

**Girls Incorporated of Omaha and Subsidiary**  
Omaha, Nebraska

**Consolidated Financial Statements**  
December 31, 2018 and 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 statements of financial position as of December 31, 2018 and 2017, the related consolidated statements of activities, cash flows, and functional expenses for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 misstatements 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

As discussed in Note 15 to the financial statements, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in 2018. Our opinion is not modified with respect to this matter.

*SEIM JOHNSON, LLP*

Omaha, Nebraska,  
July 12, 2019.

## Girls Incorporated of Omaha and Subsidiary

### Consolidated Statements of Financial Position December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,904,682	1,193,808
Certificates of deposit	--	85,652
Accounts receivable	--	10,000
Contributions receivable	1,619,223	3,715,579
Prepaid expenses	56,969	11,031
Investments	10,752,635	9,447,173
Property and equipment, net	<u>17,438,468</u>	<u>16,505,825</u>
 Total assets	 <u>\$ 31,771,977</u>	 <u>30,969,068</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 463,289	108,837
Accrued expenses	124,570	116,373
Agency funds	18,969	14,652
Deferred revenue for special events	<u>66,865</u>	<u>12,550</u>
 Total liabilities	 <u>673,693</u>	 <u>252,412</u>
 Commitments and contingencies		
Net assets:		
Without donor restrictions	22,188,457	23,729,823
With donor restrictions	<u>8,909,827</u>	<u>6,986,833</u>
 Total net assets	 <u>31,098,284</u>	 <u>30,716,656</u>
 Total liabilities and net assets	 <u>\$ 31,771,977</u>	 <u>30,969,068</u>

*See notes to consolidated financial statements*

## Girls Incorporated of Omaha and Subsidiary

### Consolidated Statement of Activities For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS AND OTHER SUPPORT:</b>			
Contributions	\$ 711,842	3,233,890	3,945,732
United Way funding	201,000	201,000	402,000
Grants	13,323	--	13,323
Special events revenue	233,123	--	233,123
Less: Cost of direct benefits to donors	(58,117)	--	(58,117)
Net revenue from special events	175,006	--	175,006
Membership dues	32,693	--	32,693
Program revenue	13,313	--	13,313
Rental revenue	300	--	300
Other income	1,100	--	1,100
Net assets released from restrictions	1,516,443	(1,516,443)	--
Total revenues, gains and other support	2,665,020	1,918,447	4,583,467
<b>EXPENSES:</b>			
Program services	3,146,904	--	3,146,904
Supporting services - Management	500,396	--	500,396
Fundraising	188,905	--	188,905
Unallocated payments to Girls Inc. National	12,000	--	12,000
Total expenses	3,848,205	--	3,848,205
CHANGE IN NET ASSETS FROM OPERATIONS	(1,183,185)	1,918,447	735,262
INVESTMENT LOSS, NET	(358,181)	4,547	(353,634)
CHANGE IN NET ASSETS	(1,541,366)	1,922,994	381,628
NET ASSETS, BEGINNING OF YEAR (see Note 15)	23,729,823	6,986,833	30,716,656
NET ASSETS, END OF YEAR	\$ 22,188,457	8,909,827	31,098,284

*See notes to consolidated financial statements*

## Girls Incorporated of Omaha and Subsidiary

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

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS AND OTHER SUPPORT:</b>			
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	1,092,631	(1,092,631)	--
Total revenues, gains and other support	4,683,904	2,076,970	6,760,874
<b>EXPENSES:</b>			
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	921,751	2,076,970	2,998,721
INVESTMENT INCOME, NET	865,797	194,479	1,060,276
CHANGE IN NET ASSETS	1,787,548	2,271,449	4,058,997
NET ASSETS, BEGINNING OF YEAR (see Note 15)	21,942,275	4,715,384	26,657,659
NET ASSETS, END OF YEAR	\$ 23,729,823	6,986,833	30,716,656

