

NEBRASKA APPLESEED CENTER FOR LAW IN THE PUBLIC INTEREST

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018



DANA F. COLE
& COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

NEBRASKA APPLESEED CENTER FOR LAW IN THE PUBLIC INTEREST
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**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

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 statements of financial position as of December 31, 2019, 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 auditors' 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, 2019, 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 2018 financial statements, and our report dated March 24, 2018, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Dana F Cole + Company, LLP

Lincoln, Nebraska
April 17, 2020

NEBRASKA APPLESEED CENTER FOR LAW IN THE PUBLIC INTEREST
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

| | ASSETS | |
|------------------------------------|---------------|---------------|
| | 2019 | 2018 |
| CURRENT ASSETS | | |
| Cash | 2,813,283 | 3,017,544 |
| Grants receivable | 1,134,192 | 2,085,495 |
| Accounts receivable | | 1,068 |
| Prepaid expenses | 5,323 | 30,302 |
| Total current assets | 3,952,798 | 5,134,409 |
| PROPERTY AND EQUIPMENT | | |
| Equipment | 82,308 | 69,224 |
| Less accumulated depreciation | (38,864) | (25,827) |
| Total property and equipment | 43,444 | 43,397 |
| OTHER ASSETS | | |
| Restricted cash for grants payable | 53,712 | 87,194 |
| Investments | 1,855,743 | 1,218,356 |
| Total other assets | 1,909,455 | 1,305,550 |
| TOTAL ASSETS | 5,905,697 | 6,483,356 |

See accompanying notes to financial statements.

NEBRASKA APPLESEED CENTER FOR LAW IN THE PUBLIC INTEREST
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

| | 2019 | 2018 |
|---|-----------------------------|-----------------------------|
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | 20,656 | 37,352 |
| Grants payable | 53,712 | 87,194 |
| Other accrued expenses | 169 | 217 |
| Wages accrued | 79,652 | 63,524 |
| Flex plan withholding | 2,374 | 2,148 |
| Total current liabilities | <u>156,563</u> | <u>190,435</u> |
| NET ASSETS | | |
| Net assets without donor restrictions | | |
| Undesignated | 2,033,997 | 2,112,991 |
| Designated | <u>905,376</u> | <u>745,056</u> |
| | <u>2,939,373</u> | <u>2,858,047</u> |
| Net assets with donor restrictions | | |
| Restricted by purpose and time | <u>2,809,761</u> | <u>3,434,874</u> |
| Total net assets | <u>5,749,134</u> | <u>6,292,921</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>5,905,697</u></u> | <u><u>6,483,356</u></u> |

NEBRASKA APPLESEED CENTER FOR LAW IN THE PUBLIC INTEREST
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

| | 2019 | | | |
|--|-------------------------------|----------------------------|------------------|------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | 2018 Total |
| SUPPORT AND REVENUES | | | | |
| Contributions | 343,809 | | 343,809 | 295,761 |
| Events | 70,358 | | 70,358 | 65,473 |
| Grants | 795,644 | 995,644 | 1,791,288 | 2,316,667 |
| Attorney fees | | | | 41,752 |
| Miscellaneous income | 21,722 | | 21,722 | 60,350 |
| Interest income | 29,172 | | 29,172 | 21,078 |
| Investment income | | 18,455 | 18,455 | 25,229 |
| Gains on sale of investments | | 71,509 | 71,509 | 11,123 |
| Losses on disposal of fixed assets | (392) | | (392) | (3,326) |
| Unrealized market value gains (losses) | | 219 | 219 | (38,653) |
| Total support and revenues before net assets released from restrictions | <u>1,260,313</u> | <u>1,085,827</u> | <u>2,346,140</u> | <u>2,795,454</u> |
| Revenue released from restrictions | 259,897 | (259,897) | | |
| Net assets released from restrictions | <u>1,451,043</u> | <u>(1,451,043)</u> | | |
| Total support and revenues | <u>2,971,253</u> | <u>(625,113)</u> | <u>2,346,140</u> | <u>2,795,454</u> |
| EXPENSES | | | | |
| Program services | 2,200,868 | | 2,200,868 | 2,202,444 |
| Management and general | 429,746 | | 429,746 | 221,433 |
| Fundraising | 259,313 | | 259,313 | 280,209 |
| Total expenses | <u>2,889,927</u> | | <u>2,889,927</u> | <u>2,704,086</u> |
| CHANGE IN NET ASSETS | 81,326 | (625,113) | (543,787) | 91,368 |
| NET ASSETS, beginning of year | <u>2,858,047</u> | <u>3,434,874</u> | <u>6,292,921</u> | <u>6,201,553</u> |
| NET ASSETS, end of year | <u>2,939,373</u> | <u>2,809,761</u> | <u>5,749,134</u> | <u>6,292,921</u> |

