



OMAHA COMMUNITY FOUNDATION
Combined Financial Statements
December 31, 2011 and 2010
(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 1501
222 South 15th Street
Omaha, NE 68102-1610

Suite 1600
233 South 13th Street
Lincoln, NE 68508-2041

Independent Auditors' Report

The 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 (collectively, the Foundation) as of December 31, 2011 and 2010, 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 The Partnership for Our Kids and All Our Kids, Inc. Foundation, a supporting foundation, which statements constitute 1% and 1% of combined assets and 2% and 1% of combined revenues and gains in 2011 and 2010, 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 The Partnership for Our Kids and All Our Kids, Inc. Foundation 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, 2011 and 2010, 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
June 13, 2012

OMAHA COMMUNITY FOUNDATION

Combined Statements of Financial Position

December 31, 2011 and 2010

Assets	2011	2010
Cash and cash equivalents	\$ 52,164,251	73,922,371
Accrued interest receivable	2,893,524	3,092,525
Pledges receivable	1,045,000	1,098,025
Other receivables	315,166	560,719
Other assets	599,474	357,389
Notes receivable	21,758,096	21,779,996
Investments	513,325,983	496,463,051
Investment in real estate	2,616,104	3,977,871
Fixed assets:		
Building, furniture, and fixtures	2,726,289	2,572,429
Construction in progress	10,446,209	3,212,144
Less accumulated depreciation	(1,132,514)	(1,021,749)
Fixed assets, net	<u>12,039,984</u>	<u>4,762,824</u>
Total assets	<u>\$ 606,757,582</u>	<u>606,014,771</u>
Liabilities and Net Assets		
Liabilities:		
Grants payable	\$ 54,391,617	65,447,129
Accrued grants for construction	148,590	9,022,746
Accounts payable	6,182,264	1,923,850
Annuities payable	1,744,013	1,909,769
Beneficiaries payable	3,748,398	3,992,501
Funds held for others	21,403,842	25,297,727
Total liabilities	<u>87,618,724</u>	<u>107,593,722</u>
Net assets:		
Unrestricted	465,802,096	444,509,736
Temporarily restricted	37,406,645	38,921,196
Permanently restricted	15,930,117	14,990,117
Total net assets	<u>519,138,858</u>	<u>498,421,049</u>
Total liabilities and net assets	<u>\$ 606,757,582</u>	<u>606,014,771</u>

See accompanying notes to combined financial statements.

OMAHA COMMUNITY FOUNDATION

Combined Statement of Activities

Year ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues and gains:				
Contributions	\$ 30,955,053	2,419,235	940,000	34,314,288
Interest and dividends	15,561,871	1,382,731	—	16,944,602
Other income	1,248,613	(213,728)	—	1,034,885
Rental income	8,529,158	—	—	8,529,158
Net unrealized and realized gains (losses) on investments	10,027,608	(1,218,639)	—	8,808,969
Net assets released from restrictions	3,884,150	(3,884,150)	—	—
Total revenues and gains	<u>70,206,453</u>	<u>(1,514,551)</u>	<u>940,000</u>	<u>69,631,902</u>
Grants, expenses, and losses:				
Grants	36,125,407	—	—	36,125,407
Administrative expenses	4,878,335	—	—	4,878,335
Life insurance expense	3,273	—	—	3,273
Annuity interest expense	199,512	—	—	199,512
Property operating costs	7,310,627	—	—	7,310,627
Depreciation	87,934	—	—	87,934
Other expenses	309,005	—	—	309,005
Total grants, expenses, and losses	<u>48,914,093</u>	<u>—</u>	<u>—</u>	<u>48,914,093</u>
Increase (decrease) in net assets	21,292,360	(1,514,551)	940,000	20,717,809
Net assets at beginning of year	<u>444,509,736</u>	<u>38,921,196</u>	<u>14,990,117</u>	<u>498,421,049</u>
Net assets at end of year	<u>\$ 465,802,096</u>	<u>37,406,645</u>	<u>15,930,117</u>	<u>519,138,858</u>

See accompanying notes to combined financial statements.

