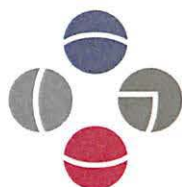


NEBRASKA HEALTH CARE ASSOCIATION

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2018 and 2017



Grafton & Associates^{p.c.}
CERTIFIED PUBLIC ACCOUNTANTS

NEBRASKA HEALTH CARE ASSOCIATION

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December 31, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Nebraska Health Care Association
Lincoln, Nebraska

We have audited the accompanying financial statements of Nebraska Health Care Association (the Association), which comprise the statement of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association'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 Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nebraska Health Care Association as of December 31, 2018 and 2017, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Yungho S. Amato, P.C.

April 4, 2019

NEBRASKA HEALTH CARE ASSOCIATION, INC.

STATEMENTS OF FINANCIAL POSITION

December 31,

	ASSETS	
	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	\$ 372,577	\$ 394,391
Accounts receivable	66,744	69,809
Prepaid expenses	40,898	46,954
Investments	434,403	424,100
Inventory	<u>36,407</u>	<u>50,553</u>
Total current assets	<u>951,029</u>	<u>985,807</u>
PROPERTY AND EQUIPMENT at cost, net of accumulated depreciation	<u>1,532,806</u>	<u>1,580,977</u>
Total assets	<u>\$ 2,483,835</u>	<u>\$ 2,566,784</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 31,353	\$ 52,605
Payroll taxes payable	3,358	19,544
Accrued wages payable	37,909	34,579
Accrued vacation payable	51,531	48,830
Accrued benefits payable	-	1,986
Accrued interest payable	3,330	2,051
Real estate and property taxes payable	29,600	29,600
Unearned revenue - dues	213,636	229,963
Unearned revenue - other	16,036	16,563
Current portion of long term debt	<u>63,397</u>	<u>60,489</u>
Total current liabilities	<u>450,150</u>	<u>496,210</u>
LONG TERM LIABILITIES		
Long term debt, net of current portion	<u>952,202</u>	<u>1,025,499</u>
Total long term liabilities	<u>952,202</u>	<u>1,025,499</u>
NET ASSETS		
Net assets without donor restrictions	<u>1,081,483</u>	<u>1,045,075</u>
Total liabilities and net assets	<u>\$ 2,483,835</u>	<u>\$ 2,566,784</u>

The accompanying notes are an integral part of these financial statements.

NEBRASKA HEALTH CARE ASSOCIATION, INC.

STATEMENTS OF ACTIVITIES

For the years ended December 31,

	<u>2018</u>	<u>2017</u>
REVENUE		
Dues		
Facility	\$ 1,128,850	\$ 1,198,577
Associate	47,465	46,360
Other	<u>1,350</u>	<u>1,100</u>
Total dues	<u>1,177,665</u>	<u>1,246,037</u>
Sales	199,850	214,811
Cost of sales	<u>(44,534)</u>	<u>(48,950)</u>
Gross profit	<u>155,316</u>	<u>165,861</u>
Other revenues		
Advertising and sponsorships	108,311	105,847
Contracts and endorsements	115,240	144,396
Conventions	389,755	425,263
Grant funds	1,405	1,424
Investment (loss) income, net of fees	(9,810)	63,582
Management fees	107,590	125,747
Political action committee contributions	65,999	61,934
Rental income	61,500	56,100
Video rental income	602	276
Workshops and classes	483,353	507,470
Loss on disposal of fixed assets	-	(324)
Other revenue	<u>45</u>	<u>552</u>
Total other revenues	<u>1,323,990</u>	<u>1,492,267</u>
Total revenues	<u>2,656,971</u>	<u>2,904,165</u>
EXPENSES		
Program Services	2,106,823	2,247,614
Management and General	510,966	502,794
Fundraising	<u>2,774</u>	<u>3,064</u>
Total expenses	<u>2,620,563</u>	<u>2,753,472</u>
Increase in net assets without donor restrictions	36,408	150,693
Net assets without donor restrictions at beginning of year	<u>1,045,075</u>	<u>894,382</u>
Net assets without donor restrictions at end of year	<u>\$ 1,081,483</u>	<u>\$ 1,045,075</u>

The accompanying notes are an integral part of these financial statements.

