THE OMAHA HOME FOR BOYS

FINANCIAL STATEMENTS

DECEMBER 31, 2019
(WITH INDEPENDENT AUDITOR'S REPORT)

THE OMAHA HOME FOR BOYS

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DECEMBER 31, 2019

FrankelZacharia LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Omaha Home for Boys

We have audited the accompanying financial statements of The Omaha Home for Boys ("the Home"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the period from November 1, 2018 to December 31, 2019, 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 Omaha Home for Boys as of December 31, 2019, and the changes in its net assets, its cash flows and its functional expenses for the period from November 1, 2018 to December 31, 2019 in accordance with accounting principles generally accepted in the United States of America.

Frankel Zacharia LLC

March 26, 2020

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THE OMAHA HOME FOR BOYS

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

ASSETS

Cash and cash equivalents	$	1,291,729
Accounts receivable		364,632
Other receivables		
Limited Partnership		861,500
Reinsurance recoverable		191,941
Interest receivable		64,222
Other		13,822
Prepaid expenses and other assets		171,957
Contributions receivable		63,400
Investments		61,311,605
Beneficial interest in trusts		2,946,303
Land, buildings, and equipment, net		20,944,210
TOTAL ASSETS	**$**	**88,225,321**

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	$	649,110
Accrued expenses and other liabilities		342,590
Capital lease obligations		107,118
Annuity obligations		140,698
Deferred revenue		781,340
Accrued retirement plan contribution		826,754
Total liabilities		**2,847,610**
Net Assets		
Without donor restrictions		78,848,840
With donor restrictions		6,528,871
Total net assets		**85,377,711**
TOTAL LIABILITIES AND NET ASSETS	**$**	**88,225,321**

See accompanying notes to financial statements.

THE OMAHA HOME FOR BOYS

STATEMENT OF ACTIVITIES

FOR THE PERIOD FROM NOVEMBER 1, 2018 TO DECEMBER 31, 2019

		Without Donor Restrictions	With Donor Restrictions	Total
Revenues and gains				
Contributions - general	$	3,702,151	475,433	4,177,584
Contributions - program service		1,694,970	-	1,694,970
Net investment income		6,508,663	258,928	6,767,591
Net earnings in beneficial interest in trusts		-	323,222	323,222
Rental income		362,988	-	362,988
Other		24,076	-	24,076
Actuarial gain on accrued retirement plan contribution		449	-	449
Gain on disposal of capital assets		87,010	-	87,010
Total revenues and gains		**12,380,307**	**1,057,583**	**13,437,890**
Functional expenses				
Program services:				
Residential care		2,982,471	-	2,982,471
Transitional living		1,197,417	-	1,197,417
Independent living		844,879	-	844,879
Clinical services		1,040,320	-	1,040,320
Educational services		1,560,708	-	1,560,708
Total program services		**7,625,795**	**-**	**7,625,795**
Supporting services				
Management and general		1,145,798	-	1,145,798
Fundraising		1,637,830	-	1,637,830
Total supporting expenses		**2,783,628**	**-**	**2,783,628**
Total functional expenses		**10,409,423**	**-**	**10,409,423**
Actuarial loss on annuity obligations		11,274	-	11,274
Total expenses and losses		**10,420,697**	**-**	**10,420,697**
Reclassifications of net assets:				
Expiration of time or purpose restrictions		885,289	(885,289)	-
INCREASE IN NET ASSETS		**2,844,899**	**172,294**	**3,017,193**
Net assets at beginning of year		76,003,941	6,356,577	82,360,518
NET ASSETS AT END OF YEAR	**$**	**78,848,840**	**6,528,871**	**85,377,711**

See accompanying notes to financial statements.

THE OMAHA HOME FOR BOYS

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE PERIOD FROM NOVEMBER 1, 2018 TO DECEMBER 31, 2019