See accompanying notes to financial statements.

NEBRASKA APPLESEED CENTER FOR LAW IN THE PUBLIC INTEREST
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

| | Program Services | Management and General | Fund- raising | Total |
|--------------------------------|-------------------------|------------------------------|-----------------------|-------------------------|
| Salaries | 1,382,857 | 307,125 | 160,669 | 1,850,651 |
| Employee benefits | 236,312 | 43,773 | 27,929 | 308,014 |
| Payroll taxes | 101,296 | 22,887 | 12,109 | 136,292 |
| Vacation expense | 10,901 | 2,378 | 1,264 | 14,543 |
| Contract labor | 42,095 | 3,518 | 1,871 | 47,484 |
| Collaborative grants to others | 82,377 | | | 82,377 |
| Occupancy | 72,010 | 15,706 | 8,352 | 96,068 |
| Telephone | 25,578 | 3,911 | 2,080 | 31,569 |
| Research and library | 13,879 | 1,259 | 1,465 | 16,603 |
| Events | 7,066 | 347 | 17,605 | 25,018 |
| Supplies | 8,524 | 1,651 | 1,504 | 11,679 |
| Dues and fees | 18,056 | 2,034 | 5,431 | 25,521 |
| Depreciation | 10,360 | 2,260 | 1,202 | 13,822 |
| Insurance | 20,166 | 4,398 | 2,339 | 26,903 |
| Internet | 16,417 | 3,456 | 1,838 | 21,711 |
| Postage | 1,436 | 274 | 1,286 | 2,996 |
| Meetings and conferences | 13,608 | 2,237 | 1,190 | 17,035 |
| Meals and entertainment | 7,499 | 812 | 432 | 8,743 |
| Equipment expense | 5,365 | 736 | 391 | 6,492 |
| Repairs and maintenance | 2,339 | 510 | 271 | 3,120 |
| Printing | 19,140 | 102 | 3,716 | 22,958 |
| Travel | 67,739 | 3,491 | 2,128 | 73,358 |
| Professional fees | 32,114 | 6,805 | 3,618 | 42,537 |
| PR, media, and communications | 2,801 | | 433 | 3,234 |
| Miscellaneous | 555 | 76 | 190 | 821 |
| Litigation | 378 | | | 378 |
| | <u>2,200,868</u> | <u>429,746</u> | <u>259,313</u> | <u>2,889,927</u> |
| TOTAL EXPENSES | <u>2,200,868</u> | <u>429,746</u> | <u>259,313</u> | <u>2,889,927</u> |

See accompanying notes to financial statements.

