

NEBRASKA APPLESEED CENTER FOR LAW IN THE PUBLIC INTEREST

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016



**DANA F. COLE  
& COMPANY** LLP  
CERTIFIED PUBLIC ACCOUNTANTS

NEBRASKA APPLESEED CENTER FOR LAW IN THE PUBLIC INTEREST  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Nebraska Appleseed Center for Law in the Public Interest  
Lincoln, Nebraska

We have audited the accompanying financial statements of Nebraska Appleseed Center for Law in the Public Interest (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 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.

### **Auditors' 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 Nebraska Appleseed Center for Law in the Public Interest as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited the Nebraska Appleseed Center for Law in the Public Interest's 2016 financial statements, and our report dated March 27, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Dana J Cole + Company, LLP

Lincoln, Nebraska  
March 24, 2018

NEBRASKA APPLESEED CENTER FOR LAW IN THE PUBLIC INTEREST  
 STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2017 AND 2016

ASSETS		2017	2016
<b>CURRENT ASSETS</b>			
Cash		2,011,399	1,114,015
Grants receivable		3,027,581	712,451
Accounts receivable		121	234
Prepaid expenses		<u>25,957</u>	<u>21,417</u>
Total current assets		<u>5,065,058</u>	<u>1,848,117</u>
<b>PROPERTY AND EQUIPMENT</b>			
Equipment		56,608	50,044
Less accumulated depreciation		<u>(35,479)</u>	<u>(27,884)</u>
Total property and equipment		<u>21,129</u>	<u>22,160</u>
<b>OTHER ASSETS</b>			
Restricted cash for grants payable		142,097	59,755
Investments		<u>1,201,184</u>	<u>934,251</u>
Total other assets		<u>1,343,281</u>	<u>994,006</u>
<b>TOTAL ASSETS</b>		<u>6,429,468</u>	<u>2,864,283</u>
LIABILITIES AND NET ASSETS			
<b>CURRENT LIABILITIES</b>			
Accounts payable		27,634	14,465
Grants payable		142,097	59,755
Other accrued expenses		452	2,357
Wages accrued		56,259	70,619
Flex plan withholding		<u>1,473</u>	<u>1,270</u>
Total current liabilities		<u>227,915</u>	<u>148,466</u>
<b>NET ASSETS</b>			
Unrestricted		1,111,506	947,713
Unrestricted - designated		515,500	454,500
Temporarily restricted		4,346,246	1,114,087
Permanently restricted		<u>228,301</u>	<u>199,517</u>
Total net assets		<u>6,201,553</u>	<u>2,715,817</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<u>6,429,468</u>	<u>2,864,283</u>

See accompanying notes to financial statements.

NEBRASKA APPELSEED CENTER FOR LAW IN THE PUBLIC INTEREST  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2017  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	2017			2016 Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
<b>SUPPORT AND REVENUES</b>					
Contributions	292,133			292,133	231,348
Events	59,412			59,412	55,938
Grants	699,364	4,559,100		5,258,464	1,653,436
Contract income					2,800
Attorney fees					319,537
Miscellaneous income	9,349			9,349	37,700
Interest income	9,691			9,691	7,759
Investment income		5,385	8,786	14,171	8,102
Gains on sale of investments		1,452	2,370	3,822	156
Losses on disposal of fixed assets					(558)
Unrealized market value gains		10,805	17,628	28,433	16,238
Total support and revenues before net assets released from restrictions	1,069,949	4,576,742	28,784	5,675,475	2,332,456
Revenue released from restrictions	616,375	(616,375)			
Net assets released from restrictions	728,208	(728,208)			
Total support and revenues	<u>2,414,532</u>	<u>3,232,159</u>	<u>28,784</u>	<u>5,675,475</u>	<u>2,332,456</u>
<b>EXPENSES</b>					
Program services	1,672,609			1,672,609	1,603,052
Management and general	267,347			267,347	250,463
Fundraising	249,783			249,783	237,541
Total expenses	<u>2,189,739</u>			<u>2,189,739</u>	<u>2,091,056</u>
<b>CHANGE IN NET ASSETS</b>	224,793	3,232,159	28,784	3,485,736	241,400
<b>NET ASSETS, beginning of year</b>	<u>1,402,213</u>	<u>1,114,087</u>	<u>199,517</u>	<u>2,715,817</u>	<u>2,474,417</u>
<b>NET ASSETS, end of year</b>	<u>1,627,006</u>	<u>4,346,246</u>	<u>228,301</u>	<u>6,201,553</u>	<u>2,715,817</u>

See accompanying notes to financial statements.