	Residential Care	Transitional Living	Independent Living	Clinical Services	Educational Services	Total Program Services	Management & General	Fundraising	Total Expenses
Salaries	$ 1,360,270	638,247	388,418	588,455	726,968	3,702,358	302,794	495,568	4,500,720
Employee benefits	340,108	142,932	93,214	130,027	182,787	889,068	58,300	99,822	1,047,190
Payroll taxes	99,322	46,227	27,794	41,617	51,970	266,930	19,676	35,480	322,086
Total salaries and related expenses	**1,799,700**	**827,406**	**509,426**	**760,099**	**961,725**	**4,858,356**	**380,770**	**630,870**	**5,869,996**
Depreciation	341,693	77,600	129,418	89,785	154,485	792,981	283,249	16,212	1,092,442
Equipment and maintenance	124,014	49,541	44,299	29,486	70,134	317,474	52,323	11,977	381,774
Insurance	84,925	18,872	18,872	18,872	28,309	169,850	16,985	1,887	188,722
Interest expense	1,865	904	452	791	903	4,915	226	509	5,650
Miscellaneous	39,629	14,372	9,195	15,736	20,428	99,360	55,150	49,244	203,754
Occupancy	204,460	91,336	30,808	50,274	72,251	449,129	90,658	832	540,619
Postage	33	121	8	14	16	192	568	282,538	283,298
Professional development	12,365	5,158	3,975	6,323	4,349	32,170	5,311	5,987	43,468
Professional fees and contract services	139,098	42,187	29,423	41,181	70,649	322,538	229,956	53,520	606,014
Promotion and printing	19,051	4,124	4,124	4,224	6,186	37,709	23,545	557,062	618,316
Scholarships	-	-	-	-	95,025	95,025	-	-	95,025
Supplies	10,833	872	2,488	1,838	5,076	21,107	2,544	21,786	45,437
Travel and transportation	7,720	4,892	6,562	6,264	2,871	28,309	4,513	5,406	38,228
Youth direct care	197,085	60,032	55,829	15,433	68,301	396,680	-	-	396,680
Total expenses	**$ 2,982,471**	**1,197,417**	**844,879**	**1,040,320**	**1,560,708**	**7,625,795**	**1,145,798**	**1,637,830**	**10,409,423**

See accompanying notes to financial statements.

THE OMAHA HOME FOR BOYS

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM NOVEMBER 1, 2018 TO DECEMBER 31, 2019

Cash flows from operating activities:		
Change in net assets	$	3,017,193
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation		1,092,442
Donated securities		(358,842)
Net realized and unrealized gains on investments		(4,810,348)
Net change in beneficial interest in trusts		(191,548)
Actuarial loss on annuity obligations		11,274
Gain on disposal of capital assets		(87,010)
Changes in:		
Accounts and interest receivable		(129,925)
Other receivables		(199,276)
Prepaid expenses and other assets		(122,279)
Contributions receivable		445,995
Accounts payable		22,175
Accrued expenses and other liabilities		63,724
Deferred revenue		(12,460)
Accrued retirement plan contribution		109,510
Net cash used by operating activities		**(1,149,375)**
Cash flows from investing activities:		
Purchases of capital assets		(5,420,503)
Net proceeds from insurance settlements		183,983
Purchases of investments		(32,754,104)
Proceeds from sale of investments		39,255,014
Net cash provided by investing activities		**1,264,390**
Cash flows from financing activities:		
Payment of capital lease obligations		(77,200)
Payment of annuity obligations		(29,767)
Net cash used by financing activities		**(106,967)**
NET INCREASE IN CASH		**8,048**
Cash and cash equivalents, beginning of year		1,283,681
Cash and cash equivalents, end of year	**$**	**1,291,729**
Non-cash investing and financing activity:		
Equipment acquired by capital lease	$	70,095
Supplemental data:		
Interest paid		5,650

See accompanying notes to financial statements.

1. Description of Organization

The Omaha Home for Boys (the Home) is a nonprofit organization serving youth and their families. The Home is a resource in the community, offering services and stability while working in collaboration with schools, service providers and other nonprofit organizations to help youth and families be successful. The Home offers a continuum of five relevant and needed programs:

Residential Care

The Inspiration Hill Residential Care Program provides a safe, stable environment where at-risk young men live, learn and grow to become productive, independent adults. The program serves high school age boys who live on our main campus and attend the Omaha Home for Boys High School while also having access to therapy, employment opportunities, recreation and other support services. The Residential Care Program utilizes a family environment and behaviorally-based curriculum to equip youth with positive skills and the ability to make sound decisions when confronted with difficult choices. The program is designed to help teens learn life skills, develop positive behaviors and advance academically.

Transitional Living

Jacobs' Place is Omaha Home for Boys Transitional Living Program that serves as a resource for youth ages 17 to 20 who struggle with a lack of housing, support, education and independent living skills. Young men and women in the program live at the Jacobs' Place housing units on our main campus where they find the stability and security they desperately want and need. Under the structure and staff supervision of the Jacobs' Place Program, these youth are empowered to transition from a state of crisis to one of safety and growth.

