



**OMAHA COMMUNITY FOUNDATION**

Combined Financial Statements

December 31, 2016 and 2015

(With Independent Auditors' Report Thereon)



KPMG LLP  
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Omaha, NE 68114-2274

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## 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, 2016 and 2015, 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these combined financial statements based on our audits. 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 basis for our audit opinion.

### ***Opinion***

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Omaha Community Foundation and its supporting foundations as of December 31, 2016 and 2015, 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.

**KPMG LLP**

Omaha, Nebraska  
June 21, 2017

**OMAHA COMMUNITY FOUNDATION**  
 Combined Statements of Financial Position  
 December 31, 2016 and 2015  
 (Dollars in thousands)

<b>Assets</b>	<b>2016</b>	<b>2015</b>
Cash and cash equivalents	\$ 103,930	124,506
Accrued interest receivable	3,123	3,144
Pledges receivable	217	1,118
Beneficial interest in charitable lead annuity trust	122,528	124,854
Other receivables and accounts receivable	2,600	3,108
Other assets	2,342	1,847
Note receivable	575	617
Investments, at fair value	799,140	714,816
Investments in real estate	5,131	6,120
Fixed assets:		
Building and improvements, land, furniture, and fixtures	4,826	2,729
Less accumulated depreciation	<u>(1,141)</u>	<u>(1,032)</u>
Fixed assets, net	<u>3,685</u>	<u>1,697</u>
Total assets	<u>\$ 1,043,271</u>	<u>981,827</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Grants payable	\$ 166,726	155,736
Accounts payable and accrued liabilities	3,681	2,337
Annuities payable	1,463	1,980
Funds held for others	56,240	36,335
Deferred income	<u>35</u>	<u>19</u>
Total liabilities	<u>228,145</u>	<u>196,407</u>
Net assets:		
Unrestricted	620,487	590,783
Temporarily restricted	173,113	173,111
Permanently restricted	<u>21,526</u>	<u>21,526</u>
Total net assets	<u>815,126</u>	<u>785,420</u>
Total liabilities and net assets	<u>\$ 1,043,271</u>	<u>981,827</u>

See accompanying notes to combined financial statements.

**OMAHA COMMUNITY FOUNDATION**

Combined Statement of Activities

Year ended December 31, 2016

(Dollars in thousands)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenue and gains:				
Contributions	\$ 75,249	3,129	—	78,378
Interest and dividends	15,907	1,447	—	17,354
Change in beneficial interest in charitable lead annuity trust	—	7,722	—	7,722
Other income	4,308	9	—	4,317
Rental income	13,926	—	—	13,926
Net unrealized and realized gains and losses on investments	50,252	3,003	—	53,255
Net assets released from restrictions	15,308	(15,308)	—	—
	<u>174,950</u>	<u>2</u>	<u>—</u>	<u>174,952</u>
Total revenue and gains				
Grants, expenses, and losses:				
Grants	124,656	—	—	124,656
Administrative	8,341	—	—	8,341
Annuity interest	(332)	—	—	(332)
Property operating costs	9,077	—	—	9,077
Depreciation	176	—	—	176
Other	3,328	—	—	3,328
	<u>145,246</u>	<u>—</u>	<u>—</u>	<u>145,246</u>
Total grants, expenses, and losses				
Increase in net assets	29,704	2	—	29,706
Net assets at beginning of year	<u>590,783</u>	<u>173,111</u>	<u>21,526</u>	<u>785,420</u>
Net assets at end of year	\$ <u><u>620,487</u></u>	<u><u>173,113</u></u>	<u><u>21,526</u></u>	<u><u>815,126</u></u>

See accompanying notes to combined financial statements.

**OMAHA COMMUNITY FOUNDATION**

Combined Statement of Activities

Year ended December 31, 2015

(Dollars in thousands)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenue and gains:				
Contributions	\$ 51,472	2,383	4,473	58,328
Interest and dividends	15,434	1,602	—	17,036
Change in beneficial interest in charitable lead annuity trust	—	6,649	—	6,649
Other income (loss)	4,449	(24)	—	4,425
Rental income	10,951	—	—	10,951
Net unrealized and realized gains and losses on investments	(7,872)	(2,452)	—	(10,324)
Net assets released from restrictions	30,405	(30,405)	—	—
<b>Total revenue and gains</b>	<b>104,839</b>	<b>(22,247)</b>	<b>4,473</b>	<b>87,065</b>
Grants, expenses, and losses:				
Grants	116,292	—	—	116,292
Administrative	8,150	—	—	8,150
Annuity interest	(86)	—	—	(86)
Property operating costs	7,652	—	—	7,652
Depreciation	108	—	—	108
Other	3,141	—	—	3,141
<b>Total grants, expenses, and losses</b>	<b>135,257</b>	<b>—</b>	<b>—</b>	<b>135,257</b>
<b>Increase (decrease) in net assets</b>	<b>(30,418)</b>	<b>(22,247)</b>	<b>4,473</b>	<b>(48,192)</b>
Net assets at beginning of year	621,201	195,358	17,053	833,612
Net assets at end of year	\$ <u>590,783</u>	<u>173,111</u>	<u>21,526</u>	<u>785,420</u>

