

***Lincoln Parks and Recreation Foundation
Lincoln, Nebraska***

December 31, 2018 and 2017

***Financial Statements
and
Independent Auditor's Report***



CPAs & Consultants | Wealth Management

Lincoln Parks and Recreation Foundation

Years ended December 31, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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.

HBE LLP

Lincoln, Nebraska
August 29, 2019



Lincoln Parks and Recreation Foundation

STATEMENTS OF FINANCIAL POSITION - MODIFIED CASH BASIS

December 31,

ASSETS

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents (note A)	\$ 1,740,383	\$ 1,083,925
Certificates of deposit	916,739	2,059,887
Cash equivalents restricted for endowment (note A)	388,755	530,397
Investments (notes A, C and D)	10,402,818	9,585,248
Property and land held for sale	<u>-</u>	<u>444,808</u>
 Total assets	 <u>\$ 13,448,695</u>	 <u>\$ 13,704,265</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Payroll taxes payable	<u>\$ 1,838</u>	<u>\$ 252</u>
NET ASSETS (note A)		
Without donor restrictions	344,654	310,232
With donor restrictions (note B)	<u>13,102,203</u>	<u>13,393,781</u>
 Total net assets	 <u>13,446,857</u>	 <u>13,704,013</u>
 Total liabilities and net assets	 <u>\$ 13,448,695</u>	 <u>\$ 13,704,265</u>

See accompanying notes to financial statements.

Lincoln Parks and Recreation Foundation

STATEMENTS OF ACTIVITIES - MODIFIED CASH BASIS

Years ended December 31,

	2018			2017		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
REVENUE AND SUPPORT						
Contributions	\$ 173,368	\$ 3,137,461	\$ 3,310,829	\$ 356,741	\$ 3,986,008	\$ 4,342,749
Golf outing, net of direct costs	4,515	-	4,515	5,468	-	5,468
Sale of pickle cards, net of direct costs	13,199	-	13,199	15,383	-	15,383
Program fees	4,898	-	4,898	4,886	-	4,886
Interest income	11,506	-	11,506	11,222	-	11,222
Net investment income (loss) (note C)	(14,481)	(688,709)	(703,190)	(3,067)	900,035	896,968
Gain on sale of asset	2,313	-	2,313	-	-	-
Net assets released from restrictions	2,807,961	(2,807,961)	-	2,836,335	(2,836,335)	-
Transfer of endowment funds	(67,631)	67,631	-	(86,565)	86,565	-
Total revenue and support	2,935,648	(291,578)	2,644,070	3,140,403	2,136,273	5,276,676
EXPENSES (note H)						
Program	2,701,472	-	2,701,472	2,849,391	-	2,849,391
Management and general	118,456	-	118,456	108,736	-	108,736
Fundraising	81,298	-	81,298	106,310	-	106,310
Total expenses	2,901,226	-	2,901,226	3,064,437	-	3,064,437
Increase (decrease) in net assets	34,422	(291,578)	(257,156)	75,966	2,136,273	2,212,239
Net assets at beginning of year	310,232	13,393,781	13,704,013	234,266	11,257,508	11,491,774
Net assets at end of year	\$ 344,654	\$ 13,102,203	\$ 13,446,857	\$ 310,232	\$ 13,393,781	\$ 13,704,013

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.

New Accounting Pronouncement. On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

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.

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 2018 and 2017 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.

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. Transfers between levels shall occur at the actual date of the event or change in circumstances that caused the transfer. 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 \$9,417 and \$11,029 for the years ended December 31, 2018 and 2017, 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, 2018 and 2017, 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, 2018, 2017, and 2016 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.

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, 2018 and 2017, segregated pickle card funds consisted of \$50,200 and \$55,651 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.

Lincoln Parks and Recreation Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE B - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions is comprised of the following:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purposes:		
Veterans	\$ 76,013	\$ 74,899
Lincoln Tennis Association	7,009	7,052
Woods Park Tennis	509,861	1,140,164
Wilderness Park	75,013	64,017
Sherman Field	13,208	24,169
Memorials, current	49,792	22,671
Barrett Fund	260,244	247,295
Sunken Gardens	156,567	157,551
Kontras Park	20,625	24,139
Pioneers Park Nature Center	17,102	15,992
Union Plaza Park	305,691	446,816
Rose and Rotary Strolling Garden	18,622	20,284
Ken Good Public Gardens Internship	37,629	51,341
Jim Ager Golf Marathon	42,949	30,086
Legacy Tree Grove	19,185	18,525
Centennial Mall	267,661	998,523
Plant Oasis	77,103	83,128
Civic Plaza	154,493	143,090
Haines Branch Prairie	82,870	20,568
Woodsdale Boulevard	301	495
Peterson Park Pickleball	7,091	4,004
Wohlfarth Corner	349	658
Airport Entry Corridor	201,433	321,690
Other projects	361,819	687,728
	<u>\$ 2,762,630</u>	<u>\$ 4,604,885</u>

Lincoln Parks and Recreation Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE B - NET ASSETS WITH DONOR RESTRICTIONS - CONTINUED

	<u>2018</u>	<u>2017</u>
Endowments:		
Perpetual in nature:		
Operations	\$ 39,973	\$ 39,973
Capital Endowment Fund	96,604	96,604
Kids Endowment	1,457	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	80,009	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	90,901
Hazel Abel Park	12,179	8,165
P Street Enhanced Street	550,000	550,000
Airport Entry Corridor #2	100,000	100,000
Sherman Park #2	250,000	250,000
Sherman Field	141,275	141,275
Bill Harris Iron Horse Park	-	12,500
Hawkins	326,021	244,521
Gallery Alley	50,006	50,006
N Street Bikeway	250,006	50,006
Wohlfarth Corner	3,875	3,875
Woodsdale Boulevard	1,003	1,003
Peterson Park Pickleball Courts	33,377	22,003
Near South 19th and A St Park	4,500	4,500
Haines Branch Corridor	425,287	25,287
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	-
	<u>\$ 10,339,573</u>	<u>\$ 8,788,896</u>

