UNITED WAY OF THE KEARNEY AREA, INC.
KEARNEY, NEBRASKA

FINANCIAL REPORT
(Audited)

DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
United Way of the Kearney Area, Inc.
Kearney, Nebraska

Report on the Financial Statements

We have audited the accompanying financial statements of the United Way of the Kearney Area, Inc. (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2018, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United Way of the Kearney Area, Inc. as of December 31, 2018, 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.

Other Matter

The 2017 financial statements were reviewed by us and our report thereon dated May 18, 2018, stated we were not aware of any material modifications that should be made to those statements for them to be in accordance with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

KSO CPA'S PC

KSO CPA's P.C.

Kearney, Nebraska
July 5, 2019

UNITED WAY OF THE KEARNEY AREA, INC.

STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	2018 (Audited)	2017 (Reviewed)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 210,837	$ 195,967
Funds held at foundations	73,238	77,413
Prepaid expenses	2,200	1,712
Contributions receivable, net	138,166	250,945
Other receivables	2,271	6,636
Total current assets	$ 426,712	$ 532,673
PROPERTY AND EQUIPMENT		
Equipment	$ 44,897	$ 46,566
Less accumulated depreciation	(38,023)	(36,307)
Property and equipment, net	$ 6,874	$ 10,259
Total assets	$ 433,586	$ 542,932
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 2,344	$ 4,299
Accrued compensated absences	5,951	6,356
Accrued salary	3,898	-
Sales tax payable	378	64
Payroll taxes payable	2,237	1,362
Total liabilities	$ 14,808	$ 12,081
NET ASSETS		
Without donor restriction	$ 232,224	$ 233,671
With donor restriction	186,554	297,180
Total net assets	$ 418,778	$ 530,851
Total liabilities and net assets	$ 433,586	$ 542,932

See notes to financial statements.

UNITED WAY OF THE KEARNEY AREA, INC.

STATEMENT OF ACTIVITIES
For the year ended December 31, 2018

	2018 (Audited)		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions	$ 320	$ 265,433	$ 265,753
Contributed materials and services	2,748	-	2,748
Investment income, net	(3,867)	-	(3,867)
Freedom Fest, gross	32,011	-	32,011
Miscellaneous income	3,208	-	3,208
Net assets released from restrictions:			
Restrictions satisfied by the passage of time	376,059	(376,059)	-
Total revenues and other support	$ 410,479	$ (110,626)	$ 299,853
EXPENSES			
Community services	$ 299,541	$ -	$ 299,541
General and administrative	52,556	-	52,556
Fundraising	59,829	-	59,829
Total expenses	$ 411,926	$ -	$ 411,926
Change in net assets	$ (1,447)	$ (110,626)	$ (112,073)
Net Assets, beginning of year	233,671	297,180	530,851
Net Assets, end of year	$ 232,224	$ 186,554	$ 418,778

See notes to financial statements.

UNITED WAY OF THE KEARNEY AREA, INC.

STATEMENT OF ACTIVITIES
For the year ended December 31, 2017

	2017 (Reviewed)		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions	$ 19,156	$ 383,265	$ 402,421
Contributed materials and services	2,585	-	2,585
Investment income, net	8,391	-	8,391
Freedom Fest, gross	-	-	-
Miscellaneous income	1,143	-	1,143
Net assets released from restrictions:			
Restrictions satisfied by the passage of time	396,946	(396,946)	-
Total revenues and other support	$ 428,221	$ (13,681)	$ 414,540
EXPENSES			
Community services	$ 340,918	$ -	$ 340,918
General and administrative	56,579	-	56,579
Fundraising	34,458	-	34,458
Total expenses	$ 431,955	$ -	$ 431,955
Change in net assets	$ (3,734)	$ (13,681)	$ (17,415)
Net Assets, beginning of year	237,405	310,861	548,266
Net Assets, end of year	$ 233,671	$ 297,180	$ 530,851

See notes to financial statements.

UNITED WAY OF THE KEARNEY AREA, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2018

