

*Lincoln Parks and Recreation Foundation
Lincoln, Nebraska*

December 31, 2019 and 2018

*Financial Statements
and
Independent Auditor's Report*

Lincoln Parks and Recreation Foundation

Years ended December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Lincoln Parks and Recreation Foundation
Lincoln, Nebraska

We have audited the accompanying financial statements of the Lincoln Parks and Recreation Foundation, which comprise the statements of financial position – modified cash basis as of December 31, 2019 and 2018, and the related statements of activities – 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 A; 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves 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 policies used and the reasonableness of significant accounting 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 above present fairly, in all material respects, the assets, liabilities, and net assets of Lincoln Parks and Recreation Foundation as of December 31, 2019 and 2018, and its support, revenue, and expenses for the years then ended in accordance with the modified cash basis of accounting as described in Note A.

Basis of Accounting

We draw attention to Note A 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 this matter.

Emphasis of Matter

As discussed in Note B to the financial statements, in 2019, the entity adopted new accounting guidance ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* and ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. Our opinion is not modified with respect to this matter.

Lincoln, Nebraska
August XX, 2020

Lincoln Parks and Recreation Foundation

STATEMENTS OF FINANCIAL POSITION - MODIFIED CASH BASIS

December 31,

ASSETS

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents (note A)	\$ 5,227,576	\$ 1,740,383
Certificates of deposit	670,886	916,739
Cash equivalents restricted for endowment (note A)	300,459	388,755
Investments (notes A, D and E)	12,698,329	10,402,818
Overpayment of payroll taxes	8,225	-
Deposit	<u>10,000</u>	<u>-</u>
 Total assets	 <u>\$ 18,915,475</u>	 <u>\$ 13,448,695</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Payroll taxes payable	<u>\$ -</u>	<u>\$ 1,838</u>
 NET ASSETS (note A)		
Without donor restrictions	407,180	344,654
With donor restrictions (note C)	<u>18,508,295</u>	<u>13,102,203</u>
 Total net assets	 <u>18,915,475</u>	 <u>13,446,857</u>
 Total liabilities and net assets	 <u>\$ 18,915,475</u>	 <u>\$ 13,448,695</u>

See accompanying notes to financial statements.

Lincoln Parks and Recreation Foundation

STATEMENTS OF ACTIVITIES - MODIFIED CASH BASIS

Years ended December 31,

	2019			2018		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
REVENUE AND SUPPORT						
Contributions	\$ 176,714	\$ 4,093,901	\$ 4,270,615	\$ 173,368	\$ 3,137,461	\$ 3,310,829
Golf outing, net of direct costs	(3,092)	-	(3,092)	4,515	-	4,515
Sale of pickle cards, net of direct costs	29,429	-	29,429	13,199	-	13,199
Program fees	6,633	-	6,633	4,898	-	4,898
Interest income	37,210	-	37,210	11,506	-	11,506
Net investment income (loss) (note D)	(16,296)	2,019,052	2,002,756	(14,481)	(688,709)	(703,190)
Gain on sale of asset	-	-	-	2,313	-	2,313
Net assets released from restrictions	632,515	(632,515)	-	2,807,961	(2,807,961)	-
Transfer of endowment funds	74,346	(74,346)	-	(67,631)	67,631	-
Total revenue and support	937,459	5,406,092	6,343,551	2,935,648	(291,578)	2,644,070
EXPENSES (note I)						
Program	574,654	-	574,654	2,701,472	-	2,701,472
Management and general	185,159	-	185,159	118,456	-	118,456
Fundraising	115,120	-	115,120	81,298	-	81,298
Total expenses	874,933	-	874,933	2,901,226	-	2,901,226
Increase (decrease) in net assets	62,526	5,406,092	5,468,618	34,422	(291,578)	(257,156)
Net assets at beginning of year	344,654	13,102,203	13,446,857	310,232	13,393,781	13,704,013
Net assets at end of year	\$ 407,180	\$ 18,508,295	\$ 18,915,475	\$ 344,654	\$ 13,102,203	\$ 13,446,857

See accompanying notes to financial statements.