NEBRASKA APPLESEED CENTER FOR LAW IN THE PUBLIC INTEREST  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2017

	Program Services	Management and General	Fund- raising	Total
Salaries	1,045,549	208,773	155,901	1,410,223
Employee benefits	186,421	17,032	21,531	224,984
Payroll taxes	80,409	10,468	11,926	102,803
Vacation expense	4,100	738	591	5,429
Contract labor	18,378			18,378
Collaborative grants to others	66,900			66,900
Occupancy	68,929	12,409	9,945	91,283
Telephone	19,378	3,313	2,655	25,346
Research and library	10,427	615	494	11,536
Events	325		16,113	16,438
Supplies	9,692	770	5,386	15,848
Dues and fees	11,303	1,217	6,408	18,928
Depreciation	6,509	1,172	939	8,620
Insurance	13,012	2,343	1,877	17,232
Internet	9,710	1,583	1,269	12,562
Postage	1,513	271	4,169	5,953
Meetings and conferences	12,707	1,263	2,012	15,982
Meals and entertainment	4,972	462	370	5,804
Equipment expense	5,332	767	615	6,714
Repairs and maintenance	1,038	187	150	1,375
Printing	8,158	278	1,103	9,539
Travel	69,338	1,828	4,507	75,673
Professional fees	10,516	1,753	1,405	13,674
PR, media, and communications	4,296	57	304	4,657
Miscellaneous	3,697	48	113	3,858
	<u>1,672,609</u>	<u>267,347</u>	<u>249,783</u>	<u>2,189,739</u>
<b>TOTAL EXPENSES</b>	<b><u>1,672,609</u></b>	<b><u>267,347</u></b>	<b><u>249,783</u></b>	<b><u>2,189,739</u></b>

See accompanying notes to financial statements.

NEBRASKA APPLESEED CENTER FOR LAW IN THE PUBLIC INTEREST  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2016

	Program Services	Management and General	Fund- raising	Total
Salaries	913,159	190,574	137,717	1,241,450
Employee benefits	149,985	16,897	19,786	186,668
Payroll taxes	70,532	10,042	10,340	90,914
Vacation expense	3,744	718	554	5,016
Contract labor	41,038		8,250	49,288
Collaborative grants to others	70,000			70,000
Occupancy	66,663	12,790	9,870	89,323
Telephone	83,552	2,860	2,207	88,619
Research and library	10,025	487	376	10,888
Events	5,083	68	22,525	27,676
Supplies	5,461	826	2,457	8,744
Dues and fees	13,251	1,709	5,050	20,010
Depreciation	6,448	1,237	955	8,640
Insurance	11,906	2,284	1,763	15,953
Internet	8,396	1,514	1,168	11,078
Postage	10,491	214	3,995	14,700
Meetings and conferences	15,921	1,441	1,112	18,474
Meals and entertainment	9,492	392	371	10,255
Equipment expense	14,357	2,755	2,126	19,238
Repairs and maintenance	343	66	51	460
Printing	21,274	609	3,329	25,212
Travel	51,627	996	1,845	54,468
Professional fees	16,555	1,822	1,406	19,783
PR, media, and communications	1,990	127	179	2,296
Miscellaneous	1,759	35	109	1,903
	<u>1,603,052</u>	<u>250,463</u>	<u>237,541</u>	<u>2,091,056</u>
<b>TOTAL EXPENSES</b>	<b><u>1,603,052</u></b>	<b><u>250,463</u></b>	<b><u>237,541</u></b>	<b><u>2,091,056</u></b>



NEBRASKA APPLESEED CENTER FOR LAW IN THE PUBLIC INTEREST  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	<u>3,485,736</u>	<u>241,400</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,620	8,640
Unrealized gain on investments	(28,433)	(16,238)
Realized gain on investments	(3,822)	(156)
Loss on disposition of fixed assets		558
(Increase) decrease in:		
Accounts receivable	113	28,514
Prepaid expenses	(4,540)	(2,805)
Grants receivable	(2,315,130)	156,635
Increase (decrease) in:		
Accounts payable	13,169	(20,188)
Grants payable	82,342	39,755
Other accrued expenses	(1,905)	1,821
Wages accrued	(14,360)	6,488
Flex plan withholding	203	317
Total adjustments	<u>(2,263,743)</u>	<u>203,341</u>
Net cash provided by operating activities	<u>1,221,993</u>	<u>444,741</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	188,428	339,962
Purchase of investments	(423,105)	(658,998)
Purchase of equipment	<u>(7,590)</u>	<u>(7,590)</u>
Net cash used in investing activities	<u>(242,267)</u>	<u>(326,626)</u>
NET INCREASE IN CASH	979,726	118,115
CASH, beginning of year	<u>1,173,770</u>	<u>1,055,655</u>
CASH, end of year	<u>2,153,496</u>	<u>1,173,770</u>
COMPONENTS OF CASH		
Cash	2,011,399	1,114,015
Restricted cash	<u>142,097</u>	<u>59,755</u>
	<u>2,153,496</u>	<u>1,173,770</u>