	2018 (Audited)			
	Community Services	General and Administrative	Fundraising	Total
PERSONNEL COSTS				
Salaries and wages	$ 16,091	$ 34,918	$ 13,228	$ 64,237
Employee benefits	-	684	-	684
Payroll taxes	1,138	2,736	936	4,810
Total personnel costs	$ 17,229	$ 38,338	$ 14,164	$ 69,731
EXPENSES				
Agency funding	$ 245,520	$ -	$ -	$ 245,520
Food pantry support	2,500	-	-	2,500
Shoes 4 kids	1,391	-	-	1,391
Bank charges	-	336	505	841
Bad debt expense	16,307	-	-	16,307
Contract services	440	-	650	1,090
Supplies	456	628	711	1,795
Telephone	1,280	1,280	1,280	3,840
Postage and shipping	90	-	726	816
Insurance	765	1,530	765	3,060
Rental and maintenance of equipment	1,065	298	1,065	2,428
Prizes and awards	-	-	300	300
Occupancy	5,680	5,680	5,680	17,040
Printing and publications	117	126	1,659	1,902
Travel	-	-	37	37
Conferences, conventions and meetings	480	485	480	1,445
Professional fees	1,100	1,100	1,100	3,300
Scholarship	2,452	-	-	2,452
Membership dues and subscriptions	1,541	1,636	1,541	4,718
Community Impact Grant	-	-	-	-
Freedom Fest expenses	-	(9)	27,956	27,947
Loss on disposal of equipment	102	102	102	306
Miscellaneous	-	-	81	81
Total expenses	$ 281,286	$ 13,192	$ 44,638	$ 339,116
Total personnel costs and expenses before depreciation	$ 298,515	$ 51,530	$ 58,802	$ 408,847
Depreciation	1,026	1,026	1,027	3,079
Total expenses	$ 299,541	$ 52,556	$ 59,829	$ 411,926
Percentage of total expense	72.7%	12.8%	14.5%	100.0%

See notes to financial statements.

UNITED WAY OF THE KEARNEY AREA, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2017

	2017 (Reviewed)			
	Community Services	General and Administrative	Fundraising	Total
PERSONNEL COSTS				
Salaries and wages	$ 24,128	$ 36,819	$ 12,424	$ 73,371
Employee benefits	392	1,112	392	1,896
Payroll taxes	1,924	2,933	1,026	5,883
Total personnel costs	$ 26,444	$ 40,864	$ 13,842	$ 81,150
EXPENSES				
Agency funding	$ 262,024	$ -	$ -	$ 262,024
Food pantry support	-	-	-	-
Shoes 4 kids	24,481	-	-	24,481
Bank charges	-	384	1,040	1,424
Bad debt expense	-	-	-	-
Contract services	-	-	-	-
Supplies	473	1,034	783	2,290
Telephone	1,425	1,805	1,380	4,610
Postage and shipping	-	-	1,340	1,340
Insurance	760	1,521	761	3,042
Rental and maintenance of equipment	1,346	608	1,926	3,880
Prizes and awards	-	-	317	317
Occupancy	5,680	5,680	5,680	17,040
Printing and publications	69	81	1,530	1,680
Travel	-	-	500	500
Conferences, conventions and meetings	382	452	507	1,341
Professional fees	1,050	1,050	1,050	3,150
Scholarship	3,844	-	-	3,844
Membership dues and subscriptions	1,733	1,829	1,758	5,320
Community Impact Grant	10,000	-	-	10,000
Freedom Fest expenses	-	-	-	-
Loss on disposal of equipment	-	-	-	-
Miscellaneous	-	64	837	901
Total expenses	$ 313,267	$ 14,508	$ 19,409	$ 347,184
Total personnel costs and expenses before depreciation	$ 339,711	$ 55,372	$ 33,251	$ 428,334
Depreciation	1,207	1,207	1,207	3,621
Total expenses	$ 340,918	$ 56,579	$ 34,458	$ 431,955
Percentage of total expense	78.9%	13.1%	8.0%	100.0%

See notes to financial statements.

UNITED WAY OF THE KEARNEY AREA, INC.

STATEMENTS OF CASH FLOWS
For the years ended December 31, 2018 and 2017

	2018 (Audited)	2017 (Reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (112,073)	$ (17,415)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	3,079	3,621
Loss on disposal of equipment	306	-
(Increase) decrease in other receivables	4,365	3,364
(Increase) decrease in prepaid expenses	(488)	617
(Increase) decrease in contributions receivable	112,779	(3,432)
Increase (decrease) in accounts payable	(1,955)	3,128
Increase (decrease) in accrued compensated absences	(405)	(462)
Increase (decrease) in accrued salary	3,898	-
Increase (decrease) in accrued and other liabilities	1,189	(1,297)
Net cash provided by (used in) operating activities	$ 10,695	$ (11,876)
CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment purchased	$ -	$ (1,955)
Change in foundation investments	4,175	(8,664)
Net cash provided by (used in) investing activities	$ 4,175	$ (10,619)
Net increase (decrease) in cash and cash equivalents	$ 14,870	$ (22,495)
CASH AND CASH EQUIVALENTS, beginning of year	195,967	218,462
CASH AND CASH EQUIVALENTS, end of year	$ 210,837	$ 195,967

See notes to financial statements.

