OMAHA COMMUNITY FOUNDATION

Combined Financial Statements

December 31, 2012 and 2011

(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 financial statements of the Omaha Community Foundation and its supporting foundations (collectively, the Foundation), which comprise the combined statements of financial position as of December 31, 2012 and 2011, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We did not audit the financial statements of Partnership 4 Kids, Inc. and All Our Kids, Inc. Foundation, a supporting foundation, which statements constitute 1% of combined assets and 2% of combined revenues and gains in 2012 and 2011. 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 Partnership 4 Kids, Inc. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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

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, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Omaha, Nebraska
June 21, 2013

OMAHA COMMUNITY FOUNDATION

Combined Statements of Financial Position

December 31, 2012 and 2011

Assets		**2012**	**2011**
Cash and cash equivalents	$	40,082,829	52,164,251
Accrued interest receivable		3,062,436	2,893,524
Pledges receivable		1,280,000	1,045,000
Other receivables		419,772	315,166
Other assets		291,425	299,474
Notes receivable		11,735,531	21,758,096
Investments		593,287,358	513,625,983
Investment in real estate		2,599,104	2,616,104
Fixed assets:			
Building, furniture, and fixtures		2,822,215	2,726,289
Construction in progress		—	10,446,209
Less accumulated depreciation		(1,204,739)	(1,132,514)
Fixed assets, net		1,617,476	12,039,984
Total assets	$	654,375,931	606,757,582
Liabilities and Net Assets			
Liabilities:			
Grants payable	$	55,084,307	54,391,617
Accrued grants for construction		—	148,590
Accounts payable		1,521,532	6,182,264
Annuities payable		1,526,395	1,744,013
Beneficiaries payable		—	3,748,398
Funds held for others		28,560,070	21,403,842
Total liabilities		86,692,304	87,618,724
Net assets:			
Unrestricted		509,551,395	465,802,096
Temporarily restricted		41,178,891	37,406,645
Permanently restricted		16,953,341	15,930,117
Total net assets		567,683,627	519,138,858
Total liabilities and net assets	$	654,375,931	606,757,582

See accompanying notes to combined financial statements.

OMAHA COMMUNITY FOUNDATION

Combined Statement of Activities

Year ended December 31, 2012

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and gains:				
Contributions	$ 57,761,598	2,277,389	1,023,224	61,062,211
Interest and dividends	16,610,266	1,366,110	—	17,976,376
Other income	595,225	(46,315)	—	548,910
Rental income	10,377,928	—	—	10,377,928
Net unrealized and realized gains on investments	43,149,736	4,501,881	—	47,651,617
Net assets released from restrictions	4,326,819	(4,326,819)	—	—
Total revenues and gains	132,821,572	3,772,246	1,023,224	137,617,042
Grants, expenses, and losses:				
Grants	75,638,463	—	—	75,638,463
Administrative expenses	5,133,281	—	—	5,133,281
Life insurance expense	282,273	—	—	282,273
Annuity interest expense	113,944	—	—	113,944
Property operating costs	7,420,069	—	—	7,420,069
Depreciation	80,620	—	—	80,620
Other expenses	403,623	—	—	403,623
Total grants, expenses, and losses	89,072,273	—	—	89,072,273
Increase in net assets	43,749,299	3,772,246	1,023,224	48,544,769
Net assets at beginning of year	465,802,096	37,406,645	15,930,117	519,138,858
Net assets at end of year	$ 509,551,395	41,178,891	16,953,341	567,683,627

See accompanying notes to combined financial statements.

OMAHA COMMUNITY FOUNDATION

Combined Statement of Activities

Year ended December 31, 2011

	Unrestricted	Temporarily restricted	Permanently restricted	Total
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	70,206,453	(1,514,551)	940,000	69,631,902
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	48,914,093	—	—	48,914,093
Increase (decrease) in net assets	21,292,360	(1,514,551)	940,000	20,717,809
Net assets at beginning of year	444,509,736	38,921,196	14,990,117	498,421,049
Net assets at end of year	$ 465,802,096	37,406,645	15,930,117	519,138,858

See accompanying notes to combined financial statements.

