

OMAHA COMMUNITY FOUNDATION

Combined Financial Statements

December 31, 2022 and 2021

(With Independent Auditors' Report Thereon)



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Independent Auditors' Report

The Board of Directors
Omaha Community Foundation:

Report on the Audit of the Combined Financial Statements

Opinion

We have audited the 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, 2022 and 2021, and the related combined statements of activities, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of the Foundation as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date the combined financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are



considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the *combined* financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2023 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

KPMG LLP

Omaha, Nebraska
June 23, 2023

OMAHA COMMUNITY FOUNDATION

Combined Statements of Financial Position

December 31, 2022 and 2021

(Dollars in thousands)

Assets	2022	2021
Cash and cash equivalents	\$ 219,014	127,498
Beneficial interest in charitable lead annuity trust	73,922	80,187
Other assets	17,044	13,881
Investments, at fair value	1,287,560	1,353,082
Investments in real estate	445	1,447
Right-of-use asset	7,017	—
Fixed assets:		
Building and improvements, land, furniture, and fixtures	24,283	23,846
Less accumulated depreciation	(3,634)	(2,873)
Fixed assets, net	20,649	20,973
Total assets	\$ 1,625,651	1,597,068
Liabilities and Net Assets		
Liabilities:		
Grants payable	\$ 17,008	32,225
Accounts payable and accrued liabilities	3,283	2,626
Annuities payable	714	831
Funds held for others	59,530	63,353
Lease liability	7,045	—
Total liabilities	87,580	99,035
Net assets:		
Without donor restrictions – undesignated	1,389,212	1,326,920
With donor restrictions	148,859	171,113
Total net assets	1,538,071	1,498,033
Total liabilities and net assets	\$ 1,625,651	1,597,068

See accompanying notes to combined financial statements.

OMAHA COMMUNITY FOUNDATION

Combined Statement of Activities

Year ended December 31, 2022

(Dollars in thousands)

	<u>Without donor restrictions undesignated</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenue and gains:			
Contributions	\$ 308,079	960	309,039
Investment return, net	(81,302)	(12,715)	(94,017)
Change in beneficial interest in charitable lead annuity trust	—	3,784	3,784
Other income	7,557	—	7,557
Rental income	10,830	—	10,830
Net assets released from restrictions	14,283	(14,283)	—
	<u>259,447</u>	<u>(22,254)</u>	<u>237,193</u>
Total revenue and gains			
Grants, expenses, and losses:			
Grants, net of cancellations	166,534	—	166,534
Administrative	9,029	—	9,029
Property operating costs	20,806	—	20,806
Depreciation	786	—	786
	<u>197,155</u>	<u>—</u>	<u>197,155</u>
Total grants, expenses, and losses			
Increase (decrease) in net assets	62,292	(22,254)	40,038
Net assets at beginning of year	<u>1,326,920</u>	<u>171,113</u>	<u>1,498,033</u>
Net assets at end of year	<u>\$ 1,389,212</u>	<u>148,859</u>	<u>1,538,071</u>

See accompanying notes to combined financial statements.

OMAHA COMMUNITY FOUNDATION

Combined Statement of Activities

Year ended December 31, 2021

(Dollars in thousands)

	<u>Without donor restrictions undesignated</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenue and gains:			
Contributions	\$ 148,027	990	149,017
Investment return, net	188,825	9,882	198,707
Change in beneficial interest in charitable lead annuity trust	—	(6,253)	(6,253)
Other income	5,339	—	5,339
Rental income	12,779	—	12,779
Net assets released from restrictions	<u>17,370</u>	<u>(17,370)</u>	<u>—</u>
Total revenue and gains	<u>372,340</u>	<u>(12,751)</u>	<u>359,589</u>
Grants, expenses, and losses:			
Grants, net of cancellations	135,468	—	135,468
Administrative	8,089	—	8,089
Property operating costs	15,810	—	15,810
Depreciation	<u>685</u>	<u>—</u>	<u>685</u>
Total grants, expenses, and losses	<u>160,052</u>	<u>—</u>	<u>160,052</u>
Increase (decrease) in net assets	212,288	(12,751)	199,537
Net assets at beginning of year	<u>1,114,632</u>	<u>183,864</u>	<u>1,298,496</u>
Net assets at end of year	\$ <u><u>1,326,920</u></u>	<u><u>171,113</u></u>	<u><u>1,498,033</u></u>

See accompanying notes to combined financial statements.