NEBRASKA HEALTH CARE ASSOCIATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2018

	<u>Program</u> <u>Services</u>	<u>Management &</u> <u>General</u>	<u>Fundraising</u>	<u>Totals</u>
Salaries and wages	\$ 870,811	\$ 147,612	\$ 2,327	\$ 1,020,750
Payroll taxes	64,175	10,286	182	74,643
Employee benefits	73,477	21,196	265	94,938
AHCA/ASHCAE	30,412	10,137	-	40,549
Bad debt expense	-	15,376	-	15,376
Bank service charges	-	5	-	5
Committees and meetings	6,945	2,315	-	9,260
Contributions	-	3,331	-	3,331
Convention	262,018	-	-	262,018
Depreciation	26,568	26,568	-	53,136
Dues and subscriptions	367,372	27,652	-	395,024
Finance and service charges paid	-	21,458	-	21,458
Government relations	3,514	-	-	3,514
Income taxes	-	6,201	-	6,201
Insurance	125	28,159	-	28,284
Interest expense	-	43,902	-	43,902
Lease	12,370	12,370	-	24,740
Lobbying	27,592	-	-	27,592
LPNAN	-	586	-	586
Political contributions	57,150	-	-	57,150
Postage	16,218	5,406	-	21,624
Professional fees	60,929	60,930	-	121,859
Property taxes	15,164	15,165	-	30,329
Public relations and marketing	12,041	-	-	12,041
Repairs and maintenance	8,206	8,206	-	16,412
Supplies	9,511	9,510	-	19,021
Telecommunications	17,110	17,110	-	34,220
Utilities and waste services	11,124	11,125	-	22,249
Vehicle taxes and maintenance	6,360	6,360	-	12,720
Workshops and classes	147,631	-	-	147,631
Totals	<u>\$ 2,106,823</u>	<u>\$ 510,966</u>	<u>\$ 2,774</u>	<u>\$ 2,620,563</u>

The accompanying notes are an integral part of these financial statements.

NEBRASKA HEALTH CARE ASSOCIATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2017

	<u>Program</u> <u>Services</u>	<u>Management &</u> <u>General</u>	<u>Fundraising</u>	<u>Totals</u>
Salaries and wages	\$ 1,015,951	\$ 175,733	\$ 2,782	\$ 1,194,466
Payroll taxes	76,541	12,507	223	89,271
Employee benefits	40,177	9,515	59	49,751
AHCA/ASHCAE	25,229	8,410	-	33,639
Bad debt expense	-	393	-	393
Committees and meetings	11,591	3,863	-	15,454
Contributions	-	2,841	-	2,841
Convention	264,394	-	-	264,394
Depreciation	37,131	37,131	-	74,262
Dues and subscriptions	400,231	30,125	-	430,356
Finance and service charges paid	-	21,749	-	21,749
Government relations	4,973	-	-	4,973
Income taxes	-	2,854	-	2,854
Insurance	125	27,531	-	27,656
Interest expense	-	45,790	-	45,790
Lease	15,247	15,247	-	30,494
Lobbying	24,976	-	-	24,976
LPNAN	-	1,233	-	1,233
Political contributions	32,450	-	-	32,450
Postage	14,093	4,698	-	18,791
Professional fees	40,287	40,287	-	80,574
Property taxes	15,111	15,111	-	30,222
Public relations and marketing	17,146	-	-	17,146
Repairs and maintenance	6,961	6,961	-	13,922
Supplies	11,513	11,513	-	23,026
Telecommunications	13,832	13,832	-	27,664
Utilities and waste services	9,637	9,637	-	19,274
Vehicle taxes and maintenance	5,833	5,833	-	11,666
Workshops and classes	164,185	-	-	164,185
	<u>164,185</u>	<u>-</u>	<u>-</u>	<u>164,185</u>
Totals	<u>\$ 2,247,614</u>	<u>\$ 502,794</u>	<u>\$ 3,064</u>	<u>\$ 2,753,472</u>

The accompanying notes are an integral part of these financial statements.