Independent Living

Branching Out is Omaha Home for Boys Independent Living Program that helps young adults develop the skills and confidence needed to live self-sufficient, productive lives. Young adults in Branching Out have access to social services, life skills development, education assistance, scholarships, workforce readiness training and housing assistance. Independent Living Specialists work with youth throughout their time in the program and in the final phase of Branching Out, clients have the opportunity to become peer mentors. Branching Out serves young men and women ages 14 to 26 who are current or former state wards. These young adults live on their own in the community but are often living in a state of crisis. Upon joining the Branching Out program these young adults become part of a community of growing young adults who are supported by their peers and the Branching Out Staff.

Clinical Services

Established in November 2018, Omaha Home for Boys Clinical Services Program offers a number of behavioral health, mental health and substance abuse services that are both trauma focused and strengths based. Services offered place a high emphasis on education, practice, and development of new skills to help individuals achieve goals. The Clinical Services Program expands beyond OHB's youth to serve other youth and families in the community.

1. Description of Organization - Continued

Educational Services

Located on the main campus, the school serves all residential care youth. The school focuses on credit recovery and accrual with the goal of helping youth meet grade level expectations by completion of the program. The school also assists with college preparatory classes and financial aid assistance and offers scholarships to eligible students. Certified teachers oversee the day-to-day teaching responsibilities of the school, conducting class and holding the students accountable for attendance, participation, homework and tests — all the same expectations of a public school classroom. Behavior Specialists are also present in the classroom to help students learn proper behavior when faced with frustrating situations and to provide positive reinforcement for practicing good behavior.

Founded in 1920, the Home is a leader and pioneer in the community-based services to youth and their families. The goal of the Home is reunification of the family. Each year, the Home cares for over 300 young men and women ages 14 to 26.

During 2019, the Home changed their fiscal year end from October to December. The accompanying financial statements include activity for the fourteen-month period from November 1, 2018 through December 31, 2019.

2. Summary of Significant Accounting and Reporting Policies

The Home prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for not-for-profit organizations. The significant accounting and reporting policies used by the Home are described subsequently to enhance the usefulness and understandability of the financial statements.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Home's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Home's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Net Assets

The financial statements report net assets and changes in net assets without donor restrictions and with donor restrictions, defined as follows:

Net Assets Without Donor Restrictions

The use of net assets without donor restrictions is not limited by donor-imposed stipulations and are, therefore, available for general operations. The only limits on the use of net assets without restrictions are the broad limits resulting from the nature of the Home, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

2. Summary of Significant Accounting and Reporting Policies - Continued

Net Assets - Continued

Net Assets With Donor Restrictions

Net assets with donor restrictions result from contributions and revenues the use of which is limited by donor or grant-imposed stipulations that are more specific than broad limits resulting from 1) the nature of the not-for-profit entity; 2) the environment in which it operates; and 3) the purposes specified in its articles of incorporation or by-laws or comparable documents.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Home, unless the donor provides more specific directions about the period of its use.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject to donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net losses on endowment reduce net assets with donor restrictions to the extent that net gains of the fund from prior years are unspent and classified there; remaining losses are classified as decreases in net assets without donor restrictions. If an endowment fund has no net gains from prior years, such as when a fund is newly established, net losses are classified as decreases in net assets without donor restrictions.

Cash Equivalents

Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature.

Accounts Receivable

Accounts receivable is primarily made up of unsecured non-interest-bearing amounts due from placement agencies. Management believes that all outstanding accounts receivable are collectible in full, therefore no allowance for uncollectible receivables has been provided.

Contributions Receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of the promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

2. Summary of Significant Accounting and Reporting Policies - Continued

Endowment Investments

Endowment investments consist of investments purchased with the following resources:

Donor-restricted permanent endowments, which are contributions restricted by donors to investment in perpetuity with only investment income and appreciation being used to support the Home's activities.

Donor-restricted term endowments, which are contributions restricted by donors to investment for the term specified by the donor. During that term, the donor may either require investment income and appreciation to be reinvested in the fund or may permit the Home to spend those amounts in accordance with the donor's restrictions on use.

Board-designated endowments, which are resources set aside by the Board of Directors for an indeterminate period to operate in a manner similar to a donor-restricted permanent endowment. Because a board-designated endowment results from an internal designation, it can be spent upon action of the Board of Directors.

Endowment investments also include investments purchased with unspent investment income and net gains on these resources. Endowment investments are reported at fair value. The investment and spending policies are discussed in note 9.

