



Omaha Community  
Foundation

**Let good grow**

# 2009 ANNUAL REPORT

We believe that giving through the community foundation makes you a part of a larger effort. This collective work sends ripples out in the community that reach far and wide. In 2009, new donors confirmed this belief by joining the Omaha Community Foundation in record numbers. Their commitment shows us how much they value our work. We must thank our best ambassadors, professional advisors and donors, for spreading the word about the Omaha Community Foundation.

We now have over 950 people and organizations giving through the Foundation. The number of new donors in the fourth quarter set a record – 83 new donors chose to work with us. The total number of new donors in 2009 was 114. While many may have less to give, they still choose to give through the Foundation. Nearly \$58 million dollars was granted on behalf of our donors – a significant amount despite another year of economic uncertainty. Support like this is why the Omaha Community Foundation will continue to make a difference in our community.

In Southwest Iowa, new heights of giving were reached. The Community Foundations of Southwest Iowa received over \$3.1 million in new gifts and the nine county community foundations granted over \$1.3 million cumulatively to their counties. Both numbers are the best year ever for the Community Foundations of Southwest Iowa.

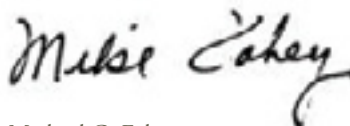
We have one last note of good news to share. The Omaha Community Foundation was ranked in the Philanthropy 400 for the eighth consecutive year. This honor is a reflection of our donors' generosity. Their giving made us one of only 24 community foundations to be included in this nationally recognized list.

In addition to the financial results included in our 2009 Annual Report, we have compiled a Giving Report that includes a summary of charitable giving through the Omaha Community Foundation in 2009. Both reports are located on our web site, [www.omahafoundation.org](http://www.omahafoundation.org), or you can request to have a copy mailed to you. If you would like a copy of these reports, please contact Pamela Pierce at (402) 342-3458 or [pam@omahafoundation.org](mailto:pam@omahafoundation.org).

Thank you for another solid year of charitable giving in our community. We look forward to continuing our charitable work for the community in 2010.



Michael Leighton  
President and CEO



Michael G. Fahey  
Chairman

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Denise Cardos . . . . . Southwest Iowa Administrative Assistant  
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Sarah Gilbert . . . . . Associate Director of Philanthropic Services  
Kathy Johnson . . . . . Finance Assistant  
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Melisa Sunde . . . . . Chief Financial Officer

**PRO BONO SERVICES AND VOLUNTEERS**

*Thank you to the following for so graciously offering your time and talents to the Foundation.*

Thomas R. Pansing Jr.  
Koley Jessen PC, LLO  
Ana Lopez

## **INDEPENDENT AUDITORS' REPORT**

BOARD OF DIRECTORS  
OMAHA COMMUNITY FOUNDATION:

We have audited the accompanying combined statements of financial position of the Omaha Community Foundation and its supporting foundations (the Foundation) as of December 31, 2009 and 2008, and the related combined statements of activities and cash flows for the years then ended. These combined financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these combined financial statements based on our audits. We did not audit the financial statements of All Our Kids, Inc., a supporting foundation, which statements constitute 2% of combined assets in 2009 and 2008, and constitute 2% and 21% of combined revenues and gains in 2009 and 2008, respectively. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for All Our Kids, Inc., is based solely on the report of the other auditors.

We conducted our audits 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 combined financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Omaha Community Foundation and its supporting foundations as of December 31, 2009 and 2008, and the changes in their net assets and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

**KPMG LLP**

Omaha, Nebraska  
July 8, 2010

**OMAHA COMMUNITY FOUNDATION COMBINED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2009 AND 2008**

ASSETS	2009	2008
Cash and cash equivalents . . . . .	\$56,620,419	55,376,229
Accrued interest receivable . . . . .	2,067,540	2,280,661
Pledges receivable . . . . .	1,417,694	1,306,822
Other receivables . . . . .	932,905	2,593,927
Other assets . . . . .	334,495	117,343
Notes receivable . . . . .	21,800,000	21,000,000
Investments . . . . .	364,864,519	318,215,434
Investment in real estate . . . . .	3,977,871	3,561,871
Fixed assets:		
Furniture and fixtures . . . . .	695,013	695,013
Less accumulated depreciation . . . . .	<u>(603,240)</u>	<u>(560,338)</u>
Fixed assets, net . . . . .	91,773	134,675
Total assets . . . . .	<u>\$452,107,216</u>	<u>404,586,962</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Grants payable . . . . .	\$26,045,224	28,696,189
Accounts payable . . . . .	2,294,555	2,200,339
Annuities payable . . . . .	2,044,662	2,184,658
Beneficiaries payable . . . . .	3,244,978	3,202,725
Funds held for others . . . . .	<u>21,667,033</u>	<u>23,492,384</u>
Total liabilities . . . . .	<u>55,296,452</u>	<u>59,776,295</u>
Net assets:		
Unrestricted . . . . .	348,021,557	302,727,320
Temporarily restricted . . . . .	34,663,791	28,772,231
Permanently restricted . . . . .	14,125,416	13,311,116
Total net assets . . . . .	<u>396,810,764</u>	<u>344,810,667</u>
Total liabilities and net assets . . . . .	<u>\$452,107,216</u>	<u>404,586,962</u>

