

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

NEBRASKA CULTURAL ENDOWMENT

DECEMBER 31, 2015

Nebraska Cultural Endowment

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## Independent Auditor's Report

Board of Directors  
Nebraska Cultural Endowment

We have audited the accompanying financial statements of Nebraska Cultural Endowment (a non-profit organization), which comprise the statement of assets, liabilities, and net assets - modified cash basis as of December 31, 2015, and the related statements of support, revenue, expenses, and changes in net assets - modified cash basis and functional expenses - modified cash basis for the year 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 the modified cash basis of accounting as described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 assets, liabilities, and net assets of Nebraska Cultural Endowment as of December 31, 2015, and its support, revenue, and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note A.

**Basis of Accounting**

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

**Report on Summarized Comparative Information**

We have previously audited the Nebraska Cultural Endowment's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 1, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of trust fund investments - modified cash basis on page 18 is presented for purposes of additional analysis and is 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 subject to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Omaha, Nebraska  
February 19, 2016

Nebraska Cultural Endowment  
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS  
December 31, 2015  
(With comparative totals as of December 31, 2014)

	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 18,153	\$ -	\$ -	\$ 18,153	\$ 68,764
Investments (Notes B and J)					
Trust fund investments	-	3,747,290	5,063,545	8,810,835	8,860,813
Other	96,147	-	-	96,147	98,014
<b>Total assets</b>	<b>\$ 114,300</b>	<b>\$ 3,747,290</b>	<b>\$ 5,063,545</b>	<b>\$ 8,925,135</b>	<b>\$ 9,027,591</b>
<b>LIABILITIES AND NET ASSETS</b>					
Annuity Obligations (Note C)	\$ 75,665	\$ -	\$ -	\$ 75,665	\$ 77,733
<b>Net assets</b>					
Unrestricted	38,635	-	-	38,635	184,315
Temporarily restricted (Note D)	-	3,747,290	-	3,747,290	3,973,109
Permanently restricted (Note F)	-	-	5,063,545	5,063,545	4,792,434
<b>Total net assets</b>	<b>38,635</b>	<b>3,747,290</b>	<b>5,063,545</b>	<b>8,849,470</b>	<b>8,949,858</b>
<b>Total liabilities and net assets</b>	<b>\$ 114,300</b>	<b>\$ 3,747,290</b>	<b>\$ 5,063,545</b>	<b>\$ 8,925,135</b>	<b>\$ 9,027,591</b>

The accompanying notes are an integral part of these financial statements.

Nebraska Cultural Endowment  
STATEMENT OF SUPPORT, REVENUE, EXPENSES, AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS  
Year Ended December 31, 2015  
(With comparative totals as of December 31, 2014)

	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and revenue					
Contributions by the public	\$ 21,873	\$ 145,000	\$ 271,111	\$ 437,984	\$ 530,359
Nebraska Arts Council	24,000	-	-	24,000	24,000
Nebraska Cultural Preservation Endowment Fund	-	380,559	-	380,559	732,767
Humanities Nebraska	19,000	-	-	19,000	24,000
Investment return	97	(17,743)	-	(17,646)	580,285
Net assets released from restrictions	733,635	(733,635)	-	-	-
Total support and revenue	<u>798,605</u>	<u>(225,819)</u>	<u>271,111</u>	<u>843,897</u>	<u>1,891,411</u>
Expenses					
Program services	805,507	-	-	805,507	1,120,528
Management and general	53,935	-	-	53,935	52,681
Fund raising	80,069	-	-	80,069	78,205
Total expense	<u>939,511</u>	<u>-</u>	<u>-</u>	<u>939,511</u>	<u>1,251,414</u>
Change in net assets from operations	(140,906)	(225,819)	271,111	(95,614)	639,997
Nonoperating revenue (expense)					
Change in value of split-interest agreements	(4,774)	-	-	(4,774)	(4,891)
Change in net assets	(145,680)	(225,819)	271,111	(100,388)	635,106
Net assets, beginning of year	<u>184,315</u>	<u>3,973,109</u>	<u>4,792,434</u>	<u>8,949,858</u>	<u>8,314,752</u>
Net assets, end of year	<u>\$ 38,635</u>	<u>\$ 3,747,290</u>	<u>\$ 5,063,545</u>	<u>\$ 8,849,470</u>	<u>\$ 8,949,858</u>

The accompanying notes are an integral part of these financial statements.