Beneficial Interest in Trusts

The Home is a partial or full irrevocable beneficiary of four charitable trusts held by bank trustees. The beneficial interest in the trusts are reported at fair value, which is estimated as the fair value of the underlying trust assets. The value of the beneficial interest in the trusts are adjusted for the change in its estimated fair value. For those beneficial interests that the Home is a partial beneficiary, the fair value and change in the fair value, are reported at the Home's prorated share of those assets.

Land, Buildings, and Equipment

Land, buildings, and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of $1,000 or more and a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings and improvements	5-40 years
Furniture and equipment	3-40 years
Vehicles	2-7 years
Intangible assets	3 years

Land, buildings, and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. For the period ended December 31, 2019, no impairment loss was recognized in the financial statements.

2. Summary of Significant Accounting and Reporting Policies - Continued

Accounting for Contributions

Contributions are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as with donor restriction until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all barriers are substantially satisfied.

The Home is a beneficiary under several donor's wills. Contributions from bequests are recognized as contributions receivable when the probate court declares that the will is valid, and the Home has an irrevocable right to the bequest.

Gifts-in-Kind Contributions

The Home periodically receives contributions in a form other than cash or investments. If the Home receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the Home's capitalization policy. Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional promise to give at the date of gift, and the expense is reported over the term of use. Donated supplies are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed.

Annuity Obligations

The Home receives gifts of future interest from donors. Certain annuity gifts require payments to donor or other life beneficiaries during their lifetime. The present value of the actuarially determined liability resulting from annuity gifts is recorded at the date of the gift. The excess of the amount of the gift over the liability is recorded as a contribution in the year of the gift.

Grant Revenue

Income from grants, primarily reported as contributions, is recognized as revenue in accordance with the terms of the respective grant and amounts included in accounts receivable are considered fully collectible.

Expense Recognition and Allocation

The cost of providing the Home's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program are charged directly to that program. Costs common to multiple functions have been allocated among the various functions benefited using percentages determined on the basis of time and effort or usage of space.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Home. Additionally, advertising costs are expensed as incurred.

2. Summary of Significant Accounting and Reporting Policies - Continued

Expense Recognition and Allocation - Continued

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Home generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising.

Tax Status

The Home is incorporated exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). The Home is organized under Section 21 of the Nebraska Non-profit Corporation Act. Contributions to the Home are tax deductible to donors under Section 170 of the IRC. The Home is not classified as a private foundation.

Accounting standards require disclosure and recognition in financial statements of positions taken in a tax return about the treatment of transactions and events that more likely than not would not be sustained upon examination by tax authorities. Tax positions relative to a nonprofit organization include activities that may endanger its exempt purpose and status as an exempt organization. The Home believes it complies with all relevant tax laws and regulations and has no significant uncertain tax positions; accordingly, no liability for uncertain tax positions has been recognized in the financial statements.

Compensated Absences

The Home recognizes employees' vacation benefits in the period earned.

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through March 26, 2020, the date the financial statements were available to be issued. As a result of the spread of COVID – 19 coronavirus, economic uncertainties and stock and bond market volatility have arisen which are likely to negatively impact investment valuations, sources of revenue and risks discussed in Note 19. Other financial impacts could occur though such potential impact is unknown at this time.

3. Liquidity and Availability of Funds

Financial assets available for general expenditures within one year of the statement of financial position date, are as follows:

Cash and cash equivalents	$ 1,291,729
Accounts receivable	428,855
Reinsurance receivable	191,941
Other receivables	13,821
Contributions receivable	63,400
Total financial assets as of year end	1,989,746
Estimated appropriation from endowment for general expenditure in subsequent year	2,951,000
Total financial assets available to meet general expenditures as of year end	$ 4,940,746

3. Liquidity and Availability of Funds - Continued

As part of the Home'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. The Home invests cash in excess of daily requirements in money market deposit accounts. To help manage unanticipated liquidity needs, the Home has a board-designated endowment of approximately $59 million as of December 31, 2019. Although the Home does not intend to spend from its board-designated endowment funds other than amounts appropriated for general expenditure as part of its annual appropriation process, amounts from its board-designated endowment could be made available if necessary.

4. Limited Partnership Receivable

The Home previously held an investment in a Limited Partnership. On February 28, 2019, the Home notified the general partner of its intent to liquidate the investment. The Home's equity position was liquidated at the end of July and the receivable balance represents the portion to be distributed after the completion of the annual audit of the Limited Partnership.