Lincoln Parks and Recreation Foundation

NOTES TO FINANCIAL STATEMENTS

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting. The accompanying financial statements of the Foundation have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Foundation recognizes contributions when received as opposed to when pledged. Expenses are recognized when paid rather than when incurred. Payroll taxes are recognized when the related payroll is paid.

Cash and Cash Equivalents. For purposes of the statements of financial position – modified cash basis, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Restricted endowment funds held in cash equivalents are separately stated within the statements of financial position - modified cash basis.

Investments. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of activities – modified cash basis. Unrealized gains and losses are included in investment income for the period on the statements of activities – modified cash basis. Donated securities are recorded as contributions equal to the fair value of the securities at the date of the gift.

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-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. 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 of activities as net assets released from restrictions.

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, 2019 and 2018, segregated pickle card funds consisted of \$61,036 and \$50,200 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 net assets without donor restrictions.

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Endowment Investment and Spending Policies. 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 2019 and 2018 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 the 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 net assets with donor restrictions in accordance with current accounting standards for funds managed in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA). 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 perpetual in nature. Management has interpreted UPMIFA 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 net assets perpetual in nature (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 the endowment are treated as net assets perpetual in nature 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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fair Value Measurements - Continued. 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.

In-Kind Donations. In-kind donations are recorded as contributions at their estimated fair values at the date of donation. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would have otherwise been purchased by the Foundation.

Advertising Costs. The Foundation expenses advertising costs when paid. The accompanying financial statements include advertising expense of \$80,608 and \$9,417 for the years ended December 31, 2019 and 2018, respectively.

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 its exempt purpose is not subject to income tax. Any income earned through unrelated business activities is subject to income tax at normal corporate rates. The Foundation has pickle card income, which is subject to tax on unrelated business income. For the years ended December 31, 2019 and 2018, the Foundation had no tax liability on unrelated business activity. 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 Exempt Organization Business Income Tax Returns (Form 990 and 990T) for December 31, 2019, 2018, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

Use of Estimates. 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.

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 accounting 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.

Lincoln Parks and Recreation Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE B - NEW ACCOUNTING STANDARDS - CONTINUED

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 E for disclosure of the Foundation’s assets measured at fair value.

NOTE C - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions is comprised of the following:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purposes:		
Veterans	\$ 83,499	\$ 76,013
Lincoln Tennis Association	7,029	7,009
Woods Park Tennis	699,582	509,861
Wilderness Park	78,706	75,013
Sherman Field	39,132	13,208
Memorials, current	97,116	49,792
Barrett Fund	256,544	260,244
Sunken Gardens	208,605	156,567
Kontras Park	28,962	20,625
Pioneers Park Nature Center	17,314	17,102
Union Plaza Park	611,917	305,691
Rose and Rotary Strolling Garden	29,435	18,622
Ken Good Public Gardens Internship	63,654	37,629
Jim Ager Golf Marathon	51,584	42,949
Legacy Tree Grove	20,041	19,185
Centennial Mall	442,931	267,661
Plant Oasis	67,233	77,103
Civic Plaza	64,647	154,493
Haines Branch Prairie	682,955	82,870
Woodsdale Boulevard	277	301
Peterson Park Pickleball	211,673	7,091
Wohlfarth Corner	680	349
Airport Entry Corridor	204,629	201,433
South Haymarket Park & Plaza	1,328,595	-
Cascade Fountain	1,003,088	-
Other projects	1,372,208	361,819
	<u>\$ 7,672,036</u>	<u>\$ 2,762,630</u>

Lincoln Parks and Recreation Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE C - NET ASSETS WITH DONOR RESTRICTIONS - CONTINUED