See accompanying notes to financial statements.

NEBRASKA APPLESEED CENTER FOR LAW IN THE PUBLIC INTEREST  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Nebraska Appleseed Center for Law in the Public Interest (the Organization) is a not-for-profit, nonpartisan law project committed to equal justice for all Nebraskans. The Organization is an affiliate of The Appleseed Foundation, Inc., an organization dedicated to building a society where opportunities are genuine, access to the law is universal and equal, and government advances the public interest.

Basis of Accounting

The financial statements of Nebraska Appleseed Center for Law in the Public Interest have been prepared on an accrual basis of accounting.

Financial Statement Presentation

The Organization utilizes FASB ASC 958-205, *Financial Statements of Not-for-Profit Organizations*. FASB ASC 958-205 sets standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. A description of the three net asset categories utilized by the Organization follows:

Unrestricted Net Assets

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains or losses on investments and any other assets or liabilities are reported as increases in unrestricted net assets unless their use is limited by donor stipulation or by laws.

Temporarily Restricted Net Assets

Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met, trust activity, deferred gifts, and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted or determined.

Permanently Restricted Net Assets

Permanently restricted net assets include gifts, trusts, and pledges receivable which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor.

NEBRASKA APPLESEED CENTER FOR LAW IN THE PUBLIC INTEREST  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

The Organization utilizes FASB ASC 958-605, *Accounting for Contributions Received and Made*. FASB ASC 958-605 requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributed Materials and Services

The Organization records various types of in-kind contributions. Contributed services are recognized at fair market value if the services received (a) create or enhance long-lived 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. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

Volunteers

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with its operations. The volunteer hours have not been recorded in the financial statements since those services do not meet the criteria for recognition.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents. At December 31, 2017 and 2016, the Organization had no cash equivalents.

Accounts Receivable

Accounts receivable have been adjusted for all known uncollectible accounts. No allowance for bad debts is considered necessary at year-end.

NEBRASKA APPLESEED CENTER FOR LAW IN THE PUBLIC INTEREST  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants Receivable

Grants from organizations as of the year-end are recognized and included as temporarily restricted support and as grants receivable if they are supported by documentation and other evidence confirming that the grant will be received.

The Organization uses the allowance method to account for uncollectible grants receivable.

Investments

The Organization utilizes FASB ASC 958-320, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. FASB ASC 958-320 sets standards of reporting at fair value certain debt and equity securities held by not-for-profit organizations.

Therefore, investments in equity securities that have a readily determinable fair value and all investments in debt securities are stated at fair value, with gains and losses included in the statement of activities. Fair value is determined by quoted market values.

Property and Equipment

Property and equipment are stated at cost, if purchased, or fair value, if donated. Major expenditures for property and those which substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Depreciation

The Organization provides for depreciation of property and equipment using annual rates which are sufficient to amortize the cost of depreciable assets using the straight-line method over their estimated useful lives, which range from 3 to 7 years.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. Currently, the Organization has no unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization utilizes the provisions of FASB ASC 740-10, *Accounting for Uncertain Tax Positions*. The Organization continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that would be material to the financial statements.

NEBRASKA APPLESEED CENTER FOR LAW IN THE PUBLIC INTEREST  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Employee's vacation benefits are recognized in the period earned.

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$4,657 and \$2,296 for the years ended December 31, 2017 and 2016, respectively.

Expense Allocation

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

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

NOTE 2. CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash balances at several financial institutions. The balances at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2017 and 2016, the amount of deposits not covered was \$1,150,886 and \$309,034, respectively.

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of grants receivables. The Organization does not require collateral from these receivables. Such credit risk is considered by management to be limited due to the grantor commitments.