See accompanying notes to combined financial statements.

## OMAHA COMMUNITY FOUNDATION COMBINED STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2009

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Revenues and gains:				
Contributions	\$13,060,394	2,831,466	814,300	16,706,160
Interest and dividends	12,083,986	1,154,810	—	13,238,796
Other income	4,870,195	(116,135)	—	4,754,060
Rental income	13,799,561	—	—	13,799,561
Net unrealized and realized gains on investments	44,992,452	5,446,520	—	50,438,972
Net assets released from restrictions	3,425,101	(3,425,101)	—	—
Total revenues and gains	<u>92,231,689</u>	<u>5,891,560</u>	<u>814,300</u>	<u>98,937,549</u>
Grants, expenses, and losses:				
Grants	35,010,676	—	—	35,010,676
Administrative expenses	4,293,888	—	—	4,293,888
Life insurance expenses	1,286,978	—	—	1,286,978
Annuity interest expense	225,660	—	—	225,660
Property operating costs	5,865,943	—	—	5,865,943
Depreciation	42,902	—	—	42,902
Other expenses	211,405	—	—	211,405
Total grants, expenses, and losses	<u>46,937,452</u>	<u>—</u>	<u>—</u>	<u>46,937,452</u>
Increase in net assets	45,294,237	5,891,560	814,300	52,000,097
Net assets at beginning of year	302,727,320	28,772,231	13,311,116	344,810,667
Net assets at end of year	<u>\$348,021,557</u>	<u>34,663,791</u>	<u>14,125,416</u>	<u>396,810,764</u>

See accompanying notes to combined financial statements.

YEAR ENDED DECEMBER 31, 2008

Revenues and gains:				
Contributions	\$72,051,419	5,057,820	533,776	77,643,015
Interest and dividends	14,013,115	1,429,978	—	15,443,093
Other income	2,540,313	(213,892)	—	2,326,421
Rental income	8,558,531	—	—	8,558,531
Net unrealized and realized losses on investments	(86,952,773)	(8,597,449)	—	(95,550,222)
Net assets released from restrictions	3,567,108	(3,567,108)	—	—
Total revenues and gains	<u>13,777,713</u>	<u>(5,890,651)</u>	<u>533,776</u>	<u>8,420,838</u>
Grants, expenses, and losses:				
Grants	66,068,785	—	—	66,068,785
Depreciation	94,259	—	—	94,259
Administrative expenses	5,189,663	—	—	5,189,663
Life insurance expense	2,344,817	—	—	2,344,817
Annuity interest expense	(321,629)	—	—	(321,629)
Other expenses	2,530,860	—	—	2,530,860
Total grants, expenses, and losses	<u>75,906,755</u>	<u>—</u>	<u>—</u>	<u>75,906,755</u>
(Decrease) Increase in net assets	(62,129,042)	(5,890,651)	533,776	(67,485,917)
Net assets at beginning of year	364,856,362	34,662,882	12,777,340	412,296,584
Net assets at end of year	<u>\$302,727,320</u>	<u>28,772,231</u>	<u>13,311,116</u>	<u>344,810,667</u>

See accompanying notes to combined financial statements.

