

Girls Incorporated of Omaha and Subsidiary
Omaha, Nebraska

Consolidated Financial Statements
December 31, 2017

Together with Independent Auditor's Report

Girls Incorporated of Omaha and Subsidiary

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Independent Auditor's Report

To the Board of Directors of
Girls Incorporated of Omaha and Subsidiary
Omaha, Nebraska:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Girls Incorporated of Omaha and Subsidiary which comprise the consolidated statement of financial position as of December 31, 2017, the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements (collectively, 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial position of Girls Incorporated of Omaha and Subsidiary as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the 2016 financial statements have been restated to correct misstatements related to the disclosure of endowment net assets. Our opinion is not modified with respect to this matter.

SEIM JOHNSON, LLP

Omaha, Nebraska,
June 12, 2018.

Girls Incorporated of Omaha and Subsidiary

Consolidated Statement of Financial Position December 31, 2017

ASSETS

Cash and cash equivalents	\$	1,193,808
Certificates of deposit		85,652
Accounts receivable		10,000
Contributions receivable		3,715,579
Prepaid expenses		11,031
Investments		9,447,173
Property and equipment, net		<u>16,505,825</u>
Total assets	\$	<u><u>30,969,068</u></u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$	108,837
Accrued expenses		116,373
Agency funds		14,652
Deferred revenue for special events		<u>12,550</u>
Total liabilities		<u>252,412</u>

Commitments and contingencies

Net assets:

Unrestricted -		
Board designated		6,604,885
Undesignated		<u>17,509,463</u>
Total unrestricted		24,114,348
Temporarily restricted		5,745,464
Permanently restricted		<u>856,844</u>
Total net assets		<u><u>30,716,656</u></u>
Total liabilities and net assets	\$	<u><u>30,969,068</u></u>

See notes to consolidated financial statements

Girls Incorporated of Omaha and Subsidiary

Consolidated Statement of Activities For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:				
Contributions	\$ 3,091,421	2,921,301	--	6,012,722
United Way funding	248,300	248,300	--	496,600
Grants	67,182	--	--	67,182
Special events revenue	204,882	--	--	204,882
Less: Cost of direct benefits to donors	(85,910)	--	--	(85,910)
Net revenue from special events	118,972	--	--	118,972
Membership dues	15,447	--	--	15,447
Program revenue	6,694	--	--	6,694
Rental revenue	7,073	--	--	7,073
Other income	266	--	--	266
Gain on disposal of property and equipment	35,918	--	--	35,918
Net assets released from restrictions	1,477,156	(1,477,156)	--	--
Total revenues, gains and other support	5,068,429	1,692,445	--	6,760,874
EXPENSES:				
Program services	3,046,683	--	--	3,046,683
Supporting services - Management	528,310	--	--	528,310
Fundraising	175,160	--	--	175,160
Unallocated payments to Girls Inc. National	12,000	--	--	12,000
Total expenses	3,762,153	--	--	3,762,153
CHANGE IN NET ASSETS FROM OPERATIONS	1,306,276	1,692,445	--	2,998,721
INVESTMENT INCOME, NET	865,797	194,479	--	1,060,276
CHANGE IN NET ASSETS	2,172,073	1,886,924	--	4,058,997
NET ASSETS, BEGINNING OF YEAR (Note 9)	21,942,275	3,858,540	856,844	26,657,659
NET ASSETS, END OF YEAR	\$ 24,114,348	5,745,464	856,844	30,716,656

See notes to consolidated financial statements

Girls Incorporated of Omaha and Subsidiary

Consolidated Statement of Cash Flows For the Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 4,058,997
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	767,829
Gain on disposal of property and equipment	(35,918)
Donated securities	(2,636,511)
Proceeds from sale of donated securities	2,536,410
Net appreciation on investments	(894,695)
Contributions restricted for a long-term purpose	(1,759,533)
(Increase) decrease in assets -	
Accounts receivable	14,437
Due from related parties	22,226
Contributions receivable	(2,659,429)
Prepaid expenses	(1,800)
Increase (decrease) in liabilities -	
Accounts payable	(337,438)
Accrued expenses	32,408
Agency funds	14,652
Deferred revenue	12,550
	<hr/>
Net cash used in operating activities	(865,815)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of investments	(5,553,755)
Proceeds from sale of investments	3,329,250
Purchases of property and equipment	(188,578)
Proceeds from sale of property and equipment	35,918
	<hr/>
Net cash used in investing activities	(2,377,165)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from contributions restricted for long-term purposes - Capital	<hr/>
	2,751,563
NET DECREASE IN CASH AND CASH EQUIVALENTS	(491,417)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<hr/>
	1,685,225
CASH AND CASH EQUIVALENTS, END OF YEAR	<hr/>
	\$ 1,193,808
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:	
Donated securities	\$ <hr/>
	2,636,511
Property additions in payables	\$ <hr/>
	23,562

