

***Lincoln Community Foundation, Inc.***  
***Lincoln, Nebraska***

***December 31, 2021 and 2020***

***Financial Statements***  
***and***  
***Independent Auditor's Report***



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Lincoln Community Foundation, Inc.  
Years ended December 31, 2021 and 2020

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## INDEPENDENT AUDITOR'S REPORT

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The Board of Directors  
Lincoln Community Foundation, Inc.  
Lincoln, Nebraska

### ***Opinion***

We have audited the financial statements of Lincoln Community Foundation, Inc., which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Lincoln Community Foundation, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lincoln Community Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lincoln Community Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR), Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated May 26, 2022 on our consideration of Lincoln Community Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lincoln Community Foundation, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Lincoln Community Foundation, Inc.'s internal control over financial reporting and compliance.

Handwritten signature in black ink that reads "HBE LLP". The letters are stylized and connected.

Lincoln, Nebraska  
May 26, 2022

Lincoln Community Foundation, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents (note A)	\$ 19,739,054	\$ 18,960,861
Certificates of deposit	730,143	8,539,753
Investments (notes A, D and E)	172,809,307	123,375,455
Stocks in transit (note E)	1,060,847	264,553
Beneficial interests in charitable trusts (notes E and H)	132,473	123,377
Unconditional promises to give (notes A, B and E)	5,902,214	4,518,091
Mission investment loans (notes A and C)	1,076,041	293,590
Receivables (note A)	3,512	-
Cash surrender value of life insurance	2,513,409	2,567,720
Property held for resale (note E)	90,352	-
Property and equipment (notes A and G)	<u>2,693,587</u>	<u>2,829,460</u>
Total assets	<u>\$ 206,750,939</u>	<u>\$ 161,472,860</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 703,461	\$ 866,402
Annuities and trusts payable (notes E and H)	290,941	406,050
Funds held for agencies (notes A and J)	<u>8,706,936</u>	<u>6,388,418</u>
Total liabilities	<u>9,701,338</u>	<u>7,660,870</u>
NET ASSETS (notes A and K)		
Without donor restrictions		
Endowment	96,433,177	76,959,548
Available for grantmaking	77,871,137	57,051,883
Operating	14,053,113	12,554,714
With donor restrictions		
Available for grantmaking	105,601	97,229
Restricted to the passage of time	<u>8,586,573</u>	<u>7,148,616</u>
Total net assets	<u>197,049,601</u>	<u>153,811,990</u>
Total liabilities and net assets	<u>\$ 206,750,939</u>	<u>\$ 161,472,860</u>

See accompanying notes to financial statements.

Lincoln Community Foundation, Inc.

STATEMENTS OF ACTIVITIES

Years ended December 31,

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions	\$ 34,956,347	\$ 9,534,635	\$ 44,490,982	\$ 19,041,334	\$ 6,838,385	\$ 25,879,719
Investment performance, net (note D)	24,246,976	86,077	24,333,053	10,752,105	71,438	10,823,543
Change in value of split-interest agreements	92,732	(59,207)	33,525	7,580	56,486	64,066
Other income	381,297	-	381,297	365,081	-	365,081
Net assets released from restrictions	8,115,176	(8,115,176)	-	7,214,160	(7,214,160)	-
Total revenue and support	67,792,528	1,446,329	69,238,857	37,380,260	(247,851)	37,132,409
EXPENSES						
Grants and scholarships	20,018,923	-	20,018,923	21,305,125	-	21,305,125
Other program expenses	4,439,738	-	4,439,738	3,347,880	-	3,347,880
Management and general	829,284	-	829,284	614,690	-	614,690
Development and fundraising	713,301	-	713,301	621,756	-	621,756
Total expenses	26,001,246	-	26,001,246	25,889,451	-	25,889,451
Increase (decrease) in net assets	41,791,282	1,446,329	43,237,611	11,490,809	(247,851)	11,242,958
Net assets at beginning of year	146,566,145	7,245,845	153,811,990	135,075,336	7,493,696	142,569,032
Net assets at end of year	\$ 188,357,427	\$ 8,692,174	\$ 197,049,601	\$ 146,566,145	\$ 7,245,845	\$ 153,811,990



See accompanying notes to financial statements.

Lincoln Community Foundation, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Years ended December 31,

	2021						
	Program Services			Supporting Activities			
	Grants and Scholarships	Other Programs	Total Program Services	Management and General	Development and Fundraising	Total Supporting Activities	Total
Grants awarded and programs	\$ 19,801,733	\$ 91,661	\$ 19,893,394	\$ -	\$ -	\$ -	\$ 19,893,394
Personnel and benefits	179,675	536,267	715,942	466,845	568,769	1,035,614	1,751,556
Community outreach	-	224,094	224,094	40,387	58,729	99,116	323,210
Fiscal sponsorships	-	3,181,395	3,181,395	-	-	-	3,181,395
Staff development	3,907	12,880	16,787	110,947	8,930	119,877	136,664
Office expenses	24,716	54,254	78,970	69,668	56,557	126,225	205,195
Professional services	-	80	80	115,791	-	115,791	115,871
Building and occupancy	3,845	218,548	222,393	11,913	8,782	20,695	243,088
Depreciation	5,047	120,559	125,606	13,733	11,534	25,267	150,873
Total expenses	\$ 20,018,923	\$ 4,439,738	\$ 24,458,661	\$ 829,284	\$ 713,301	\$ 1,542,585	\$ 26,001,246

