

Lincoln Community Foundation, Inc.
Lincoln, Nebraska

December 31, 2020 and 2019

Financial Statements
and
Independent Auditor's Report



CPAs & Consultants | Wealth Management

Lincoln Community Foundation, Inc.
Years ended December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Lincoln Community Foundation, Inc. which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Lincoln Community Foundation, Inc. as of December 31, 2020 and 2019 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.

Other Matters

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 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 information 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 7, 2021, on our consideration of the 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 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, appearing to read "HBE LLP".

Lincoln, Nebraska
May 7, 2021

Lincoln Community Foundation, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents (note A)	\$ 18,960,861	\$ 20,033,168
Certificates of deposit	8,539,753	8,839,857
Investments (notes A, D and E)	123,375,455	108,686,488
Stocks in transit (note E)	264,553	1,175,060
Beneficial interests in charitable trusts (notes E and H)	123,377	285,338
Unconditional promises to give (notes A, B and E)	4,518,091	4,409,765
Mission investment loans (notes A and C)	293,590	274,474
Receivables (note A)	-	225,020
Cash surrender value of life insurance	2,567,720	2,733,767
Property and equipment (notes A and G)	<u>2,829,460</u>	<u>2,950,946</u>
Total assets	<u>\$ 161,472,860</u>	<u>\$ 149,613,883</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 866,402	\$ 900,797
Annuities and trusts payable (notes E and H)	406,050	455,350
Funds held for agencies (notes A and J)	<u>6,388,418</u>	<u>5,688,704</u>

Total liabilities	<u>7,660,870</u>	<u>7,044,851</u>
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NET ASSETS (notes A and K)

Without donor restrictions		
Endowment	76,959,548	73,532,375
Available for grantmaking	57,051,883	49,183,283
Operating	12,554,714	12,359,678
With donor restrictions		
Available for grantmaking	97,229	113,520
Restricted to the passage of time	<u>7,148,616</u>	<u>7,380,176</u>

Total net assets	<u>153,811,990</u>	<u>142,569,032</u>
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Total liabilities and net assets	<u>\$ 161,472,860</u>	<u>\$ 149,613,883</u>
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See accompanying notes to financial statements.

Lincoln Community Foundation, Inc.

STATEMENTS OF ACTIVITIES

Years ended December 31,

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions	\$ 19,041,334	\$ 6,838,385	\$ 25,879,719	\$ 19,241,433	\$ 5,913,971	\$ 25,155,404
Investment performance, net (note D)	10,752,105	71,438	10,823,543	17,765,567	101,706	17,867,273
Change in value of split-interest agreements	7,580	56,486	64,066	(3,357)	125,216	121,859
Other income	365,081	-	365,081	376,887	-	376,887
Net assets released from restrictions	7,214,160	(7,214,160)	-	5,968,969	(5,968,969)	-
Total revenue and support	37,380,260	(247,851)	37,132,409	43,349,499	171,924	43,521,423
EXPENSES						
Grants and scholarships	21,305,125	-	21,305,125	17,818,930	-	17,818,930
Other program expenses	3,347,880	-	3,347,880	2,135,534	-	2,135,534
Management and general	614,690	-	614,690	606,037	-	606,037
Development and fundraising	621,756	-	621,756	593,968	-	593,968
Total expenses	25,889,451	-	25,889,451	21,154,469	-	21,154,469
Increase in net assets	11,490,809	(247,851)	11,242,958	22,195,030	171,924	22,366,954
Net assets at beginning of year	135,075,336	7,493,696	142,569,032	112,880,306	7,321,772	120,202,078
Net assets at end of year	<u>\$ 146,566,145</u>	<u>\$ 7,245,845</u>	<u>\$ 153,811,990</u>	<u>\$ 135,075,336</u>	<u>\$ 7,493,696</u>	<u>\$ 142,569,032</u>

See accompanying notes to financial statements.