	<u>2019</u>	<u>2018</u>
Endowments:		
Perpetual in nature:		
Operations	\$ 39,973	\$ 39,973
Capital Endowment Fund	96,604	96,604
Kids Endowment	23,143	1,457
Veterans	74,573	74,573
Antelope Park Playground	13,243	13,243
Sunken Gardens	196,831	196,831
Kontras Park	27,473	27,473
Country Club Median	3,720	3,720
Sticks for Kids	2,003	2,003
Rose and Rotary Strolling Garden	62,509	62,509
Ken Good Public Gardens Internship	150,022	150,022
Valentino's Park in Idylwild	85,009	80,009
Bowling Lake Fishing Pier	10,118	10,118
Union Park Plaza	1,484,730	1,484,730
Airport Entry Corridor	982,615	982,615
Park Trees	91,013	91,013
Hazel Abel Park	12,179	12,179
P Street Enhanced Street	685,000	550,000
Airport Entry Corridor #2	100,000	100,000
Sherman Park #2	250,000	250,000
Sherman Field	141,275	141,275
Hawkins	326,021	326,021
Gallery Alley	50,006	50,006
N Street Bikeway	385,006	250,006
Wohlfarth Corner	3,875	3,875
Woodsdale Boulevard	1,003	1,003
Peterson Park Pickleball Courts	33,377	33,377
Near South 19th and A St Park	4,500	4,500
Haines Branch Corridor	625,287	425,287
Union Plaza Programs	292,019	292,019
West Haymarket JPA	2,000,002	2,000,002
Reflection	5,090	5,090
Woods Park Tennis	300,000	300,000
Centennial Mall	1,411,863	1,411,863
Trago Park	866,177	866,177
	<u>\$ 10,836,259</u>	<u>\$ 10,339,573</u>

Lincoln Parks and Recreation Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE D - INVESTMENTS

Investments consist of the following:

	2019		
	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain</u>
Marketable securities			
Federal, municipal and local bonds	\$ 2,364,917	\$ 2,388,816	\$ 23,899
Corporate bonds	1,621,238	1,648,887	27,649
Mutual funds/exchange traded funds	<u>7,766,123</u>	<u>8,660,626</u>	<u>894,503</u>
	<u>\$ 11,752,278</u>	<u>\$ 12,698,329</u>	<u>\$ 946,051</u>
	2018		
	<u>Cost</u>	<u>Market</u>	<u>Unrealized Loss</u>
Marketable securities			
Federal, municipal and local bonds	\$ 1,911,825	\$ 1,866,584	\$ (45,241)
Corporate bonds	1,189,632	1,175,071	(14,561)
Mutual funds/exchange traded funds	<u>7,932,048</u>	<u>7,361,163</u>	<u>(570,885)</u>
	<u>\$ 11,033,505</u>	<u>\$ 10,402,818</u>	<u>\$ (630,687)</u>

Investment income (loss) consists of:

	2019	2018
Interest and dividend income	\$ 423,575	\$ 481,783
Realized gains	62,700	108,210
Unrealized gain (loss)	1,576,052	(1,227,619)
Investment management fees	<u>(59,571)</u>	<u>(65,564)</u>
	<u>\$ 2,002,756</u>	<u>\$ (703,190)</u>

NOTE E - FAIR MARKET VALUE

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

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

Federal, municipal and local bonds: Valued using independent pricing models.

Corporate bonds: Valued using independent pricing models.

Lincoln Parks and Recreation Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE E - FAIR MARKET VALUE - CONTINUED

The preceding methods 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 tables set forth the balances of assets measured at fair value on a recurring basis as of December 31, 2019 and 2018.