Nebraska Cultural Endowment  
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS  
Year Ended December 31, 2015  
(With comparative totals as of December 31, 2014)

	2015				2014
	Program Services	Management and General	Fund Raising	Total	Total
Salaries and related expense	\$ 13,159	\$ 31,031	\$ 46,067	\$ 90,257	\$ 95,298
Dues and subscriptions	299	705	1,047	2,051	1,294
Insurance	344	811	1,203	2,358	2,340
Marketing expense	602	1,421	2,108	4,131	16,435
Miscellaneous	231	544	807	1,582	2,451
Postage and delivery	282	665	987	1,934	954
Printing	748	1,764	2,619	5,131	2,161
Professional fees	5,277	12,442	18,471	36,190	22,140
Rent	447	1,054	1,565	3,066	3,018
Supplies	241	567	843	1,651	3,303
Telephone	180	424	629	1,233	1,186
Travel and entertainment	1,063	2,507	3,723	7,293	2,646
Trust fund disbursements					
CPEF - Nebraska Arts Council	266,391	-	-	266,391	512,939
CPEF - Humanities Nebraska	114,167	-	-	114,167	219,834
Nebraska Arts Council	99,243	-	-	99,243	83,176
Humanities Nebraska	132,366	-	-	132,366	120,918
Holland Fund	66,237	-	-	66,237	60,333
John W. Carson Donor-Advised Fund	60,600	-	-	60,600	59,990
Omaha Symphony Association Fund	42,441	-	-	42,441	40,998
Thomas C. Woods, III Governor's Art Award Fund	1,189	-	-	1,189	-
<b>Total</b>	<b>\$ 805,507</b>	<b>\$ 53,935</b>	<b>\$ 80,069</b>	<b>\$ 939,511</b>	<b>\$ 1,251,414</b>

The accompanying notes are an integral part of these financial statements.

Nebraska Cultural Endowment  
NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS  
December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of the Nebraska Cultural Endowment.

1. Nature of the Organization. The Nebraska Cultural Endowment, a non-profit 501(c)(3), is a partnership between the Nebraska Arts Council and Humanities Nebraska created to support the arts and humanities in Nebraska. The governing body of the Cultural Endowment is a statewide twenty (20) member board of directors.

In 1998, the Nebraska Legislature appropriated \$5 million dollars to create the Nebraska Cultural Preservation Endowment Fund (CPEF) to stabilize funding for the arts and humanities in Nebraska through Humanities Nebraska and the Nebraska Arts Council. Income from the CPEF is available for distribution to Humanities Nebraska and the Nebraska Arts Council when matched by private contributions. The Nebraska Cultural Endowment was created to raise the private match to access the income from and to facilitate the increases in the public fund, the CPEF.

In 2008, the Nebraska Legislature appropriated an additional \$5 million dollars to the CPEF over a period of years, provided the Cultural Endowment match the increase with private contributions. Through the "All for the Match" campaign, the Cultural Endowment has matched \$3.5 million of the scheduled \$5 million dollar increase in the CPEF.

**Humanities Nebraska**

The Humanities Nebraska (HN), a nonprofit 501(c)(3) organization, is funded through a combination of federal grants from the National Endowment for the Humanities, private donations from individuals, foundations, and businesses, an appropriation from the State of Nebraska, and the Nebraska Cultural Endowment. Humanities Nebraska creates and supports thought-provoking opportunities for Nebraskans to learn, think and explore our shared history and culture to inspire a better future. HN is served by dedicated volunteers on two boards: the Nebraska Humanities Council (20 members) and the Nebraska Foundation for the Humanities (24 members, one-third of whom are Council members), which raises funds and advocates for HN's programming. HN reaches 350,000 Nebraskans a year by providing Grants, Speakers Bureau programs to schools and other organizations, family reading programs in libraries and schools, Chautauqua programs, touring museum exhibitions, and many other humanities-based programs that reach communities of all sizes and people from all walks of life.