NEBRASKA HEALTH CARE ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

For the years ended December 31,

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Total increase in net assets	\$ 36,408	\$ 150,693
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	53,136	74,262
Unrealized loss (gain) on investments	15,442	(64,895)
Realized (gain) loss on investments	(3,209)	2,822
Loss on disposal of fixed assets	-	324
Decrease (increase) in operating assets:		
Accounts receivable	3,065	(14,262)
Prepaid expenses	6,056	(3,934)
Inventory	14,146	78
(Decrease) increase in operating liabilities:		
Accounts payable	(21,252)	19,367
Payroll taxes payable	(16,186)	5,407
Accrued wages payable	3,330	(6,427)
Accrued vacation payable	2,701	2,622
Accrued benefits payable	(1,986)	(4,103)
Accrued interest payable	1,279	66
Real estate and property taxes payable	-	(648)
Unearned revenue - dues	(16,327)	(29,287)
Unearned revenue - other	(527)	6,119
<u>Net cash provided by operating activities</u>	<u>76,076</u>	<u>138,204</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	-	481
Purchases of fixed assets	(4,965)	(52,569)
Proceeds from sale of investments	22,750	65,487
Purchases of investments	(45,286)	-
<u>Net cash (used) provided by investing activities</u>	<u>(27,501)</u>	<u>13,399</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments toward long term debt	(70,389)	(62,489)
<u>Net cash used by financing activities</u>	<u>(70,389)</u>	<u>(62,489)</u>
Net (decrease) increase in cash and equivalents	(21,814)	89,114
Cash and cash equivalents at beginning of year	<u>394,391</u>	<u>305,277</u>
Cash and cash equivalents at end of year	<u>\$ 372,577</u>	<u>\$ 394,391</u>

The accompanying notes are an integral part of these financial statements.

NEBRASKA HEALTH CARE ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

For the years ended December 31,

	<u>2018</u>	<u>2017</u>
Supplemental disclosures:		
Cash paid during the year for interest	<u>\$ 42,623</u>	<u>\$ 45,724</u>
Cash paid during the year for taxes	<u>\$ 3,844</u>	<u>\$ 5,485</u>

The accompanying notes are an integral part of these financial statements.

NEBRASKA HEALTH CARE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE A –ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

The Nebraska Health Care Association (the Association) is a nonprofit trade association, organized to promote the common business interest of providers of long-term care and ancillary enterprises, to seek and obtain improvement of business conditions in long term care for the benefit of the profession, to provide quality services to consumers, and to engage in other activities related to these purposes. The Association functions as a state organization to serve the interest of the members in the continuum of long-term care services profession, including, but not limited to, promoting principles, programs, and standards; working with branches of government; and encouraging, supporting, and promoting programs of continuing education.

The Association's primary support is from the receipt of dues from its membership, sales of materials of interest to the membership, and from registration fees for workshops and conventions.

2. Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting and conform to generally accepted accounting principles. Under the accrual basis, revenues and expenses are recognized when earned or incurred, not when received or paid.

3. Basis of Presentation

The financial statement presentation follows the recommendation of the Financial Accounting Standards Board and reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which represents the expendable resources that are available for operations at management's discretion; and net assets with donor restrictions, which represent resources restricted by donors as to purpose, by the passage of time, or those which neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Association. As of December 31, 2018, the Association did not have any net assets with donor restrictions.

4. Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Association considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, except for those funds which are measured at fair value and are held with a brokerage in anticipation of purchasing other forms of investments.

5. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect. Management regularly reviews all outstanding accounts to determine if they remain fully collectable and balances deemed not to be collectable are expensed. Management believes this method does not differ significantly from the allowance for doubtful accounts method.

NEBRASKA HEALTH CARE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS – Continued

December 31, 2018 and 2017

NOTE A –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

6. Investments

The Association carries investments in marketable equity securities with readily determinable fair values at their fair values in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets in the Statements of Activities as part of net investment income or losses (see also Note C).