OMAHA COMMUNITY FOUNDATION
 Combined Statements of Cash Flows
 Years ended December 31, 2022 and 2021
 (Dollars in thousands)

	2022	2021
Cash flows from operating activities:		
Increase in net assets	\$ 40,038	199,537
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation	786	685
Net unrealized and realized (gains) losses on investments	112,540	(181,382)
Contributions restricted for long-term investment	(14,282)	(19,280)
Stock contribution	(200,283)	(69,631)
Contribution of property held for sale	—	(1,172)
Change in beneficial interest in charitable lead annuity trust	(3,784)	6,253
(Gain) Loss on disposal of fixed assets	(13)	97
Noncash donations included in grant expense	237	111
Changes in assets/liabilities:		
Accrued interest receivable	(484)	(113)
Other receivables and accounts receivable	(338)	(178)
Other assets	(1,423)	(1,581)
Grants payable	(15,217)	(38,025)
Accounts payable and accrued liabilities	657	(296)
Operating lease	28	—
Annuities payable	(117)	(101)
Funds held for others	(3,823)	(1,057)
Net cash used in operating activities	(85,478)	(106,133)
Cash flows from investing activities:		
Capital expenditures – property donated and included in grant expense	(237)	(111)
Purchases of fixed assets	(476)	(960)
Purchases of investments	(268,092)	(283,000)
Sales of investments	421,771	304,044
Proceeds on sale of real estate	588	149
Proceeds on sale of fixed assets	30	—
Issuance of note receivable	(1,102)	(1,545)
Repayments of note receivable	181	104
Payment received on beneficial interest in charitable lead annuity trust	10,049	10,049
Net cash provided by investing activities	162,712	28,730
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	14,282	19,280
Net cash provided by financing activities	14,282	19,280
Net increase (decrease) in cash and cash equivalents	91,516	(58,123)
Cash and cash equivalents at beginning of year	127,498	185,621
Cash and cash equivalents at end of year	\$ 219,014	127,498
Supplemental disclosures of noncash investing and financing activities:		
Stock contribution	\$ 200,283	69,631
Noncash donations included in grant expense	237	111

See accompanying notes to combined financial statements.

OMAHA COMMUNITY FOUNDATION

Notes to Combined Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

(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. Revenue 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 foundations	Date established
Suzanne and Walter Scott Foundation	August 27, 1990
Mammel Family Foundation	December 31, 1994
Dixon Family Foundation	December 31, 1995
Lori & 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
The Nelson Family Foundation	December 16, 1997
William and 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
Building Healthy Futures	April 6, 2012
Annette and Paul Smith Charitable Fund	December 21, 2015
Singer Foundation	April 4, 2017
Blueprint Nebraska	July 16, 2018
Turkey Creek Preserve Charitable Foundation (Turkey Creek)	October 8, 2018
Dreams for the Future Foundation	July 17, 2018
Front Porch Investments	May 17, 2021

OMAHA COMMUNITY FOUNDATION

Notes to Combined Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

During 2022, the Amis Foundation was dissolved. During 2021, Blueprint Nebraska, Carmen and John Gottschalk Foundation, and The Faith Charitable Trust were dissolved.

During 2022, Partnership 4 Kids, Inc. and All Our Kids, Inc. Foundation (the Partnership for Our Kids) received approval from the Internal Revenue Service to be recognized as a public charity under 509(a)(1) and ceased being a supporting organization. As a result, The Partnership for Our Kids' financial statements are no longer combined. This change resulted in the removal of assets of \$8,210, net assets of \$7,809, total revenues and gains of \$2,632 and total grants, expenses and losses of \$2,266 from the previously reported 2021 amounts.