See accompanying notes to combined financial statements.

**OMAHA COMMUNITY FOUNDATION**  
 Combined Statements of Cash Flows  
 Years ended December 31, 2016 and 2015  
 (Dollars in thousands)

	<b>2016</b>	<b>2015</b>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 29,706	(48,192)
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:		
Depreciation	176	108
Net unrealized and realized gains and losses on investments	(53,255)	10,324
Contributions restricted for long-term investment	(3,129)	(6,856)
Stock contribution	(56,607)	(34,468)
Donation of real estate	—	(4,473)
Beneficial interest in charitable lead annuity trust	(7,722)	(6,649)
Loss (gain) on disposal of fixed assets	(2)	4
Property donated and included in grant expense	676	1,163
Changes in assets/liabilities:		
Accrued interest receivable	21	(535)
Pledges receivable	901	(172)
Other receivables and accounts receivable	508	(1,833)
Other assets	(495)	(472)
Grants payable	10,990	15,834
Accounts payable and accrued liabilities	(380)	778
Annuities payable	(517)	(404)
Funds held for others	19,905	(2,565)
Deferred income	16	(34)
Net cash used in operating activities	(59,208)	(78,442)
Cash flows from investing activities:		
Capital expenditures and purchases of property and equipment	(1,112)	(685)
Purchases of investments	(211,284)	(126,544)
Sales of investments	237,809	216,139
Repayments of note receivable	42	41
Payment received on beneficial interest in charitable lead annuity trust	10,048	25,390
Net cash provided by investing activities	35,503	114,341
Cash flows from financing activity:		
Proceeds from contributions restricted for long-term investment	3,129	6,856
Net increase (decrease) in cash and cash equivalents	(20,576)	42,755
Cash and cash equivalents at beginning of year	124,506	81,751
Cash and cash equivalents at end of year	\$ 103,930	124,506
Supplemental disclosures of noncash investing and financing activities:		
Stock contribution	\$ 56,607	34,468
Property donated as grant	676	1,163
Donation of real estate	—	4,473
Accrued liabilities incurred for property and equipment	1,794	—

See accompanying notes to combined financial statements.

## OMAHA COMMUNITY FOUNDATION

### Notes to Combined Financial Statements

December 31, 2016 and 2015

(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:

<u>Supporting foundation</u>	<u>Date established</u>
Suzanne and Walter Scott Foundation	August 27, 1990
Partnership 4 Kids, Inc. and All Our Kids, Inc. Foundation (The Partnership For Our Kids)	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
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

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

**OMAHA COMMUNITY FOUNDATION**  
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**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

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

Net assets and revenue, 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 by donors or grantors for other purposes.

Temporarily restricted net assets consist of contributions that are donor-designated or grantor-designated for specific projects/purposes of the Foundation or are subject to the board of directors spending policy (currently 4.5%). Distributions are released from restriction 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.

**(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 revenue and expenses during the reporting periods. Actual results could differ from those estimates.

**(c) 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.

**(d) Investments**

Investments, including equity and debt securities, are reported at fair value. Investments in securities traded on a national securities exchange are valued at the latest quoted market prices. Investments in certain 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 partnerships, and certain mutual funds are estimated using net asset value per share or its equivalent as a practical expedient to fair value.

## OMAHA COMMUNITY FOUNDATION

### Notes to Combined Financial Statements

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(Dollars in thousands)

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

#### **(e) Fixed Assets**

Fixed assets are stated at cost. Repairs and maintenance are charged to expense as incurred. Depreciation is computed by using the straight-line method over an estimated useful life of five years for furniture and fixtures, 15 years for building improvements, and 39 years for building.

Gifts of long-lived assets such as land, buildings, or furniture and fixtures 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.

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.

During 2016 and 2015, a supporting foundation paid for certain property improvements of \$676 and \$622, respectively, which were donated to a university. The donated amounts are reflected in grants expense in the accompanying combined statements of activities.