Lincoln Community Foundation, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Years ended December 31,

	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	<u>\$ 21,305,125</u>	<u>\$ 3,347,880</u>	<u>\$ 24,653,005</u>	<u>\$ 614,690</u>	<u>\$ 621,756</u>	<u>\$ 1,236,446</u>	<u>\$ 25,889,451</u>

	2019						
	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	\$ 17,597,634	\$ 143,545	\$ 17,741,179	\$ -	\$ -	\$ -	\$ 17,741,179
Personnel and benefits	164,583	511,093	675,676	428,390	462,903	891,293	1,566,969
Community outreach	-	307,815	307,815	41,669	56,243	97,912	405,727
Fiscal sponsorships	-	766,310	766,310	-	-	-	766,310
Staff development	11,156	11,548	22,704	7,204	10,322	17,526	40,230
Office expenses	17,823	67,611	85,434	51,406	34,875	86,281	171,715
Professional services	-	-	-	39,982	-	39,982	39,982
Building and occupancy	16,097	200,640	216,737	19,476	16,397	35,873	252,610
Depreciation	11,637	126,972	138,609	17,910	13,228	31,138	169,747
Total expenses	<u>\$ 17,818,930</u>	<u>\$ 2,135,534</u>	<u>\$ 19,954,464</u>	<u>\$ 606,037</u>	<u>\$ 593,968</u>	<u>\$ 1,200,005</u>	<u>\$ 21,154,469</u>

See accompanying notes to financial statements.

Lincoln Community Foundation, Inc.

STATEMENTS OF CASH FLOWS

Years ended December 31,

	2020	2019
Cash flows from operating activities		
Cash received from revenue and support	\$ 24,056,199	\$ 20,932,089
Cash paid to employees and vendors	(2,451,061)	(2,434,901)
Cash paid as disbursements	(23,369,323)	(18,793,904)
Investment income received	2,474,610	3,533,239
Net cash provided by operating activities	710,425	3,236,523
Cash flows from investing activities		
Proceeds from certificates of deposit	3,878,386	360,004
Purchases of certificates of deposit	(3,578,282)	(2,870,327)
Proceeds from sale of investments	17,251,450	15,263,251
Purchases of investments	(19,220,669)	(6,530,955)
Purchase of property and equipment	(33,881)	(160,337)
Net cash provided (used) by investing activities	(1,702,996)	6,061,636
Cash flows from financing activities		
Payments on annuities and trusts payable	(79,736)	(80,780)
Net increase (decrease) in cash and cash equivalents	(1,072,307)	9,217,379
Cash and cash equivalents at beginning of year	20,033,168	10,815,789
Cash and cash equivalents at end of year	\$ 18,960,861	\$ 20,033,168
Reconciliation of increase in net assets to net cash provided by operating activities		
Increase in net assets	\$ 11,242,958	\$ 22,366,954
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	155,367	169,747
Realized and unrealized gains on investments	(8,474,768)	(14,420,010)
Reinvested interest and dividends	(25,492)	(13,382)
Actuarial gain on annuities	42,873	21,355
Non-cash contributions	(3,532,211)	(3,481,855)
(Increase) decrease in assets		
Stocks in transit	910,507	(1,068,448)
Beneficial interests in charitable trusts	161,961	-
Unconditional promises to give	(108,326)	(34,535)
Mission investment loans	(19,116)	11,568
Receivables	225,020	(47,841)
Cash surrender value of life insurance	166,047	(67,475)
Decrease in liabilities		
Accounts payable and accrued expenses	(34,395)	(199,555)
Total adjustments to increase in net assets	(10,532,533)	(19,130,431)
Net cash provided by operating activities	\$ 710,425	\$ 3,236,523

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.

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.

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, 2020 and 2019, 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 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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.

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.

Lincoln Community Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fair Value Measurements - Continued. 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.

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 \$135,096 and \$132,589 for the years ended December 31, 2020 and 2019, respectively.

Lincoln Community Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2020 and 2019, 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, 2020, 2019, and 2018 are subject to examination by the IRS, generally for three years after they were filed.

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:

	2020	2019
One to five years	\$ 40,000	\$ 158,154
Five to fifteen years	1,633,703	723,938
Fifteen to twenty-five years	3,534,299	4,232,511
More than twenty-five years	1,664,755	1,670,000
	6,872,757	6,784,603
Less discount to present value (0.6% to 7.4%)	(2,354,666)	(2,374,838)
	<u>\$ 4,518,091</u>	<u>\$ 4,409,765</u>

NOTE C - MISSION INVESTMENT LOANS

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.

