

Woods Charitable Fund, Inc.

Independent Accountant's Review Report
and Financial Statements

December 31, 2018 and 2017



Woods Charitable Fund, Inc.
December 31, 2018 and 2017

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Independent Accountant's Review Report

Board of Directors
Woods Charitable Fund, Inc.
Lincoln, Nebraska

We have reviewed the accompanying financial statements of Woods Charitable Fund, Inc. (the Fund), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Fund's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the modified cash basis of accounting.

Emphasis of a Matter

As described in Note 2 to the financial statements, in 2018, Woods Charitable Fund, Inc. adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Our conclusion is not modified with respect to the matter emphasized.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

Other Matter

The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

BKD, LLP

Lincoln, Nebraska
April 5, 2019

Woods Charitable Fund, Inc.
Statements of Financial Position
Modified Cash Basis
December 31, 2018 and 2017

Assets

	2018	2017
Cash and cash equivalents	\$ 227,912	\$ 162,102
Investment securities, at cost		
Institutional funds	24,203,089	25,925,592
Partnership	-	810
Program related investment	32,000	140,000
Total assets	\$ 24,463,001	\$ 26,228,504
Net Assets Without Donor Restrictions	\$ 24,463,001	\$ 26,228,504

Woods Charitable Fund, Inc.
Statements of Activities
Modified Cash Basis
Years Ended December 31, 2018 and 2017

	2018	2017
Income Collected		
Investment income		
Net realized gain on sale of securities	\$ 785,057	\$ 1,864,049
Investment advisory fees	(272,370)	(285,196)
Interest	1,946	705
	514,633	1,579,558
Excise tax refunds	18,890	35,858
Other	65	11,262
	533,588	1,626,678
Grants and Expenses Paid		
Grants paid	1,636,500	1,586,800
Expenses paid		
Salaries and benefits	470,504	442,630
Conferences and meetings	923	3,050
Legal, audit and financial services	10,757	9,575
Office expenses	11,770	5,555
Rent expense	55,656	60,672
Memberships and dues	6,550	5,825
Consultants	16,254	6,593
Annual report expenses	1,410	2,129
Other expenses	23,877	24,342
Excise tax payments	64,890	52,558
	662,591	612,929
	2,299,091	2,199,729
Change in Net Assets	(1,765,503)	(573,051)
Net Assets, Beginning of Year	26,228,504	26,801,555
Net Assets, End of Year	\$ 24,463,001	\$ 26,228,504

Woods Charitable Fund, Inc.
Notes to Modified Cash Basis Financial Statements
December 31, 2018 and 2017

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Woods Charitable Fund, Inc. (the “Fund”) is a private philanthropic foundation incorporated in the State of Nebraska in 1941. The Fund’s purpose is to improve the quality of life in Lincoln, Nebraska by expanding prosperity and justice, advancing diverse and balanced participation of community residents and stimulating creativity and ingenuity. The Fund’s revenues and other support are derived principally from earnings on investments.

Method of Accounting

The Fund’s accounts are maintained on a modified cash basis, and the statements of activities reflect only cash received and disbursed. Therefore, receivables and payables, long-lived assets, accrued income and expenses and amortization and depreciation, which may be material, are not reflected in the accompanying financial statements. Additionally, the Fund carries its investments at cost and does not adjust these balances for changes in fair value, which may be material. The statements are not intended to present the financial position, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements on the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Fund considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2018 and 2017, cash equivalents consisted primarily of money market funds.

Investments and Investment Return

Investments are carried at cost. Under accounting principles generally accepted in the United States of America, investments in equity securities having a readily determinable fair value and in all debt securities would be carried at fair value.

Investment return includes dividend, interest and other investment income, and realized gains and losses on investments. Net profits or losses of limited partnership interests are reported as investment income upon allocation to the Fund’s capital account. The Fund uses the weighted average method to determine the cost of institutional funds sold and the first-in, first-out method to determine the cost of all other securities sold.

Woods Charitable Fund, Inc.
Notes to Modified Cash Basis Financial Statements
December 31, 2018 and 2017

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Income Taxes

The Fund is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Fund is subject to federal income tax on any unrelated business taxable income. The Fund is classified as a private foundation as defined in Section 509(a) of the Internal Revenue Code. As a private foundation, the Fund is also subject to excise tax on net investment income. Excise tax payments made in 2018 and 2017 were \$64,890 and \$52,558, respectively. In addition, in 2018 and 2017, the Fund received excise tax refunds of \$18,890 and \$35,858, respectively.

Note 2: Change in Accounting Principle

In 2018, the Fund adopted ASU 2016-14, Not-For-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-For-Profit Entities*. A summary of the changes is as follows:

Statements of Financial Position

- The statements of financial position distinguishes between two new classes of net assets – those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets – unrestricted, temporarily restricted and permanently restricted.

Statements of Activities

- Investment income is shown net of external and direct internal investment expenses.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one-year from the date of the statements of financial position.

This change had no impact on the previously reported total change in net assets.

Note 3: Investments and Fair Value Disclosures

Fair value is the estimated amount at which financial assets could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair value is based on quoted market prices, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. 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 change could materially affect the amounts reported in the Fund's financial statements.

Woods Charitable Fund, Inc.
Notes to Modified Cash Basis Financial Statements
December 31, 2018 and 2017

Note 3: Investments and Fair Value Disclosures - Continued

Institutional funds at December 31, 2018 and 2017 consisted of the following:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Multi-asset	\$ 17,398,167	\$ 22,476,851	\$ 18,585,191	\$ 26,302,628
Real estate equity	2,500,000	2,763,991	2,500,000	2,585,057
Core bond	2,102,513	3,058,266	2,310,280	3,376,862
Fixed income	2,202,409	2,269,892	2,530,121	2,548,915
	<u>\$ 24,203,089</u>	<u>\$ 30,569,000</u>	<u>\$ 25,925,592</u>	<u>\$ 34,813,462</u>

The Fund had an investment in a private limited partnership with a cost of \$810 at December 31, 2017, for which a fair value was not ascertainable.