*See notes to consolidated financial statements*

## Girls Incorporated of Omaha and Subsidiary

### Consolidated Statements of Cash Flows For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 381,628	4,058,997
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	743,468	767,829
Gain on disposal of property and equipment	--	(35,918)
Donated securities	(905,889)	(2,636,511)
Proceeds from sale of donated securities	1,005,990	2,536,410
Net depreciation (appreciation) on investments	639,341	(894,695)
Contributions restricted for a long-term purpose	(1,848,383)	(1,759,533)
(Increase) decrease in assets -		
Accounts receivable	10,000	14,437
Due from related parties	--	22,226
Contributions receivable	2,196,356	(2,659,429)
Prepaid expenses	(45,938)	(1,800)
Increase (decrease) in liabilities -		
Accounts payable	(9,452)	(337,438)
Accrued expenses	8,197	32,408
Agency funds	4,317	14,652
Deferred revenue	54,315	12,550
	<u>2,233,950</u>	<u>(865,815)</u>
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(6,211,964)	(5,553,755)
Proceeds from sale of investments	4,167,060	3,329,250
Withdrawals from certificates of deposit	85,652	--
Purchases of property and equipment	(1,312,207)	(188,578)
Proceeds from sale of property and equipment	--	35,918
	<u>(3,271,459)</u>	<u>(2,377,165)</u>
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for long-term purposes - Capital	1,748,383	2,751,563
	<u>1,748,383</u>	<u>2,751,563</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	710,874	(491,417)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,193,808</u>	<u>1,685,225</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u>1,904,682</u>	<u>1,193,808</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:		
Donated securities	\$ <u>905,889</u>	<u>2,636,511</u>
Property additions in payables	\$ <u>387,466</u>	<u>23,562</u>

See notes to consolidated financial statements

## Girls Incorporated of Omaha and Subsidiary

### Consolidated Statement of Functional Expenses For the Year Ended December 31, 2018

	Program Services				Total	Supporting Services		Total
	Education Programs	Health & Wellness	Life Skills	Center Activities		Management	Fundraising	
Salaries	\$ 373,807	359,758	409,195	112,006	1,254,766	280,321	49,757	1,584,844
Employee health and retirement benefits	44,356	34,125	24,112	16,583	119,176	44,392	6,367	169,935
Payroll taxes	26,237	23,719	30,246	8,239	88,441	20,372	3,649	112,462
Total salaries and related expenses	444,400	417,602	463,553	136,828	1,462,383	345,085	59,773	1,867,241
Depreciation	319,691	237,910	156,128	--	713,729	22,304	7,435	743,468
Rent	4,839	874	1,666	--	7,379	2,845	--	10,224
Occupancy and maintenance	109,133	81,068	71,466	--	261,667	8,060	2,237	271,964
Professional fees	3,414	8,780	3,010	--	15,204	41,397	90,131	146,732
Travel	7,925	6,668	6,251	247	21,091	590	24	21,705
Supplies	30,197	20,409	17,331	6,036	73,973	31,613	1,585	107,171
Communications	10,036	7,021	4,922	--	21,979	617	146	22,742
Insurance	36,405	25,162	19,734	--	81,301	5,309	783	87,393
Professional development	350	965	55	--	1,370	2,491	--	3,861
Dues and subscriptions	365	475	510	54	1,404	4,520	952	6,876
Printing	27	122	354	--	503	9,850	10,523	20,876
Postage	342	172	171	--	685	699	562	1,946
Advertising and public relations	16	--	2,097	16	2,129	361	38	2,528
Transportation	50,083	19,778	19,778	2,501	92,140	--	--	92,140
Taxes and other fees	9	4	155	2	170	15,576	6,764	22,510
Scholarships	14	--	65,900	--	65,914	--	--	65,914
Bank fees	--	--	9	--	9	2,403	96	2,508
Activities expense	84,625	9,406	85,290	4,670	183,991	66	--	184,057
Special events expense	--	--	--	--	--	--	7,705	7,705
Meals and snacks	3,595	36,300	3,268	1,243	44,406	5,169	143	49,718
Miscellaneous expense	95,205	103	169	--	95,477	1,441	8	96,926
Total allocated expenses	\$ 1,200,671	872,819	921,817	151,597	3,146,904	500,396	188,905	3,836,205
Unallocated payments to Girls Inc. National								12,000
Total expenses								\$ 3,848,205