Lincoln Community Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE D - INVESTMENTS

Investments consist of the following:

	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
Asset backed securities	1,461,563	1,480,000
Common stocks	16,272,166	21,923,774
Equity and fixed-income funds	60,919,256	83,220,715
	92,120,624	120,689,481
Nonmarketable securities:		
Alternative investments	1,721,023	2,685,974
	<u>\$ 93,841,647</u>	<u>\$ 123,375,455</u>

	2019	
	Cost	Market
Marketable securities:		
U.S. Government bonds	\$ 1,024,451	\$ 1,075,337
Municipal and local bonds	10,153,762	10,472,750
Corporate bonds	1,792,895	1,803,701
Auction rate securities	1,461,563	1,487,870
Common stocks	13,139,342	16,287,324
Equity and fixed-income funds	57,155,928	75,899,067
	84,727,941	107,026,049
Nonmarketable securities:		
Alternative investments	1,410,411	1,660,439
	<u>\$ 86,138,352</u>	<u>\$ 108,686,488</u>

Investment performance consists of the following:

	2020	2019
Interest and dividend income	\$ 2,480,416	\$ 3,572,571
Net realized and unrealized gains	8,474,768	14,420,010
Investment expenses	(131,641)	(125,308)
	<u>\$ 10,823,543</u>	<u>\$ 17,867,273</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, 2020 and 2019.

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.

Estate receivables: Valued at fair market value of the underlying assets less settlement costs.

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 0.6% (2020) and 2% (2019) 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.

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	-
Asset backed 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 the balances of assets and liabilities measured at fair value on a recurring basis at December 31, 2019.

<u>December 31, 2019</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	\$ 16,287,324	\$ 16,287,324	\$ -	\$ -
Mutual funds, equities				
U.S. core	17,625,158	17,625,158	-	-
U.S. large cap	5,231,109	5,231,109	-	-
U.S. small cap	15,086,775	15,086,775	-	-
U.S. emerging markets	3,642,184	3,642,184	-	-
U.S. real estate	3,298,587	3,298,587	-	-
International	26,969,373	26,969,373	-	-
Mutual funds, balanced				
U.S.	280,955	280,955	-	-
Global	1,472,238	1,472,238	-	-
Mutual funds, fixed income	2,292,688	2,292,688	-	-
U.S. Government bonds	1,075,337	-	1,075,337	-
Corporate bonds				
AA rating	399,974	-	399,974	-
A rating	1,403,727	-	1,403,727	-
Municipal and local bonds				
AAA rating	2,294,348	-	2,294,348	-
AA rating	8,178,402	-	8,178,402	-
Auction rate securities	1,487,870	-	1,487,870	-
Investments measured at NAV:				
Commodity limited partnerships	636,384	-	-	-
Private equity	1,024,055	-	-	-
Total investments	<u>\$ 108,686,488</u>	<u>\$ 92,186,391</u>	<u>\$ 14,839,658</u>	<u>\$ -</u>
Stocks in transit:				
Common stocks				
Financial	\$ 1,125,600	\$ 1,125,600	\$ -	\$ -
Industrial	49,460	49,460	-	-
Total stocks in transit	<u>\$ 1,175,060</u>	<u>\$ 1,175,060</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in charitable trusts	<u>\$ 285,338</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 285,338</u>
Unconditional promises to give receivable	<u>\$ 4,409,765</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,409,765</u>
Estate receivables	<u>\$ 225,000</u>	<u>\$ 225,000</u>	<u>\$ -</u>	<u>\$ -</u>
Annuities and trust payable	<u>\$ 455,350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 455,350</u>
Unconditional promises to give to others	<u>\$ 249,773</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 249,773</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:

	2020	2019
Transfers out of level 3 assets and liabilities	\$ (176,751)	\$ (7,165)
Issuances of level 3 assets and liabilities	\$ 200,000	\$ 200,000
Receipt of level 3 assets	\$ (104,148)	\$ (139,959)
Distribution of level 3 liabilities	\$ (133,920)	\$ (164,147)

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

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

	2020			
	Fair Value	Unfunded Commitments	Frequency (if eligible)	Redemption Notice Period
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>	N/A	N/A
	2019			
	Fair Value	Unfunded Commitments	Frequency (if eligible)	Redemption Notice Period
Commodity limited partnerships (a)	\$ 636,384	\$ 839,781	N/A	N/A
Private equity (b)	1,024,055	38,184	N/A	N/A
	<u>\$ 1,660,439</u>	<u>\$ 877,965</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.
- (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.

Lincoln Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 18,350,358	\$ 20,033,168
Certificates of deposit	8,539,753	8,839,857
Short-term investments	2,420,432	1,400,702
Receivables	-	245,000
Endowment spending rate distributions and appropriations	<u>3,902,957</u>	<u>3,889,829</u>
	<u>\$ 33,213,500</u>	<u>\$ 34,408,556</u>

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

The board designated endowment of \$76,959,548 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 \$12,554,714 as of December 31, 2020. 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.