OMAHA COMMUNITY FOUNDATION

Combined Statement of Activities

Year ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues and gains:				
Contributions	\$ 133,069,489	3,247,356	864,701	137,181,546
Interest and dividends	13,112,585	1,225,273	—	14,337,858
Other income	1,051,517	(15,056)	—	1,036,461
Rental income	13,394,453	—	—	13,394,453
Net unrealized and realized gains on investments	31,044,919	3,821,926	—	34,866,845
Net assets released from restrictions	4,022,094	(4,022,094)	—	—
Total revenues and gains	<u>195,695,057</u>	<u>4,257,405</u>	<u>864,701</u>	<u>200,817,163</u>
Grants, expenses, and losses:				
Grants	86,420,901	—	—	86,420,901
Administrative expenses	4,990,921	—	—	4,990,921
Life insurance expense	894,750	—	—	894,750
Annuity interest expense	214,571	—	—	214,571
Property operating costs	6,308,470	—	—	6,308,470
Depreciation	22,996	—	—	22,996
Other expenses	354,269	—	—	354,269
Total grants, expenses, and losses	<u>99,206,878</u>	<u>—</u>	<u>—</u>	<u>99,206,878</u>
Increase in net assets	96,488,179	4,257,405	864,701	101,610,285
Net assets at beginning of year	<u>348,021,557</u>	<u>34,663,791</u>	<u>14,125,416</u>	<u>396,810,764</u>
Net assets at end of year	<u>\$ 444,509,736</u>	<u>38,921,196</u>	<u>14,990,117</u>	<u>498,421,049</u>

See accompanying notes to combined financial statements.

OMAHA COMMUNITY FOUNDATION

Combined Statements of Cash Flows

Years ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Increase in net assets	\$ 20,717,809	101,610,285
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation	87,934	22,996
Net unrealized and realized gains on investments	(8,808,969)	(34,866,845)
Contributions restricted for long-term investment	(3,359,235)	(4,112,057)
Stock contribution	(29,681,987)	(144,722,995)
Property donated as a gift	(257,389)	—
Loss on disposal of fixed assets	31,673	—
Property donated as grant	1,693,663	2,014,151
Changes in assets/liabilities:		
Accrued interest receivable	199,001	(1,024,985)
Pledges receivable	53,025	319,669
Other receivables	245,553	372,186
Other assets	(241,718)	(22,894)
Grants payable	(11,055,512)	39,401,905
Accounts payable	4,258,414	(370,705)
Accrued grants for construction	(8,874,156)	9,022,746
Annuities payable	(165,756)	(134,893)
Beneficiaries payable	(244,103)	747,523
Funds held for others	(3,893,885)	3,630,694
Net cash used in operating activities	(39,295,638)	(28,113,219)
Cash flows from investing activities:		
Capital expenditures	(1,693,663)	(2,014,151)
Purchases of property	(7,234,065)	(3,110,788)
Purchases of investments	(147,513,677)	(160,159,852)
Sales of investments	170,597,788	206,567,901
Decrease in notes receivable	21,900	20,004
Net cash provided by investing activities	14,178,283	41,303,114
Cash flows from financing activity:		
Proceeds from contributions restricted for long-term investment	3,359,235	4,112,057
Net increase (decrease) in cash and cash equivalents	(21,758,120)	17,301,952
Cash and cash equivalents at beginning of year	73,922,371	56,620,419
Cash and cash equivalents at end of year	\$ 52,164,251	73,922,371
Supplemental disclosures of noncash investing and financing activities:		
Stock contribution	\$ 29,681,987	144,722,995
Property received as gift	257,389	—
Property donated as grant	1,693,663	2,014,151

See accompanying notes to combined financial statements.

OMAHA COMMUNITY FOUNDATION

Notes to Combined Financial Statements

December 31, 2011 and 2010

(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 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
The Partnership For Our Kids and All Our Kids, Inc. Foundation	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
Carmen and John Gottschalk Foundation	June 24, 2004
William and Barbara Fitzgerald Family Foundation	October 20, 2005
Robin Hill Charitable Foundation	July 12, 2007

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.

OMAHA COMMUNITY FOUNDATION

Notes to Combined Financial Statements

December 31, 2011 and 2010

(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.

(c) 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. Certain investments in funds that do not have readily determinable fair values including private investments, hedge funds, real estate, and other funds are estimated using net asset value per share or its equivalent as a practical expedient to fair value.

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.

(d) 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.

(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.

OMAHA COMMUNITY FOUNDATION

Notes to Combined Financial Statements

December 31, 2011 and 2010

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 4.5%). The assumption is that, at a 4.5% spending rate over the years, with gains/losses and interest included, the fund will remain in perpetuity.

(g) Donor-Restricted Gifts

Donor-restricted gifts, including gifts to Donor Advised Funds and other types of funds of the Foundation, are classified as permanently or temporarily restricted funds.

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 are 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, 2011 and 2010, the Foundation had no uncertain tax positions which are accrued.