**OMAHA COMMUNITY FOUNDATION COMBINED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009	2008
Cash flows from operating activities:		
Increase (decrease) in net assets . . . . .	\$2,000,097	(67,485,917)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation . . . . .	42,902	94,259
Net unrealized and realized losses (gains) on investments . . . . .	(50,438,972)	95,550,222
Contributions and other income restricted for long-term investment . . . . .	(3,645,766)	(5,591,596)
Stock contribution . . . . .	(15,605,656)	(41,022,658)
Property received as gift . . . . .	(416,000)	—
Note receivable contributed . . . . .	—	(21,000,000)
Property donated . . . . .	—	12,462,277
Changes in assets/liabilities:		
Accrued interest receivable . . . . .	213,121	(103,283)
Pledges receivable . . . . .	(110,872)	(982,815)
Other receivables . . . . .	1,661,022	(874,540)
Other assets . . . . .	(217,152)	53,520
Grants payable . . . . .	(2,650,965)	4,890,842
Accounts payable . . . . .	94,216	(1,477,135)
Annuities payable . . . . .	(139,996)	(705,958)
Beneficiaries payable . . . . .	42,253	(1,869,841)
Funds held for others . . . . .	(1,825,351)	112,857
Net cash provided by operating activities . . . . .	<u>(20,997,119)</u>	<u>(27,949,766)</u>
Cash flows from investing activities:		
Proceeds from the sale of property . . . . .	—	3,225,000
Purchases of investments . . . . .	(113,455,086)	(101,097,105)
Sales of investments . . . . .	132,850,629	135,560,975
Increase in notes receivable . . . . .	(800,000)	—
Capital expenditures . . . . .	—	(10,243,969)
Net cash provided by (used in) investing activities . . . . .	<u>18,595,543</u>	<u>27,444,901</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment . . . . .	<u>3,645,766</u>	<u>5,591,596</u>
Net increase in cash and cash equivalents . . . . .	1,244,190	5,086,731
Cash and cash equivalents at beginning of year . . . . .	55,376,229	50,289,498
Cash and cash equivalents at end of year . . . . .	<u>\$56,620,419</u>	<u>55,376,229</u>

See accompanying notes to combined financial statements.

# OMAHA COMMUNITY FOUNDATION NOTES TO COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

## (1) ORGANIZATION

The Omaha Community Foundation (the Foundation) was incorporated on March 22, 1982 under the laws of the State of Nebraska as a nonprofit corporation. The mission of the Foundation is to enhance the quality of life of the citizens of the greater Omaha community by identifying and addressing current and anticipated community needs and raising, managing, and distributing funds for charitable purposes in the areas of civic, cultural, health, education, and social services. Revenues and gains are primarily derived from donations and investment income.

The combined financial statements include the accounts of the Omaha Community Foundation and its affiliated supporting foundations. The supporting foundations are tax-exempt organizations whose sole purpose is to further the mission of the Foundation. All significant intercompany transactions have been eliminated. The supporting foundations and the dates established are as follows:

<u>SUPPORTING FOUNDATION</u>	<u>DATE ESTABLISHED</u>
Suzanne and Walter Scott Foundation . . . . .	August 27, 1990
All Our Kids, Inc. . . . .	December 28, 1992
Mammel Family Foundation . . . . .	December 31, 1994
Dixon Family Foundation . . . . .	December 31, 1995
The David Scott Foundation . . . . .	December 31, 1995
Amy L. Scott Family Foundation . . . . .	December 31, 1995
Parker Family Foundation . . . . .	December 31, 1995
Southwest Iowa Foundation . . . . .	June 18, 1996
Amis Foundation . . . . .	July 25, 1996
The McGowan Family Foundation . . . . .	August 22, 1996
The Enrichment Foundation . . . . .	October 25, 1996
H. H. "Red" & Ruth Nelson Foundation . . . . .	December 16, 1997
William & Ruth Scott Family Foundation . . . . .	November 17, 1998
The Faith Charitable Trust . . . . .	December 22, 1999
Maginn Family Foundation . . . . .	December 15, 2000
Charles E. Lakin Charitable Foundation . . . . .	December 21, 2001
Carmen and John Gottschalk Foundation . . . . .	June 24, 2004
William and Barbara Fitzgerald Family Foundation . . . . .	October 20, 2005
Robin Hill Charitable Foundation . . . . .	July 12, 2007

During 2008, the Charles E. Lakin Charitable Foundation was dissolved.

The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

## (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (A) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include certain investments in highly liquid instruments with original maturity of three months or less when purchased, excluding those amounts held as part of the investment portfolio.

### (B) USE OF ESTIMATES

The preparation of combined financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The current economic environment has increased the degree of uncertainty inherent in these estimates and assumptions.

### (C) FIXED ASSETS

Fixed assets are stated at cost. Depreciation is computed by using the straight-line method over an estimated useful life of five years. Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed into service.

**(D) INVESTMENTS**

Investments, including equity and debt securities, are reported at fair value. Investments in securities traded on a national securities exchange are valued at the latest quoted market prices. Investments in closely held stock and real estate are estimated based on independent appraisals and information provided by the respective companies. During 2008, the Foundation adopted the provisions of Accounting Standards Update No. 2009-12, Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent), regarding certain investments in funds that do not have readily determinable fair values including private investments, hedge funds, real estate, and other funds. These provisions allow for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent.