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment consists of:

Land	\$ 641,294	\$ 641,294
Buildings and improvements	5,879,160	5,850,016
Furniture, fixture and equipment	<u>804,776</u>	<u>826,836</u>
	7,325,230	7,318,146
Less accumulated depreciation	<u>(4,495,770)</u>	<u>(4,367,200)</u>
	<u>\$ 2,829,460</u>	<u>\$ 2,950,946</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$155,367 and \$169,747, 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.

NOTES TO FINANCIAL STATEMENTS

NOTE H - SPLIT INTEREST AGREEMENTS - CONTINUED

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 0.6% and 2% for the years ended December 31, 2020 and 2019, 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 recognized \$- and \$50,000 of new annuity contributions for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, there was \$85,654 and \$79,632, respectively, of negative equity related to annuities in this situation.

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

	2020	2019
Assets included in investments and cash	\$ 923,844	\$ 896,388
Beneficial interest in charitable trusts	\$ 123,377	\$ 285,338

NOTE I - UNCONDITIONAL PROMISES TO GIVE OTHERS

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

2021	\$ 100,000
2022	25,000
2023	25,000
Unconditional promises to give others	150,000
Less discount to present value (1.8%)	(1,318)
	<u>\$ 148,682</u>

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

Lincoln Community Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE J - TRANSACTIONS IN FUNDS HELD FOR AGENCIES

Transactions in funds held for agencies are summarized as follows:

	<u>2020</u>	<u>2019</u>
Additions:		
Contributions	\$ 405,344	\$ 139,631
Investment performance	<u>503,960</u>	<u>886,327</u>
	<u>909,304</u>	<u>1,025,958</u>
Deductions:		
Administrative fees	(41,237)	(40,805)
Grant distributions	<u>(168,353)</u>	<u>(295,000)</u>
	<u>(209,590)</u>	<u>(335,805)</u>
INCREASE IN BALANCE	699,714	690,153
Funds held for agencies, beginning of year	<u>5,688,704</u>	<u>4,998,551</u>
Funds held for agencies, end of year	<u><u>\$ 6,388,418</u></u>	<u><u>\$ 5,688,704</u></u>

NOTE K - NET ASSETS

Net assets comprise the following:

	<u>2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Endowment funds:			
Advised and designated	\$ 34,750,869	\$ -	\$ 34,750,869
Discretionary	31,688,045	-	31,688,045
Scholarship	<u>10,520,634</u>	<u>-</u>	<u>10,520,634</u>
	<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	<u>12,554,714</u>	<u>-</u>	<u>12,554,714</u>
	<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			
which are unavailable for expenditure until received	<u>-</u>	<u>4,518,091</u>	<u>4,518,091</u>
	<u>-</u>	<u>7,148,616</u>	<u>7,148,616</u>
	<u><u>\$ 146,566,145</u></u>	<u><u>\$ 7,245,845</u></u>	<u><u>\$ 153,811,990</u></u>

Lincoln Community Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE K - NET ASSETS - CONTINUED

	2019		
	Without Donor Restrictions	With Donor Restrictions	Totals
Endowment funds:			
Advised and designated	\$ 32,221,058	\$ -	\$ 32,221,058
Discretionary	30,977,621	-	30,977,621
Scholarship	10,333,696	-	10,333,696
	<u>73,532,375</u>	<u>-</u>	<u>73,532,375</u>
Nonendowed funds:			
Advised, designated, or restricted	47,548,201	113,520	47,661,721
Discretionary	1,610,486	-	1,610,486
Scholarship	24,596	-	24,596
Operating	12,359,678	-	12,359,678
	<u>61,542,961</u>	<u>113,520</u>	<u>61,656,481</u>
Subject to the passage of time:			
Assets held under split-interest agreements and other	-	2,970,411	2,970,411
Promises to give that are not restricted by donors, but			
which are unavailable for expenditure until received	<u>-</u>	<u>4,409,765</u>	<u>4,409,765</u>
	<u>-</u>	<u>7,380,176</u>	<u>7,380,176</u>
	<u>\$ 135,075,336</u>	<u>\$ 7,493,696</u>	<u>\$ 142,569,032</u>

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, 2020 and 2019:

	2020	2019
Expiration of time restrictions	\$ 107,425	\$ 115,559
Satisfaction of purpose restrictions	6,954,409	5,704,910
Distributions (proceeds are not restricted by donors)		
Assets held under split-interest agreements	<u>152,326</u>	<u>148,500</u>
	<u>\$ 7,214,160</u>	<u>\$ 5,968,969</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.

