OMAHA COMMUNITY FOUNDATION

Combined Financial Statements

December 31, 2019 and 2018

(With Independent Auditors’ Report Thereon)

KPMG LLP
Suite 300
1212 N. 96th Street
Omaha, NE 68114-2274

Suite 1120
1248 O Street
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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, 2019 and 2018, 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 Combined 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, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Omaha, Nebraska
June 11, 2020

OMAHA COMMUNITY FOUNDATION

Combined Statements of Financial Position

December 31, 2019 and 2018

(Dollars in thousands)

Assets	2019	2018
Cash and cash equivalents	$ 120,146	104,876
Accrued interest receivable	3,158	3,226
Pledges receivable	1,023	1,004
Beneficial interest in charitable lead annuity trust	91,950	96,968
Other receivables and accounts receivable	643	671
Other assets	5,886	4,306
Note receivable	456	536
Investments, at fair value	1,025,932	908,851
Investments in real estate	7,431	4,424
Fixed assets:		
Building and improvements, land, furniture, and fixtures	20,193	21,961
Less accumulated depreciation	(1,813)	(1,910)
Fixed assets, net	18,380	20,051
Total assets	$ 1,275,005	1,144,913
Liabilities and Net Assets		
Liabilities:		
Grants payable	$ 68,725	91,229
Accounts payable and accrued liabilities	2,675	2,234
Annuities payable	954	936
Funds held for others	54,100	50,300
Line of credit	86	293
Long-term debt	—	8
Total liabilities	126,540	145,000
Net assets:		
Without donor restrictions – undesignated	969,248	819,087
With donor restrictions	179,217	180,826
Total net assets	1,148,465	999,913
Total liabilities and net assets	$ 1,275,005	1,144,913

See accompanying notes to combined financial statements.

OMAHA COMMUNITY FOUNDATION

Combined Statement of Activities

Year ended December 31, 2019

(Dollars in thousands)

	Without donor restrictions undesignated	With donor restrictions	Total
Revenue and gains:			
Contributions	$ 125,113	3,223	128,336
Investment return, net	115,697	13,431	129,128
Change in beneficial interest in charitable lead annuity trust	—	5,034	5,034
Other income	7,068	—	7,068
Rental income	14,463	—	14,463
Net assets released from restrictions	23,297	(23,297)	—
Total revenue and gains	285,638	(1,609)	284,029
Grants, expenses, and losses:			
Grants, net of cancellations	108,096	—	108,096
Administrative	13,678	—	13,678
Property operating costs	12,982	—	12,982
Depreciation	721	—	721
Total grants, expenses, and losses	135,477	—	135,477
Increase (decrease) in net assets	150,161	(1,609)	148,552
Net assets at beginning of year	819,087	180,826	999,913
Net assets at end of year	$ 969,248	179,217	1,148,465

See accompanying notes to combined financial statements.

OMAHA COMMUNITY FOUNDATION

Combined Statement of Activities

Year ended December 31, 2018

(Dollars in thousands)

	Without donor restrictions undesignated	With donor restrictions	Total
Revenue and gains:			
Contributions	$ 143,655	10,860	154,515
Investment return (loss), net	4,003	(4,180)	(177)
Change in beneficial interest in charitable lead annuity trust	—	5,215	5,215
Other income	5,583	1	5,584
Rental income	14,696	—	14,696
Net assets released from restrictions	15,647	(15,647)	—
Total revenue and gains	183,584	(3,751)	179,833
Grants, expenses, and losses:			
Grants, net of cancellations	85,680	—	85,680
Administrative	11,988	—	11,988
Property operating costs	13,003	—	13,003
Depreciation	686	—	686
Total grants, expenses, and losses	111,357	—	111,357
Increase (decrease) in net assets	72,227	(3,751)	68,476
Net assets at beginning of year	746,860	184,577	931,437
Net assets at end of year	$ 819,087	180,826	999,913

See accompanying notes to combined financial statements.