	2020						
	Program Services			Supporting Activities			
	Grants and Scholarships	Other Programs	Total Program Services	Management and General	Development and Fundraising	Total Supporting Activities	Total
Grants awarded and programs	\$ 21,093,583	\$ 101,293	\$ 21,194,876	\$ -	\$ -	\$ -	\$ 21,194,876
Personnel and benefits	171,997	517,466	689,463	434,778	496,507	931,285	1,620,748
Community outreach	-	98,945	98,945	32,076	44,479	76,555	175,500
Fiscal sponsorships	-	2,206,370	2,206,370	-	-	-	2,206,370
Staff development	3,413	2,980	6,393	1,997	2,969	4,966	11,359
Office expenses	22,037	46,622	68,659	65,007	48,736	113,743	182,402
Professional services	-	59,088	59,088	40,625	-	40,625	99,713
Building and occupancy	7,977	195,931	203,908	22,758	16,450	39,208	243,116
Depreciation	6,118	119,185	125,303	17,449	12,615	30,064	155,367
Total expenses	\$ 21,305,125	\$ 3,347,880	\$ 24,653,005	\$ 614,690	\$ 621,756	\$ 1,236,446	\$ 25,889,451

See accompanying notes to financial statements.



Lincoln Community Foundation, Inc.

STATEMENTS OF CASH FLOWS

Years ended December 31,

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Cash received from revenue and support	\$ 33,866,757	\$ 24,056,199
Cash paid to employees and vendors	(2,815,988)	(2,451,061)
Cash paid as disbursements	(23,272,629)	(23,369,323)
Investment income received	<u>3,539,231</u>	<u>2,474,610</u>
Net cash provided by operating activities	<u>11,317,371</u>	<u>710,425</u>
Cash flows from investing activities		
Proceeds from certificates of deposit	8,759,610	3,878,386
Purchases of certificates of deposit	(950,000)	(3,578,282)
Proceeds from sale of investments	121,068,067	17,251,450
Purchases of investments	(139,327,846)	(19,220,669)
Purchase of property and equipment	<u>(15,000)</u>	<u>(33,881)</u>
Net cash used by investing activities	<u>(10,465,169)</u>	<u>(1,702,996)</u>
Cash flows from financing activities		
Payments on annuities and trusts payable	<u>(74,009)</u>	<u>(79,736)</u>
Net increase (decrease) in cash and cash equivalents	778,193	(1,072,307)
Cash and cash equivalents at beginning of year	<u>18,960,861</u>	<u>20,033,168</u>
Cash and cash equivalents at end of year	<u>\$ 19,739,054</u>	<u>\$ 18,960,861</u>
Reconciliation of increase in net assets to net cash provided by operating activities		
Increase in net assets	<u>\$ 43,237,611</u>	<u>\$ 11,242,958</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	150,873	155,367
Realized and unrealized gains on investments	(20,937,141)	(8,474,768)
Reinvested interest and dividends	(135,578)	(25,492)
Actuarial gain on annuities	72,169	42,873
Non-cash contributions	(7,986,457)	(3,532,211)
(Increase) decrease in assets		
Stocks in transit	(796,294)	910,507
Beneficial interests in charitable trusts	(9,096)	161,961
Unconditional promises to give	(1,384,123)	(108,326)
Mission investment loans	(782,451)	(19,116)
Receivables	(3,512)	225,020
Cash surrender value of life insurance	54,311	166,047
Decrease in liabilities		
Accounts payable and accrued expenses	<u>(162,941)</u>	<u>(34,395)</u>
Total adjustments to increase in net assets	<u>(31,920,240)</u>	<u>(10,532,533)</u>
Net cash provided by operating activities	<u>\$ 11,317,371</u>	<u>\$ 710,425</u>

See accompanying notes to financial statements.

Lincoln Community Foundation, Inc.  
NOTES TO FINANCIAL STATEMENTS

Lincoln Community Foundation, Inc. (the Foundation) was incorporated on April 11, 1955. The mission of the Foundation is to provide leadership and resources to help build a great city. The Foundation also owns and manages the Lincoln Community Foundation Building. The building is leased to tax-exempt organizations.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Method of Accounting.** The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting.

**Cash and Cash Equivalents.** For purposes of the statements of financial position, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be temporary cash investments.

**Investments.** Investments in marketable securities, including equity and debt securities, with readily determinable fair values are reported at their fair values in the statement of financial position. Equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting in observable price changes in orderly transactions for identical or similar investments. Unrealized gains and losses are included in the statement of activities. Donated securities are recorded as contributions equal to the fair market value of the securities at the date of gift.

**Promises to Give.** Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Those expected to be collected in future years are recorded at present value of estimated future cash flows. Based upon a review of outstanding unconditional promises receivable and historical collection information, management has deemed no allowance is necessary for doubtful accounts.

**Receivables.** Receivables are stated at the amount management expects to collect from the balance outstanding at year-end. The Foundation does not charge interest on overdue account balances. Based on management's assessment of the credit history of the debtors having outstanding balances and the current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

**Property and Equipment and Depreciation.** Property and equipment are carried at cost, if purchased, and at fair market value at the date of contribution, if received by donation, less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives computed primarily on the straight-line method. Buildings and improvements are depreciated over estimated lives of five to forty years. Furniture, fixtures and equipment are depreciated over estimated lives of three to seven years. It is the Foundation's policy to capitalize property and equipment over \$500. Lesser amounts are expensed.

**Funds Held for Agencies.** Funds established by an unrelated not-for-profit organization using its own funds and for its own benefit are classified by the Foundation as a liability rather than as a net asset. The Foundation refers to these as agency funds.

Lincoln Community Foundation, Inc.  
NOTES TO FINANCIAL STATEMENTS

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Net Asset Classification.** Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Without donor restrictions.** Net assets available for use in general operations and not subject to donor or grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

**With donor restrictions.** Net assets subject to donor- or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and are reported in the statements of activities as net assets released from restrictions.

In August 2008, the Financial Accounting Standards Board issued guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA were also improved.