	<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>
<u>December 31, 2019</u>				
Investments				
Mutual funds/exchange traded funds				
Balanced	\$ 389,648	\$ 389,648	\$ -	\$ -
Emerging markets	263,485	263,485	-	-
International	1,031,574	1,031,574	-	-
Large cap core	1,706,493	1,706,493	-	-
Large cap growth	1,049,393	1,049,393	-	-
Large cap value	1,243,310	1,243,310	-	-
Mid cap core	1,035,897	1,035,897	-	-
Real estate	385,425	385,425	-	-
Small cap core	787,060	787,060	-	-
World	768,341	768,341	-	-
Corporate bonds	1,648,887	1,648,887	-	-
Federal, municipal, and local bonds	2,388,816	2,388,816	-	-
	<u>\$ 12,698,329</u>	<u>\$ 12,698,329</u>	<u>\$ -</u>	<u>\$ -</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>
<u>December 31, 2018</u>				
Investments				
Mutual funds/exchange traded funds				
Balanced	\$ 432,255	\$ 432,255	\$ -	\$ -
Emerging markets	207,379	207,379	-	-
International	989,353	989,353	-	-
Large cap core	1,141,715	1,141,715	-	-
Large cap growth	841,619	841,619	-	-
Large cap value	978,888	978,888	-	-
Mid cap core	625,621	625,621	-	-
Natural resources	139,915	139,915	-	-
Real estate	315,809	315,809	-	-
Small cap core	576,927	576,927	-	-
World	1,111,682	1,111,682	-	-
Corporate bonds	1,175,071	1,175,071	-	-
Federal, municipal, and local bonds	1,866,584	1,866,584	-	-
	<u>\$ 10,402,818</u>	<u>\$ 10,402,818</u>	<u>\$ -</u>	<u>\$ -</u>

Lincoln Parks and Recreation Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE F - LIQUIDITY AND AVAILABILITY

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated (quasi) endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

As part of the liquidity management plan, cash in excess of daily requirements is invested in short-term investments, CDs, and money market funds. The Board of Directors and management is currently developing a cash management policy in order to best serve the Foundation and ensure that the appropriate level of resources are available and that a plan can be established for excess resources.

Financial assets available for general expenditures within one year as of December 31, 2019 include:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 5,227,576	\$ 1,740,383
Certificates of deposit	<u>670,886</u>	<u>916,739</u>
	<u>\$ 5,898,462</u>	<u>\$ 2,657,122</u>

NOTE G - ENDOWMENTS

Endowment net asset composition by type of fund as of December 31, 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ 43,866</u>	<u>\$ 12,954,919</u>	<u>\$ 12,998,785</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance December 31, 2018	\$ 30,807	\$ 10,760,767	\$ 10,791,574
Investment income	13,059	1,989,691	2,002,750
Transfers from other funds	-	496,687	496,687
Administrative charges	-	(117,942)	(117,942)
Spendable funds withdrawn	-	(174,284)	(174,284)
Balance December 31, 2019	<u>\$ 43,866</u>	<u>\$ 12,954,919</u>	<u>\$ 12,998,785</u>

Lincoln Parks and Recreation Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE G - ENDOWMENTS - CONTINUED

Endowment net asset composition by type of fund as of December 31, 2018 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 30,807	\$ 10,760,767	\$ 10,791,574

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance December 31, 2017	\$ 35,210	\$ 10,080,435	\$ 10,115,645
Investment loss	(4,403)	(698,787)	(703,190)
Contributions	-	1,477,551	1,477,551
Transfers from other funds	-	85,652	85,652
Administrative charges	-	(104,943)	(104,943)
Spendable funds withdrawn	-	(79,141)	(79,141)
Balance December 31, 2018	<u>\$ 30,807</u>	<u>\$ 10,760,767</u>	<u>\$ 10,791,574</u>

NOTE H - UNDERWATER ENDOWMENT FUNDS

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.

As of December 31, 2019, two donor-restricted endowment funds had aggregated original values totaling \$129,980, current fair values totaling \$121,744 and deficiencies totaling \$8,236. As of December 31, 2018, seven donor-restricted endowment funds had aggregated original values totaling \$3,943,163, current fair values totaling \$3,740,655, and deficiencies totaling \$202,508. 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.