NOTE 3. INVESTMENTS

The Organization utilizes FASB ASC 820-10, *Fair Value Measurements*, which provides a framework for measuring fair value under generally accepted accounting principles. FASB ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis.

NEBRASKA APPLESEED CENTER FOR LAW IN THE PUBLIC INTEREST  
NOTES TO FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS (Continued)

As defined in FASB ASC 820-10, 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. In determining fair value, the Organization uses various methods including market, income, and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models, and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the year ended December 31, 2017, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Marketable Equity and Debt Securities

The fair value of marketable equity and debt securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

NEBRASKA APPLESEED CENTER FOR LAW IN THE PUBLIC INTEREST  
NOTES TO FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS (Continued)

Marketable Equity and Debt Securities (Continued)

Fair values of investments measured at December 31, 2017 and 2016, are as follows:

	2017			
	Total	Level 1	Level 2	Level 3
Money market	7,822	7,822		
Certificates of deposits	830,576	830,576		
Bond funds	97,576	97,576		
Equity funds	240,059	240,059		
Government bonds	25,151	25,151		
Totals	1,201,184	1,201,184		
	2016			
	Total	Level 1	Level 2	Level 3
Money market	6,874	6,874		
Certificates of deposits	608,008	608,008		
Bond funds	63,663	63,663		
Equity funds	229,914	229,914		
Government bonds	25,792	25,792		
Totals	934,251	934,251		

The carrying amounts, market value, unrealized gains, and unrealized losses of the Level 1 marketable securities at December 31, 2017 and 2016, are as follows:

	2017			Estimated Fair Value
	Total Cost	Unrealized Gains	Unrealized Losses	
Trading securities				
Money market	7,822			7,822
Certificates of deposits	831,000		424	830,576
Bond funds	97,263	313		97,576
Equity funds	169,347	70,712		240,059
Government bonds	24,959	192		25,151
Total trading securities	1,130,391	71,217	424	1,201,184

NEBRASKA APPLESEED CENTER FOR LAW IN THE PUBLIC INTEREST  
NOTES TO FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS (Continued)

	2016			Estimated Fair Value
	Total Cost	Unrealized Gains	Unrealized Losses	
Trading securities				
Money market	6,874			6,874
Certificates of deposits	608,000	8		608,008
Bond funds	63,668		5	63,663
Equity funds	189,087	40,827		229,914
Government bonds	24,959	833		25,792
Total trading securities	892,588	41,668	5	934,251

On the basis of its analysis of the nature, characteristics, and risks of the securities, the Organization has determined that presenting them by fund is appropriate.

Management evaluates securities for other than temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial conditions and near-term prospects of the issuer, and (3) the intent and ability of the Organization to retain its investments in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

All realized and unrealized gains and losses and income or loss arising from investments are accounted for in the statement of activities as increases or decreases to net assets.

NOTE 4. LEASE COMMITMENTS

The Organization conducts its operations with offices and telephone equipment leased under eight-year and six-year noncancellable leases expiring in December 2023 and April 2018, respectively. It also has a lease for a copy machine which expires in March 2022 and a lease for a postage machine which expires in October 2020.

At December 31, 2017, a schedule of the future minimum rental payments required under the above is as follows:

Year Ending December 31,	
2018	111,190
2019	109,478
2020	112,300
2021	114,998
2022	115,084
Thereafter	117,286
	680,336



NEBRASKA APPLESEED CENTER FOR LAW IN THE PUBLIC INTEREST  
NOTES TO FINANCIAL STATEMENTS

NOTE 4. LEASE COMMITMENTS (Continued)

Total rental expense for the years ended December 31, 2017 and 2016, was \$91,083 and \$89,298, respectively.

NOTE 5. RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following as of December 31, 2017 and 2016, respectively:

	2017	2016
Grants for operations and specific programs in subsequent years	4,236,440	1,021,923
Endowments classified by the Board of Directors as temporarily restricted net assets	<u>109,806</u>	<u>92,164</u>
	<u>4,346,246</u>	<u>1,114,087</u>

During 2010, the Board adopted a policy that established an Endowment Spending Limit for those funds that may be set and revised from time to time by the Board, of not greater than 6% or less than 3%. Any amount of the Endowment Spending Limit of a fund which is not spent in one year may be carried forward and spent in a future year.