The State of Nebraska adopted UPMIFA effective September 1, 2007. The Foundation adopted the Financial Accounting Standards Board's guidance and required disclosures for the year ended December 31, 2008. The Board of Directors, on the advice of legal counsel, has determined that the majority of the Foundation's net assets do not meet the definition of "endowment" under UPMIFA. The Foundation is governed subject to the Governing Documents of the Foundation and most contributions are subject to the terms of the Governing Documents, including the Foundation's payout policy.

Under the terms of the Governing Documents, the Board of Directors has the ability to distribute as much of the principal of the funds as the board in its sole discretion shall determine. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Organization and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Organization
- 7) The investment policies of the Organization

Donor restricted net assets consist of split-interest agreements, unconditional promises to give, and restricted accounts.

Lincoln Community Foundation, Inc.  
NOTES TO FINANCIAL STATEMENTS

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Endowment Investment and Spending Policies.** 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 funds while seeking to maintain the purchasing power of the endowment assets. The Foundation's investment and spending policies, which have been approved by the Foundation's Board of Directors, work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current investment objective is to achieve a total return (net of inflation and expenses) that is at least as great as the spending supported by the portfolio, so that the purchasing power of the portfolio does not decline over time. The Foundation utilizes an asset allocation model of 75% equity and 25% fixed income.

To satisfy its long-term return objectives, the Foundation utilizes 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 parameters.

The spending policy determines the amount of money distributable from the Foundation's various endowment funds for grant making, taking into account administrative costs. The spending rate allowed distributions for grant making at 4.75% of the sixteen-quarter net asset fund balance average for both years ended December 31, 2021 and 2020, respectively. The spending rate is approved by the board of directors annually in order to take into account the effect of recent investment returns and long-term investment returns.

**Fair Value Measurements.** Fair value is 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 utilizes a fair value hierarchy to prioritize the inputs to valuation techniques used to measure fair value. The 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 unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- |         |   |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.   |
| Level 2 | <p>Inputs to the valuation methodology include:</p> <ul style="list-style-type: none"><li>• quoted prices for similar assets or liabilities in active markets;</li><li>• quoted prices for identical or similar assets or liabilities in inactive markets;</li><li>• inputs other than quoted prices that are observable for the asset or liability;</li><li>• inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li></ul> <p>If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.</p> |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement.   |

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments measured at net asset value (NAV) per share (or its equivalent) using the practical expedient in the FASB's fair value measurement guidance are not required to be categorized in the fair value hierarchy. The Foundation's investments in commodity limited partnerships and index funds that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been categorized in the fair value hierarchy.

Lincoln Community Foundation, Inc.  
NOTES TO FINANCIAL STATEMENTS

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Revenue Recognition.** The following is a description of the Foundation's principal sources of revenue:

*Contributions:* Contributions are recognized when a donor makes a promise to give that is, in substance, unconditional. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Foundation has not received any conditional contributions.

*Program Fees:* Fees charged to program users are recognized over time as the Foundation satisfies its performance obligations by transferring program benefits or services to users. The Foundation's primary user fees relate to investment management fees on endowed and non-endowed donor advised, discretionary, and scholarship funds as well as funds held for other agencies, in which program users simultaneously consume and receive benefits. Any program fees prepaid by users are accounted for as unearned until the Organization satisfies its obligations to provide the related program benefit or services. Program fees are included under other income on the statements of activities.

**Functional Expenses.** The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include building and occupancy and depreciation, which are allocated on a square footage basis, as well as personnel and benefits, community outreach, staff development, and office expenses, which are allocated on the basis of time and effort.

**Leases.** Assets which are acquired by lease-purchase agreements and meet the criteria of a capital lease are recorded as assets and obligations at the lesser of the following:

- (1) An amount equal to the present value, at the beginning of the lease term, of minimum lease payments during the lease term, excluding that portion of the payments representing executory costs to be paid by the lessor, together with any profit thereon.
- (2) Fair value of the leased property at the inception of the lease.

Rental payments under agreements which meet the criteria of an operating lease are expensed when incurred.

**Advertising and Marketing Costs.** Advertising and marketing costs of the Foundation are expensed as incurred. The accompanying financial statements include advertising and marketing expense of \$182,863 and \$135,096 for the years ended December 31, 2021 and 2020, respectively.

**Income Taxes.** Lincoln Community Foundation, Inc. is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. As such, income earned in the performance of the Foundation's exempt purpose is not subject to income tax. Any income earned through unrelated business activities is subject to income tax at normal corporate rates. For the years ended December 31, 2021 and 2020, the Foundation was gifted and sold S-Corporation stock, which is subject to tax on unrelated business income. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation's federal Returns of Organization Exempt from Income Tax (Forms 990 and 990T) for December 31, 2021, 2020, and 2019 are subject to examination by the IRS, generally for three years after they were filed.

Lincoln Community Foundation, Inc.  
NOTES TO FINANCIAL STATEMENTS

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Use of Estimates.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE B - UNCONDITIONAL PROMISES TO GIVE AND RECEIVABLES**

Unconditional promises to give consist of donor pledges due in the following periods:

	2021	2020
One to five years	\$ 500,000	\$ 40,000
Five to fifteen years	2,169,680	1,633,703
Fifteen to twenty-five years	4,071,290	3,534,299
More than twenty-five years	1,659,540	1,664,755
	8,400,510	6,872,757
Less discount to present value (0.6% to 7.4%)	(2,498,296)	(2,354,666)
	<u>\$ 5,902,214</u>	<u>\$ 4,518,091</u>

**NOTE C - MISSION INVESTMENT LOANS**

Mission investment loans consist of the following:

(a) Note receivable	\$ 253,436	\$ 268,590
(b) Note receivable	-	25,000
(c) Note receivable	390,000	-
(d) Note receivable	270,400	-
(e) Note receivable	162,205	-
	<u>\$ 1,076,041</u>	<u>\$ 293,590</u>

- a) The mission investment loan program originates from a \$300,000 mission investment loan to a not-for-profit corporation. The note calls for 27 equal quarterly installment payments of \$5,000 including 3% interest commencing on July 1, 2017 through April 1, 2024, at which time all unpaid principal and interest is due. The loan is secured by a deed of trust.
- b) Cash flow advance for a not-for-profit event. The loan was paid in full during 2021.
- c) Mission investment loan for the purchase of land for development. Original amount \$390,000 including 3% interest. Principle and interest due at maturity on March 15, 2024.
- d) Mission investment loan for the purchase of a building for mixed income housing development. Original amount \$370,400 with variable interest only payments due quarterly. The interest rate is between 2% and 3% interest. Principle and any unpaid interest is due on November 29, 2024 or when permanent financing is obtained, whichever is earlier.



Lincoln Community Foundation, Inc.  
NOTES TO FINANCIAL STATEMENTS

**NOTE C - MISSION INVESTMENT LOANS - CONTINUED**

- e) Mission investment loan for the purchase of a building for mixed income housing development. Original amount \$162,205 including 2% interest. Principle and interest due at maturity on December 13, 2023.

Future minimum loan receipts for the years following December 31, 2021 are:

2022	\$ 12,631
2023	175,219
2024	<u>888,191</u>
	<u>\$ 1,076,041</u>

**NOTE D - INVESTMENTS**

Investments consist of the following:

	2021	
	Cost	Market
Marketable securities:		
Corporate bonds	\$ 4,132,075	\$ 4,115,233
Asset backed securities	969,375	998,500
Common stocks	22,249,078	32,863,650
Equity and fixed-income funds	<u>130,401,686</u>	<u>132,611,366</u>
	157,752,214	170,588,749
Nonmarketable securities:		
Alternative investments	<u>2,466,075</u>	<u>2,220,558</u>
	<u>\$ 160,218,289</u>	<u>\$ 172,809,307</u>

	2020	
	Cost	Market
Marketable securities:		
U.S. Government bonds	\$ 253,148	\$ 252,793
Municipal and local bonds	10,645,191	11,239,561
Corporate bonds	2,569,300	2,572,638
Auction rate securities	1,461,563	1,480,000
Common stocks	16,272,166	21,923,774
Equity and fixed-income funds	<u>60,919,256</u>	<u>83,220,715</u>
	92,120,624	120,689,481
Nonmarketable securities:		
Alternative investments	<u>1,721,023</u>	<u>2,685,974</u>
	<u>\$ 93,841,647</u>	<u>\$ 123,375,455</u>

Investment performance consists of the following:

	2021	2020
Interest and dividend income	\$ 3,545,223	\$ 2,480,416
Net realized and unrealized gains	20,937,141	8,474,768
Investment expenses	<u>(149,311)</u>	<u>(131,641)</u>
	<u>\$ 24,333,053</u>	<u>\$ 10,823,543</u>

Lincoln Community Foundation, Inc.  
NOTES TO FINANCIAL STATEMENTS

**NOTE E - FAIR VALUE OF ASSETS AND LIABILITIES**

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in methodologies used during the years ended December 31, 2021 and 2020.

*Common stock and preferred stock:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Mutual funds:* Valued at the observable net asset value (NAV) of shares held by the Foundation at year end.

*U.S. government and agency obligations:* Valued using independent pricing models.

*Corporate bonds:* Valued using independent pricing models.

*Municipal and local bonds:* Valued using independent pricing models.

*Auction rate securities:* Valued using independent pricing models.

*Alternative investments:* Valued based on the value of the underlying assets.

*Stocks in transit:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Unconditional promises to give:* Valued using the estimated present value of future cash flows at historical discount rates.

*Property held for resale:* Valued at the real estate appraisal value, less anticipated selling expenses or at actual subsequent selling price, if known.

*Annuity agreements:* Valued using the estimated present value of the annuity obligation. The Foundation has elected the fair value option for measuring annuity obligations. The discount rate of 1.6% (2021) and 0.6% (2020) and the actuarial assumptions used in calculating the annuity obligation are those provided in Internal Revenue Service guidelines and actuarial tables are updated each period the obligations are valued.

*Beneficial interest in charitable trusts:* Valued at the fair market value of the trust based on the underlying assets less the estimated present value of the annuity obligation.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods 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 fair value measurement at the reporting date.



Lincoln Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

**NOTE E - FAIR VALUE OF ASSETS AND LIABILITIES - CONTINUED**

The following table sets forth the balances of assets and liabilities measured at fair value on a recurring basis at December 31, 2021.

<u>December 31, 2021</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments:				
Common stocks				
Domestic	\$ 32,465,138	\$ 32,465,138	\$ -	\$ -
International	398,512	398,512	-	-
Mutual funds, equities				
Domestic	68,115,936	68,115,936	-	-
Emerging markets	6,054,008	6,054,008	-	-
International	21,001,422	21,001,422	-	-
Mutual funds, fixed income				
Corporate bonds	37,279,204	37,279,204	-	-
Domestic	126,655	126,655	-	-
High Yield	19,157	19,157	-	-
Inflation Protection	14,984	14,984	-	-
Fixed Income				
Domestic bonds	3,258,384	-	3,258,384	-
International bonds	856,849	-	856,849	-
Asset backed securities	998,500	-	998,500	-
Investments measured at NAV:				
Commodity limited partnerships	530,524	-	-	-
Private equity	1,690,034	-	-	-
Total investments	<u>\$ 172,809,307</u>	<u>\$ 165,475,016</u>	<u>\$ 5,113,733</u>	<u>\$ -</u>
Stocks in transit:				
Common stocks				
Industrial	\$ 1,060,847	\$ 1,060,847	\$ -	\$ -
Beneficial interest in charitable trusts	<u>\$ 132,473</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,473</u>
Unconditional promises to give receivable	<u>\$ 5,902,214</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,902,214</u>
Annuities and trust payable	<u>\$ 290,941</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 290,941</u>
Unconditional promises to give to others	<u>\$ 49,558</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,558</u>

Lincoln Community Foundation, Inc.  
NOTES TO FINANCIAL STATEMENTS

**NOTE E - FAIR VALUE OF ASSETS AND LIABILITIES - CONTINUED**

The following table sets forth the balances of assets and liabilities measured at fair value on a recurring basis at December 31, 2020.