Program related investments consist of non-interest bearing loans issued to qualifying agencies which require repayment of principal in accordance with the terms of the related agreement.

Note 4: Operating Leases

The Fund entered into a lease agreement for its office space under a noncancelable ten year operating lease, which expires in 2022. The Fund is responsible for a pro-rata share of increases in direct building operating expenses over the lease term. Rent expense totaled \$55,656 and \$60,672 for 2018 and 2017, respectively.

Future minimum lease payments at December 31, 2018, were:

2019	\$ 60,065
2020	61,530
2021	62,995
2022	<u>64,460</u>
	<u>\$ 249,050</u>

Woods Charitable Fund, Inc.
Notes to Modified Cash Basis Financial Statements
December 31, 2018 and 2017

Note 5: Commitments

The Fund is committed to pay grants in the future totaling \$1,284,000 as of December 31, 2018. Certain of these commitments are contingent on the fulfillment of specified conditions.

These future grant payments are scheduled to be made as follows:

2019		\$ 959,000
2020		<u>325,000</u>
		<u>\$ 1,284,000</u>

Note 6: Liquidity and Availability

The Fund's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018 and 2017, comprise the following:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 227,912	\$ 162,102
Investment securities, at cost		
Institutional funds	24,203,089	25,925,592
Partnership	-	810
Program related investment	<u>32,000</u>	<u>140,000</u>
	<u>\$ 24,463,001</u>	<u>\$ 26,228,504</u>

As part of the Fund's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures and other obligations come due.

Note 7: Subsequent Events

Subsequent events have been evaluated through April 5, 2019, which is the date the financial statements were available to be issued.

Supplementary Information

Woods Charitable Fund, Inc.
Summary of Grants Paid by Areas of Interest
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Arts and Culture	\$ 143,000	\$ 119,500
Civic and Community	822,500	602,000
Education	250,000	235,050
Human Services	421,000	590,250
Miscellaneous	<u>-</u>	<u>40,000</u>
Total grants paid	<u>\$ 1,636,500</u>	<u>\$ 1,586,800</u>

Woods Charitable Fund, Inc.
Grants Paid
Year Ended December 31, 2018

Arts and Culture

Downtown Lincoln Foundation	\$ 17,000
Flatwater Shakespeare Company	10,000
Lincoln Arts Council	25,000
Lincoln Municipal Band Association, Inc.	5,000
Lincoln Orchestra Association	10,000
Lux Center for the Arts (Artist-in-Residence Program)	15,000
Lux Center for the Arts (Capital Campaign)	12,500
Nebraska Cultural Endowment (General Operation)	15,000
Nebraska Cultural Endowment (Arts & Humanities Education Funding)	10,000
Nebraska Writers Collective	10,000
Omaha Performing Arts Society	10,000
Projecto Cultural	3,500
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Total Arts and Culture	143,000
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Civic and Community

ACLU Nebraska Foundation, Inc.	10,000
Center for Legal Immigration Assistance (General Operation)	25,000
Center for Legal Immigration Assistance (Breakthrough #2)	40,000
Community CROPS	15,000
Defy Nebraska, Inc.	20,000
Legal Aid of Nebraska (Breakthrough #2)	160,000
Lincoln Community Foundation	5,000
Nebraska Civic Engagement Table (General Operation)	30,000
Nebraskans for Civic Reform (Breakthrough #1)	400,000
Nebraskans for Civic Reform (Civic Health Program Manager Position)	25,000
Neighborhoods, Inc. dba NeighborWorks Lincoln (9th & D Project)	20,000
Neighborhoods, Inc. dba NeighborWorks Lincoln (General Operation)	12,500
South of Downtown Community Development Organization	30,000
Stand for Schools	15,000
VolunteerLinc	15,000
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Total Civic and Community	822,500
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Woods Charitable Fund, Inc.
Grants Paid - Continued
Year Ended December 31, 2018

Education

Belmont Community Center	\$	10,000
Cedars Youth Services, Inc.		20,000
Center for People in Need, Inc.		20,000
Dimensions Educational Research Foundation		40,000
Guidance to Success Youth Club		25,000
Lead Up		10,000
Lincoln Community Learning Centers		60,000
Lincoln Literacy Council		20,000
Nebraska Human Resources Research Foundation, Inc.		20,000
Nebraska Humanities Council		20,000
NET Foundation for Television		5,000
		250,000
Total Education		250,000

Human Services

CenterPointe, Inc.		11,000
City of Lincoln, Lincoln Police Department		25,000
Community Action Partnership of Lancaster and Saunders Counties		10,000
Disability Rights Nebraska		-
El Centro de las Americas		16,000
Family Health Services, Inc.		20,000
Food Bank of Lincoln, Inc.		25,000
Fresh Start, Inc.		21,000
Friendship Home of Lincoln		20,000
Girl Scouts-Spirit of Nebraska		15,000
Good Neighbor Community Center, Inc.		40,000
Lincoln and Lancaster County Child Guidance Center, Inc.		40,000
Lincoln Bike Kitchen		8,000
Malone Community Center		20,000
Mourning Hope		50,000
Planned Parenthood of the Heartland, Inc.		20,000
Rabble Mill		30,000
Set Me Free Project		15,000
University of Nebraska-Lincoln, Center on Children, Families and the Law		10,000
Voices of Hope, Lincoln, Inc.		25,000
		421,000
Total Human Services		421,000
Total grants paid	\$	1,636,500