Realized gains and losses on sales of investments are recognized in the combined statements of activities as specific investments are sold. Interest income is recognized as earned. Dividend income is recognized on the ex-dividend date. All realized and unrealized gains and losses and income arising from investments are recognized in the combined statements of activities as increases or decreases to unrestricted net assets unless their use is restricted by donor stipulation or law.

**(E) FUNDS HELD FOR OTHERS**

Funds held for others represent funds held in a fiduciary capacity. Contributors are able to deposit funds and subsequently direct discretionary disbursements to charitable organizations as they wish. The Foundation receives a percentage of the interest income from these contributions. The transactions of these funds are not reflected in the combined statements of activities as the Foundation is acting as an agent for these funds.

**(F) BASIS OF ACCOUNTING**

Resources are reported for accounting purposes into separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying combined financial statements, net assets that have similar characteristics have been combined into similar categories.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets, and the changes therein, are classified as follows:

- Unrestricted net assets account for resources that have not been designated for other purposes.
- Temporarily restricted net assets consist of contributions that are donor-designated or grantor-designated for specific projects/purposes of the Foundation. Distributions are made from this portion of net assets for those specified purposes.
- Permanently restricted net assets represent the principal amount of gifts accepted with the donors' stipulation that the principal be maintained in perpetuity. Net assets are expended according to donor/fund agreements that allow either only the income to be expended or the board of directors to set a spending policy (currently 5%). The assumption is that, at a 5% spending rate over the years, with gains/losses and interest included, the fund will remain in perpetuity.

**(G) DONOR-RESTRICTED GIFTS**

Endowment funds may be reported as permanently or temporarily restricted funds, depending on the nature of the donor-imposed restriction. The standards for classification of the endowment funds of the Foundation and for spending from those funds is set forth in note 9.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the combined statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying combined financial statements.

**(H) INCOME TAXES**

The Foundation and supporting foundations have been recognized by the Internal Revenue Service as not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code and, accordingly, are exempt from federal income tax under Section 501(a) of the Internal Revenue Code.

The Foundation accounts for uncertainties in accounting for income taxes using the guidance included in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, Income Taxes. The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. At December 31, 2009, the Foundation had no uncertain tax positions.

**(I) CONTRIBUTED SERVICES**

Contributions of services are recognized if the services received (1) create or enhance nonfinancial assets or (2) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In 2009 and 2008, there were no contributed services recognized.

**(J) FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Foundation applies the provisions included in ASC Topic 820, Fair Value Measurements, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring and nonrecurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Foundation's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Foundation's valuation methodologies 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 estimate of fair value at the reporting date.

The carrying value of all financial instruments approximates estimated fair value. Cash and cash equivalents, accrued interest receivable, pledges receivable, and accounts payable approximate fair value due to their short-term nature. Investments and investment in real estate are stated at fair value. Funds held for others is based on the fair value of investments held. The carrying value of notes receivable, beneficiaries payable, annuities payable, and grants payable approximates fair value since the interest rates closely reflect current market rates.

**(3) INVESTMENTS**

THE COST AND FAIR VALUE OF INVESTMENTS AT DECEMBER 31, 2009 AND 2008 ARE AS FOLLOWS:

	2009		2008	
	COST	FAIR VALUE	COST	FAIR VALUE
U.S. Treasury securities . . . . .	\$4,121,296	4,174,633	5,894,314	6,318,967
U.S. Agency securities . . . . .	9,990	9,950	—	—
Corporate bonds . . . . .	127,165,331	135,890,609	118,442,487	102,961,391
Common stock . . . . .	94,748,381	92,002,057	106,134,876	90,585,202
Preferred stock . . . . .	1,574,430	763,264	1,790,145	681,540
Closely held stock . . . . .	7,548,030	7,923,571	7,666,091	5,978,421
Mutual funds . . . . .	87,840,941	85,592,850	83,648,020	66,454,928
Mortgage-backed securities . . . . .	13,076,725	13,224,910	21,081,915	21,511,990
Partnerships . . . . .	15,776,478	22,341,846	19,177,624	21,658,781
Other . . . . .	—	—	99,968	85,696
Foreign equities . . . . .	3,028,718	2,940,829	3,006,423	1,978,518
Total . . . . .	<u>\$354,890,320</u>	<u>364,864,519</u>	<u>366,941,863</u>	<u>318,215,434</u>

The change in the unrealized gains and losses recognized in the years ended December 31, 2009 and 2008 was \$58,700,628 and \$(95,723,297), respectively. The realized gains and losses recognized in the years ended December 31, 2009 and 2008 was \$(8,261,656) and \$173,075, respectively.