NEBRASKA APPLESEED CENTER FOR LAW IN THE PUBLIC INTEREST
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

| | Program Services | Management and General | Fund- raising | Total |
|--------------------------------|---------------------|------------------------------|------------------|------------------|
| Salaries | 1,348,189 | 168,369 | 178,389 | 1,694,947 |
| Employee benefits | 223,505 | 16,443 | 24,124 | 264,072 |
| Payroll taxes | 97,329 | 12,653 | 13,570 | 123,552 |
| Vacation expense | 3,720 | 441 | 482 | 4,643 |
| Contract labor | 43,393 | | | 43,393 |
| Collaborative grants to others | 146,203 | | | 146,203 |
| Occupancy | 70,515 | 8,354 | 9,141 | 88,010 |
| Telephone | 17,134 | 2,014 | 2,204 | 21,352 |
| Research and library | 11,862 | 566 | 1,414 | 13,842 |
| Events | 4,694 | 29 | 18,430 | 23,153 |
| Supplies | 10,800 | 299 | 2,674 | 13,773 |
| Dues and fees | 17,286 | 1,081 | 6,698 | 25,065 |
| Depreciation | 7,354 | 871 | 953 | 9,178 |
| Insurance | 18,310 | 2,169 | 2,374 | 22,853 |
| Internet | 18,403 | 2,041 | 3,177 | 23,621 |
| Postage | 7,845 | 189 | 3,659 | 11,693 |
| Meetings and conferences | 18,117 | 1,765 | 1,931 | 21,813 |
| Meals and entertainment | 9,303 | 443 | 484 | 10,230 |
| Equipment expense | 3,639 | 340 | 372 | 4,351 |
| Repairs and maintenance | 476 | 56 | 62 | 594 |
| Printing | 26,402 | 475 | 4,483 | 31,360 |
| Travel | 70,907 | 675 | 2,790 | 74,372 |
| Professional fees | 18,147 | 2,050 | 2,244 | 22,441 |
| PR, media, and communications | 6,751 | 15 | 450 | 7,216 |
| Miscellaneous | 2,160 | 95 | 104 | 2,359 |
| | <u>2,202,444</u> | <u>221,433</u> | <u>280,209</u> | <u>2,704,086</u> |
| TOTAL EXPENSES | <u>2,202,444</u> | <u>221,433</u> | <u>280,209</u> | <u>2,704,086</u> |

NEBRASKA APPLESEED CENTER FOR LAW IN THE PUBLIC INTEREST
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019 AND 2018

| | 2019 | 2018 |
|--|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | <u>(543,787)</u> | <u>91,368</u> |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 13,822 | 9,178 |
| Unrealized (gain) loss on investments | (219) | 38,653 |
| Realized gain on investments | (71,509) | (11,123) |
| Loss on disposition of fixed assets | 392 | 3,326 |
| (Increase) decrease in: | | |
| Accounts receivable | 1,068 | (947) |
| Prepaid expenses | 24,979 | (4,345) |
| Grants receivable | 951,303 | 942,086 |
| Increase (decrease) in: | | |
| Accounts payable | (16,696) | 9,718 |
| Grants payable | (33,482) | (54,903) |
| Other accrued expenses | (48) | (235) |
| Wages accrued | 16,128 | 7,265 |
| Flex plan withholding | 226 | 675 |
| Total adjustments | <u>885,964</u> | <u>939,348</u> |
| Net cash provided by operating activities | <u>342,177</u> | <u>1,030,716</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of investments | 2,744,395 | 2,210,945 |
| Purchase of investments | (3,310,055) | (2,255,648) |
| Purchase of equipment | <u>(14,260)</u> | <u>(34,771)</u> |
| Net cash used in investing activities | <u>(579,920)</u> | <u>(79,474)</u> |
| NET (DECREASE) INCREASE IN CASH | (237,743) | 951,242 |
| CASH, beginning of year | <u>3,104,738</u> | <u>2,153,496</u> |
| CASH, end of year | <u>2,866,995</u> | <u>3,104,738</u> |
| COMPONENTS OF CASH | | |
| Cash | 2,813,283 | 3,017,544 |
| Restricted cash | 53,712 | 87,194 |
| | <u>2,866,995</u> | <u>3,104,738</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.

New Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The provisions of ASU No. 2014-09 apply to exchange transactions with customers that are bound by contracts or similar arrangements and establish a performance obligation approach to revenue recognition. The new standard also requires expanded disclosures regarding the qualitative and quantitative information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for annual reporting periods beginning after December 15, 2018, and permits the use of either a full retrospective or a modified retrospective approach.