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

(2) Summary of Significant Accounting Policies

(a) *Basis of Presentation*

These combined financial statements have been prepared to focus on the Foundation as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

Net assets and related activity are classified as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations available to support the Foundation's operations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations. These stipulations may expire with time or may be satisfied and removed by the actions of the Foundation according to terms of the gift or are donor endowment funds subject to the board of directors spending policy (currently 4.5%). These restrictions are released when the specified purposes have been met.

Revenue is reported as increases in net assets without donor restrictions, unless there are donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations. Net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donor.

(b) *Use of Estimates*

The preparation of combined financial statements in conformity with U.S. GAAP 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 revenue and expenses during the reporting periods. Actual results could differ from those estimates.

OMAHA COMMUNITY FOUNDATION

Notes to Combined Financial Statements

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(Dollars in thousands)

(c) Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid instruments with an original maturity of three months or less when purchased.

(d) Other Assets

The Foundation's other assets include other equity investments in funds focused on innovation start-ups. The investment funds have various projects focused on science and technology in line with several of the Foundation's scholarship programs.

These equity investments do not have readily determinable fair values and are accounted for at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. No impairment or observable price changes were recorded during 2022 or 2021. Investments in other assets were \$7,385 and \$6,390 at December 31, 2022 and 2021, respectively.

(e) Investments and Concentration of Credit and Market Risk

Investments are recorded at fair value. All realized and unrealized gains and losses and income or loss arising from investments are reflected within investment return, net in the combined statements of activities as increases and decreases to net assets without donor restrictions unless their use is restricted by explicit donor stipulation.

Investments in securities traded on a national securities exchange are valued at the latest quoted market prices. Investments in certain closely held stock and real estate are estimated based on independent appraisals and agreed upon transaction prices that are supported by observable inputs. Certain investments in funds that do not have readily determinable fair values, including partnerships and certain mutual funds, are estimated using net asset value per share or its equivalent as a practical expedient to fair value.

The Foundation's financial instruments consisting of cash and cash equivalents and investments potentially expose the Foundation to concentrations of credit and market risk.

The Foundation maintains its cash and cash equivalents in bank accounts with banks in which the balances sometimes exceed federally insured limits. These banks are insured by the Federal Deposit Insurance Corporation (FDIC) with coverage of at least \$250 available to depositors under the FDIC's general deposit insurance rules.

The Foundation invests in a professionally managed portfolio that contains marketable investment securities. Such investments are exposed to various risks such as credit and market. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonable possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the combined financial statements.

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Notes to Combined Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

(f) Fixed Assets

Fixed assets are carried at cost, or if donated, at fair value on the date of donation. Repairs and maintenance are charged to expense as incurred. Depreciation is computed by using the straight-line method over an estimated useful life of three to five years for furniture, fixtures and equipment; 15 years for building improvements; and 39 years for buildings.

Gifts of long-lived assets, such as land, buildings, or furniture and fixtures, are reported as contributions without donor restrictions 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 contributions with donor restrictions. 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.

Upon sale or retirement, the related cost and accumulated depreciation is removed from the accounts and any gain or loss is recognized in the combined statements of activities.

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset, a loss is recognized based on current estimated fair value. There were no fixed assets impaired during 2022 or 2021.

(g) Funds Held for Others

Funds held for others represent funds held in a fiduciary capacity. Contributors can 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 as revenue in the combined statements of activities as the Foundation is acting as an agent for these funds.

(h) Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. A promise to give is conditional based on whether the agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. A conditional promise to give becomes an unconditional promise to give when the barriers in the agreement are overcome and is then recorded and reported at fair value. The gifts are reported as increases in net assets without donor restrictions, unless there are donor-imposed restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, a reclassification is made between the applicable classes of net assets. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions in the accompanying combined financial statements.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are

OMAHA COMMUNITY FOUNDATION

Notes to Combined Financial Statements

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(Dollars in thousands)

recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions revenue.

(i) Rental Revenue

A supporting organization has leases with tenants which are classified as operating leases. Rents from tenants are recognized in accordance with the lease agreements.

(j) Income Taxes

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

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. As of December 31, 2022 and 2021, the Foundation had no uncertain tax positions.