Lincoln Community Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS

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, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
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	<u>(3,359,258)</u>	<u>-</u>	<u>(3,359,258)</u>
Balance December 31, 2020	<u>\$ 76,959,548</u>	<u>\$ -</u>	<u>\$ 76,959,548</u>

Changes in endowment net assets for the year ended December 31, 2019 are as follows:

Balance January 1, 2019	\$ 64,485,281	\$ -	\$ 64,485,281
Interest and dividends	2,298,526	-	2,298,526
Realized and unrealized gains	8,893,881	-	8,893,881
Contributions	1,521,157	-	1,521,157
Amounts appropriated for expenditure	<u>(3,666,470)</u>	<u>-</u>	<u>(3,666,470)</u>
Balance December 31, 2019	<u>\$ 73,532,375</u>	<u>\$ -</u>	<u>\$ 73,532,375</u>

NOTE N - OPERATING LEASES

As Lessee

On May 8, 2018, the Foundation entered into a 51-month operating lease for a postage machine. Under the terms of the lease, quarterly rent payments are \$409.

Future minimum lease payments for the years following December 31, 2020 are:

2021	\$ 1,636
2022	<u>1,227</u>
	<u>\$ 2,863</u>

Lincoln Community Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE N - OPERATING LEASES - CONTINUED

As Lessor

The Foundation has entered into lease agreements for office space. The leases with various non-profit organizations expire through 2026.

The financial statements include rent income of \$293,288 and \$290,781 for the years ended December 31, 2020 and 2019, respectively.

Future minimum lease revenues for the years following December 31, 2020 are:

2021	\$ 227,216
2022	168,928
2023	144,463
2024	145,340
2025	145,757
Thereafter	<u>21,201</u>
	<u>\$ 852,905</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 \$32,753 and \$33,453 to the retirement plan for the years ended December 31, 2020 and 2019, 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 vests on January 1, 2020. Once vested, the President will 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 \$7,550 and \$32,501 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, exceeded federally insured limits by \$8,343,389 and \$9,748,236, respectively. The Foundation has not experienced any losses on such accounts.

Lincoln Community Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE R - RECLASSIFICATIONS

Certain amounts in the year ended December 31, 2019 financial statements have been reclassified to conform with current year presentation. These reclassifications had no effect on the 2019 statement of activities.

NOTE S - RISKS AND UNCERTAINTIES

The COVID-19 (coronavirus) outbreak continues to prompted global health concerns. Consequently, it is possible the Foundation could be impacted by the resulting volatility in the economy beyond the financial statement date. Specifically, the Foundation could experience decreases in donor giving, donor gift requests, investment markets and investment return, and/or tenants ability to pay rent.

NOTE T - 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, 2020

<u>Federal Agency Cluster/Program</u>	<u>Pass Through Entity</u>	<u>CFDA Number</u>	<u>Grant Identifying Number</u>	<u>Amount Expended</u>
National Foundation on the Arts and Humanities				
National Leadership Grants	Institute of Museum and Library Services	45.312	57738726	\$ <u>27,578</u>
Department of Treasury (TREAS)				
COVID-19 Coronavirus Relief Fund	Nebraska Department of Health and Human Services	21.019		<u>1,148,000</u>
Department of Housing and Urban Development (HUD)				
COVID-19 Emergency Solutions Grant Program	City of Lincoln	14.231		49,484
CDBG-Entitlement Grants Cluster:				
COVID-19 Community Development Block Grants/Entitlement Grants	City of Lincoln	14.218		<u>358,508</u>
				<u>407,992</u>
				<u>\$ 1,583,570</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 elected 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*

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, 2020, 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 7, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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 and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 statement. 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 7, 2021



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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

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

Report on Compliance for Each Major Federal Program

We have audited Lincoln Community Foundation, Inc.'s compliance with the types of compliance requirements described 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, 2020. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lincoln Community Foundation, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lincoln Community Foundation, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Lincoln Community Foundation, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Lincoln Community Foundation, Inc. complied, in all material respects, with the types of 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, 2020.

Report on Internal Control over Compliance

Management of Lincoln Community Foundation, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lincoln Community Foundation, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lincoln Community Foundation, Inc.'s internal control over compliance.

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 combination of deficiencies, in internal control over compliance, such that there is 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 7, 2021

Lincoln Community Foundation, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2020

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) No control deficiencies in internal control over its major federal award program were 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 no audit findings which were required to be reported relative to the major federal award program.
- g) The program tested as a major program was the Department of Treasury, Nebraska Department of Health and Human Services, COVID-19 Coronavirus Relief Fund, CFDA No. 21.019.
- 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

None