(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

OMAHA COMMUNITY FOUNDATION

Notes to Combined Financial Statements

December 31, 2011 and 2010

typically need to be purchased if not provided by donation. In 2011 and 2010, 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 combined 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 are 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, 2011 and 2010 are as follows:

	2011		2010	
	Cost	Fair value	Cost	Fair value
U.S. Treasury securities	\$ 3,675,677	3,813,196	3,933,337	4,178,198
U.S. agency securities	11,646,586	11,774,548	12,881,890	12,747,513
Municipal Bonds	105,405	104,992	—	—
Corporate bonds	176,694,307	182,254,970	170,734,580	178,922,120
Common stock	165,454,864	177,145,829	155,639,764	159,437,353
Preferred stock	930,833	189,132	1,507,219	794,575
Closely held stock	7,809,536	11,476,569	8,825,202	11,539,775
Mutual funds	99,536,921	101,729,812	95,773,657	101,870,086
Partnerships	14,086,583	22,770,456	15,004,260	24,679,092
Foreign equities	2,019,333	2,066,479	2,215,849	2,294,339
Investment in Real Estate	2,996,104	2,616,104	3,977,871	3,977,871
Total	<u>\$ 484,956,149</u>	<u>515,942,087</u>	<u>470,493,629</u>	<u>500,440,922</u>

OMAHA COMMUNITY FOUNDATION

Notes to Combined Financial Statements

December 31, 2011 and 2010

The change in the unrealized gains and losses recognized during the years ended December 31, 2011 and 2010 was \$1,038,645 and \$24,231,701, respectively. The realized gains and losses recognized during the years ended December 31, 2011 and 2010 was \$7,770,324 and \$10,635,144, 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:

	2011	2010	Redemption	Redemption
	Fair value*	Fair value*	frequency	notice
			(if currently	period
			eligible)	
Equity funds (a)	\$ 8,933,079	10,422,608	Monthly – quarterly	30 – 60 days
Multistrategy funds (b)	9,999,643	11,200,506	Monthly – quarterly	30 – 60 days
Private equity/venture capital funds (c)	13,480,490	11,887,042	(c)	(c)
Real estate funds (d)	1,221,865	1,258,588	N/A	N/A
Hedge funds (e)	807,715	1,039,608	Quarterly	45 days
Other	57,244	56,757		
	<u>\$ 34,500,036</u>	<u>35,865,109</u>		

* There were no unfunded commitments at December 31, 2011 and 2010.

- (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.
- (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 \$9.9 million and \$9 million at December 31, 2011 and 2010, 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 multifamily 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

OMAHA COMMUNITY FOUNDATION

Notes to Combined Financial Statements

December 31, 2011 and 2010

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.

- (e) This category includes hedge funds that invest primarily in publically traded international equities with long bias. The fair values of the investments in this category have been estimated using the net asset value per share of the investment.

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.

OMAHA COMMUNITY FOUNDATION

Notes to Combined Financial Statements

December 31, 2011 and 2010

Assets measured at fair value at December 31, 2011 on a recurring basis are summarized below:

Description	December 31, 2011	Quoted assets in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	\$ 52,164,251	52,164,251	—	—
U.S. Treasury securities	3,813,196	—	3,813,196	—
U.S. agency securities	11,774,548	—	11,774,548	—
Municipal bonds	104,992	—	104,992	—
Corporate bonds	182,254,970	—	182,254,970	—
Common stocks	177,145,829	106,255,829	70,890,000	—
Preferred stock	189,132	189,132	—	—
Closely held stock	11,476,569	—	9,943,857	1,532,712
Mutual funds	101,729,812	100,245,420	1,484,392	—
Partnerships	22,770,456	—	17,726,697	5,043,759
Foreign equities	2,066,479	2,066,479	—	—
Investment in real estate	2,616,104	—	2,616,104	—
Total	<u>\$ 568,106,338</u>	<u>260,921,111</u>	<u>300,608,756</u>	<u>6,576,471</u>

Assets measured at fair value at December 31, 2010 on a recurring basis are summarized below:

Description	December 31, 2010	Quoted assets in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	\$ 73,922,371	73,922,371	—	—
U.S. Treasury securities	4,178,198	—	4,178,198	—
U.S. agency securities	12,747,513	—	12,747,513	—
Corporate bonds	178,922,120	—	178,922,120	—
Common stocks	159,437,353	95,497,353	63,940,000	—
Preferred stock	794,575	794,575	—	—
Closely held stock	11,539,775	—	9,993,778	1,545,997
Mutual funds	101,870,086	99,978,348	1,891,738	—
Partnerships	24,679,092	—	20,003,542	4,675,550
Foreign equities	2,294,339	2,294,339	—	—
Investment in real estate	3,977,871	—	3,977,871	—
Total	<u>\$ 574,363,293</u>	<u>272,486,986</u>	<u>295,654,760</u>	<u>6,221,547</u>

OMAHA COMMUNITY FOUNDATION

Notes to Combined Financial Statements

December 31, 2011 and 2010

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 combined 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.