UNITED WAY OF THE KEARNEY AREA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 1. **Summary of Significant Accounting Policies**

Nature of Activities:
The United Way of the Kearney Area, Inc. (the Organization) is a not-for-profit voluntary health and welfare agency established to increase the overall quality of life for those in the region. To accomplish its mission, the United Way of the Kearney Area, Inc. conducts fundraising campaigns and distributes resources to various agencies that are involved in providing human services throughout the Kearney area. The United Way of the Kearney Area, Inc.'s primary funding source is donor contributions.

Method of Accounting:
The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Financial Statement Presentation:
Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958.205. Under ASC 958.205, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

Reclassification:
Certain 2017 amounts have been reclassified to conform to the 2018 financial statement presentation. Total net assets are unchanged from these reclassifications.

Change in Accounting Principle:
To provide enhanced disclosures to financial statement users, the Organization is adopting Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 for the year ended December 31, 2018. ASU 2016-14 is the first step in the FASB's not-for-profit financial reporting project and changes in this update include a reduction in the number of net asset classes, a requirement for expenses to be presented by function and nature, a requirement to present quantitative and qualitative information on liquidity and various other additional disclosure requirements.

Note 1. **Summary of Significant Accounting Policies (continued)**

The information presented for the period ending December 31, 2017 has been retrospectively adjusted to conform to the requirements of ASU 2016-14. While there was no change to the change in net assets for the year ended December 31, 2017, temporarily restricted net assets shown on the prior year's reviewed financial statements have been reclassified and are now presented as net assets without and with donor restrictions on the current year's financial statements in accordance with ASU 2016-14 requirements.

In addition, the net assets with donor restrictions for the period beginning January 1, 2017 has been restated by a decrease of $45,000 to conform with changes in endowment reporting in accordance with ASU 2016-14. Conversely, the net assets without donor restrictions for this period were restated by an increase of $45,000.

Functional and Natural Expenses:
The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities. In addition, these costs have been reported by nature and function in the Statements of Functional Expenses. Accordingly, certain costs have been allocated on a percentage basis among the programs and support services benefited based on either time and efforts of the staff or equally amongst the various functions.

Cash Equivalents:
For purposes of the statement of cash flows, the United Way of the Kearney Area, Inc. considers all cash and other highly liquid investments with initial maturities of twelve months or less to be cash equivalents.

Equipment:
Equipment is stated at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets. Depreciation expense for the years ended December 31, 2018 and 2017, was $3,079 and $3,621 respectively.

Contributions:
Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value.

Note 1. **Summary of Significant Accounting Policies (continued)**

Contributed Materials and Services:
Contributed materials and services represent the estimated fair value of materials and general corporate services provided. Contributed materials amounted to $2,748 in 2018 and $2,585 in 2017. Contributed services are reflected in the financial statements at the fair value of the services received. The contributions of services are recognized if the services received either (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Advertising:
Advertising costs are expensed as incurred. Advertising expense was $1,902 and $1,680 for the years ending December 31, 2018 and 2017, respectively.

Income Taxes:
The United Way of the Kearney Area, Inc. is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3) and therefore has made no provision for Federal income taxes. There was no unrelated business income for years ending December 31, 2018 and 2017.

Estimates:
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue and Support With and Without Donor Restrictions:
The Organization follows the recommendations of the Financial Accounting Standards Board in its ASC 958.605. In accordance with this guidance, contributions and grants received are recorded as with or without restrictions depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restriction.

Note 1. **Summary of Significant Accounting Policies (continued)**

New Accounting Pronouncements:
In November 2016, FASB issued 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 of cash, cash equivalents, and amount generally described as restricted cash or restricted cash equivalents. The requirements of this statement are effective for the Organization for the year ending December 31, 2019. The Organization has not evaluated the impact of this statement.

In August 2016, FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.* ASU 2016-15 addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice and provides guidance on these issues. The requirements of this statement are effective for the Organization for the year ending December 31, 2019. The Organization has not evaluated the impact of this statement.

In February 2016, FASB issued *ASU 2016-02, Leases.* ASU 2016-02 requires entities to recognize all leased assets as assets on the statement of financial position. Entities will also be required to present additional disclosures regarding the nature and extent of leasing activities. ASU 2016-02 is effective for nonpublic business entities for the annual reporting period beginning after December 31, 2018. The requirements of this statement are effective for the Organization for the year ending December 31, 2019. The Organization has not evaluated the impact of this statement.

