	<u>231,996</u>	<u>1,605,871</u>
Net assets, beginning of year	103,665	3,684,698	2,105,575	5,893,938	142,053	2,272,435	1,873,579	4,288,067
<u>Net assets, end of year</u>	<u>\$ 142,267</u>	<u>\$ 5,249,171</u>	<u>\$ 5,774,947</u>	<u>\$ 11,166,385</u>	<u>\$ 103,665</u>	<u>\$ 3,684,698</u>	<u>\$ 2,105,575</u>	<u>\$ 5,893,938</u>

The accompanying notes are an integral part of these financial statements.

LINCOLN PARKS AND RECREATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1

NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of organization – The Lincoln Parks and Recreation Foundation (the Foundation) is a not-for-profit corporation established under the laws of the State of Nebraska. The Foundation's mission is to inspire and nurture a philanthropic legacy for parks and recreation in Lincoln, Nebraska. Its primary program is to provide funding for improving Lincoln's parks and recreation system and programs. The Foundation's primary sources of revenue are private grants and contributions from various foundations and the general public.

Basis of accounting – The Foundation prepares its financial statements on the modified cash basis. Under the modified cash basis, revenues are recognized when collected rather than when earned, and expenses are recognized when paid rather than when incurred. Expenditures for the purchase of real estate are capitalized, and payroll taxes are recognized when the related payroll is paid. Investments are reported at estimated fair value.

Income tax status – The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and has no unrelated business income. Therefore, the Foundation has no provision for income taxes. The Foundation is not a private foundation under the Internal Revenue Code. As of December 31, 2014, the Foundation is subject to examination by the Internal Revenue Service for 2011, 2012 and 2013.

Contributions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction expires, restricted net assets are reclassified to unrestricted net assets.

In-kind contributions – The value of in-kind contributions (donated materials, space and services) is not included as revenue or expenditures in these financial statements, although the Foundation receives substantial services from volunteers, primarily for administrative and fundraising support.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at estimated fair value as of the financial statement date. Unrealized appreciation or depreciation in the value of these securities is included in investment income for the period.

Investment income includes interest, dividends, gains and losses (realized and unrealized) and is reported in unrestricted net assets unless the income is restricted by the terms of a gift agreement or by law. See Note 6 for information on investment earnings in the endowment fund.

Pickle card program – The Foundation sells pickle cards to a licensed operator at a predetermined price which is net of prize payouts and operator's commissions. State regulations require net profits from the sale of pickle cards to be deposited in a separate bank account. Pickle card funds may only be expended for the costs of continuing the pickle card program or for items that further the Foundation's exempt purpose. As of December 31, 2014 and 2013, segregated pickle card funds consisted of \$104,465 and \$106,037 in cash, respectively. Due to the broad nature of the restrictions on these accounts, all activity and net assets related to pickle cards are included in unrestricted net assets.

LINCOLN PARKS AND RECREATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS – Continued

NOTE 1

NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Estimates and risk – The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined. The Foundation invests in various investment securities. Investment securities are subject to various risks, including interest rate, credit and overall market volatility. Due to the level of risk associated with investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term in amounts that could be material to the financial statements.

Subsequent events have been evaluated through August 6, 2015, the date the financial statements were available for issue.

NOTE 2

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following projects:

	2014	2013
Veterans	\$ 79,880	\$ 63,558
Lincoln Tennis Association	18,673	19,208
Woods Park Tennis	310,488	85,731
Wilderness Park	40,829	44,087
Sherman Field	2,476	241,207
Memorials-Current	71,830	62,812
Memorials-Care	21,317	21,317
Sunken Gardens	101,946	78,879
Kontras Park	17,643	17,097
Pioneers Park Nature Center	12,894	19,406
Union Plaza Park	295,839	569,945
Rose and Rotary Strolling Garden	21,037	20,926
Ken Good Public Gardens Internship	42,731	46,113
Jim Ager Golf Marathon	30,198	27,805
Legacy Tree Grove	16,283	16,288
Centennial Mall	3,201,457	1,609,911
Plant Oasis	31,071	30,138
Civic Plaza	653,210	521,107
Haines Branch Prairie	29,486	-
Whitehead Art	-	50,000
Airport Entry Corridor	170,250	75,500
Other projects	79,633	63,663
	<u>\$ 5,249,171</u>	<u>\$ 3,684,698</u>
<u>Total temporarily restricted net assets</u>	<u>\$ 5,249,171</u>	<u>\$ 3,684,698</u>

LINCOLN PARKS AND RECREATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS – Continued

NOTE 3
PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of funds invested for permanent endowment. See Note 6 for additional information on the Foundation's endowment funds. Permanently restricted net assets consisted of assets invested to support the following:

	2014	2013
Operations	\$ 39,963	\$ 39,963
Capital Endowment	6,604	6,604
Kids Endowment	1,456	1,456
Veterans	49,563	49,563
Antelope Park Playground	13,240	13,240
Sunken Gardens	196,831	196,831
Kontras Park	27,468	27,468
Country Club Median	3,720	3,720
Sticks for Kids	2,003	2,003
Rose and Rotary Strolling Garden	60,000	60,000
Ken Good Public Gardens Internship	150,000	150,000
Valentino's Park at Idylwild	65,000	60,000
Bowling Lake Fishing Pier	10,117	9,997
Union Plaza Park	1,484,730	1,484,730
Airport Entry Corridor	982,615	-
Park Trees	90,901	-
Hazel Abel Park	7,465	-
P Street Enhanced Street	550,000	-
Airport Entry Corridor #2	100,000	-
Sherman Park #2	250,000	-
Sherman Field	141,258	-
Union Plaza Programs	292,013	-
Centennial Mall	1,250,000	-
	<u>\$ 5,774,947</u>	<u>\$ 2,105,575</u>
<u>Total permanently restricted net assets</u>	<u>\$ 5,774,947</u>	<u>\$ 2,105,575</u>

LINCOLN PARKS AND RECREATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS – Continued

NOTE 4
INVESTMENTS

The Foundation's investments are carried at fair value based on quoted prices in active markets. All investments are held for permanent endowment. Investments consisted of the following as of December 31:

	2014	2013
Equity mutual funds	\$ 4,014,130	\$ 1,663,489
Fixed income mutual funds	1,167,568	637,841
<u>Totals</u>	\$ 5,181,698	\$ 2,301,330

Fair value measurements – The Foundation reports investments at fair value on a recurring basis. Various sources of information are used to estimate fair value, depending on the nature of the asset and the availability of market information. Sources of information (inputs) for estimated fair value are classified in three categories:

Level 1 inputs – Quoted prices in active markets for identical assets.

Level 2 inputs – Significant other observable inputs.

Level 3 inputs – Significant unobservable inputs.

All of the investments shown above are valued using Level 1 inputs.

Investment income consisted of the following components:

	2014	2013
Interest and dividends	\$ 153,927	\$ 56,708
Realized gains	50,790	118,518
Unrealized gains (losses)	(113,964)	176,429
Investment management fees	(17,947)	(14,163)
<u>Total investment income</u>	\$ 72,806	\$ 337,492

NOTE 5
PROPERTY HELD FOR RESALE

On April 15, 2010, the Foundation purchased real estate which is adjacent to existing park and trail facilities owned by the City of Lincoln Parks and Recreation Department (the Department). The Department expressed its intention to purchase this property from the Foundation when sufficient funding became available by reimbursing the Foundation's acquisition costs plus interest. A portion of the real estate that was not needed by the Department was sold to a third party in 2011. No gain or loss was recognized on the sale. The Department acquired the remaining property from the Foundation in 2014 for \$248,750, which consisted of the Foundation's cost of acquiring and maintaining the property plus interest in the amount of \$34,327.

LINCOLN PARKS AND RECREATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS – Continued

NOTE 6
ENDOWMENT FUNDS

The endowment investment policy adopted by the Foundation's board of directors is designed to seek long-term returns consistent with prudent levels of risk. The target annualized rate of return is the Consumer Price Index inflation rate plus a spending rate, to be established annually by the board of directors. The spending rate for 2014 and 2013 was 4% for all endowments. The policy establishes target investment allocations and restrictions on investment options which are designed to achieve safety and diversification in the overall investment portfolio.

The amount allocated to spendable earnings is based on a spending rate determined annually and applied to a four-year rolling average market value of the endowment fund. Spending allocations are calculated quarterly. Investment earnings that have not been appropriated under the spending formula are considered to be temporarily restricted in accordance with current accounting standards for funds managed in accordance with the Nebraska Uniform Prudent Management of Institutional Funds Act (NUPMIFA). Prior to 2010, unappropriated investment earnings were considered to be permanently restricted due to a contractual agreement with the Lincoln Community Foundation (LCF).

Management considers the non-spendable portion of the endowment funds that were transferred from LCF in 2009 to be permanently restricted. Management has interpreted NUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment or transferred from LCF in 2009, (b) the original value of subsequent gifts to the permanent endowment, and (c) additions to the permanent endowment made in accordance with the applicable gift instrument. Surplus assets transferred each year from temporarily restricted net assets to the endowment are treated as permanently restricted net assets since such funds are either subject to explicit donor restrictions at the time of the transfer or are implicitly restricted based on the understanding that certain excess funds raised by various constituent groups will be maintained for endowment.