OMAHA COMMUNITY FOUNDATION

Combined Statements of Cash Flows

Years ended December 31, 2019 and 2018

(Dollars in thousands)

		2019	2018
Cash flows from operating activities:			
Increase in net assets	$	148,552	68,476
Adjustments to reconcile increase in net assets to net cash used in operating activities:			
Depreciation		721	686
Net unrealized and realized (gains) and losses on investments		(111,784)	16,603
Contributions restricted for long-term investment		(3,223)	(10,860)
Stock contribution		(92,510)	(97,257)
Contribution of property and net assets		—	(3,017)
Change in beneficial interest in charitable lead annuity trust		(5,034)	(5,215)
Loss on disposal of fixed assets		86	73
Property donated and included in grant expense		10,246	3,822
Changes in assets/liabilities:			
Accrued interest receivable		68	(239)
Pledges receivable		(19)	28
Other receivables and accounts receivable		28	1,967
Other assets		(1,580)	(1,380)
Grants payable		(22,464)	(42,320)
Accounts payable and accrued liabilities		441	(3,692)
Annuities payable		18	(120)
Funds held for others		3,800	(10,922)
Contract liabilities		—	(68)
Net cash used in operating activities		(72,654)	(83,435)
Cash flows from investing activities:			
Capital expenditures – property donated and included in grant expense		(10,286)	(3,822)
Purchases of fixed assets		(320)	(664)
Purchases of investments		(183,027)	(137,459)
Sales of investments		267,238	203,783
Proceeds on sale of building		1,183	—
Issuance of note receivable		—	(557)
Repayments of note receivable		80	552
Payment received on beneficial interest in charitable lead annuity trust		10,048	10,048
Net cash provided by investing activities		84,916	75,703
Cash flows from financing activities:			
Draws on line of credit		(207)	293
Repayment of long-term debt		(8)	—
Issuance of long-term debt		—	8
Proceeds from contributions restricted for long-term investment		3,223	10,860
Net cash provided by financing activities		3,008	11,161
Net increase (decrease) in cash and cash equivalents		15,270	3,429
Cash and cash equivalents at beginning of year		104,876	105,269
Cash and cash equivalents at end of year	$	120,146	108,698
Supplemental disclosures of noncash investing and financing activities:			
Stock contribution	$	92,510	97,257
Property donated and included in grant expense		10,246	3,822
Contribution of property and net assets		—	(3,017)

See accompanying notes to combined financial statements.

(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
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
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

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 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.

Revenue is reported as increases in net assets without donor restrictions, unless there are donor-imposed purposes, time restrictions, or subject to the board of directors spending policy on the gifted assets. 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 or by law. 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.

(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.

(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 2019 or 2018. Investments in other assets was $4,752 and $3,378 at December 31, 2019 and 2018, respectively.

(e) 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.

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 net assets without donor restrictions unless their use is restricted by donor stipulation or law.

(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 building.

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 2019 or 2018.

During 2019 and 2018, a supporting foundation paid for certain property improvements of $10,246 and $3,822, respectively, which were donated to a university. The donated amounts are reflected in grants expense in the accompanying combined statements of activities.

(Continued)

(g) 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 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 of 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 must be determinable. A conditional promise to give becomes an unconditional promise to give when the barriers in the agreement are overcome and is then reported at fair value. The gifts are reported as increases in net assets without donor restrictions, unless there are donor-imposed purposes, time restrictions, or subject to board-determined spending policy on the gifted assets. 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 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) Revenue Recognition

Leases with tenants, at a supporting foundation, 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.

Turkey Creek was formed as a charitable organization exempt from tax under Section 501(a) of the IRC. Turkey Creek received formal approval in September 2019 to be recognized as a not-for-profit organization as described in Section 501(c)(3) of the IRC.

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. As of December 31, 2019 and 2018, the Foundation had no uncertain tax positions.

(k) 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.

(l) 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 available to depositors under the FDIC's general deposit insurance rules.

(m) 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.