(k) Fair Value of Financial Instruments

The Foundation applies the provisions of Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, 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. 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. ASC Topic 820 also establishes a framework for measuring fair value and provides disclosures about fair value measurements (note 3).

(l) Beneficial Interest in Charitable Lead Annuity Trust

The Foundation is the irrevocable beneficiary of a charitable lead annuity trust and receives annual distributions from the trust, which is administered by a trustee. The beneficial interest in the charitable lead annuity trust is recorded at fair value, which is determined as the present value of the estimated future distributions to be received by the Foundation. The beneficial interest is classified under net assets with donor restrictions and is adjusted annually through the combined statements of activities to reflect estimated fair value at year-end.

(m) Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). This ASU is a comprehensive new leases standard that amends various aspects of existing guidance for leases and requires additional disclosures about leasing arrangements. It requires companies to recognize lease assets and lease liabilities for those leases classified as operating leases under previous U.S. GAAP. Topic 842 retains a distinction between finance leases and operating leases. The classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in the previous lease guidance. The Foundation adopted this ASU effective January 1, 2022. The Foundation

OMAHA COMMUNITY FOUNDATION

Notes to Combined Financial Statements

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(Dollars in thousands)

made an accounting policy election not to record leases with an initial term of 12 months or less for all classes of underlying assets. In addition, the Foundation elected certain practical expedients not to reassess whether existing contracts are or contain leases, to not reassess the lease classification of any existing leases, to not reassess initial direct costs for any existing leases, and to not separate lease and non-lease components for all classes of underlying assets. The Foundation elected the modified retrospective approach and therefore, did not recast its comparative periods in transition.

(3) Fair Value Measurements

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 the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022 or 2021.

The fair value of all Level 1 assets is valued at quoted prices in active markets for identical assets.

The fair value of Level 2 real estate represents various properties donated that are valued at fair value based on market comparison prices. The fair value of Level 2 common stock is valued based upon an agreed-upon transaction price; while the fair value of Level 2 corporate bonds, municipal bonds, and U.S. Treasury and Agency securities are valued using pricing models; all of which maximize the use of observable inputs for similar securities. The fair value of Level 2 closely held stock not held in private equity/venture capital funds is valued using actual sales price for sale of shares close to year-end. All other Level 2 assets are valued using quoted prices for similar assets in active markets.

The fair value of Level 3 closely held stock is valued based on recent transaction valuations. The fair value of the beneficial interest in charitable lead annuity trust is determined as the present value of the estimated future distributions to be received by the Foundation.

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Notes to Combined Financial Statements
December 31, 2022 and 2021
(Dollars in thousands)

Financial instruments measured at fair value at December 31, 2022 on a recurring and nonrecurring basis are summarized as follows:

<u>Description</u>	2022			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Recurring:				
Cash and cash equivalents	\$ 219,014	219,014	—	—
U.S. Treasury and Agency securities	80,428	—	80,428	—
Municipal bonds	323	—	323	—
Corporate bonds	239,734	—	239,734	—
Common stock	588,104	261,114	326,990	—
Preferred stock	284	284	—	—
Closely held stock	53,582	—	52,595	987
Mutual funds	278,727	278,727	—	—
Mortgage-backed securities	7,888	—	7,888	—
Foreign equities	1,043	1,043	—	—
Other	85	85	—	—
Beneficial interest in charitable lead annuity trust	73,922	—	—	73,922
Investments in real estate	445	—	445	—
Partnerships measured net asset value*	37,362	—	—	—
	<u>\$ 1,580,941</u>	<u>760,267</u>	<u>708,403</u>	<u>74,909</u>

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Notes to Combined Financial Statements
December 31, 2022 and 2021
(Dollars in thousands)

Financial instruments measured at fair value at December 31, 2021 on a recurring and nonrecurring basis are summarized as follows:

<u>Description</u>	<u>2021</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Recurring:				
Cash and cash equivalents	\$ 127,498	127,498	—	—
U.S. Treasury and Agency securities	42,566	—	42,566	—
Municipal bonds	1,142	—	1,142	—
Corporate bonds	271,521	—	271,521	—
Common stock	727,331	400,343	326,988	—
Preferred stock	222	222	—	—
Closely held stock	64,387	—	62,583	1,804
Mutual funds	194,821	194,821	—	—
Mortgage-backed securities	9,751	—	9,751	—
Foreign equities	3,452	3,452	—	—
Other	147	147	—	—
Beneficial interest in charitable lead annuity trust	80,187	—	—	80,187
Investments in real estate	1,447	—	1,447	—
Partnerships measured net asset value*	37,742	—	—	—
	<u>\$ 1,562,214</u>	<u>726,483</u>	<u>715,998</u>	<u>81,991</u>

* Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the combined statements of financial position.