**The Nebraska Arts Council**

The Nebraska Arts Council (NAC) was established in 1974 by the Nebraska Legislature and is governed by a board of fifteen Nebraska citizens appointed by the Governor. NAC is funded by the State of Nebraska, the National Endowment for the Arts, and the Nebraska Cultural Endowment. The Nebraska Arts Council's mission is to promote, cultivate, and sustain the arts for the people of Nebraska.

The Nebraska Arts Council's primary means of supporting the arts is through a variety of grant programs that cover all disciplines and fields of creative expression. Over 350 artists, art organizations, schools and community groups use NAC funds and technical support to carry out a variety of art experiences statewide.



Nebraska Cultural Endowment  
NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS - CONTINUED  
December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2. Basis of Presentation. The Organization reports information regarding its assets, liabilities, net assets, revenues and expenses according to the following three classes of net assets:
  - a. Unrestricted net assets include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as, by contract or by board designation.
  - b. Temporarily restricted net assets are those net assets whose use by the Organization has been limited by donors to later periods of time or after specified dates or to specified purposes.
  - c. Permanently restricted net assets are those net assets whose use by the Organization has donor-imposed restrictions that stipulate resources be maintained permanently but permits the Organization to use up or expend part or all of the income (or economic benefits derived) from the donated net assets.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with the modified cash basis of accounting. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

3. Basis of Accounting. The Organization's policy is to prepare its financial statements on the modified cash basis of accounting; consequently, certain revenues are recognized when received rather than when earned or pledged, and certain expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred. The Organization has recorded investments and annuity obligations on the statement of assets, liabilities, and net assets – modified cash basis rather than recognizing their activity as cash receipts and disbursements on the statement of support, revenue, expenses, and changes in net assets – modified cash basis.
4. Contributions. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

5. Use of Estimates. The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that could affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Nebraska Cultural Endowment  
NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS - CONTINUED  
December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Cash and Cash Equivalents. The Organization defines its cash and cash equivalents to include only cash on hand and demand deposits with original maturities of three months or less.
7. Investments. The Nebraska Cultural Endowment carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of assets, liabilities, and net assets – modified cash basis. Unrealized gains and losses are included in the change in net assets in the statement of support, revenue, expenses, and change in net assets – modified cash basis.
8. Expense Allocation. Expenses are charged to program and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not identifiable with any other specific function, but provide for the overall support and direction of the Organization.
9. Income Taxes. The Nebraska Cultural Endowment is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes is included in these financial statements. The Organization is not classified as a private foundation by the Internal Revenue Service.

As of December 31, 2015, the Organization had no uncertain tax positions that would require financial statement recognition, de-recognition, or disclosure. The Organization's Form 990 is subject to examination by the Internal Revenue Service for a period of three years.

10. Concentration of Credit Risk. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Cash balances were fully insured at December 31, 2015.

Revenue from the Nebraska Cultural Preservation Endowment Fund accounted for 45% of the Organization's total support and revenue.

11. Subsequent Events. Management evaluated all activity of the Nebraska Cultural Endowment through February 19, 2016 (the date the financial statements are available for issuance) and concluded that no subsequent events have occurred that would require recognition in the audited financial statements or disclosure in the related notes to the financial statements.

Nebraska Cultural Endowment  
 NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS - CONTINUED  
 December 31, 2015

NOTE B – INVESTMENTS

Investments are stated at fair value. Fair values and unrealized appreciation/(depreciation) at December 31, 2015 are summarized as follows.

	Cost	Fair Value	Appreciation/ (Depreciation)
Cash and cash equivalents	\$ 234,016	\$ 234,016	\$ -
Equity index funds	636,875	1,269,243	632,368
Mutual funds - equity	3,982,391	4,728,403	746,012
Mutual funds - fixed income	2,650,527	2,579,173	(71,354)
Total	<u>\$ 7,503,809</u>	<u>\$ 8,810,835</u>	<u>\$ 1,307,026</u>

The following schedule summarizes the investment return and its classification in the statement of support, revenue, expenses, and changes in net assets – modified cash basis for the year ended December 31, 2015.