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
Total allocated expenses	\$ 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, 2018 and 2017

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#### (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 and Basis of Consolidation

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 and Presentation

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, 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:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions, although they may be designated by action of the Board of Directors.
- *Net Assets 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.

##### C. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management of the Organization to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

##### D. Cash and Cash Equivalents

Cash and cash equivalents include all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

##### E. Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 reporting format.

# Girls Incorporated of Omaha and Subsidiary

## Notes to Consolidated Financial Statements December 31, 2018 and 2017

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### F. *Promises to Give*

Unconditional promises to give, including contributions and grants receivable, that 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 consolidated statements of activities. Conditional promises to give are not included as support until the conditions are substantially met.

Contributions receivable 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, 2018 and 2017, no allowance is recorded against contributions receivable.

### G. *Investments*

All investments are measured at fair value in the consolidated statements of financial position. Gains or losses on investments are recognized as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

### H. *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, 2018 and 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.

### I. *Property and Equipment, Net*

Property and equipment are stated at cost, or if donated, at fair value on the date donated. Additions of \$2,500 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

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

### 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 recognized as net assets with donor restrictions 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, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

## Girls Incorporated of Omaha and Subsidiary

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

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#### *K. Donated Assets, Property and Equipment, and Services*

Donated marketable securities, property and equipment, and other noncash donations are recorded as contributions at their fair values at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization also receives donated services from other contributors and volunteers that are not measurable, and therefore, are excluded from the financial statements

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 \$24,142 and \$27,428 are included in contribution revenue in the consolidated statements of activities for the years ended December 31, 2018 and 2017, respectively.

#### *L. Functional Allocation of Expenses*

The consolidated statements of functional expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated by an estimate of time spent include salaries, employee health and retirement benefits, and payroll taxes. Overhead costs are allocated using an estimate of square footage. Overhead costs include depreciation expense, occupancy and maintenance, insurance, and supplies.

#### *M. 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.

#### *N. Adoption of Accounting Pronouncement*

The Organization adopted the provisions of the FASB Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in 2018. 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 presentation of these statements has been adjusted accordingly, including expanded footnote disclosure. The Organization has applied the changes retrospectively to all periods presented. See Note 15 for additional information regarding the impact of these changes to the Organization's financial statements.

#### *O. Subsequent Events*

The Organization considered events occurring through July 12, 2019 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, 2018 and 2017

#### (2) Liquidity and Availability

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

	<u>2018</u>	<u>2017</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,904,682	1,193,808
Certificates of deposit	--	85,652
Accounts receivable	--	10,000
Contributions receivable	1,619,223	3,715,579
Investments	<u>10,752,635</u>	<u>9,447,173</u>
Total financial assets	<u>14,276,540</u>	<u>14,452,212</u>
Less amounts not available to be used for general expenditure:		
Board designated endowment funds	5,514,233	6,604,885
Net assets with donor restrictions	8,909,827	6,986,833
Less donor restricted net assets expended on construction	(1,535,976)	(360,963)
Less net assets with time restrictions for next year	<u>(526,000)</u>	<u>(573,300)</u>
Amounts not available to be used for general expenditure	<u>12,362,084</u>	<u>12,657,455</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,914,456</u>	<u>1,794,757</u>

The Organization maintains cash and cash equivalents on hand to meet its normal operating expenses based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis and liquid financial assets on hand are adjusted as necessary. As part of its liquidity management, the Organization invests cash in excess of daily requirements in various marketable securities, which are included as investments in the consolidated statements of financial position. The Organization also has board designated endowment funds for operations that could be made available to meet unexpected liquidity needs, if needed. Such funds amounted to \$3,483,605 as of December 31, 2018.