5. Conditional Contributions

The Home has conditional contributions in the form of cost-reimbursement grants. The revenue from these grants is recognized as the Home incurs expenses and bills the respective grantor. As of December 31, 2019, there was approximately $289,000 available to be reimbursed on these grants for future expenses.

6. Investments

Investments consist of the following at December 31, 2019:

	Fair Value
Money market funds	$ 9,632,204
Mutual funds:	
Domestic equity	2,618,846
Domestic alternative equity	5,803,500
International equity	3,570,759
Government obligations	1,036,756
Corporate obligations	7,182,551
Intermediate term	3,076,716
Fixed income	2,220,234
Domestic equities:	
Healthcare	3,182,845
Other	12,087,322
International equities	7,189,986
Alternative investments	1,759,952
Real asset funds	1,949,934
	$ 61,311,605

7. Fair Value Measurements

The Home reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by U.S. GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 - Quoted prices for identical assets or liabilities in active markets to which the Home has access at the measurement date.

Level 2 - Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
quoted prices for similar assets or liabilities in active markets;

- quoted prices for identical or similar assets in markets that are not active;

- observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and

- inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

When available, the Home measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for some of the assets and liabilities that the Home is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The primary uses of fair value measures in the Home's financial statements are:

- initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give.

- recurring measurement of endowment investments.

7. Fair Value Measurements - Continued

The following table summarizes the levels in the fair value hierarchy of the organization's investments at December 31, 2019:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 9,632,204	--	--	9,632,204
Mutual funds:				
Domestic equity	2,618,846	--	--	2,618,846
Domestic alternative equity	5,803,500	--	--	5,803,500
International equity	3,570,759	--	--	3,570,759
Government obligations	1,036,756	--	--	1,036,756
Corporate obligations	7,182,551	--	--	7,182,551
Intermediate-term fixed income	3,076,716	--	--	3,076,716
Fixed income	2,220,234	--	--	2,220,234
Domestic equities:				
Healthcare	3,182,845	--	--	3,182,845
Other	12,087,322	--	--	12,087,322
International equities	7,189,986	--	--	7,189,986
Real asset funds	1,695,986	--	--	1,695,986
	$ 59,297,705	--	--	59,297,705
Investments measured at net asset value (NAV) (1)				2,013,900
				$ 61,311,605

(1) In accordance with FASB ASC 820-10, certain investments that were measured at NAV (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to investments at fair value presented on the balance sheet.

The following summarizes the nature and risk of those investments that are reported at estimated fair value utilizing net asset value as of December 31, 2019:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative investments				
Private Capital (a)	$ 1,759,952	100,425	Various	Various
Real asset funds				
Private Real Estate (b)	253,948	281,697	Various	Various
	$ 2,013,900	382,122		

a. Assets in this category are private investment vehicles that pool investor monies to acquire a significant stake in a non-public company. They generally look for ways to improve the company then sell them for a profit; changes to acquired companies can range from focused improvements to specific divisions to complete restructurings. Strategies employed include Mezzanine financing, a layer of financing with intermediate priority in the capital structure of a company, behind senior debt but above equity. They are generally illiquid positions with minimum capital lock-up periods.

b. Assets in this category are private investment vehicles which pool investor capital for the purchase, development, management and sale of property and improvements. Real estate funds offer investors potential to profit from direct participation in opportunities run by experienced participating investors and developers.

8. Land, Buildings, and Equipment

Land, buildings, and equipment at December 31, 2019 are as follows:

Land and land improvements	$ 268,563
Buildings and improvements	35,019,463
Furniture and equipment	1,544,964
Vehicles	444,209
Intangibles	8,000
Construction in progress	6,292,513
	43,577,712
Less accumulated depreciation	22,633,502
Total land, buildings, and equipment	$ 20,944,210

9. Accounting for Endowments

The Home's endowment consists of approximately 20 individual funds established either by donors (referred to as donor-restricted endowment funds) and or by resources set aside by the Board of Directors to function as endowments (referred to as board-designated endowment funds). As required by U.S. GAAP, 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 Home 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 Home classifies as net assets with donor restrictions the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund is the accumulated gains on the original gifts that are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Home in a manner consistent with the standard of prudence prescribed by NUPMIFA. In accordance with NUPMIFA, the Home considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment fund,
- The purposes of the institution and donor-restricted endowment fund,
- General economic conditions,
- The possible effect of inflation and deflation,
- The expected total return from income and the appreciation of investments,
- Other resources of the institution, and
- The investment policy of the institution

9. Accounting for Endowments - Continued

The net asset composition of the endowment as of December 31, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Donor-restricted endowment funds:			
Perpetual in duration – original gift amount	$ --	1,843,127	1,843,127
Other	--	1,204,827	1,204,827
Board-designated endowment funds	59,125,151	--	59,125,151
	$ 59,125,151	3,047,954	62,173,105

Spending Policy

The majority of endowment funds released from restriction are transferred into the general investment pool of the Home which is considered without donor restrictions. These funds are then subject to the spending policy outlined below.