7. Inventory

Inventory consists of books, forms, and materials, which are held for sale to members. Inventory is stated at the lower of cost, determined by the first-in, first-out method, or market.

8. Property and Equipment

Property and equipment are recorded at cost, if purchased, or at estimated fair value if donated. Minor additions under \$2,500 are expensed. Depreciation is provided using the straight-line method of depreciation over estimated useful lives from three to forty years.

9. Compensated Absences

Employees of the Association earn paid time off depending on the position they occupy and upon their length of service. The Association's policy is to accrue the costs of compensated absences when earned.

10. Unearned Revenue

A large portion of the revenue from membership dues is received prior to the year to which they relate. These dues are reported as unearned and are recognized as income ratably over the subsequent year to which the dues relate. The Association similarly receives class and workshop fees, sponsorship and advertising revenue in advance of the events to which it is attributable. These are also reported as unearned revenue and recognized in the period in which they are earned.

11. Restricted Revenue

Periodically the Association receives funds which are restricted for purpose. However, this revenue is generally earned and released from restriction in the same year. As allowed under generally accepted accounting principles, such revenue is reported as unrestricted income.

NEBRASKA HEALTH CARE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS – Continued

December 31, 2018 and 2017

NOTE A –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

12. Income Taxes

The Association is a trade association promoting the common good of its members and has been granted exemption from Federal income taxes under Section 501(c)(6) of the Internal Revenue code. As such, income earned in the performance of its exempt purpose is not subject to income taxes.

However, income earned from activities outside of its exempt purpose may be subject to unrelated business income taxes and may be taxed at normal corporate rates. The Association currently receives revenues from advertising, leasing of debt-financed building space and management fees which may, after deducting certain allocable expenses, be subject to unrelated business income taxes. There has been no provision or accrual recorded for these taxes for December 31, 2018 and 2017, due to such amounts being immaterial to the financial statements. The Association has made quarterly safe estimates for the year ending December 31, 2018 and 2017. During 2018 and 2017, the Association incurred unrelated business income tax expenses of \$6,201 and \$2,854, respectively, for the tax return of the preceding year.

The Association's financial statements include the balances and activity of the Care Political Action Committee (Committee). Revenue in the Committee is generally tax exempt under Section 527 of the Internal Revenue Code. Any non-exempt function income is subject to income tax at normal corporate rates. There has been no provision or accrual recorded for these taxes for December 31, 2018 or 2017, due to such amounts being immaterial to the financial statements. For the years ending December 31, 2018 and 2017, the Committee paid \$70 and \$56, respectively, of tax on non-exempt income from the preceding year.

Management also believes the Association has no significant uncertain tax positions. The Association may be subject to Internal Revenue Service audit for the years ending December 31, 2017, 2016, and 2015.

13. Advertising

Advertising costs are expensed as incurred.

14. Use of Estimates

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

15. Liquidity and Availability of Resources

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*.

NEBRASKA HEALTH CARE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS – Continued

December 31, 2018 and 2017

NOTE A –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

15. Liquidity and Availability of Resources - Continued

The Association adopted the provisions of this new principle during the year ended December 31, 2018, and the presentation of the December 31, 2017 financial statements has been reclassified to accommodate this principle. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources.

NOTE B – CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of cash deposits at financial institutions. As of December 31, 2018 and 2017 the FDIC coverage was \$250,000. As of December 31, 2018 and 2017 amounts in excess of those insured by the FDIC was \$137,471 and \$184,361, respectively. The Association has not experienced any losses on such accounts and management believes the risk is managed by maintaining all deposits in high quality institutions.

