



Lincoln Community Foundation, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2023 and 2022



Lincoln Community Foundation, Inc.
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December 31, 2023 and 2022

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Independent Auditor's Report

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 statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year 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, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Year Audited by Other Auditors

The 2022 financial statements, before they were revised for the matters discussed in Note 1, were audited by other auditors, and their report thereon, dated June 28, 2023, expressed an unmodified opinion. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2023, the Foundation has elected to change the method of presentation of the Statements of Cash Flows to the indirect method. Our opinion is not modified with respect to this matter.

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 within one year after the date that these financial statements are available to be 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 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, 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.

Forvis Mazars, LLP

**Lincoln, Nebraska
November 5, 2024**

Lincoln Community Foundation, Inc.
Statements of Financial Position
December 31, 2023 and 2022

ASSETS

	2023	2022
Cash and cash equivalents	\$ 30,369,234	\$ 27,979,180
Certificates of deposit	741,152	723,366
Investments	167,535,731	144,659,135
Beneficial interest in charitable trusts	123,946	112,434
Unconditional promises to give	6,465,528	6,530,813
Mission investment loans	1,117,565	1,063,521
Receivables	45,385	3,322
Cash surrender value of life insurance	2,104,824	2,155,626
Property and equipment, net	2,868,022	2,612,708
Total assets	<u>\$ 211,371,387</u>	<u>\$ 185,840,105</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 982,848	\$ 916,329
Annuities and trusts payable	150,998	191,331
Funds held for agencies	9,192,660	7,642,131
Total liabilities	<u>10,326,506</u>	<u>8,749,791</u>

Net Assets

Without donor restrictions:		
Endowment	90,613,746	78,059,369
Available for grantmaking	88,425,605	78,786,890
Operating	12,674,676	10,945,726
With donor restrictions:		
Available for grantmaking	522,955	567,658
Restricted to passage of time	8,807,899	8,730,671
Total net assets	<u>201,044,881</u>	<u>177,090,314</u>
Total liabilities and net assets	<u>\$ 211,371,387</u>	<u>\$ 185,840,105</u>

Lincoln Community Foundation, Inc.
Statements of Activities
Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions	\$ 24,775,264	\$ 7,598,053	\$ 32,373,317	\$ 15,546,899	\$ 9,243,015	\$ 24,789,914
Investment performance, net	18,971,734	44,130	19,015,864	(21,200,168)	(114,102)	(21,314,270)
Change in value of split interest agreements	(11,905)	13,666	1,761	16,103	(166,361)	(150,258)
Other income	392,525	-	392,525	406,417	-	406,417
Net assets released from restrictions	7,623,324	(7,623,324)	-	8,356,397	(8,356,397)	-
Total revenue and support	51,750,942	32,525	51,783,467	3,125,648	606,155	3,731,803
EXPENSES						
Grants awarded and programs	22,643,740	-	22,643,740	18,692,022	-	18,692,022
Other program expenses	3,642,318	-	3,642,318	3,630,453	-	3,630,453
Management and general	885,847	-	885,847	733,161	-	733,161
Development and fundraising	656,995	-	656,995	635,454	-	635,454
Total expenses	27,828,900	-	27,828,900	23,691,090	-	23,691,090
Increase (decrease) in net assets	23,922,042	32,525	23,954,567	(20,565,442)	606,155	(19,959,287)
Net assets at beginning of year	167,791,985	9,298,329	177,090,314	188,357,427	8,692,174	197,049,601
Net assets at end of year	\$ 191,714,027	\$ 9,330,854	\$ 201,044,881	\$ 167,791,985	\$ 9,298,329	\$ 177,090,314

Lincoln Community Foundation, Inc.
Statements of Functional Expenses
Years Ended December 31, 2023 and 2022