The payout rate is the amount of money to be spent from the general investment portfolio without donor restrictions on an annual basis. The Home's spending formula is to spend no more than 4.5% of the trailing 12 calendar quarter average of the market value of the general investment funds without donor restrictions. The payout rate and spending formula are reviewed annually, and recommendations are made by the Finance Committee and then formally set by the Board of Directors. For the period ended December 31, 2019, the Board approved a 4.5% payout rate. In addition, the Board may make appropriations for special projects.

Investment Policy

The Home has an investment policy specific to its endowment fund, which is monitored by the Finance Committee of its Board of Directors. The investment policy describes the objective for the fund and sets ranges for asset allocation. The objective of the endowment fund is to earn the highest possible total return consistent with a level of risk suitable for these assets. At a minimum, long term rates of return should be equal to an amount sufficient to maintain the purchasing power of the endowment fund assets, to provide necessary capital to fund the spending policy, and to cover the costs of managing the endowment fund investments.

The following is a summary of the asset allocation allowable ranges for each asset type:

Asset Category	Range
Money market funds	2-8%
Fixed income	10-30%
Equities	50-80%
Alternative investments/Real Assets	5-15%

9. Accounting for Endowments - Continued

Underwater Endowment Funds

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 Home to retain as a fund of perpetual duration. These deficiencies may result from unfavorable market fluctuations that occurred after the investment of donor-restricted endowment funds and appropriation for programs that was deemed prudent by the Board of Directors. There were no such deficiencies as of December 31, 2019.

The change in endowment net assets for the period ended December 31, 2019 are as follows:

	Without Donor Restrictions	Restricted by Donor	Total Net Endowment Assets
Endowment net assets, October 31, 2018	$60,532,398	2,972,427	63,504,825
Contributions	782,390	75,990	858,380
Investment return, net	6,495,821	258,928	6,754,749
Amounts appropriated	(8,685,458)	(259,391)	(8,944,849)
Endowment net assets, December 31, 2019	$59,125,151	3,047,954	62,173,105

10. Capital Lease Obligations

Capital lease obligations at December 31, 2019 are as follows:

Capital lease with Access Systems Leasing for various server equipment that may be purchased for a nominal amount at the expiration of the lease. The interest rate implicit in this lease is 7.50%. The monthly payment is $2,390 and the lease expires on February 28, 2020. Secured by equipment with an original purchase price of $76,848 and accumulated amortization as of December 31, 2019 of $68,309.	$ 4,736
Capital lease with Metro Leasing for various computer equipment that may be purchased for a nominal amount at the expiration of the lease. The interest rate implicit in this lease is 3.49%. The monthly payment is $2,632 and the lease expires on July 1, 2021. Secured by equipment with an original purchase price of $90,111 and accumulated amortization as of December 31, 2019 of $50,062.	43,612
Capital lease with Metro Leasing for various server switches that may be purchased for a nominal amount at the expiration of the lease. The interest rate implicit in the lease is 3.80%. The monthly payment is $1,567 and the lease expires on June 30, 2023. Secured by equipment with an original purchase price of $70,095 and accumulated amortization as of December 31, 2019, of $10,178.	58,770
	$ 107,118

10. Capital Lease Obligations - Continued

The following is a schedule by year of future expected capital lease payments as of December 31, 2019:

2020	$ 52,144
2021	30,570
2022	18,186
2023	6,218
	$ 107,118

11. Annuity Obligations

Under the Home's charitable gift annuities program, liabilities are recorded for the present value of the estimated future payments expected to be made to the donors or other life beneficiaries, or both. Upon termination of a life interest, the share of the corpus attributable to the life interest holder becomes available to the Home, if any. Changes in the life expectancy of the donor or beneficiary, amortization of the discount, and other changes in the estimates of future payments are recognized annually by the Home based on actuarially determined valuations. The discount rate used to value split-interest agreements at December 31, 2019, range from 1.2% to 10.0%. Contribution revenue is recognized at the date these split-interest agreements are established.