Lincoln Parks and Recreation Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE C - INVESTMENTS

Investments consist of the following:

	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>

	2017		
	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain (Loss)</u>
Marketable securities			
Federal, municipal and local bonds	\$ 1,778,625	\$ 1,766,799	\$ (11,826)
Corporate bonds	1,069,579	1,062,245	(7,334)
Mutual funds/exchange traded funds	<u>6,147,352</u>	<u>6,756,204</u>	<u>608,852</u>
	<u>\$ 8,995,556</u>	<u>\$ 9,585,248</u>	<u>\$ 589,692</u>

Investment income (loss) consists of:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 481,783	\$ 214,326
Realized gains	108,210	133,922
Unrealized gain (loss)	(1,227,619)	593,670
Investment management fees	<u>(65,564)</u>	<u>(44,950)</u>
	<u>\$ (703,190)</u>	<u>\$ 896,968</u>

Lincoln Parks and Recreation Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE D - 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, 2018 and 2017.

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.

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, 2018 and 2017.

	<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 D - FAIR MARKET VALUE - CONTINUED

	<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, 2017</u>				
Investments				
Mutual funds/exchange traded funds				
Balanced	\$ 392,527	\$ 392,527	\$ -	\$ -
Emerging markets	200,167	200,167	-	-
International	972,823	972,823	-	-
Large cap core	1,056,426	1,056,426	-	-
Large cap growth	870,493	870,493	-	-
Large cap value	760,728	760,728	-	-
Mid cap core	589,216	589,216	-	-
Natural resources	179,509	179,509	-	-
Real estate	367,608	367,608	-	-
Small cap core	590,267	590,267	-	-
World	776,440	776,440	-	-
Corporate bonds	1,062,245	1,062,245	-	-
Federal, municipal, and local bonds	1,766,799	1,766,799	-	-
	<u>\$ 9,585,248</u>	<u>\$ 9,585,248</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE E - 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, 2018 include:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,740,383	\$ 1,083,925
Certificates of deposit	916,739	2,059,887
	<u>\$ 2,657,122</u>	<u>\$ 3,143,812</u>

Lincoln Parks and Recreation Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE F - ENDOWMENTS

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	\$ 10,755,409	\$ 10,786,216

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)	(698,786)	(703,189)
Contributions	-	1,477,551	1,477,551
Transfers from other funds	-	80,627	80,627
Administrative charges	-	(105,277)	(105,277)
Spendable funds withdrawn	-	(79,141)	(79,141)
Balance December 31, 2018	<u>\$ 30,807</u>	<u>\$ 10,755,409</u>	<u>\$ 10,786,216</u>

Endowment net asset composition by type of fund as of December 31, 2017 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 35,210	\$ 10,080,435	\$ 10,115,645

Changes in endowment net assets for the fiscal year ended December 31, 2017 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance December 31, 2016	\$ 27,458	\$ 6,934,653	\$ 6,962,111
Investment income	7,752	889,818	897,570
Contributions	-	2,005,000	2,005,000
Transfers from other funds	-	414,924	414,924
Administrative charges	-	(82,039)	(82,039)
Spendable funds withdrawn	-	(81,921)	(81,921)
Balance December 31, 2017	<u>\$ 35,210</u>	<u>\$ 10,080,435</u>	<u>\$ 10,115,645</u>

NOTE G - 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 Organization to retain as a fund of perpetual duration. The Organization 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.

Lincoln Parks and Recreation Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE G - UNDERWATER ENDOWMENT FUNDS - CONTINUED

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. As of December 31, 2017, two donor-restricted endowment funds had aggregated original values totaling \$109,104, current fair values totaling \$86,058, and deficiencies totaling \$23,046. 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.

NOTE H - FUNCTIONAL EXPENSES

	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

	2017				
	Program Activities	Supporting Activities		Total Supporting Activities	Total Expenses
	Parks and Recreation Programs	Management and General	Fundraising and Development		
Salaries, wages, and payroll taxes	\$ 20,302	\$ 23,743	\$ 83,307	\$ 107,050	\$ 127,352
Construction	2,529,909	-	10,929	10,929	2,540,838
Programs	53,637	-	-	-	53,637
Maintenance	43,954	-	-	-	43,954
Office supplies	-	15,699	-	15,699	15,699
Marketing	-	11,029	-	11,029	11,029
Utilities	-	20,409	-	20,409	20,409
Memorials	-	7,614	-	7,614	7,614
Food	-	-	4,027	4,027	4,027
Dues and subscriptions	-	-	1,703	1,703	1,703
Professional services	201,589	23,459	-	23,459	225,048
Printing	-	-	6,344	6,344	6,344
Insurance	-	6,783	-	6,783	6,783
Total expenses	\$ 2,849,391	\$ 108,736	\$ 106,310	\$ 215,046	\$ 3,064,437

Lincoln Parks and Recreation Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE I - 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.

NOTE J - COMMITMENTS

As of December 31, 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 K - 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, 2018 and 2017, the bank accounts exceeded federally insured limits by \$664,716 and \$103,091, respectively. The Foundation has not experienced any losses on such accounts.

NOTE L - RECLASSIFICATIONS

Certain amounts in the year ended December 31, 2017 financial statements have been reclassified to conform with current year presentation. These reclassifications had no effect on the 2017 increase in net assets.

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.