Lincoln Parks and Recreation Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE I - FUNCTIONAL EXPENSES

	2019				
	Program Activities	Supporting Activities		Total Supporting Activities	Total Expenses
	Parks and Recreation Programs	Management and General	Fundraising and Development		
Salaries, wages, and payroll taxes	\$ 54,661	\$ 35,772	\$ 56,666	\$ 92,438	\$ 147,099
Fundraising	-	-	15,000	15,000	15,000
Construction	150,009	-	23,928	23,928	173,937
Programs	51,009	-	-	-	51,009
Maintenance	296,970	-	-	-	296,970
Office supplies	-	2,473	-	2,473	2,473
Marketing	-	80,608	-	80,608	80,608
Utilities	6,853	850	-	850	7,703
Memorials	-	166	-	166	166
Food	-	-	7,359	7,359	7,359
Dues and subscriptions	-	8,235	-	8,235	8,235
Professional services	14,612	51,110	-	51,110	65,722
Printing	-	-	12,167	12,167	12,167
Miscellaneous	-	1,188	-	1,188	1,188
Mileage	-	391	-	391	391
Insurance	-	3,536	-	3,536	3,536
Bank fees	540	-	-	-	540
Professional development	-	830	-	830	830
Total expenses	\$ 574,654	\$ 185,159	\$ 115,120	\$ 300,279	\$ 874,933

	2018				
	Program Activities	Supporting Activities		Total Supporting Activities	Total Expenses
	Parks and Recreation Programs	Management and General	Fundraising and Development		
Salaries, wages, and payroll taxes	\$ 31,967	\$ 29,162	\$ 59,628	\$ 88,790	\$ 120,757
Fundraising	-	-	2,500	2,500	2,500
Construction	2,487,682	-	7,571	7,571	2,495,253
Programs	37,386	-	-	-	37,386
Maintenance	52,015	-	-	-	52,015
Office supplies	-	4,014	-	4,014	4,014
Marketing	-	9,417	-	9,417	9,417
Utilities	50,606	11,282	-	11,282	61,888
Memorials	-	20,491	-	20,491	20,491
Food	-	-	3,304	3,304	3,304
Dues and subscriptions	444	2,719	-	2,719	3,163
Professional services	32,054	22,379	-	22,379	54,433
Printing	-	-	8,295	8,295	8,295
Miscellaneous	7,008	15,918	-	15,918	22,926
Mileage	-	725	-	725	725
Insurance	-	1,799	-	1,799	1,799
Bank fees	2,310	-	-	-	2,310
Professional development	-	550	-	550	550
Total expenses	\$ 2,701,472	\$ 118,456	\$ 81,298	\$ 199,754	\$ 2,901,226

NOTE J - RELATED PARTY TRANSACTIONS

The Foundation is a private fundraising organization for the City of Lincoln Parks and Recreation Department (the Department). The Department is represented on the Foundation's board of directors.

Leases

The Foundation occupies office space in a building owned by the City of Lincoln. 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 improvements of the leased facilities. The lease term began October 1, 2011 and ends April 30, 2024.

Lincoln Parks and Recreation Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE K - COMMITMENTS

As of December 31, 2019 and 2018, the Foundation had pledged future contributions from the pickle card program for the Haines Branch Prairie Corridor in the amount of \$9,000.

NOTE L - CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of checking accounts and money market accounts at financial institutions. Accounts at each institution are insured by the FDIC up to \$250,000. At December 31, 2019 and 2018, the bank accounts exceeded federally insured limits by \$2,626,991 and \$664,716, respectively. The Foundation has not experienced any losses on such accounts.

NOTE M - SUBSEQUENT EVENTS

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

The COVID-19 (coronavirus) outbreak has prompted global health concern. Consequently, the Lincoln Parks and Recreation Department has closed parks and limited use of public spaces. The pandemic has also caused volatility in investment markets causing losses and unpredictable changes in account values. An accurate estimate of the financial effect of the COVID-19 pandemic cannot be made at this time.