Interest and dividend income	\$ 282,242
Net realized gains/(losses)	662,936
Net unrealized gains/(losses)	(931,113)
Advisory fee	(31,711)
Total	<u>\$ (17,646)</u>

NOTE C - ANNUITY OBLIGATIONS

Under the Organization's charitable gift annuities program, liabilities are recorded for the present value of the estimated future payments expected to be made to the donors or other life beneficiaries, or both. Upon termination of a life interest, the share of the corpus attributable to the life interest holder becomes available to the Organization. Changes in the life expectancy of the donor or beneficiary, amortization of the discount, and other changes in the estimates of future payments are recognized annually by the Organization based on actuarially determined valuations. The discount rate used to value split-interest agreements at December 31, 2015, range from 3.8 percent to 5.8 percent.

Nebraska Cultural Endowment  
NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS - CONTINUED  
December 31, 2015

NOTE D - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the accumulative earnings of the permanently restricted endowment that have not been disbursed and gifts temporarily restricted for a specific purpose. Temporarily restricted net assets are available for the following purposes:

Nebraska Arts Council - Education Fund	39,375
Nebraska Humanities Council - Education Fund	89,746
Nebraska Arts Council for Omaha Symphony Association	915,498
Nebraska Arts Council for Opera Omaha and Omaha Symphony Association	1,304,034
Nebraska Arts Council and Humanities Nebraska endowment earnings	1,398,637
	\$ 3,747,290

NOTE E - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

CPEF - Nebraska Arts Council	\$ 266,391
CPEF - Humanities Nebraska	114,167
Opera Omaha and Omaha Symphony Association	66,237
Omaha Symphony Association Fund	42,441
Nebraska Arts Council and Humanities Nebraska endowment earnings	
Nebraska Arts Council fund disbursements	56,393
Humanities Nebraska fund disbursements	75,216
John W. Carson Donor-Advised Fund disbursements	60,600
Thomas C. Woods, III Governor's Art Award Fund disbursements	1,190
Endowment administrative fees	46,000
Operating support	5,000
	\$ 733,635

NOTE F - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of matching funds raised for an endowment under Nebraska Legislative Bills 799, 1165, and 316 to support the Nebraska Arts Council and Nebraska Humanities Council. The Organization has permanently restricted net assets for the following purposes:

Nebraska Arts Council and Humanities Nebraska support	\$ 4,038,695
John W. Carson Donor-Advised Fund	1,000,000
Thomas C. Woods III Governor's Arts Award Fund	24,850
	\$ 5,063,545

Nebraska Cultural Endowment  
NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS - CONTINUED  
December 31, 2015

NOTE G - FAIR VALUE OF FINANCIAL STATEMENTS

The Organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1: Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets in markets that are not active;
- observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
- inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3: Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. The primary use of fair value measures in the Organization's financial statements is:

- recurring measurement of investments

The Organization used the following method and significant assumption to estimate fair value:

*Money market funds:* Determined by the published net asset value per unit at the end of the last trading day of the year, which is the basis for transactions at that date.

*Equity securities traded on national securities exchanges:* Determined by the closing price on the last business day of the fiscal year.

*Open-end mutual funds:* Determined by the published net asset value per unit at the end of the last trading day of the fiscal year, which is the basis for transactions at that date.

*Cash surrender value of life insurance:* Determined by the cash surrender value provided by the insurance carrier.

Nebraska Cultural Endowment  
NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS - CONTINUED  
December 31, 2015

NOTE G - FAIR VALUE OF FINANCIAL STATEMENTS - CONTNUED

Assets and liabilities measured at fair value on a recurring basis are summarized below.

	12/31/15	Fair Value Measurements at December 31, 2015 Using:		
		Level 1	Level 2	Level 3
<b>Assets:</b>				
<b>Investments</b>				
Money Market Funds	\$ 234,138	\$ 234,138	\$ -	\$ -
Equity index funds				
Small Cap	393,655	393,655	-	-
Mid Cap	380,059	380,059	-	-
Large Cap	495,528	495,528	-	-
Mutual funds - equity				
Smll Cap	4,154	4,154	-	-
Mid Cap	3,604	3,604	-	-
Large Cap	2,703,949	2,703,949	-	-
Foreign	1,584,727	1,584,727	-	-
Real Estate	495,288	495,288	-	-
Mutual funds - fixed income				
Global Bonds	666,325	666,325	-	-
Domestic Bonds	1,938,144	1,938,144	-	-
Total investments	8,899,571	8,899,571	-	-
Cash surrender value of life insurance				
	7,411	-	-	7,411
Total assets	\$ 8,906,982	\$ 8,899,571	\$ -	\$ 7,411

NOTE H - RELATED PARTY

The Organization has common board members with the Nebraska Arts Council (NAC), Nebraska Arts Council Development Corporation (NACDC) and the Humanities Nebraska (HN). During the year, the Organization paid NAC and NHC \$365,634 and \$246,533, respectively and received \$24,000 and \$19,000 from NAC and HN, respectively.