NOTE C – INVESTMENTS

Investments are stated at fair value and consist of the following at December 31, 2018:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain</u>
Money market funds	62,478	62,478	-
Stocks and mutual funds	<u>216,293</u>	<u>371,925</u>	<u>155,632</u>
Total	<u>\$ 278,771</u>	<u>\$ 434,403</u>	<u>\$ 155,632</u>

Investments are stated at fair value and consist of the following at December 31, 2017:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain</u>
Money market funds	\$ 41,248	\$ 41,248	\$ -
Stocks and mutual funds	<u>211,778</u>	<u>382,852</u>	<u>171,074</u>
Total	<u>\$ 253,026</u>	<u>\$ 424,100</u>	<u>\$ 171,074</u>

NEBRASKA HEALTH CARE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS – Continued

December 31, 2018 and 2017

NOTE C – INVESTMENTS - Continued

Investment income (loss) is comprised of the following for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 8,660	\$ 7,575
Realized gains (losses)	3,209	(2,822)
Unrealized (losses) gains	(15,442)	64,895
Investment fees	<u>(6,237)</u>	<u>(6,066)</u>
Net investment (loss) income	<u>\$ (9,810)</u>	<u>\$ 63,582</u>

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Land	\$ 132,500	\$ 132,500
Land Improvements	9,822	-
Building and building improvements	1,622,152	1,631,975
Office furniture and fixtures	<u>308,787</u>	<u>316,954</u>
Total cost	2,073,261	2,081,429
Less accumulated depreciation	<u>(540,455)</u>	<u>(500,452)</u>
Net property and equipment	<u>\$ 1,532,806</u>	<u>\$ 1,580,977</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$53,136 and \$74,262, respectively.

NOTE E – LONG-TERM DEBT

Long-term debt consisted of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Note payable to bank, in monthly payments of \$8,618 at 4.00% interest, final payment due September 15, 2031, secured by land and building.	\$ 1,015,599	\$ 1,085,988
Less current portion	<u>(63,397)</u>	<u>(60,489)</u>
Net long-term debt	<u>\$ 952,202</u>	<u>\$ 1,025,499</u>

NEBRASKA HEALTH CARE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS – Continued

December 31, 2018 and 2017

NOTE E – LONG-TERM DEBT - Continued

The long-term debt is scheduled to mature as follows:

For the year ending December 31,

2019	\$ 63,397
2020	65,908
2021	68,740
2022	71,580
2023	74,537
Thereafter	<u>671,437</u>
Total	<u>\$ 1,015,599</u>

NOTE F –COMMITMENTS

1. Lease Commitments

The Association leases office equipment and a vehicle. These leases expire between September 2021 and April 2022. Minimum monthly payments for the aforementioned assets total \$1,893 per month.

Future minimum lease payments for these non-cancelable operating leases are as follows:

For the year ending December 31,

2019	22,718
2020	22,718
2021	20,870
2022	6,546
Thereafter	<u>-</u>
Total	<u>\$ 72,852</u>

Total expenses on leases were \$24,740 and \$30,494 for the years ending December 31, 2018 and 2017, respectively.

The Association subleases a portion of its offices. The subleases are renewable in three and five-year increments and expires in October 2019 and June 2020. The monthly proceeds from the sublease agreements total \$4,038. Future minimum rental lease payment receivable is as stated on the following page:

NEBRASKA HEALTH CARE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS – Continued

December 31, 2018 and 2017

NOTE F –COMMITMENTS - Continued

For the year ending December 31,

2019	42,375
2020	5,700
Thereafter	-
Total	<u>\$ 48,075</u>

During the years ended December 31, 2018 and 2017, respectively, the Association received \$61,500 and \$56,100 of rental revenue and common maintenance expenses, in conjunction with the subleases.

2. Purchase Commitments

The Association has entered into various facility contracts to secure locations for future conventions, workshops and educational classes for 2019 thru 2023. These contracts contain an array of different stated potential costs and cancellation policies, largely based on a number of indeterminable variables, such as number of participants and the timing of the notification of cancellation. However, for the variables that can be quantified, the Association is committed to \$45,810 in future costs as of December 31, 2018.

3. Management and Related Services Commitment

The Association has an agreement with Nebraska Hospice and Palliative Care Association (Hospice) to provide management services, office space and supplies and the lease of employees. The agreement renews annually and the Association is committed through December 31, 2018. The agreement allows for a fee equal to 6% of gross revenues derived from Hospice’s operations excluding restricted donations and grants received. The amount of the approximate commitment is unknown. For the fiscal years ending December 31, 2018 and 2017, the management fees paid were \$10,612 and \$12,239, respectively.