During 2011 and 2010 there were no transfers from Level 1 and 2. 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, 2011:

	Partnerships	Closely held stock	Total
Beginning balance	\$ 4,675,550	1,545,997	6,221,547
Unrealized gains	511,062	37,046	548,108*
Purchases	515,985	939,777	1,455,762
Sales	(658,838)	(990,108)	(1,648,946)
Transfers in and out, net	—	—	—
Ending balance	\$ 5,043,759	1,532,712	6,576,471

* 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, 2010:

	Partnerships	Closely held stock	Total
Beginning balance	\$ 4,923,236	1,036,238	5,959,474
Unrealized gains	557,517	227,588	785,105*
Purchases and sales, net	(1,256,696)	282,171	(974,525)
Transfers in and out, net	451,493	—	451,493
Ending balance	\$ 4,675,550	1,545,997	6,221,547

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

The combined financial statements as of and for the years ended December 31, 2011 and 2010 do not include any nonrecurring fair value measurements related to assets or liabilities.

OMAHA COMMUNITY FOUNDATION

Notes to Combined Financial Statements

December 31, 2011 and 2010

(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, 2011 and 2010 are expected to be received in the following periods:

	<u>2011</u>	<u>2010</u>
One year or less	\$ 1,045,000	1,100,500
One to two years	—	—
	<u>1,045,000</u>	<u>1,100,500</u>
Less discount to present value	—	2,475
	<u>\$ 1,045,000</u>	<u>1,098,025</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, 2011 and 2010 of \$1,744,013 and \$1,909,769, 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, 2011 and 2010, the fair value of investments of these annuities totaled approximately \$3,208,800 and \$3,550,146, 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, 2011 and 2010 are expected to be paid as follows (discounted at rates ranging from 0.04% to 4.5%):

	<u>2011</u>	<u>2010</u>
In less than one year	\$ 16,800,037	20,055,169
In one to five years	37,684,599	45,479,957
	<u>54,484,636</u>	<u>65,535,126</u>
Discount	(93,019)	(87,997)
Total grants payable	<u>\$ 54,391,617</u>	<u>65,447,129</u>

OMAHA COMMUNITY FOUNDATION

Notes to Combined Financial Statements

December 31, 2011 and 2010

(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:

	<u>2011</u>	<u>2010</u>
Arts, culture, and humanities	\$ 151,598	95,033
Civic and municipalities	236,367	311,687
Environment and animals	47,507	28,453
Health	231,001	450,867
Human services	637,672	445,824
Education and scholarships	909,817	1,240,951
Administrative expenses	107,918	114,455
Time restrictions	1,137,727	934,918
Religious purposes	342,113	297,628
Youth	82,430	102,278
	<u>3,884,150</u>	<u>4,022,094</u>
Total	\$ <u>3,884,150</u>	<u>4,022,094</u>

The composition of unrestricted net assets is as follows:

	<u>2011</u>	<u>2010</u>
Omaha Community Foundation	\$ 49,311,993	37,821,468
Supporting foundations	416,490,103	406,688,268
	<u>465,802,096</u>	<u>444,509,736</u>

Restricted net assets are available for the following purposes as of December 31, 2011:

	<u>Permanently restricted</u>	<u>Temporarily restricted</u>
Arts, culture, and humanities	\$ —	124,414
Donor-advised	12,166,340	5,148,463
Human services	3,162,777	18,423,238
Education and scholarships	601,000	10,964,233
Youth	—	145,068
Environmental and animals	—	1,022,079
Religious purposes	—	557,459
Time restrictions	—	1,021,691
	<u>15,930,117</u>	<u>37,406,645</u>
	\$ <u>15,930,117</u>	<u>37,406,645</u>

OMAHA COMMUNITY FOUNDATION

Notes to Combined Financial Statements

December 31, 2011 and 2010

	<u>Permanently restricted</u>	<u>Temporarily restricted</u>
Omaha Community Foundation	\$ 15,830,117	31,453,054
Supporting foundations	100,000	5,953,591
	<u>\$ 15,930,117</u>	<u>37,406,645</u>

Restricted net assets are available for the following purposes as of December 31, 2010:

	<u>Permanently restricted</u>	<u>Temporarily restricted</u>
Arts, culture, and humanities	\$ —	229,545
Donor-advised	12,166,340	9,786,144
Human services	2,322,777	17,359,724
Education and scholarships	501,000	8,814,235
Youth	—	169,072
Environmental and animals	—	1,072,381
Religious purposes	—	398,590
Time restrictions	—	1,091,505
	<u>\$ 14,990,117</u>	<u>38,921,196</u>

	<u>Permanently restricted</u>	<u>Temporarily restricted</u>
Omaha Community Foundation	\$ 14,990,117	32,577,132
Supporting foundations	—	6,344,064
	<u>\$ 14,990,117</u>	<u>38,921,196</u>

(9) Endowment

The Foundation holds approximately 160 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. The Foundation applies the 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*

OMAHA COMMUNITY FOUNDATION

Notes to Combined Financial Statements

December 31, 2011 and 2010

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, 2011 and 2010, \$100,000 and \$0, respectively, of the permanent endowment balance, \$4,831,355 and \$5,123,060, respectively, of the temporarily restricted endowment balance and \$178,744 and \$178,744 respectively, 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

	December 31, 2011			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Donor-restricted endowment funds	\$ (258,240)	36,284,410	15,930,117	51,956,287

OMAHA COMMUNITY FOUNDATION

Notes to Combined Financial Statements

December 31, 2011 and 2010

Endowment Net Asset Composition by Type of Fund

	December 31, 2010			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$ 165,955	37,700,192	14,990,117	52,856,264

Changes in Endowment Net Assets

	Year ended December 31, 2011			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ 165,955	37,700,192	14,990,117	52,856,264
Other losses	—	(213,728)	—	(213,728)
Investment return:				
Investment income	—	1,382,731	—	1,382,731
Net depreciation (realized and unrealized)	(424,195)	(1,218,591)	—	(1,642,786)
Total investment return	(424,195)	164,140	—	(260,055)
Appropriation of endowment assets for expenditure	—	(2,717,514)	—	(2,717,514)
Contributions	—	1,351,320	940,000	2,291,320
Endowment net assets, end of year	<u>\$ (258,240)</u>	<u>36,284,410</u>	<u>15,930,117</u>	<u>51,956,287</u>

OMAHA COMMUNITY FOUNDATION

Notes to Combined Financial Statements

December 31, 2011 and 2010

Changes in Endowment Net Assets

	Year ended December 31, 2010			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Endowment net assets, beginning of year	\$ (335,091)	33,082,296	14,125,416	46,872,621
Other losses	—	(15,056)	—	(15,056)
Investment return:				
Investment income	—	1,222,044	—	1,222,044
Net appreciation (realized and unrealized)	501,046	3,821,576	—	4,322,622
Total investment return	501,046	5,043,620	—	5,544,666
Appropriation of endowment assets for expenditure	—	(3,011,149)	—	(3,011,149)
Contributions	—	2,600,481	864,701	3,465,182
Endowment net assets, end of year	\$ <u>165,955</u>	<u>37,700,192</u>	<u>14,990,117</u>	<u>52,856,264</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 4.5% 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.

OMAHA COMMUNITY FOUNDATION

Notes to Combined Financial Statements

December 31, 2011 and 2010

(10) Administrative Expenses

The Foundation's administrative expenses for the years ended December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Omaha Community Foundation operating expenses	\$ 2,251,678	2,134,780
Middle School Learning Center Initiative expenses	96,590	628,505
Omaha By Design expenses	<u>263,792</u>	<u>260,204</u>
	2,612,060	3,023,489
Supporting foundations	<u>2,266,275</u>	<u>1,967,432</u>
	<u>\$ 4,878,335</u>	<u>4,990,921</u>

(11) Commitments

A supporting foundation leases the property and then subleases 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 related to these leases was \$5,648,397 and \$10,396,039 in 2011 and 2010, respectively.

As of December 31, 2011, minimum rental commitments to be received under noncancelable operating leases are as follows:

Year ending December 31:	
2012	\$ 5,002,311
2013	4,354,192
2014	3,968,461
2015	3,393,209
2016	1,856,561
Thereafter	<u>1,436,328</u>
Total minimum lease payments	<u>\$ 20,011,062</u>

As of January 18, 2011, a significant tenant's lease terminated. Total rental income for that tenant was approximately \$266,420 and \$5,506,008 for 2011 and 2010, respectively.

(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.

OMAHA COMMUNITY FOUNDATION

Notes to Combined Financial Statements

December 31, 2011 and 2010

(13) Subsequent Events

The Foundation has evaluated subsequent events from the date of the combined statement of financial position through June 13, 2012, the date at which the combined financial statements were available to be issued, and determined there are no other items to disclose.