OMAHA COMMUNITY FOUNDATION

Combined Statements of Cash Flows

Years ended December 31, 2012 and 2011

		2012	2011
Cash flows from operating activities:			
Increase in net assets	$	48,544,769	20,717,809
Adjustments to reconcile increase in net assets to net cash used in operating activities:			
Depreciation		80,620	87,934
Net unrealized and realized gains on investments		(47,651,617)	(8,808,969)
Contributions restricted for long-term investment		(3,300,613)	(3,359,235)
Stock contribution		(81,311,714)	(29,681,987)
Property donated as a gift		—	(257,389)
Loss on disposal of fixed assets		—	31,673
Property donated as grant		28,637,934	1,693,663
Changes in assets/liabilities:			
Accrued interest receivable		(168,912)	199,001
Pledges receivable		(235,000)	53,025
Other receivables		(104,606)	245,553
Other assets		8,049	(241,718)
Grants payable		692,690	(11,055,512)
Accounts payable		(4,660,732)	4,258,414
Accrued grants for construction		(148,590)	(8,874,156)
Annuities payable		(217,618)	(165,756)
Beneficiaries payable		(3,748,398)	(244,103)
Funds held for others		7,156,228	(3,893,885)
Net cash used in operating activities		(56,427,510)	(39,295,638)
Cash flows from investing activities:			
Capital expenditures		(18,191,725)	(1,693,663)
Purchases of property		(104,321)	(7,234,065)
Purchases of investments		(109,983,863)	(147,513,677)
Sales of investments		159,302,819	170,597,788
Decrease in notes receivable		10,022,565	21,900
Net cash provided by investing activities		41,045,475	14,178,283
Cash flows from financing activity:			
Proceeds from contributions restricted for long-term investment		3,300,613	3,359,235
Net decrease in cash and cash equivalents		(12,081,422)	(21,758,120)
Cash and cash equivalents at beginning of year		52,164,251	73,922,371
Cash and cash equivalents at end of year	$	40,082,829	52,164,251
Supplemental disclosures of noncash investing and financing activities:			
Stock contribution	$	81,311,714	29,681,987
Property received as gift		—	257,389
Property donated as grant		28,637,934	1,693,663
Distribution of stock from charitable lead trust		4,357,072	—

See accompanying notes to combined financial statements.

(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:

Supporting foundation	Date established
Suzanne and Walter Scott Foundation	August 27, 1990
Partnership 4 Kids, Inc. 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

During 2012, the Robin Hill 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.

(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.

(Continued)

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 activities 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, 2012 and 2011, 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 typically need to be purchased if not provided by donation. In 2012 and 2011, 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.

(k) Certain balances have been reclassified to conform to the current year presentation.

(3) Investments

The cost and fair value of investments at December 31, 2012 and 2011 are as follows:

	2012		2011	
	Cost	Fair value	Cost	Fair value
Certificate of deposit	$ 320,500	320,500	—	—
U.S. Treasury securities	3,301,861	3,389,693	3,675,677	3,813,196
U.S. agency securities	19,483,830	19,560,619	11,646,586	11,774,548
Municipal bonds	—	—	105,405	104,992
Corporate bonds	195,952,893	205,742,830	176,694,307	182,254,970
Common stock	171,780,768	205,648,581	165,454,864	177,145,829
Preferred stock	918,031	191,447	930,833	189,132
Closely held stock	6,394,805	12,675,575	7,809,536	11,476,569
Mutual funds	116,738,311	128,057,893	99,536,921	101,729,812
Partnerships	5,702,408	15,156,299	14,386,583	23,070,456
Other	86,808	112,554	—	—
Foreign equities	2,203,159	2,431,367	2,019,333	2,066,479
Investment in real estate	2,996,104	2,599,104	2,996,104	2,616,104
Total	$ 525,879,478	595,886,462	485,256,149	516,242,087

The change in the unrealized gains and losses recognized during the years ended December 31, 2012 and 2011 was $39,021,046 and $1,038,645, respectively. The realized gains and losses recognized during the years ended December 31, 2012 and 2011 was $8,630,571 and $7,770,324, 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:

	2012 Fair value	2011 Fair value	Redemption frequency (if currently eligible)	Redemption notice period
Equity funds (a)	$ 10,542,398	8,933,079	Monthly – quarterly	30 – 60 days
Multistrategy funds (b)	519,167	9,999,643	Monthly – quarterly	30 – 60 days
Private equity/venture capital funds (c)*	17,193,704	13,780,490	(c)	(c)
Real estate funds (d)	1,200,656	1,221,865	N/A	N/A
Hedge funds (e)	—	807,715	Quarterly	45 days
Other	64,540	57,244		
	$ 29,520,465	34,800,036		

* One of the private equity funds invests in start-up projects. The fair value of the investment has been estimated using the net asset value of supporting foundation's ownership interest in the partners' capital as a practical expedient to fair value. The private equity fund includes a restriction on the transfer of ownership. The supporting foundation's total commitment is $1.5 million to be paid over a ten year period.

(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 $12.5 million and $9.9 million at December 31, 2012 and 2011, 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 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.

Assets measured at fair value at December 31, 2012 on a recurring basis are summarized below:

Description	December 31, 2012	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	$ 40,082,829	40,082,829	—	—
Certificates of deposit	320,500	320,500	—	—
U.S. Treasury securities	3,389,693	—	3,389,693	—
U.S. agency securities	19,560,619	—	19,560,619	—
Corporate bonds	205,742,830	—	205,742,830	—
Common stocks	205,648,581	102,988,581	102,660,000	—
Preferred stock	191,447	191,447	—	—
Closely held stock	12,675,575	—	12,490,750	184,825
Mutual funds	128,057,893	126,363,074	1,694,819	—
Partnerships	15,156,299	—	8,847,579	6,308,720
Other	112,554	112,554	—	—
Foreign equities	2,431,367	2,431,367	—	—
Investment in real estate	2,599,104	—	2,599,104	—
Total	$ 635,969,291	272,490,352	356,985,394	6,493,545

(Continued)

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	23,070,456	—	17,726,697	5,343,759
Foreign equities	2,066,479	2,066,479	—	—
Investment in real estate	2,616,104	—	2,616,104	—
Total	$ 568,406,338	260,921,111	300,608,756	6,876,471

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.

(Continued)

During 2012 and 2011 there were no transfers from Levels 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, 2012:

		Partnerships	Closely held stock	Total
Beginning balance	$	5,343,759	1,532,712	6,876,471
Unrealized gains		799,626	(123,399)	676,227*
Purchases		716,642	1,099,344	1,815,986
Sales		(551,307)	(2,323,832)	(2,875,139)
Transfers in and out, net		—	—	—
Ending balance	$	6,308,720	184,825	6,493,545

* 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, 2011:

		Partnerships	Closely held stock	Total
Beginning balance	$	4,825,550	1,545,997	6,371,547
Unrealized gains		511,062	37,046	548,108*
Purchases		665,985	939,777	1,605,762
Sales		(658,838)	(990,108)	(1,648,946)
Transfers in and out, net		—	—	—
Ending balance	$	5,343,759	1,532,712	6,876,471

* 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, 2012 and 2011 do not include any nonrecurring fair value measurements related to assets or liabilities.

(5) Pledges Receivable

Pledges receivable are recognized at their fair value at the time of the gift. Unconditional pledges receivable at December 31, 2012 and 2011 are expected to be received in the following periods:

		2012	2011
One year or less	$	1,280,000	1,045,000
One to two years		—	—
		1,280,000	1,045,000
Less discount to present value		—	—
	$	1,280,000	1,045,000

(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, 2012 and 2011 of $1,526,395 and $1,744,013, respectively, represents the estimated actuarial value of these future payments valued at rates ranging from 2% to 12%. The excess of the fair value of investments over this payable is included in net assets. At December 31, 2012 and 2011, the fair value of investments of these annuities totaled approximately $2,817,960 and $3,208,800, 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, 2012 and 2011 are expected to be paid as follows (discounted at rates ranging from 0.04% to 4.5%):