<u>December 31, 2020</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments:				
Common stocks	\$ 21,923,774	\$ 21,923,774	\$ -	\$ -
Mutual funds, equities				
U.S. core	18,795,375	18,795,375	-	-
U.S. large cap	5,728,051	5,728,051	-	-
U.S. small cap	16,158,886	16,158,886	-	-
U.S. emerging markets	4,088,310	4,088,310	-	-
U.S. real estate	2,952,147	2,952,147	-	-
International	27,306,948	27,306,948	-	-
Mutual funds, balanced				
U.S.	427,289	427,289	-	-
Global	1,595,628	1,595,628	-	-
Mutual funds, fixed income	6,168,081	6,168,081	-	-
U.S. Government bonds	252,793	-	252,793	-
Corporate bonds				
AA rating	251,233	-	251,233	-
A rating	2,321,405	-	2,321,405	-
Municipal and local bonds				
AAA rating	2,812,135	-	2,812,135	-
AA rating	7,291,399	-	7,291,399	-
A rating	1,136,027	-	1,136,027	-
Auction rate securities	1,480,000	-	1,480,000	-
Investments measured at NAV:				
Commodity limited partnerships	562,372	-	-	-
Private equity	2,123,602	-	-	-
Total investments	<u>\$ 123,375,455</u>	<u>\$ 105,144,489</u>	<u>\$ 15,544,992</u>	<u>\$ -</u>
Stocks in transit:				
Common stocks				
Financial	\$ 20,283	\$ 20,283	\$ -	\$ -
Industrial	244,270	244,270	-	-
Total stocks in transit	<u>\$ 264,553</u>	<u>\$ 264,553</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in charitable trusts	<u>\$ 123,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,377</u>
Unconditional promises to give receivable	<u>\$ 4,518,091</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,518,091</u>
Annuities and trust payable	<u>\$ 406,050</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 406,050</u>
Unconditional promises to give to others	<u>\$ 148,682</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 148,682</u>

Lincoln Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

**NOTE E - FAIR VALUE OF ASSETS AND LIABILITIES - CONTINUED**

The following table sets forth a summary of transfers out of and issuances of the Foundation's level 3 assets and liabilities, receipts of the Foundation's level 3 assets, and distributions of the Foundation's level 3 liabilities for the years ended December 31:

	2021	2020
Transfers out of level 3 assets and liabilities	\$ (52,036)	\$ (176,751)
Issuances of level 3 assets and liabilities	1,732,493	200,000
Receipt of level 3 assets	(192,000)	(104,148)
Distribution of level 3 liabilities	(174,009)	(133,920)

Transfers out of level 3 assets and liabilities are due to the death of the trust holder and annuitants, respectively.

The following table sets forth the balances of assets measured at fair value on a nonrecurring basis as of December 31, 2021.

<u>December 31, 2021</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Property held for resale	\$ 90,352	\$ 90,352	\$ -	\$ -

Investments valued at NAV consist of the following as of December 31,

	2021			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Frequency (if eligible)</u>	<u>Redemption Notice Period</u>
Commodity limited partnerships (a)	\$ 530,524	\$ 825,036	N/A	N/A
Private equity (b)	941,997	8,629		
Private equity (c)	748,037	-	N/A	N/A
	<u>\$ 2,220,558</u>	<u>\$ 833,665</u>	N/A	N/A

  

	2020			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Frequency (if eligible)</u>	<u>Redemption Notice Period</u>
Commodity limited partnerships (a)	\$ 562,372	\$ 836,163	N/A	N/A
Private equity (b)	1,927,007	16,279		
Private equity (c)	196,595	300,000	N/A	N/A
	<u>\$ 2,685,974</u>	<u>\$ 1,152,442</u>		

- (a) Commodity limited partnerships - A limited partnership intended to invest in opportunities created by underlying fund managers with an investment focus on energy, timber, real estate, mining, and other minerals and natural resources. The partnership will end one year after all underlying investments have been disposed. Investors cannot request redemptions and all fund distributions are at the discretion of the underlying fund manager and the terms of that fund.

NOTES TO FINANCIAL STATEMENTS

**NOTE E - FAIR VALUE OF ASSETS AND LIABILITIES - CONTINUED**

- (b) Private equity - A limited liability company intended to invest in Mid-American and opportunistic global growth-stage, high-growth, and innovative companies with the objective of long-term growth. The company has no set term and partners are not permitted to withdraw their investment. Distributions are at the discretion of the general partner.
- (c) Private equity - A limited liability company invests in high-growth startups including: software, IT, web, SaaS, life science, MedTech, e-commerce, and hardware. The company has no set term and partners are not permitted to withdraw their investment. Distributions are at the discretion of the general partner.