The estimated value of certain alternative investments and nonmarketable securities, such as partnerships, and closely held stock was provided by the respective companies and independent appraisals. For these alternative investments, the Foundation used the net asset value reported by the underlying fund to estimate the fair value of the investment. Below is a summary of investments accounted for at net asset value:

	2009 FAIR VALUE *	2008 FAIR VALUE *	REDEMPTION FREQUENCY	REDEMPTION NOTICE PERIOD
Equity funds (a)	\$8,651,819	7,192,785	monthly-quarterly	30-60 days
Multi-strategy funds (b)	10,658,735	10,609,024	monthly-quarterly	30-60 days
Private equity/venture capital funds (c)	8,755,718	6,299,488	(c)	(c)
Real estate funds (d)	3,060,316	1,208,825	n/a	n/a
Other	758,614	—		
	<u>\$31,126,588</u>	<u>\$25,310,122</u>		

\* There where no unfunded commitments at December 31, 2009 and 2008.

- (A) This category includes investments in funds that invest in both U.S. and international common stocks. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. For one investment valued at \$6.3 million at December 31, 2008, redemptions were suspended as of December 29, 2008. On June 18, 2009 redemptions were resumed subject to a gate provision.
- (B) The category includes investments in funds that invest in a mix of equities and fixed income. The fair values of the investments in this category have been estimated using the net asset value per share of the investment.
- (C) This category includes venture capital/private equity funds that invest primarily in private companies at various stages of development and maturity. The fair values of the investment in this category have been estimated using the net asset value of the Foundation's ownership interest in partners' capital. Of these investments, an investment valued at \$6.9 and \$4.8 million at December 31, 2009 and 2008, respectively, can be redeemed annually in March, up to 100,000 units of ownership. The remaining investments in this category can never be redeemed with the fund. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the fund will be liquidated over the next 4 to 6 years.
- (D) This category includes real estate funds that invest primarily in stable, high-quality multi-family real estate properties. The fair values of the investments in this category have been estimated using the net asset value of the Foundation's ownership interest in partners' capital. These investments can never be redeemed with the fund. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the fund will be liquidated over the next 3 to 5 years.

Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of the Foundation's interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is therefore reasonably possible that if the Foundation were to sell these investments in the secondary market a buyer may require a discount to the reported net asset value, and the discount could be significant.

#### (4) FAIR VALUE MEASUREMENTS

ASC Topic 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

- Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.
- A three-level hierarchy is established for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. To increase consistency and comparability in fair value measurements and related disclosures, the fair value 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 measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for asset or liability.

The financial statements as of and for the year ended December 31, 2009 and 2008 do not include any nonrecurring fair value measurements related to assets or liabilities.

Assets measured at fair value at December 31, 2009 on a recurring basis are summarized below:

	12/31/09	LEVEL 1	LEVEL 2	LEVEL 3
Cash and cash equivalents . . . . .	\$56,620,419	56,620,419	—	—
U.S. Treasury securities . . . . .	4,174,633	—	4,174,633	—
U.S. Agency securities . . . . .	9,950	—	9,950	—
Corporate bonds . . . . .	135,890,609	—	135,890,609	—
Common stock . . . . .	92,002,057	85,702,057	6,300,000	—
Preferred stock . . . . .	763,264	763,264	—	—
Closely held stock . . . . .	7,923,571	—	6,887,333	1,036,238
Mutual funds . . . . .	85,592,850	83,973,063	1,619,787	—
Mortgage-backed securities . . . . .	13,224,910	—	13,224,910	—
Partnerships . . . . .	22,341,846	—	17,418,610	4,923,236
Foreign equities . . . . .	2,940,829	2,940,829	—	—
Investment in real estate . . . . .	3,977,871	—	3,977,871	—
Total . . . . .	<u>\$425,462,809</u>	<u>229,999,632</u>	<u>189,503,703</u>	<u>5,959,474</u>

(LEVEL 1) Quoted asset in active markets for identical assets  
 (LEVEL 2) Significant other observable inputs  
 (LEVEL 3) Significant unobservable inputs.