The Organization adopted the new standard on January 1, 2019, using the full retrospective method. Based on the Organization's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. The adoption of the ASU No. 2014-09 did not have an impact on the Organization's financial statements. Therefore, no cumulative adjustment was recognized in net assets upon adoption.

In 2019, the Organization adopted ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. The amendments in the ASU do not provide a definition of restricted cash or restricted cash equivalents. The Organization has applied the provisions of ASU 2016-18 retrospectively to all periods presented with no effect on net assets or previously issued financial statements.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In 2019, the Organization adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This accounting standard is meant to help not-for profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (ASC Topic 606 - Revenue Recognition). If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. ASU 2018-08 was implemented on a modified prospective basis. Therefore, in 2019, the new standard was applied to agreements that were either not completed as of January 1, 2019 or entered into after January 1, 2019. The 2018 financial statements were not restated and continue to be reported under the accounting standards in effect in that period. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

Financial Statement Presentation

The financial statements report amounts by class of net assets, as required by ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve, as well as net assets for specific use.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are 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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and are reported in the statements of activities as net assets released from restrictions.

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, 2019 and 2018, 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 grants with donor restrictions and as 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, currently five 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 \$3,234 and \$7,216 for the years ended December 31, 2019 and 2018, 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, 2018, 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, 2019 and 2018, the amount of deposits not covered was \$1,362,531 and \$1,620,182, 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, 2019, 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 APPELSEED 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, 2019 and 2018, are as follows:

| | 2019 | | | |
|-------------------------|-----------|-----------|---------|---------|
| | Total | Level 1 | Level 2 | Level 3 |
| Money market | 787,948 | 787,948 | | |
| Certificates of deposit | 605,860 | 605,860 | | |
| Bond funds | 77,742 | 77,742 | | |
| Equity funds | 333,934 | 333,934 | | |
| Government bonds | 50,259 | 50,259 | _____ | _____ |
| Totals | 1,855,743 | 1,855,743 | _____ | _____ |
| | | | | |
| | 2018 | | | |
| | Total | Level 1 | Level 2 | Level 3 |
| Money market | 24,897 | 24,897 | | |
| Certificates of deposit | 834,801 | 834,801 | | |
| Bond funds | 119,195 | 119,195 | | |
| Equity funds | 214,463 | 214,463 | | |
| Government bonds | 25,000 | 25,000 | _____ | _____ |
| Totals | 1,218,356 | 1,218,356 | _____ | _____ |

The carrying amounts, market value, unrealized gains, and unrealized losses of the Level 1 marketable securities at December 31, 2019 and 2018, are as follows:

| | 2019 | | | |
|--------------------------|---------------|---------------------|----------------------|----------------------------|
| | Total Cost | Unrealized Gains | Unrealized Losses | Estimated Fair Value |
| Trading securities | | | | |
| Money market | 787,948 | | | 787,948 |
| Certificates of deposit | 605,000 | 860 | | 605,860 |
| Bond funds | 76,540 | 1,202 | | 77,742 |
| Equity funds | 300,911 | 33,023 | | 333,934 |
| Government bonds | 49,857 | 402 | _____ | 50,259 |
| Total trading securities | 1,820,256 | 35,487 | _____ | 1,855,743 |

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

NOTE 3. INVESTMENTS (Continued)

| | 2018 | | | Estimated Fair Value |
|--------------------------|---------------|---------------------|----------------------|----------------------------|
| | Total Cost | Unrealized Gains | Unrealized Losses | |
| Trading securities | | | | |
| Money market | 24,897 | | | 24,897 |
| Certificates of deposit | 835,000 | | 199 | 834,801 |
| Bond funds | 121,069 | | 1,874 | 119,195 |
| Equity funds | 179,061 | 35,402 | | 214,463 |
| Government bonds | 24,959 | 41 | | 25,000 |
| Total trading securities | 1,184,986 | 35,443 | 2,073 | 1,218,356 |

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 8-year and 6-year noncancellable leases expiring in December 2023 and April 2023, respectively. It also has a lease for a copy machine which expires in March 2022.