	2023						
	Program Services			Supporting Activities			
	Grants Awarded and Programs	Other Programs	Total Program Services	Management and General	Development and Fundraising	Total Supporting Services	Total
Grants awarded and programs	\$ 22,401,104	\$ 74,208	\$ 22,475,312	\$ -	\$ -	\$ -	\$ 22,475,312
Personnel and benefits	205,883	622,016	827,899	666,197	542,098	1,208,295	2,036,194
Community outreach	-	119,716	119,716	28,028	47,333	75,361	195,077
Fiscal sponsorships	-	2,438,815	2,438,815	-	-	-	2,438,815
Staff development	8,389	16,650	25,039	25,440	15,408	40,848	65,887
Office expenses	20,807	41,352	62,159	70,524	38,271	108,795	170,954
Professional services	-	14,192	14,192	72,749	-	72,749	86,941
Building and occupancy	3,925	194,189	198,114	11,898	7,213	19,111	217,225
Depreciation	3,632	121,180	124,812	11,011	6,672	17,683	142,495
Total functional expenses	\$ 22,643,740	\$ 3,642,318	\$ 26,286,058	\$ 885,847	\$ 656,995	\$ 1,542,842	\$ 27,828,900
	2022						
	Program Services			Supporting Activities			
	Grants Awarded and Programs	Other Programs	Total Program Services	Management and General	Development and Fundraising	Total Supporting Services	Total
Grants awarded and programs	\$ 18,440,761	\$ 82,590	\$ 18,523,351	\$ -	\$ -	\$ -	\$ 18,523,351
Personnel and benefits	213,219	525,029	738,248	547,536	536,459	1,083,995	1,822,243
Community outreach	-	160,499	160,499	7,545	40,685	48,230	208,729
Fiscal sponsorships	-	2,478,426	2,478,426	-	-	-	2,478,426
Staff development	6,422	10,980	17,402	30,385	9,811	40,196	57,598
Office expenses	21,494	31,626	53,120	55,398	33,030	88,428	141,548
Professional services	-	15,748	15,748	66,635	-	66,635	82,383
Building and occupancy	5,192	207,448	212,640	13,861	7,932	21,793	234,433
Depreciation	4,934	118,107	123,041	11,801	7,537	19,338	142,379
Total functional expenses	\$ 18,692,022	\$ 3,630,453	\$ 22,322,475	\$ 733,161	\$ 635,454	\$ 1,368,615	\$ 23,691,090

Lincoln Community Foundation, Inc.
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Operating Activities:		
Change in net assets	\$ 23,954,567	\$(19,959,287)
Items not requiring (providing) cash		
Depreciation	142,495	142,379
Net realized and unrealized (gains) losses on investments	(14,681,560)	24,340,310
Reinvested interest and dividends	(17,786)	(106,807)
Actuarial gain on annuities	27,466	79,571
Non-cash contributions	(10,962,985)	(5,916,100)
Changes in :		
Beneficial interests in charitable trusts	(11,512)	20,039
Unconditional promises to give	65,285	(628,599)
Mission investment loans	(54,044)	12,520
Receivables	(42,063)	190
Cash surrender value of life insurance	50,802	357,783
Accounts payable and accrued expenses	66,519	212,868
Agency funds payable	1,550,529	(1,064,805)
Net cash provided by (used in) operating activities	<u>87,713</u>	<u>(2,509,938)</u>
Investing Activities		
Proceeds from certificates of deposit	-	359,880
Purchases of certificates of deposit	-	(353,103)
Proceeds from investments	27,687,833	31,094,470
Purchases of investments	(24,919,884)	(20,221,882)
Purchases of property and equipment	(397,809)	(61,500)
Net cash provided by investing activities	<u>2,370,140</u>	<u>10,817,865</u>
Financing Activities		
Payments on annuities and trusts	<u>(67,799)</u>	<u>(67,801)</u>
Net cash used in financing activities	<u>(67,799)</u>	<u>(67,801)</u>
Increase in Cash and Cash Equivalents	2,390,054	8,240,126
Cash and Cash Equivalents, Beginning of Year	<u>27,979,180</u>	<u>19,739,054</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 30,369,234</u></u>	<u><u>\$ 27,979,180</u></u>

Note 1. Summary Of Significant Accounting Policies

Nature of Operations

Lincoln Community Foundation, Inc. (the Foundation) was incorporated on April 11, 1955. The mission of the Foundation is to inspire the community to give, act and lead. The Foundation's revenues and other support are derived principally from contributions and its activities are conducted principally in the Lincoln, Nebraska area. The Foundation also owns and manages the Lincoln Community Foundation Building. The building is leased to tax-exempt foundations.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. The Foundation does not consider uninvested cash held in investment accounts as cash or cash equivalents. At December 31, 2023 and 2022, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

At December 31, 2023, the Foundation's cash accounts exceeded federally insured limits by approximately \$3,580,000.

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. Investments in private equity funds and hedge funds are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments. 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.

Net Investment Return

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The Foundation maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Lincoln Community Foundation, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

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 credit losses.

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

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. It is the Foundation's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings	5 to 40 years
Furniture, fixtures and equipment	3 to 7 years

The Foundation evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset costs is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2023 or 2022.