Assets measured at fair value at December 31, 2008 on a recurring basis are summarized below:

	12/31/09	LEVEL 1	LEVEL 2	LEVEL 3
Cash and cash equivalents . . . . .	\$55,376,229	55,376,229	—	—
U.S. Treasury securities . . . . .	6,318,967	—	6,318,967	—
Corporate bonds . . . . .	102,961,391	—	102,961,391	—
Common stock . . . . .	90,585,202	84,705,202	5,880,000	—
Preferred stock . . . . .	681,540	681,540	—	—
Closely held stock . . . . .	5,978,421	—	4,845,360	1,133,061
Mutual funds . . . . .	66,454,928	65,544,025	910,903	—
Mortgage-backed securities . . . . .	21,511,990	—	21,511,990	—
Partnerships . . . . .	21,658,781	—	16,890,906	4,767,875
Other . . . . .	85,696	85,696	—	—
Foreign equities . . . . .	1,978,518	1,978,518	—	—
Investment in real estate . . . . .	3,561,871	—	3,561,871	—
Total . . . . .	<u>\$377,153,534</u>	<u>208,371,210</u>	<u>162,881,388</u>	<u>5,900,936</u>

(LEVEL 1) Quoted asset in active markets for identical assets  
 (LEVEL 2) Significant other observable inputs  
 (LEVEL 3) Significant unobservable inputs.

Certain investments classified in Levels 2 and 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the net asset value reported by each fund is a practical expedient to estimate the fair value of the Foundation's interest therein, its classification in Level 2 or 3 is based on the Foundation's ability to redeem its interest at or near the date of the statement of financial position. If the interest can be redeemed in the near term, the investment is classified in Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

The following table presents the Foundation's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2009:

	PARTNERSHIPS	CLOSELY HELD STOCK	TOTAL
Beginning balance . . . . .	\$4,767,875	1,133,061	5,900,936
Unrealized gains (losses) . . . . .	(143,042)	10,295	(132,747)*
Purchases and sales, net . . . . .	<u>298,403</u>	<u>(107,118)</u>	<u>191,285</u>
Ending balance . . . . .	<u>\$4,923,236</u>	<u>1,036,238</u>	<u>5,959,474</u>

\*Included in net unrealized and realized gains (losses) on combined statement of activities.

The following table presents the Foundation's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2008:

	PARTNERSHIPS	CLOSELY HELD STOCK	TOTAL
Beginning balance . . . . .	\$4,505,100	10,013,955	14,519,055
Unrealized losses . . . . .	(152,093)	(2,412)	(154,505)*
Purchases and sales, net . . . . .	<u>414,868</u>	<u>(8,878,482)</u>	<u>(8,463,614)</u>
Ending balance . . . . .	<u>\$4,767,875</u>	<u>1,133,061</u>	<u>5,900,936</u>

\*Included in net unrealized and realized gains (losses) on combined statement of activities.

**(5) PLEDGES RECEIVABLE**

Pledges receivable are recognized at their fair value at the time of the gift. A discount rate of 6%, the risk-free rate of return at the time of promise, was used. Unconditional pledges receivable at December 31, 2009 and 2008 are expected to be received in the following periods:

	2009	2008
One year or less . . . . .	\$1,150,000	725,000
One to two years . . . . .	<u>300,000</u>	<u>650,000</u>
	1,450,000	1,375,000
Less discount to present value . . . . .	<u>32,306</u>	<u>68,178</u>
	<u>\$1,417,694</u>	<u>1,306,822</u>

**(6) ANNUITIES PAYABLE**

The Foundation receives funds to establish gift annuities. The annuity agreements provide that the Foundation will pay the annuitants a payment each year for the rest of his or her life. The recorded payable at December 31, 2009 and 2008 of \$2,044,662 and \$2,184,658, respectively, represents the estimated actuarial value of these future payments valued at rates ranging from 4% to 12%. The excess of the fair value of investments over this payable is included in net assets. At December 31, 2009 and 2008, the fair value of investments of these annuities totaled approximately \$3,455,847 and \$3,218,669, respectively.

(7) GRANTS PAYABLE

Grants are considered liabilities of the Foundation when approved by the board of directors and when grant agreements are executed with grantees. Although grants will not be paid until certain conditions are met, they are considered unconditional promises to give because the probability that the conditions will not be met is remote. Future payments of approved grants and scholarships at December 31, 2009 and 2008 are expected to be paid as follows (discounted at rates ranging from 0.04% to 6.09%):

	2009	2008
In less than one year . . . . .	\$11,950,591	14,242,428
In one to five years . . . . .	14,200,988	14,675,892
	<u>26,151,579</u>	<u>28,918,320</u>
Discount . . . . .	(106,355)	(222,131)
Total grants payable . . . . .	<u>\$26,045,224</u>	<u>28,696,189</u>

(8) NET ASSETS

Sources of net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of events were as follows:

	2009	2008
Arts, culture, and humanities . . . . .	\$152,338	219,375
Civic and municipalities . . . . .	240,253	88,380
Environment and animals . . . . .	65,711	52,131
Health . . . . .	253,037	201,766
Human services . . . . .	469,185	739,551
Education and scholarships . . . . .	894,365	1,111,544
Administrative expenses . . . . .	934,190	755,894
Time restrictions . . . . .	140,974	140,000
Religious purposes . . . . .	161,753	214,686
Youth . . . . .	<u>113,295</u>	<u>43,781</u>
Total . . . . .	<u>\$3,425,101</u>	<u>3,567,108</u>