(n) Recent Accounting Pronouncements

In January 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Liabilities*. ASU 2016-01 amends guidance related to certain aspects of the recognition, measurement, presentation and disclosure of financial instruments. Effective January 1, 2019, the Foundation adopted the ASU and there was no material impact on the combined financial statements.

In February 2016, the FASB issued 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 will require companies to recognize lease assets and lease liabilities by lessees for those leases classified as operating leases under previous U.S. GAAP. In the combined financial statements in which the ASU is first applied, leases shall be measured and recognized at the beginning of the earliest comparative period presented with an adjustment to net assets. The Foundation is currently evaluating the potential impact of the adoption of the guidance on the combined financial statement and financial statement disclosures.

(3) 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, 2019 or 2018.

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.

(Dollars in thousands)

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.

Financial instruments measured at fair value at December 31, 2019 on a recurring and nonrecurring basis are summarized as follows:

		2019		
Description	**Total**	**Level 1**	**Level 2**	**Level 3**
Recurring:				
Cash and cash equivalents	$ 120,146	120,146	—	—
Certificates of deposit	105	—	105	—
U.S. Treasury and Agency securities	43,545	—	43,545	—
Municipal bonds	366	—	366	—
Corporate bonds	252,339	—	252,339	—
Common stock	420,074	196,892	223,182	—
Preferred stock	6	6	—	—
Closely held stock	41,896	—	28,977	12,919
Mutual funds	221,685	220,510	1,175	—
Mortgage-backed securities	9,782	—	9,782	—
Foreign equities	4,925	4,925	—	—
Other	6,622	6,622	—	—
Beneficial interest in charitable lead annuity trust	91,950	—	—	91,950
Investments in real estate	7,431	—	7,431	—
Partnerships measured at net asset value*	24,587	—	—	—
	$ 1,245,459	549,101	566,902	104,869
Nonrecurring:				
Pledges receivable	$ 1,023	1,023	—	—
Grants payable	68,725	68,725	—	—
Annuities payable	954	954	—	—
Total	$ 70,702	70,702	—	—

(Continued)

(Dollars in thousands)

Assets measured at fair value at December 31, 2018 on a recurring and nonrecurring basis are summarized as follows:

Description		2018			
		Total	Level 1	Level 2	Level 3
Recurring:					
Cash and cash equivalents	$	104,876	104,876	—	—
Certificates of deposit		307	—	307	—
U.S. Treasury and Agency securities		34,223	—	34,223	—
Municipal bonds		198	—	198	—
Corporate bonds		219,483	—	219,483	—
Common stock		400,671	175,351	225,320	—
Preferred stock		5	5	—	—
Closely held stock		32,301	—	25,727	6,574
Mutual funds		186,850	185,086	1,764	—
Mortgage-backed securities		6,345	—	6,345	—
Foreign equities		4,605	4,605	—	—
Other		6,476	6,476	—	—
Beneficial interest in charitable lead annuity trust		96,968	—	—	96,968
Investments in real estate		4,424	—	4,424	—
Partnerships measured at net asset value*		17,387	—	—	—
	$	1,115,119	476,399	517,791	103,542
Nonrecurring:					
Pledges receivable	$	1,004	1,004	—	—
Grants payable		91,229	91,229	—	—
Annuities payable		936	936	—	—
Total	$	93,169	93,169	—	—

* 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.

(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, 2019 and 2018:

	Closely held stock	Beneficial interest in CLAT	Total
Balance at December 31, 2017	$ 230	101,801	102,031
Purchases	6,912	—	6,912
Unrealized gain	97	—	97
Change in value of beneficial interest	—	5,215	5,215
Payment received on CLAT	—	(10,048)	(10,048)
Sales	(665)	—	(665)
Transfers in and out of level 3	—	—	—
Balance at December 31, 2018	6,574	96,968	103,542
Purchases	8,196	—	8,196
Unrealized loss	(14)	—	(14)
Change in value of beneficial interest	—	5,030	5,030
Payment received on CLAT	—	(10,048)	(10,048)
Sales	(1,837)	—	(1,837)
Transfers in and out of level 3	—	—	—
Balance at December 31, 2019	$ 12,919	91,950	104,869

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:

	2019 Fair value	2018 Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Equity funds (a)	$ 1,705	3,502	—	Quarterly	60 days
Private equity/venture capital funds (b)	22,877	13,880	13,602	Monthly – N/A	N/A
Other	5	5	—	N/A	N/A
	$ 24,587	17,387	13,602		

(a) This category includes investments in funds that invest in both U.S. and international common stocks. The fair value of the investments in this category have been estimated using the net asset value per share of the investments.