Funds Held for Agencies

Funds established by an unrelated not-for-profit foundation 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.

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.

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

Contributions

Contributions are provided to the Foundation either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Foundation overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, i.e. the donor imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue and with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

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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 Foundation 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 costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on the basis of time, effort and other methods.

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 \$170,918 and \$148,129 for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, the Foundation had no tax liability on unrelated business activity. 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 Foundation Exempt from Income Tax (Forms 990 and 990T) for December 31, 2023, 2022, and 2021 are subject to examination by the IRS, generally for three years after they were filed.

Change in Accounting Principle

In 2023, the Foundation elected to change the method of presentation of the Statements of Cash Flows to the indirect method to assist the users of the financial statements to better understand the activity and reconcile to other information contained within the financial statements. The 2022 Statement of Cash Flows has been retrospectively adjusted and presented under the indirect method. This change did not impact the change in net assets or net assets previously presented.

Revisions

Certain immaterial revisions have been made to the 2022 financial statements for changes related to the stocks in transit, funds held for agencies, and cash and cash equivalents on the statement of cash flows, and cash and cash equivalents and investments on the statement of financial position. In addition, the classification of cash and cash equivalents and investments impacted disclosures in Note 4, 5 and 6. These revisions did not have a significant impact on the financial statement line items impacted.

Note 2. Unconditional Promises to Give

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

	2023	2022
One to five years	\$ -	\$ 485,343
Five to fifteen years	3,544,121	3,135,103
Fifteen to twenty-five years	4,360,288	3,780,306
More than twenty-five years	1,328,000	1,938,000
	<u>9,232,409</u>	<u>9,338,752</u>
Less discount for present value (rates of .6% to 7.4%)	<u>(2,766,881)</u>	<u>(2,807,939)</u>
	<u><u>\$ 6,465,528</u></u>	<u><u>\$ 6,530,813</u></u>

Unconditional promises to give are donor restricted due to the passage of time. The unconditional promises are determined to be fully collectible.

Note 3. Mission Investment Loans

	2023	2022
(a) Note receivable	\$ 232,065	\$ 241,717
(b) Note receivable	390,000	390,000
(c) Note receivable	270,000	270,000
(d) Note receivable	-	161,804
(e) Note receivable	60,500	-
(f) Note receivable	165,000	-
	<u><u>\$ 1,117,565</u></u>	<u><u>\$ 1,063,521</u></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) Mission investment loan for the purchase of land for development. Original amount \$390,000 including 3% interest. Principal and interest due at maturity on March 15, 2024.
- c) 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%. Principle and any unpaid interest is due on November 29, 2024 or when permanent financing is obtained, whichever is earlier.
- d) Mission investment loan for the purchase of a building for mixed income housing development. Original amount \$162,205 including 2% interest. The loan was paid in full in December 2023.

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- e) Mission investment loan for the purchase of land for development of mixed income housing. Original amount \$155,000 with interest only payments due quarterly. The interest rate is 3%. Principal and any unpaid interest is due on December 1, 2027. As of December 31, 2023, \$60,500 has been funded, with \$94,500 remaining committed. An additional \$1,000,000 has been committed through a line of credit. There was no amount drawn on the line as of December 31, 2023.
- f) Mission investment loan for the purchase of a building for mixed income housing development. Original amount \$165,000 with variable interest only payments due quarterly. The interest rate is 4%. Principal and any unpaid interest is due on October 31, 2024 or when permanent financing is obtained, whichever is earlier.

Future minimum loan receipts for the years following December 31, 2023 are:

2024	\$ 667,065
2025	390,000
2026	-
2027	60,500
	<u>\$ 1,117,565</u>

The Foundation has committed \$1,094,500 in future mission loans as of December 31, 2023.