12. Operating Lease Commitments

The Home has an operating lease for multiple copiers and printers. The following is a schedule of future minimum rental payments as of December 31, 2019:

2020	$ 32,506
2021	32,506
2022	32,506
2023	32,506
2024	13,544
	$ 143,568

Copier and printer costs, which are included in promotion and printing costs in the statement of functional expenses, was $41,242 for the period ended December 31, 2019.

13. Land and Facility Rental

A. Land Lease

In 2018, the Home entered into a long-term land lease for approximately .40 acre on the Home's main campus. The term of this lease is for 75 years, for the purposes of a medical clinic on a northern section of the Home's campus. The Home received all compensation at the execution of the lease in the amount of $800,000, which will be recognized as revenue over the life of the lease.

The amount remaining to be recognized as of December 31, 2019 was $781,340 and is included in deferred revenue in the statement of financial position.

13. Land and Facility Rental - Continued

B. Facility Rental

The Home has operating leases for the rental of its available facilities. Most leases can be cancelled with 90 days' notice of termination by either party; however, the Home expects these leases to continue in accordance with the current terms. The following is a schedule of future minimum rental receipts as of December 31, 2019.

2020	$ 188,840
2021	46,000
	$ 234,840

14. Defined Benefit Pension Plan

The Home established a defined benefit pension plan (the Plan) covering substantially all of its employees effective January 1, 2000. The benefits are based on the years of credited service and the employee's high 60-month average compensation. The pension plan is tax qualified subjected to the minimum funding requirements of ERISA. The Home's funding policy is to contribute annually an amount that satisfies the funding standard account requirements of ERISA after all accumulated excess contributions are exhausted. Contributions were intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. The expected return on assets assumption of 6% is based on the historical and projected rates of return for asset classes in the plan's investment portfolio. Assumed projected rates of return for each asset class were selected after analyzing historical experience, future expectations of the returns, and the volatility of the various asset classes. The Home froze the plan during the year ended October 31, 2009. The Plan freeze is recognized as a curtailment. The resulting reduction in the projected benefit obligation offset the Plan's unrecognized net loss.

During 2007, the Home adopted the recognition and disclosure provisions of FASB ASC 715-20-50-5. All components of the net periodic pension cost are presented with employee benefits in the Statement of Functional Expenses. At December 31, 2019, the items not yet recognized as a component of net periodic pension postretirement benefit are as follows:

Net actuarial gain	$449

14. Defined Benefit Pension Plan - Continued

The components of the Plan's funded status, net periodic benefit costs and actuarial assumptions used in accounting for defined benefit plans for the periods ended December 31, 2019 are as follows:

Change in projected benefit obligation:	
Projected benefit obligation, beginning of year	$ 4,754,930
Interest cost	239,536
Actuarial loss/(gain)	414,262
Benefits and expenses paid	(240,292)
Settlement	(950,363)
Projected benefit obligation, end of year	$ 4,218,073
Change in plan assets:	
Plan assets at fair value, beginning of year	$ 4,037,686
Actual return	544,288
Employer contributions	--
Benefits and expenses paid	(240,292)
Settlement	(950,363)
Plan assets at fair value, end of year	$ 3,391,319
Funded status at end of year	$ (826,754)
Amounts recognized in the statement of financial position:	
Accrued retirement plan contribution	$ (826,754)
Components of net periodic pension cost:	
Interest cost	$ 239,536
Expected return on plan assets	(277,855)
Amortization of unrecognized net obligation at transition	24,679
Net periodic pension cost	(13,640)
Settlement cost due to lump sum window	123,599
Total accounting cost	$ 109,959

Average assumptions used at December 31, 2019 are as follows:

	Benefit Obligation	Net Periodic Expense
Discount rate	3.25%	3.00%
Salary scale	N/A	N/A
Return on assets	6.00%	6.00%

14. Defined Benefit Pension Plan - Continued

Plan assets consist of guaranteed investments contracts, common stock funds, bonds and cash. There are no securities of the Home or related parties. Plan assets consisted of the following at December 31, 2019:

	Fair Value	Percentage of Total
Cash	$ 90,937	2.68%
Pooled, Common & Collective Funds	2,613,149	77.06%
Mutual funds	687,094	20.26%
Accrued items	139	0.00%
	$ 3,391,319	100.00%