THE COMPOSITION OF UNRESTRICTED NET ASSETS IS AS FOLLOWS:

	2009	2008
Omaha Community Foundation . . . . .	\$34,344,414	26,236,213
Supporting foundations . . . . .	<u>313,677,143</u>	<u>276,491,107</u>
	<u>\$348,021,557</u>	<u>302,727,320</u>

RESTRICTED NET ASSETS ARE AVAILABLE FOR THE FOLLOWING PURPOSES AS OF DECEMBER 31, 2009:

	PERMANENTLY RESTRICTED	TEMPORARILY RESTRICTED
Arts . . . . .	\$ —	215,720
Donor-Advised . . . . .	12,166,340	9,328,415
Human Services . . . . .	1,458,076	14,024,842
Education/Scholarships . . . . .	501,000	8,212,407
Youth . . . . .	—	1,138,283
Environmental/Animals . . . . .	—	1,016,216
Religion Purposes . . . . .	—	259,271
Time Restriction . . . . .	—	<u>468,637</u>
	<u>\$14,125,416</u>	<u>34,663,791</u>

	PERMANENTLY RESTRICTED	TEMPORARILY RESTRICTED
Omaha Community Foundation . . . . .	\$14,125,416	28,174,758
Supporting foundations . . . . .	—	6,489,033
	<u>\$14,125,416</u>	<u>34,663,791</u>

RESTRICTED NET ASSETS ARE AVAILABLE FOR THE FOLLOWING PURPOSES AS OF DECEMBER 31, 2008:

	PERMANENTLY RESTRICTED	TEMPORARILY RESTRICTED
Arts. . . . .	\$ —	191,872
Donor-Advised . . . . .	12,166,340	11,132,777
Human Services . . . . .	643,776	7,916,995
Education/Scholarships . . . . .	501,000	6,637,637
Youth . . . . .	—	1,660,601
Environmental/Animals . . . . .	—	917,573
Religion . . . . .	—	232,276
Time Restriction . . . . .	—	82,500
	<u>\$13,311,116</u>	<u>28,772,231</u>

	PERMANENTLY RESTRICTED	TEMPORARILY RESTRICTED
Omaha Community Foundation . . . . .	\$13,311,116	22,428,821
Supporting foundations . . . . .	—	6,343,410
	<u>\$13,311,116</u>	<u>28,772,231</u>

**(9) ENDOWMENT**

The Foundation holds approximately 140 individual donor-restricted endowment funds (Endowments) for support of its programs and operations. Net assets and the changes therein associated with endowments are classified and reported as permanently or temporarily restricted funds, based on the nature of donor-imposed restrictions.

The Nebraska Uniform Prudent Management of Institutional Funds Act (NUPMIFA) was enacted April 4, 2007. NUPMIFA imposes requirements on the management, investment, and spending of donor restricted endowment funds. On January 1, 2008, the Foundation adopted new guidance included in ASC Topic 958, Not-for-Profit Entities, (FASB Staff Position FAS 117-1, Endowments of Not-for-profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institution Funds Act, and Enhanced Disclosures for All Endowment Funds). The guidance requires the amount classified as permanently restricted shall be the amount of the donor restricted endowment fund (a) that must be retained permanently in accordance with explicit donor stipulations, or (b) that in the absence of such stipulations, the organization’s governing board determines how they must be retained (preserved) permanently consistent with relevant law. The disclosure below also includes the activities of a supporting organization. At December 31, 2009 and 2008, \$5,086,282 and \$4,779,764 of the temporarily restricted endowment balance and \$178,744 and \$178,744 of the unrestricted endowment balance relates to this supporting organization.

The Board of Directors of the Foundation has interpreted NUPMIFA as not requiring the preservation of any specific amount of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation only classifies as permanently restricted assets the amounts in the Endowments which are subject to permanent, specific, donor-imposed restrictions on appropriation (spending) of the fund.

The Foundation classifies the remaining amounts in the Endowments as temporarily restricted net assets until those amounts are appropriated for expenditure. In authorizing appropriations from the temporarily restricted Endowments, NUPMIFA requires the Foundation to focus on the purposes of the fund, giving priority to the donor’s intent that the fund be maintained permanently. In addition, and in accordance with NUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) the duration and preservation of the endowment fund;
- (2) the purposes of the Foundation and the donor-restricted endowment fund;
- (3) general economic conditions;
- (4) the possible effect of inflation or deflation;
- (5) the expected total return from income and the appreciation of investments;
- (6) other resources of the Foundation; and
- (7) the investment policy of the Foundation.

ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
DECEMBER 31, 2009:				
Donor-restricted endowment funds:	\$ (335,091)	33,261,040	14,125,416	47,051,365
DECEMBER 31, 2008:				
Donor-restricted endowment funds:	\$ (1,888,603)	27,208,585	13,311,116	38,631,098

CHANGES IN ENDOWMENT NET ASSETS:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Year ended December 31, 2009				
Endowment net assets (deficit), beginning of year	<u>\$ (1,888,603)</u>	<u>27,208,585</u>	<u>13,311,116</u>	<u>38,631,098</u>
Other losses	—	(116,135)	—	(116,135)
Investment return:				
Investment income	—	1,176,485	—	1,176,485
Net depreciation (realized and unrealized)	1,553,512	5,446,520	—	7,000,032
Total investment Return	1,553,512	6,623,005	—	8,176,517
Appropriation of endowment assets for expenditure	—	(2,421,656)	—	(2,421,656)
Contributions	—	1,967,241	814,300	2,781,541
Endowment net assets (deficit), end of year	<u>(335,091)</u>	<u>33,261,040</u>	<u>14,125,416</u>	<u>47,051,365</u>
Year ended December 31, 2008				
Endowment Net assets, beginning of year	<u>\$ 172,137</u>	<u>33,923,685</u>	<u>12,777,340</u>	<u>46,873,162</u>
Other losses	—	(212,954)	—	(212,954)
Investment Return:				
Investment income	—	1,433,445	—	1,433,445
Net Depreciation (realized and unrealized)	<u>(2,060,740)</u>	<u>(8,597,449)</u>	—	<u>(10,658,189)</u>
Total investment Return	<u>(2,060,740)</u>	<u>(7,164,004)</u>	—	<u>(9,224,744)</u>
Appropriation of endowment assets for expenditure	—	(2,752,633)	—	(2,752,633)
Contribution	—	3,414,491	533,776	3,948,267
Endowment net assets (deficit), end of year	<u>(1,888,603)</u>	<u>27,208,585</u>	<u>13,311,116</u>	<u>38,631,098</u>

(A) *Return Objectives and Risk Parameters*

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds to provide an average rate of return of approximately 5% annually.

(B) *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

(C) *Spending Policy and How the Investment Objectives Relate to Spending Policy*

Absent any donor restrictions, the Foundation appropriates for distribution each year 5% of its endowment fund's fair value through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing its annual budget, the Foundation considers the operations of the Foundation as well as expected investment returns.

(10) **ADMINISTRATIVE EXPENSES**

The Foundation's administrative expenses for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
Omaha Community Foundation operating expenses . . . . .	\$2,654,557	2,695,490
Middle School Learning Center Initiative expenses . . . . .	371,887	235,029
Omaha By Design expenses . . . . .	<u>261,452</u>	<u>400,817</u>
	3,287,896	3,331,336
Supporting foundations . . . . .	<u>1,005,992</u>	<u>1,858,327</u>
Total Expenses	<u>\$4,293,888</u>	<u>5,189,663</u>

(11) **COMMITMENTS**

A supporting foundation leases the property and then sub-leases the property under noncancelable operating leases which expire at various dates. The supporting foundation expects the existing leases to be renewed under similar terms as they expire. Rental income was \$10,718,196 and \$8,558,531 in 2009 and 2008, respectively, and is included in rental income.

As of December 31, 2008, minimum rental commitments to be received under noncancelable operating leases are as follows:

YEAR ENDING DECEMBER 31:	
2010 . . . . .	\$8,875,541
2011 . . . . .	2,915,983
2012 . . . . .	2,409,186
2013 . . . . .	2,180,399
2014 . . . . .	2,142,739
Thereafter . . . . .	<u>4,556,466</u>
Total minimum lease payments . . . . .	<u>\$23,080,314</u>

**(12) NOTES RECEIVABLE**

In 2009, a supporting foundation loaned \$800,000 to a nonprofit organization. The note pays monthly interest at a rate of 3% in addition to monthly principal payments. All unpaid principal is due on December 1, 2016.

In 2008, a supporting foundation received a donation of a \$21 million note receivable from a related party. The note pays quarterly interest payments at 5%, and all of the unpaid principal and accrued and unpaid interest is due on December 31, 2018.

**(13) SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events from the date of the combined statement of financial position through July 8, 2010, the date at which the combined financial statements were available to be issued, and determined there are no other items to disclose.