#### **(f) 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.

#### **(g) Donor-Restricted Gifts**

Donor-restricted gifts 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 10.

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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, 2016 and 2015, the Foundation had no uncertain tax positions.

**(i) Contributed Services**

Contributions of services are recognized if the services received (1) create or enhance nonfinancial assets or (2) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In 2016 and 2015, there were no contributed services recognized.

**(j) Fair Value of Financial Instruments**

The Foundation applies the provisions included in 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.

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, other receivables and accounts receivable, other assets, accounts payable, and accrued liabilities approximate fair value due to their short-term nature. Investment in real estate is stated at fair value. Funds held for others are based on the fair value of investments held. The carrying value of beneficial interest in charitable lead annuity trust, note receivable, annuities payable, and grants payable approximates fair value since the interest rates closely reflect current market rates.

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**(k) Concentration of Credit and Market Risk**

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 \$250,000 available to depositors under the FDIC's general deposit insurance rules.

**(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 temporarily restricted net assets and is adjusted annually through the combined statements of activities to reflect estimated fair value at year-end.

**(m) Reclassification**

Certain reclassifications were made to prior year financial statements to conform to the 2016 presentation.

**(3) Investments**

The cost and fair value of investments at December 31, 2016 and 2015 are as follows:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Certificates of deposit	\$ 303	303	301	301
U.S. Treasury and Agency securities	17,387	17,310	15,470	15,402
Municipal bonds	315	309	315	318
Corporate bonds	224,467	225,331	213,265	210,156
Common stock	175,375	322,450	177,351	303,785
Preferred stock	793	53	793	70
Closely held stock	6,406	24,178	5,904	20,230
Mutual funds	180,226	192,167	144,021	148,039
Partnerships	6,030	13,786	5,040	12,925
Other	801	914	876	866
Foreign equities	2,009	2,339	2,277	2,724
Investments in real estate	5,586	5,131	6,574	6,120
Total	<u>\$ 619,698</u>	<u>804,271</u>	<u>572,187</u>	<u>720,936</u>

**OMAHA COMMUNITY FOUNDATION**

Notes to Combined Financial Statements

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The change in the net unrealized gains and losses recognized during the years ended December 31, 2016 and 2015 was \$35,824 and \$(40,038), respectively. The net realized gains and losses recognized during the years ended December 31, 2016 and 2015 was \$17,431 and \$29,714, respectively.

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:

	<u>2016 Fair value</u>	<u>2015 Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency (if currently eligible)</u>	<u>Redemption notice period</u>
Equity funds (a)	\$ 6,773	7,037	—	Quarterly	60 days
Multistrategy funds (b)	—	220	—	Monthly – Quarterly	30–60 days
Private equity/venture capital funds (c)	6,899	5,464	11,066	N/A	N/A
Real estate funds (d)	37	130	—	N/A	N/A
Other	77	74	—	N/A	N/A
	<u>\$ 13,786</u>	<u>12,925</u>	<u>11,066</u>		

- (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 investments.
- (c) This category includes private equity/venture capital 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. 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 ten years. One of the private equity funds invests in start-up projects. The private equity fund includes a restriction on the transfer of ownership.

## OMAHA COMMUNITY FOUNDATION

### Notes to Combined Financial Statements

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- (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. Management estimates that the underlying assets of the fund will be liquidated over the next three to five years.

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) 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 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, 2016 or 2015.

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

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The fair value of Level 2 common stock was valued based upon an agreed-upon transaction price that is supported by observable inputs.

The fair value of Level 2 corporate bonds, municipal bonds, and U.S. Treasury and Agency securities was valued using pricing models maximizing 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 was valued using actual sales price for sale of shares subsequent to year-end.

Financial instruments measured at fair value at December 31, 2016 on a recurring and nonrecurring basis are summarized as follows:

Description	2016			
	Total	Level 1	Level 2	Level 3
Recurring:				
Cash and cash equivalents	\$ 103,930	103,930	—	—
Certificates of deposit	303	—	303	—
U.S. Treasury and Agency securities	17,310	—	17,310	—
Municipal bonds	309	—	309	—
Corporate bonds	225,331	—	225,331	—
Common stock	322,450	136,000	186,450	—
Preferred stock	53	53	—	—
Closely held stock	24,178	—	23,133	1,045
Mutual funds	192,167	190,705	1,462	—
Foreign equities	2,339	2,339	—	—
Beneficial interest in charitable lead annuity trust	122,528	—	—	122,528
Other	914	914	—	—
Investments in real estate	5,131	—	5,131	—
Partnerships measured at net asset value*	13,786	—	—	—
	<u>\$ 1,030,729</u>	<u>433,941</u>	<u>459,429</u>	<u>123,573</u>
Nonrecurring:				
Pledges receivable	\$ 217	—	217	—
Grants payable	166,726	—	166,726	—
Annuities payable	1,463	—	1,463	—
Total	<u>\$ 168,406</u>	<u>—</u>	<u>168,406</u>	<u>—</u>