Note 4. Investments

Investments consist of the following:

	2023		2022	
	Cost	Market	Cost	Market
Marketable securities:				
Domestics bonds	\$ 121,575	\$ 121,929	\$ 1,253,198	\$ 999,195
International bonds	122,331	122,907	251,898	249,848
US treasuries	1,272,395	1,280,613	1,128,920	1,124,731
Asset backed securities	969,375	988,750	969,375	978,125
Common stocks	28,442,810	33,916,164	23,048,089	28,433,781
Equity and fixed income mutual funds	129,197,612	126,384,525	126,488,077	108,299,161
	<u>160,126,098</u>	<u>162,814,888</u>	<u>153,139,557</u>	<u>140,084,841</u>
Non marketable securities:				
Alternatives	4,853,583	4,720,843	3,443,302	4,574,293
	<u>\$ 164,979,681</u>	<u>\$ 167,535,731</u>	<u>\$ 156,582,859</u>	<u>\$ 144,659,134</u>

Investment performance consists of the following:

	2023	2022
Investment performance:		
Dividends and interest	\$ 5,145,304	\$ 3,168,056
Realized and unrealized gains	14,005,824	(24,340,310)
less investment expenses	<u>(135,264)</u>	<u>(142,016)</u>
Net investment income	<u>\$ 19,015,864</u>	<u>\$ (21,314,270)</u>

Note 5. Fair Value of Assets and Liabilities

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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

- | | |
|----------------|---|
| Level 1 | Quoted prices in active markets for identical assets or liabilities |
| Level 2 | Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities |
| Level 3 | Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities |

Lincoln Community Foundation, Inc.
Notes to Financial Statements
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Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2023 and 2022:

2023	Fair Value Measurements Using				
	Value	Quoted Prices in Active Markets for Identical Assets (Liabilities) (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV ^(A)
Investments:					
Common stocks					
Domestic	\$ 33,574,508	\$ 33,574,508	\$ -	\$ -	\$ -
International	341,656	341,656	-	-	-
Mutual funds, equities					
Domestic	65,548,266	65,548,266	-	-	-
Emerging markets	19,921,802	19,921,802	-	-	-
International	5,641,677	5,641,677	-	-	-
Mutual funds, fixed income					
Corporate and domestic bonds	35,249,100	35,249,100	-	-	-
High yield	17,869	17,869	-	-	-
Inflation protection	5,811	5,811	-	-	-
Fixed Income					
Domestic bonds	121,929	-	121,929	-	-
International bonds	122,907	-	122,907	-	-
US treasuries	1,280,613	-	1,280,613	-	-
Asset backed securities	988,750	-	988,750	-	-
Private equity	2,206,000	-	-	2,206,000	-
Investments measured at NAV:					
Commodity limited partnerships	546,822	-	-	-	546,822
Private equity	1,968,021	-	-	-	1,968,021
Total investments	<u>\$ 167,535,731</u>	<u>\$ 160,300,689</u>	<u>\$ 2,514,199</u>	<u>\$ 2,206,000</u>	<u>\$ 2,514,843</u>
Beneficial interest in charitable trusts	<u>\$ 123,946</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,946</u>	<u>\$ -</u>
Annuities and trust payable	<u>\$ 150,998</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,998</u>	<u>\$ -</u>

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2022	Fair Value Measurements Using				
	Value	Quoted Prices in Active Markets for Identical Assets (Liabilities) (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV ^(A)
Investments:					
Common stocks					
Domestic	\$ 28,039,429	\$ 28,039,429	\$ -	\$ -	\$ -
International	394,352	394,352	-	-	-
Mutual funds, equities					
Domestic	55,078,221	55,078,221	-	-	-
Emerging markets	4,879,508	4,879,508	-	-	-
International	17,014,399	17,014,399	-	-	-
Mutual funds, fixed income					
Corporate and domestic bonds	31,312,886	31,312,886	-	-	-
High yield	8,432	8,432	-	-	-
Inflation protection	5,716	5,716	-	-	-
Fixed Income					
Domestic bonds	999,195	-	999,195	-	-
International bonds	249,848	-	249,848	-	-
US treasuries	1,124,731	-	1,124,731	-	-
Asset backed securities	978,125	-	978,125	-	-
Private equity	2,206,000	-	-	2,206,000	-
Investments measured at NAV:					
Commodity limited partnerships	594,544	-	-	-	594,544
Private equity	1,773,749	-	-	-	1,773,749
Total investments	\$ 144,659,135	\$ 136,732,943	\$ 3,351,899	\$ 2,206,000	\$ 2,368,293
Beneficial interest in charitable trusts	\$ 112,434	\$ -	\$ -	\$ 112,434	\$ -
Annuities and trust payable	\$ 191,331	\$ -	\$ -	\$ 191,331	\$ -

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

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Level 3 private equity investment is recorded at fair value determined using book value of equity in the company based on internal financial statements. In 2023, this investment was gifted to the Foundation. There were no purchases or sales in 2023 or 2022.