The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, or liquidity associated with investments but rather the amount of estimation uncertainty associated with estimating fair value.

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Notes to Combined Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

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 years ended December 31, 2022 and 2021:

	Closely held stock	Beneficial interest in CLAT	Total
Balance at December 31, 2020	\$ 11,529	96,489	108,018
Contributions	1,120	—	1,120
Unrealized gain	611	—	611
Change in value of beneficial interest	—	(6,253)	(6,253)
Payment received on CLAT	—	(10,049)	(10,049)
Sales	(11,456)	—	(11,456)
Transfers in and out of level 3	—	—	—
Balance at December 31, 2021	1,804	80,187	81,991
Contributions	6,458	—	6,458
Unrealized gain	288	—	288
Change in value of beneficial interest	—	3,784	3,784
Payment received on CLAT	—	(10,049)	(10,049)
Sales	(7,563)	—	(7,563)
Transfers in and out of level 3	—	—	—
Balance at December 31, 2022	\$ 987	73,922	74,909

The estimated value of certain alternative investments, such as partnerships, was provided by the respective companies. For these alternative investments, the Foundation used the net asset value reported by the underlying fund to estimate the fair value of the investment as a practical expedient in determining fair value. Below is a summary of investments accounted for at net asset value:

	2022 Fair value	2021 Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Private equity/venture capital funds (a)	\$ 37,362	37,736	13,514	Monthly–N/A	N/A
Other	—	6	—	N/A	N/A
	\$ 37,362	37,742	13,514	N/A	

(a) This category includes private equity/venture capital funds that invest primarily in private companies at various stages of development and maturity. 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 two to 10 years.

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Due to the nature of the alternative investments, changes in market conditions and the economic environment may significantly impact the net asset value and, consequently, the fair value of the Foundation's interests in the investments. 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) Beneficial Interest in Charitable Lead Annuity Trust

The Foundation is the lead beneficiary of a charitable lead annuity trust (the trust). The terms of the trust state that the Foundation will receive a fixed amount, \$10,049, each year, over a 20-year period with any remaining trust assets to be paid to the remainder beneficiaries of the trust. The trust assets are held by an independent third-party trustee. The Foundation's interest in the trust was initially recorded at fair value within contributions revenue in the combined statements of activities. During 2022 and 2021, the Foundation recorded a change in beneficial interest in charitable lead trust of \$3,784 and (\$6,253) using a discount rate of 6.17% and 5.90%, respectively.

(5) Grants Payable

Grants are considered liabilities and expense of the Foundation in the period when approved by the board of directors, when grant agreements are executed with grantees, and when the recipients' condition or barrier is overcome. Grants are authorized subject to certain conditions, and failure of the recipients to meet these conditions may result in cancellation or refund of the grant. Grants payable beyond the year of recognition are recorded at present value assuming the rate of return for the year the grant was declared. All grants are recorded at net present value assuming discount rates ranging from 0.17% to 4.22%. Future payments of approved grants at December 31, 2022 and 2021 are expected to be paid as follows:

	<u>2022</u>	<u>2021</u>
In less than one year	\$ 6,000	14,204
In one to five years	12,295	19,488
Thereafter	—	—
	<u>18,295</u>	<u>33,692</u>
Discount	<u>(1,287)</u>	<u>(1,467)</u>
Total grants payable	<u>\$ 17,008</u>	<u>32,225</u>