See notes to consolidated financial statements

Girls Incorporated of Omaha and Subsidiary

Consolidated Statement of Functional Expenses For the Year Ended December 31, 2017

	Program Services				Total	Supporting Services		Total
	Education Programs	Health & Wellness	Life Skills	Center Activities		Management	Fundraising	
Salaries	\$ 408,082	362,643	350,215	100,844	1,221,784	279,502	45,149	1,546,435
Employee health and retirement benefits	38,486	31,136	37,704	--	107,326	69,677	5,393	182,396
Payroll taxes	29,325	25,578	25,382	7,605	87,890	21,129	3,259	112,278
Total salaries and related expenses	475,893	419,357	413,301	108,449	1,417,000	370,308	53,801	1,841,109
Depreciation	330,224	237,996	161,223	--	729,443	30,709	7,677	767,829
Rent	4,583	806	1,129	--	6,518	3,582	--	10,100
Occupancy and maintenance	114,894	85,491	85,321	--	285,706	540	2,278	288,524
Professional fees	32	16	1,275	--	1,323	44,993	80,147	126,463
Travel	9,786	10,302	7,693	51	27,832	3,004	538	31,374
Supplies	23,075	17,992	14,474	5,845	61,386	43,718	2,113	107,217
Communications	10,621	7,042	5,371	--	23,034	1,792	142	24,968
Insurance	40,292	27,646	22,225	--	90,163	6,260	855	97,278
Professional development	573	2,093	1,243	--	3,909	1,153	1,385	6,447
Dues and subscriptions	392	225	910	--	1,527	2,002	--	3,529
Printing	202	--	64	--	266	13,817	9,336	23,419
Postage	45	23	23	213	304	1,337	1,609	3,250
Advertising and public relations	180	--	540	--	720	47	2,558	3,325
Transportation	41,946	18,905	19,385	8,388	88,624	--	--	88,624
Taxes and other fees	3,837	1,918	2,856	--	8,611	2,603	769	11,983
Scholarships	--	--	67,457	--	67,457	--	--	67,457
Bank fees	--	--	--	--	--	474	120	594
Activities expense	86,801	4,688	37,275	4,658	133,422	194	--	133,616
Special events expense	--	--	--	--	--	--	10,273	10,273
Meals and snacks	3,495	89,617	2,735	1,992	97,839	1,777	359	99,975
Miscellaneous expense	710	837	52	--	1,599	--	1,200	2,799
Investment expenses	--	--	--	--	--	25,038	--	25,038
Total allocated expenses	1,147,581	924,954	844,552	129,596	3,046,683	553,348	175,160	3,775,191
Less: investment expenses	--	--	--	--	--	(25,038)	--	(25,038)
Expenses before unallocated payments	\$ 1,147,581	924,954	844,552	129,596	3,046,683	528,310	175,160	3,750,153
Unallocated payments to Girls Inc. National								12,000
Total expenses								\$ 3,762,153

See notes to consolidated financial statements

Girls Incorporated of Omaha and Subsidiary

Notes to Consolidated Financial Statements December 31, 2017

(1) Organization and Summary of Significant Accounting Policies

The following is a description of the organization and a summary of the significant accounting policies of Girls Incorporated of Omaha and Subsidiary (collectively, the "Organization"). These policies are in accordance with accounting principles generally accepted in the United States of America (GAAP).

A. Description of Organization

Girls Incorporated of Omaha (Girls Inc.) serves girls of ages 5 through 18, and college students, with various gender specific programs designed to provide the girls with activities and experiences which meet their needs to be *Strong, Smart and Bold*. Programs include health and wellness (*Strong*), education (*Smart*), life skills (*Bold*) and general activities at the center. Girls Inc. is supported primarily through major local donor contributions, grants, and the United Way.

Financial activities of its wholly owned subsidiary, Barker Avenue House, LLC, are included in the financial statements of Girls Inc. All significant intercompany accounts, balances and transactions have been eliminated in consolidation.