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Alternative Investments

The fair value of alternative investments that have been estimated using the net asset value per share as a practical expedient consist of the following:

December 31, 2023				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Equity Funds (A)	\$ 1,968,021	\$ 414,719	N/A, Board Discretion	N/A
Commodity Limited Partnerships (B)	546,822	825,036	N/A, Board Discretion	N/A
Total	<u>\$ 2,514,843</u>	<u>\$ 1,239,755</u>		

December 31, 2022				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Equity Funds (A)	\$ 1,773,749	\$ 208,529	N/A, Board Discretion	N/A
Commodity Limited Partnerships (B)	594,544	825,036	N/A, Board Discretion	N/A
Total	<u>\$ 2,368,293</u>	<u>\$ 208,529</u>		

(A) This category of fund employs a variety of investment styles and strategies which focus primarily on investing in diversified portfolios of private equity investments. These funds invest in specific industries, emerging markets and also focus on theme-based investments at discounted prices. The fair value of the investments in this category have primarily been estimated using net asset value per share. The companies have no set terms and partners are not permitted to withdraw their investment. Distributions are at the discretion of the general partner.

(B) This category of fund employs a variety of investment strategies which primarily include energy, real estate and natural resources. The fair value of the investments in this category have primarily been estimated using net asset value per share. 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.

Beneficial Interest in Charitable Trust

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

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Annuities and Trust Payable

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 4.8% (2023) and 5.2% (2022) 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. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Note 6. 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:

	2023	2022
Cash and cash equivalents	\$ 30,369,234	\$ 27,979,180
Certificates of deposit	741,152	723,366
Short term investments	5,665,707	6,549,699
Receivables	3,446	3,322
Long term investments made available for current use	4,772,865	3,949,411
Stocks held for resale	7,042,140	-
	<u>\$ 48,594,544</u>	<u>\$ 39,204,978</u>

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

The board designated endowment of \$90,613,746 is subject to an annual spending rate of 5.00% percent. 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 \$12,674,676 as of December 31, 2023. 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 7. Property and Equipment

Property and equipment consists of:

	2023	2022
Land	\$ 641,294	\$ 641,294
Buildings and improvements	6,324,156	5,938,095
Furniture, fixtures & equipment	352,076	365,607
	<u>7,317,526</u>	<u>6,944,996</u>
Less accumulated depreciation	<u>(4,449,504)</u>	<u>(4,332,288)</u>
	<u>\$ 2,868,022</u>	<u>\$ 2,612,708</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$142,495 and \$142,379, respectively.

Note 8. 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 5.8% and 5.2% for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, there was \$19,375 and \$7,471, respectively, of negative equity related to annuities in this situation.

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

	2023	2022
Assets included in investments and cash	\$ 687,922	\$ 628,838
Beneficial interest in charitable trusts	\$ 123,946	\$ 112,434

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Note 9. Unconditional Promises to Give to Others

Unconditional promises to give to others at December 31, 2023 consists of a multi-year grant due in the following years:

2024	\$ 55,000
2025	<u>25,000</u>
	80,000
Less discount for present value (rate of 5.2%)	<u>(1,236)</u>
Unconditional promises to give to others	<u>\$ 78,764</u>

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

Note 10. Transactions In Funds Held for Agencies

Transactions in funds held for agencies are summarized as follows:

	2023	2022
Additions:		
Contributions	\$ 692,338	\$ 611,185
Investment performance, net	<u>1,171,699</u>	<u>(1,274,453)</u>
	1,864,037	(663,268)
Deductions:		
Grants	(263,577)	(351,875)
Administrative fees	<u>(49,931)</u>	<u>(49,662)</u>
	(313,508)	(401,537)
Net change	1,550,529	(1,064,805)
Funds held for agencies, beginning of year	<u>7,642,131</u>	<u>8,706,936</u>
Funds held for agencies, end of year	<u>\$ 9,192,660</u>	<u>\$ 7,642,131</u>

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Note 11. Net Assets

Net assets comprise the following:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Totals
Endowment funds:			
Advised and designated	\$ 46,354,361	\$ -	\$ 46,354,361
Discretionary	33,547,856	-	33,547,856
Scholarship	10,711,529	-	10,711,529
	<u>90,613,746</u>	<u>-</u>	<u>90,613,746</u>
Nonendowed funds:			
Advised and designated	85,507,823	522,955	86,030,778
Discretionary	2,914,182	-	2,914,182
Scholarship	3,600	-	3,600
Operating	12,674,676	-	12,674,676
	<u>101,100,281</u>	<u>522,955</u>	<u>101,623,236</u>
Restricted to passage of time:			
Donor promises to give	-	6,465,528	6,465,528
Split interest agreements	-	2,342,371	2,342,371
	<u>-</u>	<u>8,807,899</u>	<u>8,807,899</u>
Total net assets	<u>\$ 191,714,027</u>	<u>\$ 9,330,854</u>	<u>\$ 201,044,881</u>