Note 2. **Cash and Investments**

The United Way of the Kearney Area, Inc. maintains cash balances at several financial institutions. The Federal Deposit Insurance Corporation insures accounts at each institution up to $250,000. As of December 31, 2018, the United Way of the Kearney Area, Inc. had bank balances totaling $210,935. All balances were covered by FDIC insurance.

Note 2. **Cash and Investments (continued)**

Cash and cash equivalents consist of the following at December 31, 2018:

Deposits at banks	$ 210,737
Cash on hand	100
Total cash and cash equivalents	$ 210,837

Note 3. **Contributions Receivable**

Contributions receivable for 2018 consists of pledges for both the 2018 and the 2019 campaigns. A breakdown of the contributions receivable and the allowance for doubtful accounts is as follows:

	2018		
	Without Donor Restriction	With Donor Restrictions	Totals
Contributions Receivable	$ 48,462	$ 123,404	$ 171,866
Allowance	(24,000)	(9,700)	(33,700)
Net	$ 24,462	$ 113,704	$ 138,166

	2017		
	Without Donor Restriction	With Donor Restrictions	Totals
Contributions Receivable	$ 40,187	$ 238,070	$ 278,257
Allowance	(11,612)	(15,700)	(27,312)
Net	$ 28,575	$ 222,370	$ 250,945

Note 4. **SIMPLE Plan**

The United Way of the Kearney Area, Inc. started a Savings Incentive Match Plan for Employees (SIMPLE) plan for its employees on January 1, 2007. The employer agrees to provide matching contributions in each calendar year to the Individual Retirement Accounts (IRA's) of all eligible employees up to a limit of 3% of compensation for the year. Eligible employees are those who will receive at least $5,000 in compensation for the calendar year and who received

Note 4. **SIMPLE Plan (continued)**

at least $5,000 in compensation during the previous calendar year. Effective September of 2016, the plan was amended so eligible participants include all employees who have completed the probationary period. Contributions to the plan for the years ending December 31, 2018 and 2017, were $684 and $1,896 respectively.

Note 5. **Leases**

On May 22, 2017, the United Way of the Kearney Area, Inc. entered into a lease for office space with Johnson Imperial Home Company for a term of one year (June 1, 2017 to May 31, 2018) with an annual rental cost of $17,040 payable in monthly installments of $1,420. Utilities are paid by Johnson Imperial Home Company. The United Way of the Kearney Area, Inc. is responsible for telephone expenses. The United Way of the Kearney Area, Inc. exercised the option to extend the lease agreement for two more years. The following is the schedule of future lease payments:

Year Ended December 31	Lease Payment
2019	$ 17,040
2020	7,100
	$ 24,140

Note 6. **Compensated Absences**

The Organization has entered into negotiated agreements with personnel. In those agreements they have agreed to benefits for paid time off. In accordance with accounting principles generally accepted in the United States of America these benefits are accrued until paid.

Note 7. **Uncertain Tax Positions**

Accounting principles generally accepted in the United States of America require the Organization to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Organization is subject to routine audits by taxing jurisdictions; however there are currently no audits for

Note 7. **Uncertain Tax Positions (continued)**

any tax periods in progress. The Organization has open tax years subject to income tax examinations for the years ending December 31, 2016, 2017, and 2018.

The Organization's policy is to include penalties and interest associated with income taxes as income tax expense and interest expense respectively. The Organization did not incur any penalties or interest on income taxes for the periods being reported.

Note 8. **Net Assets Classifications**

Detail for the net assets classifications of with donor restrictions and without donor restrictions is as follows:

	2018	2017
With Donor Restrictions		
Endowment fund	$ 1,000	$ 1,000
Annual campaign	185,554	296,180
	$186,554	$297,180
Without Donor Restrictions		
Board designated	$140,000	$140,281
Board designated endowment fund	45,000	45,000
Undesignated	47,224	48,390
	$232,224	$233,671

The net assets with donor restrictions consist of a donor restricted permanent endowment and donor restricted deferred income for the annual campaign. The net assets without donor restrictions consist of board designated funds for operations, a board designated endowment fund for the purpose of securing the United Way of the Kearney Area, Inc.'s long-term financial viability, and undesignated net assets for operations.