At December 31, 2019, a schedule of the future minimum rental payments required under the above is as follows:

| Year Ending December 31, | |
|-----------------------------|---------|
| 2020 | 124,762 |
| 2021 | 127,461 |
| 2022 | 130,489 |
| 2023 | 121,769 |
| | 504,481 |

Total rental expense for the years ended December 31, 2019 and 2018, was \$121,940 and \$118,806, respectively.

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

NOTE 5. NET ASSETS

| | 2019 | 2018 |
|--|------------------|------------------|
| Net assets without donor restrictions: | | |
| Undesignated | 2,033,997 | 2,112,991 |
| Designated as an operating reserve | 700,000 | 585,500 |
| Board-designated investments | <u>205,376</u> | <u>159,556</u> |
| Total net assets without donor restrictions | <u>2,939,373</u> | <u>2,858,047</u> |
| Net assets with donor restrictions: | | |
| Subject to expenditure for specified purposes | | |
| Endowment accumulated gains | 280,082 | 226,874 |
| Grants for operations and specific programs in subsequent years | <u>2,529,679</u> | <u>3,208,000</u> |
| Total net assets with donor restrictions | <u>2,809,761</u> | <u>3,434,874</u> |
| | <u>5,749,134</u> | <u>6,292,921</u> |

NOTE 6. BOARD-DESIGNATED INVESTMENTS

During 2010, the Board adopted a policy that established a 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 spending limit of a fund which is not spent in one year may be carried forward and spent in a future year.

Changes in board-designated investments for the year ended December 31, 2019:

| | |
|--------------------------------|-------------------------|
| | Without restrictions |
| Investments, beginning of year | 159,556 |
| Investment income | 36,885 |
| Contributions | 8,845 |
| Net appreciation | <u>90</u> |
| Investments, end of year | <u>205,376</u> |

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

NOTE 6. BOARD-DESIGNATED INVESTMENTS (Continued)

Changes in board-designated investments for the year ended December 31, 2018:

| | Without restrictions |
|--------------------------------|-------------------------|
| Investments, beginning of year | 109,806 |
| Investment income | 9,587 |
| Contributions | 50,624 |
| Net depreciation | <u>(10,461)</u> |
| Investments, end of year | <u>159,556</u> |

NOTE 7. ENDOWMENT FUNDS

The Organization's endowment consists of one fund established to provide support for programs authorized by the Board. Its endowment includes donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As of December 31, 2019 and 2018, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gifts amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and, (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by management in a manner consistent with that standard of prudence prescribed by UPMIFA.

We consider 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.

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

NOTE 7. ENDOWMENT FUNDS (Continued)

Interpretation of Relevant Law (Continued)

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.

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

| | With Donor Restrictions | | | | Total Funds |
|----------------------------------|-------------------------|---------------------------------------|--|-------------------------------------|----------------|
| | Without restrictions | Amount to be held in perpetuity | Accumulated gains (losses) and other | Total with donor restrictions | |
| Donor-restricted endowment funds | <u>- 0 -</u> | <u>- 0 -</u> | <u>280,082</u> | <u>280,082</u> | <u>280,082</u> |

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

| | With Donor Restrictions | | | | Total Funds |
|----------------------------------|-------------------------|---------------------------------------|--|-------------------------------------|----------------|
| | Without restrictions | Amount to be held in perpetuity | Accumulated gains (losses) and other | Total with donor restrictions | |
| Donor-restricted endowment funds | <u>- 0 -</u> | <u>- 0 -</u> | <u>226,874</u> | <u>226,874</u> | <u>226,874</u> |

Included in accumulated gains (losses) and other are accumulated investment returns and term endowment funds which total \$280,082 and \$226,874 at December 31, 2019, and 2018, respectively. Term endowments are gifts of cash and other assets with stipulations that they be invested to provide a source of income for a specified term and that the income be used for a specified purpose are both time and purpose restricted.