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(6) 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>2022</u>	<u>2021</u>
Arts, culture, and humanities	\$ 371	528
Civic and municipalities	610	584
Environment and animals	64	58
Health	536	395
Human services	11,849	15,003
Education and scholarships	573	540
Religious purposes	210	174
Youth	70	88
Total	<u>\$ 14,283</u>	<u>17,370</u>

The composition of net assets without donor restrictions is as follows:

	<u>2022</u>	<u>2021</u>
Omaha Community Foundation	\$ 297,846	332,161
Supporting foundations	1,091,366	994,759
	<u>\$ 1,389,212</u>	<u>1,326,920</u>

Net assets with donor restrictions are available for the following:

	<u>2022</u>	<u>2021</u>
Purpose restrictions:		
Arts, culture, and humanities	\$ 67	84
Donor advised	102,586	111,327
Human services	35,923	47,264
Education and scholarships	9,044	10,900
Health	95	120
Environmental and animals	85	106
Religious purposes	1,059	1,312
Total	<u>\$ 148,859</u>	<u>171,113</u>

Net assets to be held in perpetuity were \$21,987 and \$21,987 at December 31, 2022 and 2021, respectively.

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The composition of net assets with donor restrictions is as follows:

	2022	2021
Omaha Community Foundation	\$ 148,859	171,113
Supporting foundations	—	—
	\$ 148,859	171,113

(7) Endowment

The Foundation holds approximately 197 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 net assets with donor restrictions.

The Nebraska Uniform Prudent Management of Institutional Funds Act (NUPMIFA) imposes requirements on the management, investment, and spending of donor-restricted endowment funds. The guidance requires the amount classified as net assets with donor restrictions 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 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 also includes in net assets with donor restrictions the accumulated appreciation on donor restricted “true” endowment funds which are available for expenditure in a manner consistent with the standard of prudence prescribed by NUPMIFA, any deficiencies associated with the funds where the value of the fund has fallen below the original value of the gift. In authorizing appropriations from the 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

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(7) The investment policy of the Foundation

Endowment net asset composition by type of fund			
December 31, 2022			
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ —	74,937	74,937
Total endowment funds	\$ —	74,937	74,937

Endowment net asset composition by type of fund			
December 31, 2021			
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ —	90,925	90,925
Total endowment funds	\$ —	90,925	90,925

Changes in endowment net assets			
Year ended December 31, 2022			
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ —	90,925	90,925
Other income	—	—	—
Investment loss, net	—	(12,715)	(12,715)
Appropriation of endowment assets for expenditure	—	(4,233)	(4,233)
Contributions	—	960	960
Endowment net assets, end of year	\$ —	74,937	74,937

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	Changes in endowment net assets		
	Year ended December 31, 2021		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ —	87,376	87,376
Other income	—	—	—
Investment income, net	—	9,880	9,880
Appropriation of endowment assets for expenditure	—	(7,321)	(7,321)
Contributions	—	990	990
Endowment net assets, end of year	\$ —	90,925	90,925

(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.

(8) Commitments

On March 11, 2021, the American Rescue Plan Act (ARPA) was signed into law and established the Coronavirus State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Fund which together make up the Coronavirus State and Local Fiscal Recovery Funds (SLFRF). The City of Omaha, Nebraska (City) and Douglas County, Nebraska (County) are prime recipients of the SLFRF.

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On January 5, 2022, the Foundation entered into an agreement with the City to administer the distribution of \$10,000 in ARPA funds. The agreement required the foundation to administer the distribution of these funds to eligible recipients as outlined in the agreement. All funds are to be distributed by the December 31, 2024 program deadline. During 2022, the Foundation recorded \$9,600 in contributions and \$4,776 in grant expenses.

On April 5, 2022, the Foundation entered into an agreement with the County to administer the distribution of \$2,000 in ARPA funds. The agreement required the foundation to administer the distribution of these funds to eligible recipients as outlined in the agreement. All funds are to be distributed by the December 31, 2024 program deadline. During 2022, the Foundation recorded \$1,900 in contributions and \$1,864 in grant expenses.