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	2022		
	Without Donor Restrictions	With Donor Restrictions	Totals
Endowment funds:			
Advised and designated	\$ 40,840,410	\$ -	\$ 40,840,410
Discretionary	28,316,765	-	28,316,765
Scholarship	8,902,194	-	8,902,194
	<u>78,059,369</u>	<u>-</u>	<u>78,059,369</u>
Nonendowed funds:			
Advised and designated	75,970,391	567,658	76,538,049
Discretionary	2,814,099	-	2,814,099
Scholarship	2,400	-	2,400
Operating	10,945,726	-	10,945,726
	<u>89,732,616</u>	<u>567,658</u>	<u>90,300,274</u>
Restricted to passage of time:			
Donor promises to give	-	6,530,813	6,530,813
Split interest agreements	-	2,199,858	2,199,858
	<u>-</u>	<u>8,730,671</u>	<u>8,730,671</u>
Total net assets	<u>\$ 167,791,985</u>	<u>\$ 9,298,329</u>	<u>\$ 177,090,314</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, 2023 and 2022:

	2023	2022
Expiration of time restrictions	\$ 68,904	\$ 107,205
Satisfaction of purpose restrictions	7,554,420	8,037,638
Distributions (proceeds are not restricted by donors)		
Assets held under split-interest agreements	-	211,554
	<u>\$ 7,623,324</u>	<u>\$ 8,356,397</u>

Note 12. 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 13. Endowments

The Foundation's governing body is subject to the State of Nebraska Prudent Management of Institutional Funds Act (NPMIFA).

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 NPMIFA. 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 NPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Foundation 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 Foundation
- 7) The investment policies of the Foundation

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 5.00% of the sixteen-quarter net asset fund balance average for the years ended December 31, 2023 and 2022. 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.

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.

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Changes in endowment net assets for the years ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Balance, January 1	\$ 78,059,369	\$ 96,433,177
Contributions	2,995,105	1,940,012
Investment performance return, net	13,693,352	(15,549,543)
Appropriated for expenditure	<u>(4,134,080)</u>	<u>(4,764,277)</u>
Net change	<u>12,554,377</u>	<u>(18,373,808)</u>
Balance, December 31	<u>\$ 90,613,746</u>	<u>\$ 78,059,369</u>

Note 14. Leases

At inception, the Foundation determines if a contract is or includes a lease arrangement. The Foundation's lease arrangements include office space within their own building. The following describes the Foundation's accounting policies related to its leasing arrangements:

As lessor

Operating Leases

Under operating lease arrangements, the Foundation recognizes the underlying asset on its statement of financial position and recognizes income and initial direct costs expense generally on a straight-line basis over the lease term. The Foundation accounts for utilities and maintenance as part of the monthly lease billing, recognized as revenue on a straight-line basis over the lease term.

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

The financial statements include rent income of \$293,521 and \$285,472 for the years ended December 31, 2023 and 2022, respectively.

Future minimum lease revenues for the years following December 31, 2023 are:

2024	\$ 278,536
2025	207,276
2026	<u>46,639</u>
	<u>\$ 532,451</u>

Note 15. 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 \$76,189 and \$39,522 to the retirement plan for the years ended December 31, 2023 and 2022, respectively.

Note 16. 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 \$17,372 for the year ended December 31, 2023, under the agreement. There was no expense recognized for the year ended December 31, 2022.

Note 17. Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions

Approximately 33% of all contributions were received from two donors in 2023 and 15% of all contributions were received from one donor in 2022.

General Litigation

The Foundation is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the Foundation. Events could occur that would change this estimate materially in the near term.

Investments

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

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.

Note 18. Related Party

As of December 31, 2023, approximately 6% of investments are held in domestic common stock at an organization with a related party. No such investments were held as of December 31, 2022.

Note 19. Subsequent Events

Effective January 1, 2024, the Foundation converted the SIMPLE-IRA plan to a Safe Harbor 401(k) Plan. The plan provides for matching contributions, approved by the Board of Directors annually.

Subsequent events have been evaluated through November 5, 2024, the date that the financial statements were available to be issued.