#### (3) Contributions Receivable

A summary of contributions receivable at December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Capital	\$ 800,000	700,000
United Way funding for next year	201,000	248,300
Future operations	375,000	425,000
Operations	--	2,222,279
Programs	<u>243,223</u>	<u>120,000</u>
Contributions receivable	<u>\$ 1,619,223</u>	<u>3,715,579</u>
Amounts due in:		
Less than one year	\$ 1,483,394	3,615,579
One to two years	<u>135,829</u>	<u>100,000</u>
Contributions receivable	<u>\$ 1,619,223</u>	<u>3,715,579</u>

No discount was recorded for contributions receivable as of December 31, 2018 and 2017 as management believes the exclusion of a discount does not have a material effect on the financial statements.

## Girls Incorporated of Omaha and Subsidiary

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

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#### (4) Conditional Promises to Give

The Organization received three conditional promises to give in the form of grants during 2018. The first is a \$500,000 grant restricted for the Transitional Living Facility project, which is conditional upon project completion and establishment of a maintenance reserve fund. The second conditional promise to give is a challenge grant for \$300,000, dependent upon securing operating contributions of \$100,000 each of the next three fiscal years. As of December 31, 2018, the Organization had recognized \$100,000 of contribution revenue as the funding for 2019 was secured and the conditions were met. The remaining promise to give of up to \$200,000 has not been recognized in the accompanying financial statements as the conditions have not yet been met. Finally, the Organization received a \$300,000 grant which is conditional on certain targets and goals being fulfilled, including the hiring of certain personnel and serving a certain number of girls over the next three years. As of December 31, 2018, the Organization had recognized \$95,000 of contribution revenue related to this grant.

#### (5) 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.

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value. For the years ended December 31, 2018 and 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.

## Girls Incorporated of Omaha and Subsidiary

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

The following tables present the balances of investment securities measured at fair value on a recurring basis at December 31, 2018 and 2017:

	<b>2018</b>			
	Level 1	Level 2	Level 3	Total
Cash	\$ --	--	--	--
Money market	1,895,438	--	--	1,895,438
Mutual funds:				
Domestic equity	3,580,838	--	--	3,580,838
International equity	1,007,154	--	--	1,007,154
Bonds	2,739,205	--	--	2,739,205
Common stock	1,530,000	--	--	1,530,000
Investments	<u>\$ 10,752,635</u>	<u>--</u>	<u>--</u>	<u>10,752,635</u>

  

	<b>2017</b>			
	Level 1	Level 2	Level 3	Total
Cash	\$ 777	--	--	777
Money market	1,415,948	--	--	1,415,948
Mutual funds:				
Domestic equity	2,502,489	--	--	2,502,489
International equity	1,201,309	--	--	1,201,309
Bonds	2,738,549	--	--	2,738,549
Common stock	1,588,101	--	--	1,588,101
Investments	<u>\$ 9,447,173</u>	<u>--</u>	<u>--</u>	<u>9,447,173</u>

#### (6) Investment Income (Loss), Net

A summary of investment income (loss), net for the years ended December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 311,593	190,619
Realized and unrealized gains and losses, net	(639,341)	894,695
Less: Investment expenses	<u>(25,886)</u>	<u>(25,038)</u>
Investment income (loss), net	<u>\$ (353,634)</u>	<u>1,060,276</u>