The Foundation has notes receivable comprised of below market interest loans to Community Development Financial Institutions and a local non-profit. These loans pay interest rates of 1.75% to 2.25% with interest due quarterly and a balloon principal payment due at end of loan. The loan to a local non-profit is 0% interest and requires quarterly principal only payments. A supporting foundation has notes receivable comprised of below market interest loans to affordable housing developments. These loans pay interest rates of 1.00% to 2.00% with interest due monthly and a balloon principal payment due at end of loan.

(9) Leases

Lessor Accounting

A supporting foundation leases certain 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 \$9,155 and \$10,459 in 2022 and 2021, respectively.

As of December 31, 2022, minimum rental commitments to be received under noncancelable operating leases are as follows:

Year ending December 31:		
2023	\$	7,101
2024		5,696
2025		4,631
2026		3,802
2027		3,663
Thereafter		<u>3,079</u>
Total minimum lease payments	\$	<u><u>27,972</u></u>

Lessee Accounting

The Foundation determines if an arrangement is a lease at inception. Right-of-use (ROU) assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make future lease payments arising from the lease.

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Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Foundation used the risk-free interest rate in determining the present value of future lease payments. The operating lease ROU asset also includes any lease payments made. Lease expense is recognized on a straight-line basis over the lease term.

Lease cost and other information related to the Foundation's operating leases at December 31, 2022 are as follows:

Year ending December 31, 2022:	
Operating lease cost	\$ 600
Remaining lease term	8.6 to 10 years
Discount rate	1.63% to 3.88%

Minimum lease payments under operating leases expiring subsequent to December 31, 2022 are as follows:

Year ending December 31:	
2023	\$ 801
2024	806
2025	810
2026	815
2027	820
Thereafter	<u>3,846</u>
Total minimum lease payments	7,898
Less: Interest	<u>(853)</u>
Present value of minimum lease payments	<u>\$ 7,045</u>

(10) Analysis of Expenses

The Foundation's expenses have been allocated between program services, management and general, and fundraising activities based on estimates made by the Foundation's management of time spent by employees on various activities. Program services expenses pertain to activities furthering the Foundation's exempt purpose. Management and general expenses include costs related to managing the Foundation's overall operations and management. Fundraising expenses pertain to activities associated with soliciting cash and noncash contributions to fund the Foundation's programs.

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The Foundation's functional expenses, displayed by natural expense classification, for the years ended December 31, 2022 and 2021, were as follows:

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total expenses</u>
Grants	\$ 166,534	—	—	166,534
Administrative	4,642	3,473	914	9,029
Property operating costs	16,521	4,285	—	20,806
Depreciation	422	352	12	786
2022 Total	\$ <u>188,119</u>	<u>8,110</u>	<u>926</u>	<u>197,155</u>

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total expenses</u>
Grants	\$ 135,468	—	—	135,468
Administrative	4,153	3,139	797	8,089
Property operating costs	12,806	3,004	—	15,810
Depreciation	366	312	7	685
2021 Total	\$ <u>152,793</u>	<u>6,455</u>	<u>804</u>	<u>160,052</u>

The composition of administrative expenses is as follows:

	<u>2022</u>	<u>2021</u>
Omaha Community Foundation	\$ 6,181	5,592
Supporting foundations	2,848	2,497
	\$ <u>9,029</u>	<u>8,089</u>

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(11) Liquidity

The Foundation's financial assets available within one year of December 31, 2022 and 2021, to meet general expenditures are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 219,014	127,498
Accrued interest receivable	3,644	3,160
Total financial assets available within one year	<u>222,658</u>	<u>130,658</u>
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors (purpose)	(6,000)	(14,204)
Annuities payable	<u>(714)</u>	<u>(831)</u>
Total unavailable for general expenditures within one year	<u>(6,714)</u>	<u>(15,035)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 215,944</u>	<u>115,623</u>

The Foundation endeavors to structure its financial assets to be available and liquid as its general expenditures, liabilities, and other obligations become due. Investments, except for private funds and closely held stocks that are subject to liquidity restrictions or funds restricted by donors, are available to fund any obligations not covered by liquid funds.

(12) Subsequent Events

The Foundation has evaluated subsequent events from the date of the combined statements of financial position through June 23, 2023, the date at which the combined financial statements were available to be issued, and determined there are no other items to disclose.