B. Basis of Accounting

The Organization maintains its accounting records and prepares its financial statements on the accrual basis of accounting in accordance with GAAP. The accompanying financial statements have been prepared in accordance with accounting standards for financial statements of not-for-profit organizations. Under these standards, the Organization is required to report information regarding its financial position and activities according to the following three classes of net assets:

- *Unrestricted* – Net assets that are not subject to donor-imposed stipulations even though their use may be limited in other respects, such as by contract or by board designation. Unrestricted net assets include net assets designated by the board for operating endowment. As of December 31, 2017, the Organization had \$6,604,885 in board designated net assets.
- *Temporarily restricted* – Net assets whose use by the Organization has been limited by donors to later periods of time, or after specified dates, or to specified purposes.
- *Permanently restricted* – Net assets whose use by the Organization has donor-imposed restrictions that stipulate resources be maintained permanently, but permits the Organization to use up or expend part or all of the income (or economic benefits) derived from the donated assets.

C. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Cash and Cash Equivalents

Cash and cash equivalents, for purposes of the consolidated statement of cash flows, include all highly liquid investments with an original maturity of three months or less from the date of purchase and exclude cash and cash equivalents held in the investment portfolio or restricted for a long-term purpose.

Girls Incorporated of Omaha and Subsidiary

Notes to Consolidated Financial Statements December 31, 2017

E. *Promises to Give*

Unconditional promises to give, including contributions and grants receivable, which are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Conditional promises to give are not included as support until the conditions are substantially met.

The receivables are reviewed for collectability and a provision for uncollectible amounts is recorded based on management's judgment and an analysis of individual donors, past collection experience and other relevant factors. At December 31, 2017, no allowance is recorded against contributions receivable.

F. *Investments*

All investments are measured at fair value in the consolidated statement of financial position. Gains or losses on investments are recognized as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

G. *Fair Value Measurements*

The Organization applies the provisions included in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements. Fair value is defined as 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. At December 31, 2017, there were no nonfinancial items recognized or disclosed at fair value and there were no financial assets or liabilities measured at fair value in the financial statements on a nonrecurring basis.

H. *Property and Equipment, Net*

Property and equipment are recorded at cost, or if donated, at fair value on the date donated. The Organization maintains a capitalization policy of \$500. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

Building and improvements	5 – 39 years
Furniture, fixtures and equipment	5 – 15 years
Vehicles	5 years

When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any resulting gain or loss on disposition is reflected in operations. Repairs and maintenance are expensed as incurred; expenditures for additions, improvements and replacements are capitalized.

Gifts of cash that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the long-lived assets are acquired.

Girls Incorporated of Omaha and Subsidiary

Notes to Consolidated Financial Statements December 31, 2017

I. Income Taxes

The Organization is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and has received a determination letter that it is exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. The Internal Revenue Service has established standards to be met to maintain the Organization's tax exempt status.

J. Donor Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received and the conditions are substantially met. The contributions are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

K. Gifts In-Kind and Contributed Services

Gifts in-kind revenue is recognized in circumstances in which the Organization has sufficient discretion over the use and disposition of the items to recognize a contribution. Gifts in-kind are valued and recorded as revenue at their fair value at the time the contribution is received. In-kind contributions of program supplies amounting to \$27,428 are included in contribution revenue in the consolidated statement of activities for the year ended December 31, 2017.

Gifts of property and equipment are recorded at fair value at the date of the gift. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

L. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

M. Subsequent Events

The Organization considered events occurring through June 12, 2018 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

Girls Incorporated of Omaha and Subsidiary

Notes to Consolidated Financial Statements December 31, 2017

(2) Contributions Receivable

A summary of contributions receivable at December 31, 2017 is as follows:

Capital	\$	700,000
United Way funding for next year		248,300
Future operations		325,000
Operations		2,322,279
Programs		<u>120,000</u>
Contributions receivable	\$	<u><u>3,715,579</u></u>
Amounts due in:		
Less than one year	\$	3,615,579
One to two years		<u>100,000</u>
Contributions receivable	\$	<u><u>3,715,579</u></u>

No discount was recorded for contributions receivable as of December 31, 2017 as management believes the exclusion of a discount does not have a material effect on the financial statements.

(3) Conditional Promises to Give

The Organization received a conditional promise to give in the form of a grant for the replacement of its vehicle fleet up to a maximum of \$500,000 which is conditioned upon providing proof of purchase and written statement confirming the establishment of a maintenance reserve fund. As of December 31, 2017, the Organization had qualifying purchases of approximately \$223,000. The remaining promise to give of up to \$277,000 has not been recognized in the accompanying financial statements as the conditions have not yet been met.