**NOTE F - LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2021	2020
Cash and cash equivalents	\$ 19,739,054	\$ 18,350,358
Certificates of deposit	730,143	8,539,753
Short-term investments	9,025,000	2,420,432
Receivables	3,512	-
Stock in transit not invested	1,060,846	-
Endowment spending rate distributions and appropriations	3,774,014	3,902,957
	<u>\$ 34,332,569</u>	<u>\$ 33,213,500</u>

The endowment funds consist of funds designated by the board as endowments.

The board designated endowment of \$96,433,177 is subject to an annual spending rate of 4.75% percent as described in Note A. Annual spending is intended to be used for grant making and other program services as part of the Board's annual budget approval and appropriation.

As part of the liquidity management plan, cash in excess of daily requirements is invested in short-term investments, CDs, and money market funds. Occasionally, the Board designates a portion of any operating surplus to its operating reserve, which was \$14,053,113 as of December 31, 2021. The operating reserve is a board-designated fund with the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

Lincoln Community Foundation, Inc.  
NOTES TO FINANCIAL STATEMENTS

**NOTE G - PROPERTY AND EQUIPMENT**

Property and equipment consists of:

	2021	2020
Land	\$ 641,294	\$ 641,294
Buildings and improvements	5,884,364	5,879,160
Furniture, fixture and equipment	<u>402,543</u>	<u>804,776</u>
	6,928,201	7,325,230
Less accumulated depreciation	<u>(4,234,614)</u>	<u>(4,495,770)</u>
	<u>\$ 2,693,587</u>	<u>\$ 2,829,460</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$150,853 and \$155,367, respectively.

**NOTE H - SPLIT INTEREST AGREEMENTS**

The Foundation has entered into irrevocable agreements (split-interest agreements) with donors where, in exchange for a gift from the donor, the Foundation provides an annuity to the donor or other designated beneficiaries for a specific period of time, usually the life of the donor.

A liability is recognized for the estimated present value of the annuity obligation and the contributed assets are recorded at their gross market value. The discount rate and actuarial assumptions used in calculating the annuity obligation are those provided in Internal Revenue Service (IRS) guidelines and actuarial tables. The discount rate used was 1.6% and 0.6% for the years ended December 31, 2021 and 2020, respectively. The amount of the liability is adjusted annually in accordance with the IRS actuarial tables and a gain or loss is recorded to reflect the change in value.

For agreements where the Foundation is not the trustee, the Foundation has recorded an asset as a beneficial interest in charitable trusts.

The Foundation did not recognize any new annuity contributions for the years ended December 31, 2021 and 2020, respectively.

If a gift annuity has a projected liability greater than the gift annuity's assets, the excess liability is the Foundation's and is recorded as a negative unrestricted net asset. For the years ended December 31, 2021 and 2020, there was \$21,164 and \$85,654, respectively, of negative equity related to annuities in this situation.

Assets of the Foundation, as derived from split-interest agreements, are as follows:

Assets included in investments and cash	<u>\$ 1,039,260</u>	<u>\$ 923,844</u>
Beneficial interest in charitable trusts	<u>\$ 132,473</u>	<u>\$ 123,377</u>

Lincoln Community Foundation, Inc.  
NOTES TO FINANCIAL STATEMENTS

**NOTE I - UNCONDITIONAL PROMISES TO GIVE OTHERS**

Unconditional promises to give others consists of a multi-year grant due in the following years:

2022	\$ 25,000
2023	<u>25,000</u>
Unconditional promises to give others	50,000
Less discount to present value (1.8%)	<u>(442)</u>
	<u><u>\$ 49,558</u></u>

Unconditional promises to give others are included in accounts payable and accrued expenses on the statements of financial position.

**NOTE J - TRANSACTIONS IN FUNDS HELD FOR AGENCIES**

Transactions in funds held for agencies are summarized as follows:

	<u>2021</u>	<u>2020</u>
Additions:		
Contributions	\$ 1,671,702	\$ 405,344
Investment performance	<u>904,075</u>	<u>503,960</u>
	<u>2,575,777</u>	<u>909,304</u>
Deductions:		
Administrative fees	(45,601)	(41,237)
Grant distributions	<u>(211,658)</u>	<u>(168,353)</u>
	<u>(257,259)</u>	<u>(209,590)</u>
INCREASE IN BALANCE	2,318,518	699,714
Funds held for agencies, beginning of year	<u>6,388,418</u>	<u>5,688,704</u>
Funds held for agencies, end of year	<u><u>\$ 8,706,936</u></u>	<u><u>\$ 6,388,418</u></u>

Lincoln Community Foundation, Inc.  
NOTES TO FINANCIAL STATEMENTS

**NOTE K - NET ASSETS**

Net assets comprise the following:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Totals
Endowment funds:			
Advised and designated	\$ 48,663,000	\$ -	\$ 48,663,000
Discretionary	35,834,928	-	35,834,928
Scholarship	11,935,249	-	11,935,249
	<u>96,433,177</u>	<u>-</u>	<u>96,433,177</u>
Nonendowed funds:			
Advised, designated, or restricted	75,605,261	105,601	75,710,862
Discretionary	2,258,455	-	2,258,455
Scholarship	7,421	-	7,421
Operating	14,053,113	-	14,053,113
	<u>91,924,250</u>	<u>105,601</u>	<u>92,029,851</u>
Subject to the passage of time:			
Assets held under split-interest agreements and other	-	2,684,359	2,684,359
Promises to give that are not restricted by donors, but	-	5,902,214	5,902,214
which are unavailable for expenditure until received	<u>-</u>	<u>8,586,573</u>	<u>8,586,573</u>
	<u>\$ 188,357,427</u>	<u>\$ 8,692,174</u>	<u>\$ 197,049,601</u>
	2020		
	Without Donor Restrictions	With Donor Restrictions	Totals
Endowment funds:			
Advised and designated	\$ 34,750,869	\$ -	\$ 34,750,869
Discretionary	31,688,045	-	31,688,045
Scholarship	10,520,634	-	10,520,634
	<u>76,959,548</u>	<u>-</u>	<u>76,959,548</u>
Nonendowed funds:			
Advised, designated, or restricted	54,846,566	97,229	54,943,795
Discretionary	2,191,224	-	2,191,224
Scholarship	14,093	-	14,093
Operating	12,554,714	-	12,554,714
	<u>69,606,597</u>	<u>97,229</u>	<u>69,703,826</u>
Subject to the passage of time:			
Assets held under split-interest agreements and other	-	2,630,525	2,630,525
Promises to give that are not restricted by donors, but	-	4,518,091	4,518,091
which are unavailable for expenditure until received	<u>-</u>	<u>7,148,616</u>	<u>7,148,616</u>
	<u>\$ 146,566,145</u>	<u>\$ 7,245,845</u>	<u>\$ 153,811,990</u>