Changes in endowment net assets for the year ended December 31, 2019:

| | With Donor Restrictions | | | | Total Funds |
|--|-------------------------|----------------------------|--|-------------------------------------|----------------|
| | Without restrictions | Original gift amount | Accumulated gains (losses) and other | Total with donor restrictions | |
| Endowment net assets, beginning of year | - 0 - | - 0 - | 226,874 | 226,874 | 226,874 |
| Investment income | | | 53,079 | 53,079 | 53,079 |
| Net appreciation | | | <u>129</u> | <u>129</u> | <u>129</u> |
| Endowment net assets, end of year | <u>- 0 -</u> | <u>- 0 -</u> | <u>280,082</u> | <u>280,082</u> | <u>280,082</u> |

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

NOTE 7. ENDOWMENT FUNDS (Continued)

Changes in endowment net assets for the year ended December 31, 2018:

| | Without restrictions | With Donor Restrictions | | | Total Funds |
|--|-------------------------|----------------------------|--|-------------------------------------|-----------------|
| | | Original gift amount | Accumulated gains (losses) and other | Total with donor restrictions | |
| Endowment net assets, beginning of year | - 0 - | - 0 - | 228,301 | 228,301 | 228,301 |
| Investment income | | | 15,642 | 15,642 | 15,642 |
| Net depreciation | — | — | <u>(17,069)</u> | <u>(17,069)</u> | <u>(17,069)</u> |
| Endowment net assets, end of year | <u>- 0 -</u> | <u>- 0 -</u> | <u>226,874</u> | <u>226,874</u> | <u>226,874</u> |

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Directors of the Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2019 and 2018, no funds with deficiencies were reported in net assets with donor restrictions.

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 6% per annum. The Board did not release any earnings during the year for expenditure.

NOTE 8. MAJOR GRANTORS

The Organization expects one grantor will provide approximately 46% or more of revenue for the Organization in the year 2020 due to an expected multi-year grant. If these funds do not continue, the programs of the Organization will have to be curtailed significantly or discontinued. During the year 2019, approximately 13% of the Organization's revenue were provided by one grantor.

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 contributes the minimum of 4% of a participating employee's gross wages or contributions to the employee's account. The Organization's expense totaled \$65,278 and \$40,256 for the years ended December 31, 2019 and 2018, respectively.

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

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 1-year grants. Grants receivable, net of discount to present value at 3% and allowance for doubtful accounts, are due to be collected as follows:

| | 2019 | 2018 |
|-------------------------------------|------------------|------------------|
| Gross amount due in: | | |
| One year or less | 1,134,192 | 1,800,288 |
| One to five years | <u>- 0 -</u> | <u>323,245</u> |
| | 1,134,192 | 2,123,533 |
| Less discount to present value | | (38,038) |
| Less discount for doubtful accounts | <u>- 0 -</u> | <u>- 0 -</u> |
| | <u>1,134,192</u> | <u>2,085,495</u> |

NOTE 11. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available to meet cash needs for general expenditures within one year of the statement of financial position date are as follows:

| | |
|-------------------|------------------|
| Cash | 2,813,283 |
| Grants receivable | <u>1,134,192</u> |
| | <u>3,947,475</u> |

The Organization's endowment funds consist of a donor-restricted endowment. Income from the donor-restricted endowment is restricted for specific purposes and, therefore, is not available for general expenditures.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in investments. Although the Organization does not intend to spend from its investments other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process, amounts could be made available if necessary.

NOTE 12. COST ALLOCATION

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. These expenses are allocated on the basis of estimates of time and effort.

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

NOTE 13. SUBSEQUENT EVENTS

As a result of the spread of the Coronavirus (COVID-19), economic uncertainties have arisen which may negatively impact the Organization's contributed revenue. The dollar amount of any decline in revenue related to COVID-19 is not known at the time of issuance of the financial statements.

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 17, 2020, the date the financial statements were available to be issued.