	Endowment Fund by Net Asset Category			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
As of December 31, 2014	\$ <u>557</u>	\$ <u>520,557</u>	\$ <u>5,774,947</u>	\$ <u>6,296,061</u>
As of December 31, 2013	\$ <u>15,610</u>	\$ <u>481,432</u>	\$ <u>2,105,575</u>	\$ <u>2,602,617</u>

From time to time, the fair value of certain endowment funds may be less than the amount that is required to be permanently maintained. The deficiency is classified as unrestricted until it is recovered through future investment earnings. As of December 31, 2014, unrestricted endowment funds included \$10,425 of such deficiencies. There were no deficiencies as of December 31, 2013.

LINCOLN PARKS AND RECREATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS – Continued

NOTE 6
ENDOWMENT FUNDS – CONTINUED

	Changes in Endowment Net Assets			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Year ended December 31, 2014:				
Interest and dividends (net of \$17,947 in fees)	\$ -	\$ 135,980	\$ -	\$ 135,980
Realized gains	-	50,790	-	50,790
Unrealized losses	-	(113,964)	-	(113,964)
Contributions	-	-	5,120	5,120
Transfer from City of Lincoln	-	-	998,366	998,366
Transfers from other funds	-	-	2,665,886	2,665,886
Spending appropriation	2,064	(2,064)	-	-
Administrative charges	5,917	(28,717)	-	(22,800)
Spendable funds withdrawn	(12,609)	(13,325)	-	(25,934)
Reclassifications	(10,425)	10,425	-	-
<u>Net change</u>	(15,053)	39,125	3,669,372	3,693,444
Endowment net assets, beginning of year	15,610	481,432	2,105,575	2,602,617
<u>Endowment net assets, end of year</u>	\$ 557	\$ 520,557	\$ 5,774,947	\$ 6,296,061
Year ended December 31, 2013:				
Interest and dividends (net of \$14,163 in fees)	\$ -	\$ 42,545	\$ -	\$ 42,545
Realized gains	-	118,518	-	118,518
Unrealized gains	-	176,429	-	176,429
Contributions	-	-	69,996	69,996
Transfers from other funds	-	-	162,000	162,000
Spending appropriation	2,037	(2,037)	-	-
Administrative charges	6,474	(21,081)	-	(14,607)
Spendable funds withdrawn	(15,000)	(6,000)	-	(21,000)
<u>Net change</u>	(6,489)	308,374	231,996	533,881
Endowment net assets, beginning of year	22,099	173,058	1,873,579	2,068,736
<u>Endowment net assets, end of year</u>	\$ 15,610	\$ 481,432	\$ 2,105,575	\$ 2,602,617

LINCOLN PARKS AND RECREATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS – Continued

NOTE 7
RELATED PARTY

The Foundation is a private fundraising organization for the Department. The Department is represented on the Foundation's board of directors. The Foundation previously held real estate that was purchased on the Department's behalf and sold to the Department during 2014 as described in Note 5.

The Foundation occupies office space in a building owned by the Department. The Department agreed to grant the Foundation a long-term lease of the office space in exchange for the Foundation's payment of \$25,000 toward the costs of the improvements of the leased facilities. The lease term began October 1, 2011 and ends April 30, 2024.

The Foundation and the Department entered into an agreement to have the Foundation establish and maintain endowment funds for five Parks and Recreation projects. The funds were previously held by the Department and were transferred to the Foundation during 2014. The total amount transferred was \$998,366.

NOTE 8
CONCENTRATIONS

In 2014, the Foundation had one major donor that accounted for approximately 64% of total contributions for the year. In 2013, the Foundation had two major donors that accounted for approximately 34% of total contributions for the year. A major donor is defined as an individual, business or foundation whose donations or grants for the year account for 10% or more of the Foundation's contributions.

The Foundation periodically carries balances in excess of FDIC deposit insurance limits in its checking account, either because of the receipt of a large gift or in anticipation of a large funding transfer. Such balances are generally short-term in nature. As of December 31, the amount in excess of FDIC coverage totaled \$131,128. The Foundation uses the CDARS program, a financial product which allows the investor to maintain FDIC insurance coverage on its investments in certificates of deposit, but manage them through a single bank custodian.

NOTE 9
COMMITMENTS

As of December 31, 2014, the Foundation had pledged future contributions from the pickle card program for the following projects:

Woods Park Tennis	\$	20,000
Greenhouse for Sunken Gardens		25,000
Centennial Mall		<u>25,000</u>
<u>Total</u>	\$	<u>70,000</u>