(4) Fair Value Measurements

FASB ASC Topic 820 establishes a fair value hierarchy that prioritizes 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 measurements involving significant unobservable inputs (level 3 measurements). The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are as follows:

Level 1 Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

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 are unobservable for the asset or liability.

Girls Incorporated of Omaha and Subsidiary

Notes to Consolidated Financial Statements December 31, 2017

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value. For the year ended December 31, 2017, the application of valuation techniques applied to similar assets and liabilities has been consistent.

Cash and money market funds – Funds are recorded at fair value using quoted market prices.

Mutual funds – All mutual funds are traded on a national securities exchange and are valued at the net asset value of the underlying investments.

Common stock – Common stock is traded on a national securities exchange and are valued at the latest quoted market prices.

The following table presents the balances of investment securities measured at fair value on a recurring basis at December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 777	--	--	777
Money market	1,415,948	--	--	1,415,948
US equity mutual funds -				
Large blend	2,139,511	--	--	2,139,511
Large growth	222,521	--	--	222,521
Long-short	140,457	--	--	140,457
International equity mutual funds -				
Foreign large blend	502,297	--	--	502,297
Foreign large value	291,801	--	--	291,801
Diversified emerging markets	101,943	--	--	101,943
World allocation	305,268	--	--	305,268
Fixed income mutual funds -				
Intermediate-term bond	1,390,644	--	--	1,390,644
Ultrashort bond	346,556	--	--	346,556
Short government	1,001,349	--	--	1,001,349
Common stock	<u>1,588,101</u>	<u>--</u>	<u>--</u>	<u>1,588,101</u>
Investments	<u>\$ 9,447,173</u>	<u>--</u>	<u>--</u>	<u>9,447,173</u>

(5) Investment Income, Net

A summary of investment income, net for the year ended December 31, 2017 is as follows:

Interest and dividend income	\$ 190,619
Realized and unrealized gains and losses, net	894,695
Less: Investment expenses	<u>(25,038)</u>
Investment income, net	<u>\$ 1,060,276</u>

Girls Incorporated of Omaha and Subsidiary

Notes to Consolidated Financial Statements December 31, 2017

(6) Property and Equipment, Net

A summary of property and equipment at December 31, 2017 is as follows:

Land	\$	62,111
Buildings and improvements		19,076,866
Furniture, fixtures and equipment		1,014,635
Vehicles		338,236
Construction in progress		<u>384,525</u>
		20,876,373
Less: Accumulated depreciation		<u>(4,370,548)</u>
Property and equipment, net	\$	<u><u>16,505,825</u></u>

(7) Commitments and Contingencies

Health and Fitness Center - The Organization substantially completed the health and fitness center addition in 2016. Total costs expended on the project were approximately \$14,138,000. Additional contributions were also raised to cover ongoing operations and maintenance of the new facility in the approximate amount of \$3,000,000. As of December 31, 2017, \$200,000 is included in contributions receivable for the project.

In addition, management and the Board of Directors have entered into a license agreement with a medical organization to operate the licensed health clinic. The license agreement is for a five year period which began on November 21, 2016, with automatic renewals of one year terms, unless the agreement is terminated according to the license provision. The Organization will provide utilities, maintenance, security, and appropriate insurance for the building. The license will provide certain other minimum insurance coverage. There is no rental fee established in the agreement.

Transitional Housing – During 2016, the Organization purchased a multi-unit residential building intended to be used for transitional living facilities for young women. Management intends to refurbish the facility at a cost of an approximate range of \$4,000,000 to \$5,000,000, and it is expected to be fully operational in fiscal year 2019. The project is expected to be fully funded by donors.

(8) Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at December 31, 2017:

United Way funding for next year	\$	248,300
Future operations		425,000
Programs		283,614
Health and fitness facility reserve fund		2,866,413
Transitional Living Facility		1,469,022
Capital improvements		205,259
Scholarships		206,451
Unappropriated endowment earnings		<u>41,405</u>
	\$	<u><u>5,745,464</u></u>

Girls Incorporated of Omaha and Subsidiary

Notes to Consolidated Financial Statements December 31, 2017

Permanently restricted net assets consist of investments held by the Organization. The income is expendable for operations:

Girls Inc. Endowment Fund	\$	459,193
John A. and Harriet K. Wiebe Endowment Fund		<u>397,651</u>
	\$	<u><u>856,844</u></u>

(9) Endowment

The Organization holds endowment funds for support of its programs and operations. As required by GAAP, net assets and the changes therein associated with endowment funds, including funds designated by the Board of Directors of the Organization (the Board) to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Management has interpreted the Nebraska Uniform Prudent Management of Institutional Funds Act (NUPMIFA) as requiring the preservation of the whole dollar value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Absent any donor-imposed restrictions, interest, dividends and net appreciation of donor-restricted endowment funds are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by NUPMIFA.