Lincoln Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

**NOTE K - NET ASSETS - CONTINUED**

Net assets were 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 donors as follows for the years ended December 31, 2021 and 2020:

	2021	2020
Expiration of time restrictions	\$ 126,159	\$ 107,425
Satisfaction of purpose restrictions	7,894,255	6,954,409
Distributions (proceeds are not restricted by donors)		
Assets held under split-interest agreements	94,762	152,326
	<u>\$ 8,115,176</u>	<u>\$ 7,214,160</u>

**NOTE L - INTENTIONS TO GIVE**

The Foundation has received indications of gifts in the form of bequests which are revocable during the donors' lifetime or irrevocable for which a donation amount cannot be determined. Due to the uncertain nature of these intentions, the Foundation has not recognized a promise to give or contribution revenue for these gifts.

**NOTE M - ENDOWMENTS**

All endowment net assets relate to board designated endowment funds for which the Foundation has the ability to distribute principal subject to a spending policy, and is managing the funds in accordance with the investment policy to allow the funds to maintain their purchasing power and fulfill the Foundation's purpose.

Changes in endowment net assets for the year ended December 31, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance January 1, 2021	\$ 76,959,548	\$ -	\$ 76,959,548
Interest and dividends	2,404,232	-	2,404,232
Realized and unrealized gains	11,639,991	-	11,639,991
Contributions	9,485,968	-	9,485,968
Amounts appropriated for expenditure	(4,056,562)	-	(4,056,562)
Balance December 31, 2021	<u>\$ 96,433,177</u>	<u>\$ -</u>	<u>\$ 96,433,177</u>

Changes in endowment net assets for the year ended December 31, 2020 are as follows:

Balance January 1, 2020	\$ 73,532,375	\$ -	\$ 73,532,375
Interest and dividends	1,513,995	-	1,513,995
Realized and unrealized gains	3,694,798	-	3,694,798
Contributions	1,577,638	-	1,577,638
Amounts appropriated for expenditure	(3,359,258)	-	(3,359,258)
Balance December 31, 2020	<u>\$ 76,959,548</u>	<u>\$ -</u>	<u>\$ 76,959,548</u>



Lincoln Community Foundation, Inc.  
NOTES TO FINANCIAL STATEMENTS

**NOTE N - OPERATING LEASES**

As Lessor

The Foundation has entered into lease agreements for office space. The leases with various non-profit organizations expire through 2027.

The financial statements include rent income of \$291,058 and \$293,288 for the years ended December 31, 2021 and 2020, respectively.

Future minimum lease revenues for the years following December 31, 2021 are:

2022	\$ 167,024
2023	142,905
2024	145,340
2025	145,757
2026	<u>21,201</u>
	<u>\$ 622,227</u>

**NOTE O - RETIREMENT PLAN**

The Foundation has a SIMPLE-IRA plan covering eligible employees. The plan provides for matching contributions, approved by the Board of Directors annually. The Foundation contributed \$37,178 and \$32,753 to the retirement plan for the years ended December 31, 2021 and 2020, respectively.

**NOTE P - DEFERRED COMPENSATION**

The Foundation entered into a deferred compensation agreement with the Foundation's President. The Foundation will determine an annual accrual intended to be equal to 10% of the President's base compensation for five years beginning January 1, 2015. The accruals will earn interest equal to the annual endowment performance but not less than zero until the agreement vested on January 1, 2020. Once vested, the President can receive the benefits in equal quarterly installments over five years from the date of retirement, over which time the deferred amount will continue to earn interest. The Foundation recognized expense of \$18,316 and \$7,550 for the years ended December 31, 2021 and 2020, respectively, under the agreement.

**NOTE Q - CONCENTRATIONS OF CREDIT RISK**

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of checking, money market, and certificate of deposit accounts at financial institutions. Accounts at each institution are insured by the FDIC up to \$250,000. The bank accounts, at December 31, 2021 and 2020, exceeded federally insured limits by \$9,622,462 and \$8,343,389, respectively. The Foundation has not experienced any losses on such accounts.

**NOTE R - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through the audit report date, the date that the financial statements were available to be issued.

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SUPPLEMENTAL INFORMATION

Lincoln Community Foundation, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2021

<u>Federal Agency Cluster/Program</u>	<u>Pass Through Entity</u>	<u>CFDA Number</u>	<u>Grant Identifying Number</u>	<u>Amount Expended</u>
<b>Department of Treasury (TREAS)</b>				
COVID-19 Coronavirus Relief Fund	Nebraska Department of Health and Human Services	21.023		<u>\$ 419,700</u>
<b>Department of Housing and Urban Development (HUD)</b>				
COVID-19 Emergency Solutions Grant Program	City of Lincoln	14.231		32,992
CDBG-Entitlement Grants Cluster:				
COVID-19 Community Development Block Grants/Entitlement Grants	City of Lincoln	14.218		<u>1,102,509</u>
				<u>1,135,501</u>
				<u>\$ 1,555,201</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Basis of Presentation.** The accompanying schedule of federal awards includes the federal grant activity of Lincoln Community Foundation, Inc. and is presented on the accrual basis of accounting. Grant awards are considered expended when the expense transactions associated with the grant occur. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

**Subrecipients.** The Foundation provided no federal awards to subrecipients.

**Indirect Costs.** The Foundation did not elect to use the ten percent de minimis indirect cost rate as allowed in the Uniform Guidance, 2 CFR 200.414.