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes certificates of deposits, bond funds, equity funds, and government bonds, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Permanently restricted net assets consist of endowment fund investments subject to permanent, specific, donor-imposed restrictions of the principal of the fund. Nebraska Appleseed Center for Law in the Public Interest currently has one such endowment fund.

This fund's value at December 31, 2017, was \$228,301. By agreement with the donor, Nebraska Appleseed Center for Law in the Public Interest may expend the annual endowment spending percentage of the net assets set by the Board of Directors of the Organization. The annual endowment spending percentage may be set and revised from time to time by the Board of Directors, but shall never be more than six percent per annum. The Board did not release any earnings during the year for expenditure.

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NOTE 6. DONOR-DESIGNATED ENDOWMENTS

As described in Note 6, the Organization's endowment currently consists of two funds established to provide support for programs authorized by the Board. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed or Board-determined restrictions.

The Board of Directors of Nebraska Appleseed Center for Law in the Public Interest has adopted a resolution that provides endowments will be classified as permanently restricted only to the extent that they are subject to permanent, specific, donor-imposed restrictions on spending of the fund. Under the resolution, all other endowment funds are classified as temporarily restricted. Of the funds established by the Board of Directors, one is classified as permanently restricted due to donor-imposed restrictions (as described in Note 6) and the other as temporarily restricted.

Investment Return Objectives, Risk Parameters, and Strategies

See Note 6 regarding the Organization's investment and spending policies.

Spending Policy

See Note 6 regarding the current spending requirements of the endowment funds.

Endowment Net Asset Composition by Type of Fund as of December 31, 2017, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Net Endowment Assets
Donor-restricted endowment funds	<u>          </u>	<u>109,806</u>	<u>228,301</u>	<u>338,107</u>

Changes in endowment net assets as of December 31, 2017, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year		92,164	199,517	291,681
Investment income		5,385	8,786	14,171
Net appreciation	<u>          </u>	<u>12,257</u>	<u>19,998</u>	<u>32,255</u>
Endowment net assets, end of year	<u>          </u>	<u>109,806</u>	<u>228,301</u>	<u>338,107</u>

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NOTE 7. BOARD-DESIGNATED NET ASSETS

Unrestricted board-designated net assets at December 31, 2017 and 2016, consisted of \$515,500 and \$454,500, respectively designated as an operating reserve.

NOTE 8. MAJOR GRANTORS

The Organization expects one grantor will provide approximately 10% or more of the funds to support the overall expenses of the Organization in the year 2018. If these funds do not continue, the programs of the Organization will have to be curtailed significantly or discontinued. During the year 2017, approximately 55% of revenue recognized as temporarily restricted support, which includes multiple-year grant awards, were provided by two grantors. These multiple-year grants included 9% of the Organization's overall revenue to support current-year operations.

NOTE 9. RETIREMENT PLAN

The Organization maintains a discretionary 401(k) plan for all eligible employees, whereby employees elect to make voluntary contributions pursuant to a salary reduction agreement. It is available to all employees who have met the service requirements. The Organization matches 3% of a participating employee's gross wages or contributions to the employee's account once obtaining approval from the Board of Directors. The Organization's expense totaled \$35,149 and \$28,417 for the years ended December 31, 2017 and 2016, respectively.

NOTE 10. GRANTS RECEIVABLE

The Organization's grants receivable fluctuates from year-to-year based on some grantors that award multiple-year grants as opposed to one-year grants. Grants receivable, net of discount to present value at 3% and allowance for doubtful accounts, are due to be collected as follows:

	2017	2016
Gross amount due in:		
One year or less	1,150,278	712,451
One to five years	<u>1,961,290</u>	<u>- 0 -</u>
	3,111,568	712,451
Less discount to present value	(83,987)	- 0 -
Less discount for doubtful accounts	<u>- 0 -</u>	<u>- 0 -</u>
	<u><u>3,027,581</u></u>	<u><u>712,451</u></u>

NOTE 11. SUBSEQUENT EVENTS

In February 2018, there was a fire in the office building from which the Organization conducts its operations. As a result of the fire, the Organization's office space; including furniture, equipment, and paper files has suffered vast smoke damage and will need to be replaced. The Organization is currently renting another office space and continues its

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NOTE 11. SUBSEQUENT EVENTS (Continued)

operations during the repairs and renovation. The Organization has insurance coverage for business property and business continuation that it believes is adequate to cover the losses as a result of this fire. All client files and critical documents were either stored electronically or were able to be recovered and converted to an electronic storage format.

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 24, 2018, the date the financial statements were available to be issued.