(b) This category includes private equity/venture capital funds that invest primarily in private companies at various stages of development and maturity. The fair value of the investments 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 10 years. One of the private equity funds invests in start-up projects. The private equity fund includes a restriction on the transfer of ownership.

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) Pledges Receivable

Pledges receivable are recognized at their fair value at the time of the gift. Unconditional pledges receivable at December 31, 2019 and 2018 are expected to be received in one year or less.

(5) 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 2019 and 2018, the Foundation recorded a change in beneficial interest in charitable lead trust of $5,034 and $5,215 using a discount rate of 5.53% and 5.48%, respectively.

(6) Annuities Payable

The Foundation receives funds to establish gift annuities. The annuity agreements provide that the Foundation will pay the annuitants a payment each year for the rest of his or her life. The recorded payable at December 31, 2019 and 2018 of $954 and $936, respectively, represents the estimated actuarial value of these future payments valued at rates ranging from 2% to 12%. The deficit or excess of the fair value of investments over this payable is included in net assets. At December 31, 2019 and 2018, the fair value of investments of these annuities totaled approximately $1,042 and $1,010, respectively.

(7) 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 2019 are recorded at present value assuming the rate of return for the year the grant was declared. All grants are

(Continued)

(Dollars in thousands)

recorded at net present value assuming discount rates ranging from 1.54% to 2.69%. Future payments of approved grants at December 31, 2019 and 2018 are expected to be paid as follows:

		2019	2018
In less than one year	$	34,534	40,688
In one to five years		28,480	43,339
Thereafter		9,240	12,360
		72,254	96,387
Discount		(3,529)	(5,158)
Total grants payable	$	68,725	91,229

(8) Net Assets

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

		2019	2018
Arts, culture, and humanities	$	371	254
Civic and municipalities		449	496
Environment and animals		47	93
Health		254	337
Human services		11,676	11,840
Education and scholarships		8,967	882
Administrative expenses		219	538
Time restrictions		1,163	1,009
Religious purposes		123	112
Youth		28	86
Total	$	23,297	15,647

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

		2019	2018
Omaha Community Foundation	$	201,532	150,494
Supporting foundations		767,716	668,593
	$	969,248	819,087

(Dollars in thousands)

Net assets with donor restrictions are available for the following:

		2019	2018
Purpose restrictions:			
Arts, culture, and humanities	$	184	159
Donor advised		120,748	124,216
Human services		38,231	30,321
Education and scholarships		17,730	23,602
Health		107	85
Youth		59	40
Environmental and animals		57	510
Religious purposes		1,115	916
Time restrictions		986	977
Total	$	179,217	180,826

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

		2019	2018
Omaha Community Foundation	$	172,539	166,711
Supporting foundations		6,678	14,115
	$	179,217	180,826

(9) Endowment

The Foundation holds approximately 190 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 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 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 disclosure below also includes the activities of two supporting organizations. At December 31, 2019 and 2018, $5,632 and $13,117, respectively, of the net assets with donor restrictions balance relates to these supporting organizations.