Note 9. **Endowment**

The Organization's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowments funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law
The Board of Directors has interpreted the Nebraska Uniform Prudent Management of Institutional Funds Act ("NUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by NUPMIFA. In accordance with NUPMIFA the Organization considers the following factors in making a determination to allocate or accumulate donor-restricted endowment funds:

1) The duration and preservation of the fund;
2) The purposes of donor-restricted endowment fund;
3) General economic conditions;
4) The possible effect of inflation and deflation;
5) The expected total return from income and the appreciation of investments;
6) Other resources of the Organization; and
7) The investment policies of the Organization

Note 9. **Endowment (continued)**

Endowment net asset composition by type of fund as of December 31 are as follows:

	2018		
	Without Donor Restrictions	With Donor Restriction	Totals
Board-designated endowment funds	$ 45,000	$ -	$ 45,000
Donor-restricted endowment funds:			
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donors	-	1,000	1,000
Accumulated investment gains	19,016	423	19,439
	$ 64,016	$ 1,423	$ 65,439

	2017		
	Without Donor Restrictions	With Donor Restriction	Totals
Board-designated endowment funds	$ 45,000	$ -	$ 45,000
Donor-restricted endowment funds:			
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donors	-	1,000	1,000
Accumulated investment gains	23,138	514	23,652
	$ 68,138	$ 1,514	$ 69,652

Changes in net asset composition by type of fund as of December 31 are as follows:

	2018		
	Without Donor Restrictions	With Donor Restriction	Totals
Endowment net assets, beginning of year	$ 68,138	$ 1,514	$ 69,652
Earnings on long-term investments, net of fees	(4,121)	(92)	(4,213)
Endowment net assets, end of year	$ 64,017	$ 1,422	$ 65,439

Note 9. **Endowment (continued)**

	2017		
	Without Donor Restrictions	With Donor Restriction	Totals
Endowment net assets, beginning of year	$ 60,932	$ 1,354	$ 62,286
Earnings on long-term investments, net of fees	7,206	160	7,366
Endowment net assets, end of year	$ 68,138	$ 1,514	$ 69,652

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NUPMIFA requires the Organization to retain as a fund of perpetual duration (underwater endowment). At December 31, 2018, there were no funds with deficiencies reported in net assets with or without donor restrictions.

Investment Return Objectives, Risk Parameters and Strategies
The Kearney Area Community Foundation shall have sole discretion to carry out the purposes of the fund including, but not limited to, the power to retain, invest, and reinvest the fund in any manner within the prudent investor standards and the power to commingle the assets of the fund with those of other funds for investment purposes.

The Organization expects its endowment funds, over time, to provide a reasonable level of current income to support the spending policy authorized by the Board of Directors and to grow equity assets. Actual returns in any given year may vary from this amount

Spending Policy
It shall be the general policy of the Organization that the principal amount of the endowment will not be spent but will be held in perpetuity. The endowment will pay out only interest income or gains less fees on an annual basis back to the Organization. The amount of funds available annually for grant distribution shall be determined in accordance with the distribution policy of the Kearney Area Community Foundation. Distributions will be used solely for direct expenses, administrative costs and grant awards. For the years ended December 31, 2018 and 2017, no distributions were made from the endowment fund.

Note 10. **Fair Value Measurements**

Professional standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under professional standards are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:
(a) quoted prices for similar assets or liabilities in active markets;
(b) quoted prices for identical or similar assets or liabilities in inactive markets;
(c) inputs other than quoted prices that are observable for the asset or liability; and
(d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

Note 10. **Fair Value Measurements (continued)**

Funds held at foundations: Fair value in the instance of the Phelps County Community Foundation and the Kearney Area Community Foundation funds is the representation of the foundations, and is considered a Level 3 method.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values.

Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2018 and 2017:

	Assets at Fair Value as of December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Totals**
Funds held by foundations	$ -	$ -	$ 73,238	$ 73,238

	Assets at Fair Value as of December 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Totals**
Funds held by foundations	$ -	$ -	$ 77,413	$ 77,413

Note 11. **Related Party Transactions**

The Organization engaged in several related party transactions. First, the Organization's lease agreement is with a board member's business entity. The Organization paid rent of $17,040 in the year ended December 31, 2018. The other two related party transactions were with the executive director and her husband's business entities. The Organization paid these entities $21,250 and $1,190 in the year ended December 31, 2018. The payments made to these business entities were for services related to Freedom Fest and intern expenses.

Note 12. Liquidity

Financial assets available for general expenditure within one year are as follows as of December 31, 2018 and 2017:

	2018	2017
Cash	$ 210,837	$ 195,967
Funds held at foundations	73,238	77,413
Less: donor restricted funds	(1,000)	(1,000)
Total	$ 283,075	$ 272,380

As a part of its liquidity management, the Organization has a goal to maintain financial assets on hand to meet 3 months of normal operation expenses, which would be approximately $102,982 based on the expenses at December 31, 2018. The Organization's goal is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization does not have a line of credit to assist with liquidity management.

Note 13. Subsequent Events

Upon evaluation, the Company notes that there were no material subsequent events between the date of the financial statements and July 5, 2019, the date that the financial statements were issued or available to be issued.