As part of the agreement the Nebraska Health Care Association provides staff time for Hospice’s operations and bills a set percentage of total compensation for those specific individuals. The Association received \$81,653 and \$97,301, respectively, for these staffing services in the years ending December 31, 2018 and 2017. The provided staffing is anticipated to be consistent through the remainder of the current commitment period.

The agreement calls for a monthly payment for the Association to provide a variety of other services and operational space including \$525 for the use of office space, internet, and telephone system, and \$275 for accounting services. The future minimum rental payments receivable on these quantifiable elements total \$9,600.

NEBRASKA HEALTH CARE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS – Continued

December 31, 2018 and 2017

NOTE F – COMMITMENTS – Continued

The totals revenue for all services from Nebraska Hospice and Palliative Care Association for the years ending December 31, 2018 and 2017, were \$105,049 and \$122,363, respectively. As of December 31, 2018 and 2017, \$8,452 and \$12,890, respectively, was recorded in accounts receivable as due from the Nebraska Hospice and Palliative Care Association.

The Association also has an agreement with the Licensed Practical Nurse Association of Nebraska, Inc., (LPNAN). The agreement specifies a number of projects and services the Association is responsible for completing. As compensation for these services, the Association receives a fee based on type of member of LPNAN. The revenue recognized on these services was \$5,317 and \$5,186 for the years ending December 31, 2018 and 2017, respectively.

NOTE G – PENSION PLAN

The Association offers its employees a SIMPLE IRA defined contribution plan which covers all employees who meet the plan's eligibility requirements. The Association matches the first 3% of contributions by eligible employees. For the years ended December 31, 2018 and 2017, employer contributions to the plan were \$25,305 and \$29,266.

NOTE H - FAIR VALUE MEASUREMENTS

The *Fair Value Measurements and Disclosure* topic of the Financial Accounting Standards Board Accounting Standards Codification provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the 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 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 Association has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs, other than quoted prices, that are observable for the asset or liability.

NEBRASKA HEALTH CARE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS – Continued

December 31, 2018 and 2017

NOTE H - FAIR VALUE MEASUREMENTS – Continued

- 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's 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 for December 31, 2018 or 2017.

Money market funds: Valued at the closing price reported on the active market on which the individual securities or funds are traded.

Stocks and mutual funds: Valued at the closing price reported on the active market on which the individual securities or funds are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association 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 Association's assets and liabilities at fair value as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 62,478	\$ -	\$ -	\$ 62,478
Stocks and mutual funds	371,925	-	-	371,925
Total assets at fair value	<u>\$ 434,403</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 434,403</u>

NEBRASKA HEALTH CARE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS – Continued

December 31, 2018 and 2017

NOTE H - FAIR VALUE MEASUREMENTS – Continued

The following table sets forth by level, within the fair value hierarchy, the Association’s assets and liabilities at fair value as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 41,248	\$ -	\$ -	\$ 41,248
Stocks and mutual funds	<u>382,852</u>	<u>-</u>	<u>-</u>	<u>382,852</u>
Total assets at fair value	<u>\$ 424,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 424,100</u>

The Association had no significant observable or unobservable inputs; therefore, there are no gains, losses, purchases, sales, transfers, or valuation techniques to further disclose for the years ending December 31, 2018 and 2017.

NOTE I – LIQUIDITY

The following reflects the Association’s liquid financial assets as of the December 31, 2018 and 2017, respectively, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. The Association must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year. As part of the Association’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.

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 372,577	\$ 394,391
Accounts receivable	66,744	69,809
Less those unavailable for general expenditures within one year, due to:		
Restricted by donor with time or purpose restrictions	-	-
Receivable in greater than one year	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 439,321</u>	<u>\$ 464,200</u>

NOTE J – SUBSEQUENT EVENTS

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 4, 2019, the date the financial statements were available to be issued.