SINGLE AUDIT SECTION

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INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

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The Board of Directors  
Lincoln Community Foundation, Inc.  
Lincoln, Nebraska

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lincoln Community Foundation, Inc., which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 26, 2022.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Lincoln Community Foundation, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lincoln Community Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Lincoln Community Foundation, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Lincoln Community Foundation, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in black ink, appearing to read "HBE LLP".

Lincoln, Nebraska  
May 26, 2022





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INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH THE UNIFORM GUIDANCE

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The Board of Directors  
Lincoln Community Foundation, Inc.  
Lincoln, Nebraska

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Lincoln Community Foundation, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Lincoln Community Foundation, Inc.'s major federal programs for the year ended December 31, 2021. Lincoln Community Foundation, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Lincoln Community Foundation, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Lincoln Community Foundation, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Lincoln Community Foundation, Inc.'s compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Lincoln Community Foundation, Inc.'s federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Lincoln Community Foundation, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Lincoln Community Foundation, Inc.'s compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Lincoln Community Foundation, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Lincoln Community Foundation, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Lincoln Community Foundation, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on the major federal program is not modified with respect to this matter. *Government Auditing Standards* requires the auditor to perform limited procedures on Lincoln Community Foundation, Inc.'s response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Lincoln Community Foundation, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-001, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. *Government Auditing Standards* requires the auditor to perform limited procedures on Lincoln Community Foundation, Inc.'s response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Lincoln Community Foundation, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Handwritten signature in black ink, appearing to read "HBE LLP".

Lincoln, Nebraska  
May 26, 2022

Lincoln Community Foundation, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2021

**Summary of Auditor's Results**

- a) An unmodified audit report was issued on the financial statements of Lincoln Community Foundation, Inc.
- b) No deficiencies in internal control are disclosed by the audit of the financial statements.
- c) The audit did not disclose any noncompliance which would be material to the financial statements.
- d) One significant deficiency (2021-001) in internal control over its major federal award program was disclosed by the audit.
- e) An unmodified audit report was issued on compliance for Lincoln Community Foundation, Inc.'s major federal award program.
- f) The audit disclosed one audit finding (2021-001) which was required to be reported relative to the major federal award program.
- g) The program tested as a major program was the Department of Housing and Urban Development, COVID-19 Community Development Block Grants/Entitlements Grants, Assistance Listing No. 14.218.
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- i) Lincoln Community Foundation, Inc. did not qualify as a low-risk auditee as defined by the Uniform Guidance.

**Findings - Financial Statements Audit**

None

**Findings and Questioned Costs - Major Federal Awards Program Audit**

2021-001 *Identification data:* Department of Housing and Urban Development, COVID-19 Community Development Block Grants/Entitlements Grants, Assistance Listing No. 14.218, Award Period March 3, 2021 through March 2, 2022 and Pass through entity is the City of Lincoln.

*Criteria:* 2 CFR part 230/A-112 requires the Foundation to comply with specific cost principles, where the Foundation is required to use the funds for allowable costs.

*Condition:* Certain costs of the program were paid to participants that did not meet the low- or moderate-income limits established in accordance with the regulations.

*Cause:* A breakdown in the Foundation's internal controls over allowable costs did not allow the Foundation to fully comply with the cost principles.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended December 31, 2021

**Findings and Questioned Costs - Major Federal Awards Program Audit - Continued**

*Effect or potential effect:* The Foundation may have received funds for unallowed costs.

*Questioned cost:* We audited 40 files or \$118,364 of expenditures, which were selected based on statistical sampling. Of the files tested, six did not have documentation to support that the participant met the low- or moderate-income requirements, which resulted in questioned costs of \$5,428. This amount was determined by totaling the amount paid on behalf of each participant that did not meet the low- or moderate-income requirements. Additionally, based on the questioned costs identified in the audited files, a projection was performed for the total population of services provided to all participants in the program during the year. Of the total population amount of \$1,040,746, likely questioned costs based on the projection were \$47,727.

*Recommendation:* The Foundation should implement an internal control system that allows for only allowable costs under the program.

*Views of responsible officials:* The Foundation plans to implement controls to properly verify payments for assistance are only for low- or moderate-income individuals affected by COVID-19.

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## CORRECTIVE ACTION PLAN

Year ended December 31, 2021

The corrective action plan for the finding included in the schedule of findings and questioned costs is summarized as follows:

**Finding 2021 - 001 Allowable Costs, COVID-19 Community Development Block Grant/Entitlements Grant, Assistance Listing No. 14.218**

**Corrective Action Planned:** The Foundation will incorporate controls to ensure that federal funds are only used for allowable costs of individuals that meet the low or moderate-income requirements. The files will be reviewed to ensure that all required documentation is maintained and proper determination of low- or moderate-income of participants has been made. In addition, staff will be cross-trained on the income determination process and will review/sign off on each report before a request for payment is sent.

**Anticipated Completion Date:** December 31, 2022.

**Responsible Parties:** Management and Board of Directors

If there are any questions regarding this plan, please call Scott Lawson, Vice President - Finance for Lincoln Community Foundation, Inc. at (402) 474-2345.



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Scott Lawson, Vice President - Finance