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Assets measured at fair value at December 31, 2015 on a recurring and nonrecurring basis are summarized as follows:

Description	2015			
	Total	Level 1	Level 2	Level 3
Recurring:				
Cash and cash equivalents	\$ 124,506	124,506	—	—
Certificates of deposit	301	—	301	—
U.S. Treasury and Agency securities	15,402	—	15,402	—
Municipal bonds	318	—	318	—
Corporate bonds	210,156	—	210,156	—
Common stock	303,785	151,785	152,000	—
Preferred stock	70	70	—	—
Closely held stock	20,230	—	20,164	66
Mutual funds	148,039	146,704	1,335	—
Foreign equities	2,724	2,724	—	—
Beneficial interest in charitable lead annuity trust	124,854	—	—	124,854
Other	866	866	—	—
Investments in real estate	6,120	—	6,120	—
Partnerships measured at net asset value*	12,925	—	—	—
	\$ 970,296	426,655	405,796	124,920
Nonrecurring:				
Pledges receivable	\$ 1,118	—	1,118	—
Grants payable	155,736	—	155,736	—
Annuities payable	1,980	—	1,980	—
Total	\$ 158,834	—	158,834	—

\* 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, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities. The Foundation's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer.

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During 2016 and 2015, there were no transfers between levels. 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, 2016 and 2015:

	<u>Closely held stock</u>	<u>Beneficial interest in CLAT</u>	<u>Total</u>
Balance at December 31, 2014	\$ 36	143,595	143,631
Purchases	1,067	—	1,067
Change in value of beneficial interest	—	6,649	6,649
Payment received on CLAT	—	(25,390)	(25,390)
Sales	(1,037)	—	(1,037)
Transfers in and out of level 3	—	—	—
Balance at December 31, 2015	66	124,854	124,920
Purchases	1,012	—	1,012
Change in value of beneficial interest	—	7,722	7,722
Payment received on CLAT	—	(10,048)	(10,048)
Sales	(33)	—	(33)
Transfers in and out of level 3	—	—	—
Balance at December 31, 2016	\$ <u>1,045</u>	<u>122,528</u>	<u>123,573</u>

**(5) Pledges Receivable**

Pledges receivable are recognized at their fair value at the time of the gift. Unconditional pledges receivable at December 31, 2016 and 2015 are expected to be received in the following periods:

	<u>2016</u>	<u>2015</u>
One year or less	\$ 217	1,088
One to two years	—	30
	\$ <u>217</u>	<u>1,118</u>

**(6) 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, \$10,048, 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 2016 and 2015, the Foundation recorded a change in the beneficial interest of \$7,722 and \$6,649 using a discount rate of 3.44% and 3.73%, respectively.

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**(7) 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, 2016 and 2015 of \$1,463 and \$1,980, respectively, represents the estimated actuarial value of these future payments valued at rates ranging from 12% to 2%. The deficit or excess of the fair value of investments over this payable is included in net assets. At December 31, 2016 and 2015, the fair value of investments of these annuities totaled approximately \$1,258 and \$2,460, respectively.

**(8) 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, 2016 and 2015 are expected to be paid as follows (discounted at rates ranging from 4.5% to 0.04%):

	<u>2016</u>	<u>2015</u>
In less than one year	\$ 74,342	59,443
In one to five years	89,801	98,415
Thereafter	<u>8,300</u>	<u>2,010</u>
	172,443	159,868
Discount	<u>(5,717)</u>	<u>(4,132)</u>
Total grants payable	<u>\$ 166,726</u>	<u>155,736</u>

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**(9) 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>2016</u>	<u>2015</u>
Arts, culture, and humanities	\$ 262	129
Civic and municipalities	468	473
Environment and animals	23	34
Health	224	385
Human services	12,128	26,923
Education and scholarships	907	877
Administrative expenses	184	135
Time restrictions	943	930
Religious purposes	127	476
Youth	42	43
Total	<u>\$ 15,308</u>	<u>30,405</u>

The composition of unrestricted net assets is as follows:

	<u>2016</u>	<u>2015</u>
Omaha Community Foundation	\$ 113,215	99,619
Supporting foundations	507,272	491,164
	<u>\$ 620,487</u>	<u>590,783</u>

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Restricted net assets are available for the following purposes as of December 31, 2016:

	<u>Permanently restricted</u>	<u>Temporarily restricted</u>
Arts, culture, and humanities	\$ —	159
Donor advised	16,639	129,522
Human services	4,286	26,058
Education and scholarships	601	14,321
Health	—	41
Youth	—	152
Environmental and animals	—	1,005
Religious purposes	—	786
Time restrictions	—	1,069
	<u>\$ 21,526</u>	<u>173,113</u>

	<u>Permanently restricted</u>	<u>Temporarily restricted</u>
Omaha Community Foundation	\$ 21,426	166,193
Supporting foundations	<u>100</u>	<u>6,920</u>
	<u>\$ 21,526</u>	<u>173,113</u>

Restricted net assets are available for the following purposes as of December 31, 2015:

	<u>Permanently restricted</u>	<u>Temporarily restricted</u>
Arts, culture, and humanities	\$ —	153
Donor advised	16,639	130,596
Human services	4,286	25,543
Education and scholarships	601	13,847
Health	—	40
Youth	—	171
Environmental and animals	—	998
Religious purposes	—	775
Time restrictions	—	988
	<u>\$ 21,526</u>	<u>173,111</u>

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	<b>Permanently restricted</b>	<b>Temporarily restricted</b>
Omaha Community Foundation	\$ 21,426	166,310
Supporting foundations	100	6,801
	\$ 21,526	173,111

**(10) 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) 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, 2016 and 2015, \$100 of the permanent endowment net asset balance and \$5,722 and \$5,664, respectively, of the temporarily restricted net asset 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 net 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

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- (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
- (7) The investment policy of the Foundation

<b>Endowment net asset composition by type of fund</b>				
<b>December 31, 2016</b>				
	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ —	49,387	21,526	70,913
Total endowment funds	\$ —	49,387	21,526	70,913

<b>Endowment net asset composition by type of fund</b>				
<b>December 31, 2015</b>				
	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ —	47,119	21,526	68,645
Total endowment funds	\$ —	47,119	21,526	68,645

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<b>Changes in endowment net assets</b>				
<b>Year ended December 31, 2016</b>				
	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ —	47,119	21,526	68,645
Other income	—	9	—	9
Investment return:				
Investment income	—	1,447	—	1,447
Net appreciation (realized and unrealized)	—	3,003	—	3,003
Total investment return	—	4,450	—	4,450
Appropriation of endowment assets for expenditure	—	(4,132)	—	(4,132)
Contributions	—	1,941	—	1,941
Endowment net assets, end of year	\$ —	49,387	21,526	70,913

<b>Changes in endowment net assets</b>				
<b>Year ended December 31, 2015</b>				
	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ —	50,760	17,053	67,813
Other income	—	(23)	—	(23)
Investment return:				
Investment income	—	1,402	—	1,402
Net depreciation (realized and unrealized)	—	(2,371)	—	(2,371)
Total investment return	—	(969)	—	(969)
Appropriation of endowment assets for expenditure	—	(3,849)	—	(3,849)
Contributions	—	1,200	4,473	5,673
Endowment net assets, end of year	\$ —	47,119	21,526	68,645

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**(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.

**(11) Administrative Expenses**

The Foundation's administrative expenses for the years ended December 31, 2016 and 2015 are as follows:

	<b>2016</b>	<b>2015</b>
Omaha Community Foundation operating expenses	\$ 2,894	2,593
Supporting foundations	5,447	5,557
	\$ 8,341	8,150

**(12) Commitments**

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 \$11,040 and \$10,415 in 2016 and 2015, respectively.

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As of December 31, 2016, minimum rental commitments to be received under noncancelable operating leases are as follows:

Year ending December 31:			
2017	\$	8,690	
2018		6,190	
2019		5,159	
2020		3,127	
2021		1,041	
Thereafter		—	
Total minimum lease payments	\$	<u>24,207</u>	

**(13) Note Receivable**

In 2009, a supporting foundation loaned \$800 to a nonprofit organization. The note requires monthly interest at a rate of 3% in addition to monthly principal payments. All unpaid principal is due on September 1, 2018. At December 31, 2016 and 2015, the balance due under this note was \$575 and \$617, respectively.

**(14) Subsequent Events**

The Foundation has evaluated subsequent events from the date of the combined statement of financial position through June 21, 2017, the date at which the combined financial statements were available to be issued, and determined there are no other items to disclose.