		2012	2011
In less than one year	$	19,407,843	16,800,037
In one to five years		35,717,337	37,684,599
		55,125,180	54,484,636
Discount		(40,873)	(93,019)
Total grants payable	$	55,084,307	54,391,617

(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:

		2012	2011
Arts, culture, and humanities	$	123,682	151,598
Civic and municipalities		256,824	236,367
Environment and animals		25,967	47,507
Health		269,961	231,001
Human services		608,266	637,672
Education and scholarships		1,678,244	909,817
Administrative expenses		60,570	107,918
Time restrictions		1,060,891	1,137,727
Religious purposes		156,803	342,113
Youth		85,611	82,430
Total	$	4,326,819	3,884,150

The composition of unrestricted net assets is as follows:

		2012	2011
Omaha Community Foundation	$	61,449,050	49,311,993
Supporting foundations		448,102,345	416,490,103
	$	509,551,395	465,802,096

Restricted net assets are available for the following purposes as of December 31, 2012:

		Permanently restricted	Temporarily restricted
Arts, culture, and humanities	$	—	134,636
Donor-advised		12,166,341	5,281,032
Human services		4,186,000	21,162,619
Education and scholarships		601,000	11,317,359
Health		—	37,253
Youth		—	231,574
Environmental and animals		—	1,100,877
Religious purposes		—	699,242
Time restrictions		—	1,214,299
	$	16,953,341	41,178,891

		Permanently restricted	Temporarily restricted
Omaha Community Foundation	$	16,853,341	34,496,206
Supporting foundations		100,000	6,682,685
	$	16,953,341	41,178,891

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

		Permanently restricted	Temporarily restricted
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
	$	15,930,117	37,406,645

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

(9) Endowment

The Foundation holds approximately 180 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 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, 2012 and 2011, $100,000 of the permanent endowment balance, $5,260,574 and $4,831,355, respectively, of the temporarily restricted endowment balance 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

	December 31, 2012			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$ 178,744	39,756,781	16,953,341	56,888,866

Endowment Net Asset Composition by Type of Fund

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

Changes in Endowment Net Assets

	Year ended December 31, 2012			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Endowment net assets, beginning of year	$ (258,240)	36,284,410	15,930,117	51,956,287
Other losses	—	(46,315)	—	(46,315)
Investment return:				
Investment income	—	1,372,009	—	1,372,009
Net depreciation (realized and unrealized)	436,984	4,496,755	—	4,933,739
Total investment return	436,984	5,868,764	—	6,305,748
Appropriation of endowment assets for expenditure	—	(3,253,597)	—	(3,253,597)
Contributions	—	903,519	1,023,224	1,926,743
Endowment net assets, end of year	$ 178,744	39,756,781	16,953,341	56,888,866

(Continued)

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	$ (258,240)	36,284,410	15,930,117	51,956,287

(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 that precedes 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.

(Continued)

(10) Administrative Expenses

The Foundation's administrative expenses for the years ended December 31, 2012 and 2011 are as follows:

	2012	2011
Omaha Community Foundation operating expenses	$ 2,187,585	2,251,678
Middle School Learning Center Initiative expenses	—	96,590
Omaha By Design expenses	250,161	263,792
	2,437,746	2,612,060
Supporting foundations	2,695,535	2,266,275
	$ 5,133,281	4,878,335

(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 $6,791,915 and $5,648,397 in 2012 and 2011, respectively.

As of December 31, 2012, minimum rental commitments to be received under noncancelable operating leases are as follows:

Year ending December 31:	
2013	$ 7,188,886
2014	7,431,163
2015	6,688,590
2016	5,608,245
2017	2,826,233
Thereafter	564,877
Total minimum lease payments	$ 30,307,994

(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%. During the year ended December 31, 2012, the supporting foundation received payment of $10 million. Subsequent to December 31, 2012, the note was paid in full.

(13) Subsequent Events

The Foundation has evaluated subsequent events from the date of the combined statement of financial position through June 21, 2013, the date at which the combined financial statements were available to be issued, and determined there are no other items to disclose.