(Dollars in thousands)

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 classifies as net assets with donor restrictions the amounts in the Endowments, which are subject to permanent, specific, donor-imposed restrictions on appropriation (spending) of the fund. 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

(7) The investment policy of the Foundation

	Endowment net asset composition by type of fund		
	December 31, 2019		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$ —	86,219	86,219
Total endowment funds	$ —	86,219	86,219

	Endowment net asset composition by type of fund		
	December 31, 2018		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$ —	82,860	82,860
Total endowment funds	$ —	82,860	82,860

(Dollars in thousands)

	Changes in endowment net assets Year ended December 31, 2019		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$ —	82,860	82,860
Other income	—	2	2
Investment loss, net	—	13,431	13,431
Appropriation of endowment assets for expenditure	—	(12,086)	(12,086)
Contributions	—	2,012	2,012
Endowment net assets, end of year	$ —	86,219	86,219

	Changes in endowment net assets Year ended December 31, 2018		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$ —	81,675	81,675
Other income	—	1	1
Investment loss, net	—	(4,182)	(4,182)
Appropriation of endowment assets for expenditure	—	(4,368)	(4,368)
Contributions	—	9,734	9,734
Endowment net assets, end of year	$ —	82,860	82,860

(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.

(Dollars in thousands)

(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.

(10) 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 $12,391 and $12,050 in 2019 and 2018, respectively.

As of December 31, 2019, minimum rental commitments to be received under noncancelable operating leases are as follows:

Year ending December 31:		
2020	$	9,341
2021		5,858
2022		2,944
2023		1,025
2024		257
Thereafter		6
Total minimum lease payments	$	19,431

(11) Note Receivable

In 2018, the Foundation loaned $557 to a nonprofit organization. The note requires quarterly principal payments paid on the last day of each calendar quarter. All unpaid principal is due on December 31, 2025. At December 31, 2019 and 2018, the balance due under this note was $456 and $536, respectively.

(12) 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 expense 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.

(Dollars in thousands)

The Foundation's functional expenses, displayed by natural expense classification, for the years ended December 31, 2019 and 2018, were as follows:

		Program services	Management and general	Fundraising	Total expenses
Grants	$	108,096	—	—	108,096
Administrative		8,859	3,715	1,104	13,678
Property operating costs		10,084	2,898	—	12,982
Depreciation		380	336	5	721
2019 Total	$	127,419	6,949	1,109	135,477

		Program services	Management and general	Fundraising	Total expenses
Grants	$	85,680	—	—	85,680
Administrative		7,483	2,920	1,585	11,988
Property operating costs		10,181	2,822	—	13,003
Depreciation		347	336	3	686
2018 Total	$	103,691	6,078	1,588	111,357

The composition of administrative expenses is as follows:

		2019	2018
Omaha Community Foundation	$	5,052	4,049
Supporting foundations		8,626	7,939
	$	13,678	11,988

(Dollars in thousands)

(13) Liquidity

The Foundation's financial assets available within one year of December 31, 2019 and 2018, to meet general expenditures are as follows:

		2019	2018
Cash and cash equivalents	$	120,146	104,876
Accrued interest receivable		3,158	3,226
Total financial assets available within one year		123,304	108,102
Less:			
Amounts unavailable for general expenditures within one year, due to:			
Restricted by donors (purpose)		(34,534)	(40,688)
Annuities payable		(954)	(936)
Line of credit		(86)	(293)
Total unavailable for general expenditures within one year		(35,574)	(41,917)
Total financial assets available to management for general expenditure within one year	$	87,730	66,185

The Foundation endeavors to structure its financial assets to be available and liquid as its general expenditures, liabilities, and other obligations become due. Investments are available to fund any obligations not covered by liquid funds.

(14) Subsequent Events

On January 30, 2020, the World Health Organization declared the outbreak of COVID-19 as a "public health emergency of international concern," and on March 13, 2020, the President of the United States declared a state of national emergency. As a result of the outbreak, there has been instability in the capital markets. The ultimate impact of the COVID-19 outbreak is highly uncertain. The Foundation's business and investment values are likely to be impacted by COVID-19. Management does not yet know the full extent of potential financial impacts on the Foundation.

The Foundation has evaluated subsequent events from the date of the combined statements of financial position through June 11, 2020, the date at which the combined financial statements were available to be issued, and determined there are no other items to disclose.