During the period ending December 31, 2019, the Home made no contributions to the plan and expects to make no contributions to the plan in fiscal year 2020. The Home paid benefits and expenses of $240,292 for the period ended December 31, 2019. The following future benefit payments, which reflect expected future service, as appropriate, are expected to be paid are:

Fiscal Year Ended	Amount
2020	$ 236,714
2021	233,566
2022	230,136
2023	260,734
2024	255,468
2025-2029	1,209,730

15. Retirement Plan

On June 14, 1988, the Home adopted a defined contribution non-contributory retirement plan. On November 1, 2001, the Home converted the plan to a 401(k) employer-sponsored savings plan. The plan is for all employees at least 21 years old with three months of service and scheduled to work at least 20 hours per week. The Home matches 50% of the employee's contribution up to 6% of the employee's wages. Participants' interests become 20% vested after two years, 50% vested after three years, 75% vested after four years, and fully vested after five years of service. The Home's contribution for the period ended December 31, 2019 was $130,680.

16. Self-Insured Health Insurance

The Home has a self-insurance program, with a specific individual stop-loss policy limit of $25,000 and an aggregate stop-loss limit of approximately $400,000, for the purpose of providing medical health insurance coverage to its employees. Employees pay a portion of the premiums associated with the policy. Losses from asserted claims and losses attributable to incidents that may have occurred, but have not yet been identified, are accrued based on estimates that incorporate past experience and other considerations, including the nature of each claim or incident. At December 31, 2019, as the Home had exceeded the aforementioned aggregate stop-loss limit, the estimated receivable was approximately $190,000 due for reimbursement.

17. Net Assets with Donor Restrictions

Net assets restricted by the donor are as follows:

Subject to expenditure for a specific purpose:	
Subject to the Home’s spending policy and appropriation	$ 890,536
Specific operations:	
Jacobs’ Place and Branching Out	139,918
Crisis Stabilization	357,713
Other	74,129
Scholarships	2,820,081
Amounts restricted in perpetuity, the income of which is available for the following purposes:	
General operations	1,762,256
Scholarships	484,238
	$ 6,528,871

18. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. The amounts released during the period ended December 31, 2019 are as follows:

Appropriations for general operations	$ 219,847
Specific operations:	
Jacobs’ Place and Branching Out	399,184
Other	51,233
Capital projects	120,000
Scholarships	95,025
	$ 885,289

19. Concentrations of Risk

Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation insured limits. The Home deposits its cash with high quality financial institutions, and management believes the Home is not exposed to significant credit risk on those amounts. At December 31, 2019, the Home's cash accounts exceeded federally insured limits.

The majority of the Home's contributions and grants are received from corporations, foundations, and individuals located throughout the United States and from agencies of the State of Nebraska. As such, the Home's ability to generate resources via contributions and grants is dependent upon the economic health of the United States and the State of Nebraska. An economic downturn could cause a decrease in contributions and grants that may possibly coincide with an increase in demand for the Home's services.

The Home's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to the Home's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes (see notes 7 and 9) should mitigate the impact of changes in any one class.

20. Adoption of New Accounting Standards

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14 *Not-For-Profit Entities* (Topic 958). This standard improves the current net asset classification and the related information presented in the financial statements and provides additional disclosures about the Club's liquidity, financial performance, and cash flows. This standard was adopted for the Home's fourteen-month period ended December 31, 2019 resulting in temporarily and permanently restricted net assets at the beginning of the year combined for presentation as net assets with donor restrictions. No other reclassifications or restatements were made to the financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (ASC 606). This guidance outlines a single, comprehensive model on accounting for revenue. The Home adopted ASC 606 for the fourteen months ended December 31, 2019. The Home's therapy revenue is generated from services provided to clients. Those services contain a single delivery element per day of service or visit and revenue is recognized at a single point in time when the service has been completed and the Home has right to payment. Management has determined that revenue from contracts with customers is immaterial and therefore the adoption of ASC 606 did not impact the financial statements upon adoption.

In June 2018, ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, was issued to address diversity in two aspects of accounting for contributions. One aspect was the diversity in characterizing grants and similar contracts with resource providers as either exchange transactions or contributions. The other was the diversity in distinguishing between donor-imposed conditions on which a promised contribution depends and donor-imposed restrictions. This standard was adopted for all contributions received in the fourteen months ended December 31, 2019 resulting in contributions previously considered unconditional being recognized once the barrier is overcome.