## Girls Incorporated of Omaha and Subsidiary

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

#### (7) Property and Equipment, Net

A summary of property and equipment at December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 62,111	62,111
Buildings and improvements	19,121,351	19,076,866
Furniture, fixtures and equipment	1,068,849	1,014,635
Vehicles	376,731	338,236
Construction in progress	1,923,442	384,525
	<u>22,552,484</u>	<u>20,876,373</u>
Less: Accumulated depreciation	<u>(5,114,016)</u>	<u>(4,370,548)</u>
Property and equipment, net	<u>\$ 17,438,468</u>	<u>16,505,825</u>

#### (8) 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, 2018 and 2017, \$100,000 and \$200,000, respectively, 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. The facility was substantially refurbished in 2018. Total costs expended on the project were approximately \$1,923,000. The facility is expected to be fully operational in fiscal year 2019, and estimated costs to complete the project are \$217,000. The Board also designated funds be set aside to cover ongoing operations and maintenance of the new facility of approximately \$2,000,000.

#### (9) Net Assets Without Donor Restrictions

Net assets without donor restrictions at December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Board-designated endowment funds for:		
Operations	\$ 3,483,605	4,382,606
Transitional Living Facility maintenance reserve fund	<u>2,030,628</u>	<u>2,222,279</u>
Total board designated endowment funds	5,514,233	6,604,885
Undesignated funds	<u>16,674,224</u>	<u>17,124,938</u>
Total net assets without donor restrictions	<u>\$ 22,188,457</u>	<u>23,729,823</u>



## Girls Incorporated of Omaha and Subsidiary

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

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#### (10) Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Programs	\$ 472,247	283,614
Transitional Living Facility	3,672,713	1,853,547
Capital improvements	106,189	205,259
Scholarships	<u>333,176</u>	<u>206,451</u>
Total purpose restrictions	<u>4,584,325</u>	<u>2,548,871</u>
Subject to time restrictions:		
United Way funding for next year	201,000	248,300
Operating funds for next year	325,000	325,000
Operating funds beyond one year	<u>50,000</u>	<u>100,000</u>
Total time restrictions	<u>576,000</u>	<u>673,300</u>
Endowments:		
Term endowment funds -		
Health and fitness facility maintenance reserve fund	<u>2,892,658</u>	<u>2,866,413</u>
Unspent appreciation of endowment funds, which must be appropriated before use -		
Restricted by donors for operations	<u>--</u>	<u>41,405</u>
Original gift values to be held in perpetuity for operations -		
Girls Inc. Endowment Fund	459,193	459,193
John A. and Harriet K. Wiebe Endowment Fund	<u>397,651</u>	<u>397,651</u>
	<u>856,844</u>	<u>856,844</u>
Total endowments	<u>3,749,502</u>	<u>3,764,662</u>
Total net assets with donor restrictions	<u>\$ 8,909,827</u>	<u>6,986,833</u>

#### (11) Endowments

The Organization holds endowment funds for support of its programs and operations and the ongoing operations and maintenance of its facilities. 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.

## Girls Incorporated of Omaha and Subsidiary

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

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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 net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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 net assets with donor restrictions 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, 2018 and 2017:

	<b>2018</b>		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor-restricted endowment funds	\$ --	3,649,502	3,649,502
Board-designated endowment funds	<u>5,514,233</u>	<u>--</u>	<u>5,514,233</u>
	<u>\$ 5,514,233</u>	<u>3,649,502</u>	<u>9,163,735</u>

  

	<b>2017</b>		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor-restricted endowment funds	\$ --	3,564,662	3,564,662
Board-designated endowment funds	<u>4,382,606</u>	<u>--</u>	<u>4,382,606</u>
	<u>\$ 4,382,606</u>	<u>3,564,662</u>	<u>7,947,268</u>

## Girls Incorporated of Omaha and Subsidiary

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

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The changes in endowment net assets for the years ended December 31, 2018 and 2017 is as follows:

	<b>2018</b>		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 4,382,606	3,564,662	7,947,268
Investment return:			
Net investment income	193,530	61,113	254,643
Net depreciation on investments	<u>(596,625)</u>	<u>(76,273)</u>	<u>(672,898)</u>
Total investment return	<u>(403,095)</u>	<u>(15,160)</u>	<u>(418,255)</u>
Appropriations	(766,851)	--	(766,851)
Additions	<u>2,301,573</u>	<u>100,000</u>	<u>2,401,573</u>
Endowment net assets, end of year	<u>\$ 5,514,233</u>	<u>3,649,502</u>	<u>9,163,735</u>
	<b>2017</b>		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 3,675,874	1,944,212	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>604,420</u>
Total investment return	<u>606,631</u>	<u>159,700</u>	<u>766,331</u>
Appropriations	--	(100,000)	(100,000)
Additions	<u>100,101</u>	<u>1,560,750</u>	<u>1,660,851</u>
Endowment net assets, end of year	<u>\$ 4,382,606</u>	<u>3,564,662</u>	<u>7,947,268</u>

#### 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.

## Girls Incorporated of Omaha and Subsidiary

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

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#### 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%

#### 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.

#### **(12) 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 years ended December 31, 2018 and 2017 was \$49,301 and \$56,511, respectively.

#### **(13) Related Party Transactions**

The Organization received support of approximately \$550,000 and \$824,000 for the years ended December 31, 2018 and 2017, respectively, from related parties, primarily board members. As of December 31, 2018 and 2017, \$100,000 and \$650,000, respectively, was included in contributions receivable from related parties. 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 years ended December 31, 2018 and 2017 was approximately \$92,000 and \$80,000, respectively.

#### **(14) 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.

#### **(15) Change in Accounting Principle**

Effective January 1, 2018, the Organization adopted the provisions of FASB ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 made several changes to accounting and financial reporting for not-for-profit entities, including changes to the presentation of net assets, quantitative information of how an entity manages liquidity and availability of financial assets to meet needs for expenditures, reporting of expenses by natural classification and functional classification, as well as expanded footnote disclosures.

## Girls Incorporated of Omaha and Subsidiary

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

As a result of adopting ASU 2016-14, the following changes were made to the opening balances of net assets:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
Net assets, as previously reported, January 1, 2017	\$ 21,942,275	3,858,540	856,844	--	--	26,657,659
Reclassifications due to adoption of ASU 2016-14 -	(21,942,275)	--	--	21,942,275	--	--
	<u>--</u>	<u>(3,858,540)</u>	<u>(856,844)</u>	<u>--</u>	<u>4,715,384</u>	<u>--</u>
Net assets, as reclassified, January 1, 2017	\$ <u>--</u>	<u>--</u>	<u>--</u>	<u>21,942,275</u>	<u>4,715,384</u>	<u>26,657,659</u>

In addition, as a result of adopting ASU 2016-14, \$384,525 of net assets released from restriction in 2017 related to the construction of long-lived assets that have not yet been placed into service and were therefore placed back into net assets with donor restrictions. These net assets with donor restrictions will be released from restriction once the long-lived assets are placed into service. The following items for fiscal year 2017 were affected by the change as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
Net assets, as previously reported, December 31, 2017	\$ 24,114,348	5,745,464	856,844	--	--	30,716,656
Reclassifications due to adoption of ASU 2016-14 -						
Releases from restrictions	(384,525)	384,525	--	--	--	--
Change in terminology	(23,729,823)	(6,129,989)	(856,844)	23,729,823	6,986,833	--
	<u>--</u>	<u>--</u>	<u>--</u>	<u>23,729,823</u>	<u>6,986,833</u>	<u>30,716,656</u>
Net assets, as reclassified, December 31, 2017	\$ <u>--</u>	<u>--</u>	<u>--</u>	<u>23,729,823</u>	<u>6,986,833</u>	<u>30,716,656</u>

There was no effect on the change in net assets for 2017 as a result of the accounting change.