In accordance with NUPMIFA, the Organization 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 Organization 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 Organization.
7. The investment policies of the Organization.

The composition of endowment net assets by type of fund is as follows at December 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ --	2,707,818	856,844	3,564,662
Board-designated endowment funds	<u>4,382,606</u>	<u>--</u>	<u>--</u>	<u>4,382,606</u>
	<u>\$ 4,382,606</u>	<u>2,707,818</u>	<u>856,844</u>	<u>7,947,268</u>

Girls Incorporated of Omaha and Subsidiary

Notes to Consolidated Financial Statements December 31, 2017

The changes in endowment net assets for the year ended December 31, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ --	--	856,844	856,844
Restatements	<u>3,675,874</u>	<u>1,087,368</u>	<u>--</u>	<u>4,763,242</u>
Endowment net assets, as restated	3,675,874	1,087,368	856,844	5,620,086
Investment return:				
Net investment income	126,853	35,058	--	161,911
Net appreciation on investments	<u>479,778</u>	<u>124,642</u>	<u>--</u>	<u>604,420</u>
Total investment return	<u>606,631</u>	<u>159,700</u>	<u>--</u>	<u>766,331</u>
Appropriations	--	(100,000)	--	(100,000)
Additions	<u>100,101</u>	<u>1,560,750</u>	<u>--</u>	<u>1,660,851</u>
Endowment net assets, end of year	<u>\$ 4,382,606</u>	<u>2,707,818</u>	<u>856,844</u>	<u>7,947,268</u>

The 2016 endowment net assets have been restated to correct errors for certain investment funds that were improperly excluded from endowment net assets. A restatement was made to increase board designated unrestricted net assets and decrease undesignated unrestricted net assets by \$3,675,874 to reflect board designated funds functioning as endowments. A restatement was also made to reflect \$1,087,368 of temporarily restricted net assets that are functioning as a term endowment. There is no effect on the 2016 change in net assets, or unrestricted net assets or temporarily restricted net assets in total.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets and to comply with all donor-imposed restrictions. Under these policies the endowment assets are invested in a manner that attempts to preserve the capital while maximizing total returns over long periods of time primarily through capital appreciation and dividends. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 6 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objective of preserving endowment funds, the Organization has relied on a total return strategy in which investment returns are achieved primarily through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization 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. Endowment assets are invested using the following asset allocation range:

Domestic stocks	20% - 50%
International stocks	10% - 30%
Bonds	15% - 40%
Alternative investments	5% - 30%
Cash and cash equivalents	0% - 15%

Girls Incorporated of Omaha and Subsidiary

Notes to Consolidated Financial Statements December 31, 2017

Appropriation Policy and How the Investment Objectives Relate to Appropriation Policy

The Organization preserves the whole dollar value of the original gift as of the gift date of donor-restricted endowments, absent explicit donor stipulations to the contrary. Interest, dividends and net appreciation of the donor-restricted endowment funds are deemed appropriated for expenditure when spent. The Organization has a spending policy of 5 – 7% annually.

(10) Retirement Plan

The Organization participates in a defined contribution 403(b) plan which is available to all employees immediately upon employment. The Organization will contribute an amount equal to the elective deferral of the participant up to the first 5% deferred. Total expense for the program for the year ended December 31, 2017 was \$56,511.

(11) Related Party Transactions

The Organization received support of approximately \$824,000 for the year ended December 31, 2017 from related parties, primarily board members. As of December 31, 2017, \$650,000 was in contributions receivable. In addition, the Organization has entered into contracts for fund-raising and consulting services from a company owned by the spouse of the Executive Director. Amounts paid for professional services for the year ended December 31, 2017 was approximately \$80,000.

(12) Concentrations, Risks and Uncertainties

The Organization maintains bank accounts in which balances sometimes exceed the federally insured limit. Management believes the risk relating to these deposits is minimal.

Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk and overall market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.