Nebraska Cultural Endowment  
NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS - CONTINUED  
December 31, 2015

NOTE I - ENDOWMENT

The Organization's endowment includes donor-restricted endowment funds. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. However, the specific purpose of these assets is to provide distributions to the Humanities Nebraska, the Nebraska Arts Council, Opera Omaha, Inc., and the Omaha Symphony Association, as well as to afford some portion of the Organization's annual administrative expenses, all while preserving the real purchasing power of the corpus.

The Organization has established six endowment funds. A description and the purpose of each fund are as follows:

Nebraska Cultural Endowment Fund - The Nebraska Cultural Endowment Fund was created to raise a matching private endowment and distribute the annual income, public and private, exclusively to the Nebraska Arts Council and Nebraska Humanities Council.

Arts and Humanities Education Fund - The Arts and Humanities Education Fund was established specifically to segregate monies for arts-in-education and humanities-in-education programs and projects. Three named funds have been established honoring their commitments to philanthropy and their respective contributions to Nebraska. In 2002, the D.B. "Woody" Varner Fund and the Thomas C. "Chip" Woods Fund were established by the Cooper Foundation, and the E.N. "Jack" Thompson Fund was established by the Woods Charitable Fund.

Holland Fund - The Holland Fund was created to support Opera Omaha, Inc. and the Omaha Symphony Association.

Omaha Symphony Association Fund - The Omaha Symphony Association Fund was established to support the Omaha Symphony Association.

John W. Carson Donor-Advised Fund - The John W. Carson Donor Advised Fund was established to support the programs and projects of the Nebraska Arts Council and/or the Nebraska Humanities Council.

Thomas C. Woods III Governor's Arts Awards Fund - The Thomas C. Woods III Governor's Arts Award Fund was established to support the artist's commission for awards at the Nebraska Arts Council's Arts Award Ceremony.

Interpretation of Relevant Law

The Organization has interpreted the Nebraska Uniform Prudent Management of Institutional Funds Act (NUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets, the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by NUPMIFA. In accordance with NUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

Nebraska Cultural Endowment  
NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS - CONTINUED  
December 31, 2015

NOTE I – ENDOWMENT – Continued

1. The duration and preservation of the endowment fund,
2. The purpose of the institution and the endowment fund,
3. General economic conditions,
4. The possible effect of inflation or deflation,
5. The expected total return from income and the appreciation of investments,
6. Other resources of the institution, and
7. The investment policy of the institution.

Endowment Activity

The Organization's endowment had the following activity as of December 31, 2015:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
<b>Changes in Endowment Net Assets for the Year Ended December 31, 2015</b>		
Endowments net assets, beginning of year	\$3,968,109	\$4,792,434
Investment return:		
Investment income	271,928	-
Investment fees	(30,705)	-
Net realized gains (losses)	662,303	-
Net unrealized gains (losses)	(921,269)	-
Total investment return	(17,743)	-
Contributions	145,000	271,111
Appropriations of endowment assets for expenditures	(348,076)	-
Endowments net assets, end of year	\$3,747,290	\$5,063,545

**Endowment Net Asset Composition by Type of Fund  
as of December 31, 2015**

Donor-restricted endowment funds	<u>\$3,747,290</u>	<u>\$5,063,545</u>
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**Description of Amounts Classified as Permanently Restricted Net Assets and  
Temporarily Net Assets (Endowment Only)**

Permanently Restricted Net Assets

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or NUPMIFA

Total endowment funds classified as permanently restricted net assets		<u>\$5,063,545</u>
Temporarily Restricted Net Assets		
Term endowment funds		<u>\$3,747,290</u>



Nebraska Cultural Endowment  
NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS - CONTINUED  
December 31, 2015

NOTE I - ENDOWMENT - Continued

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NUPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2015.

Return Objectives and Risk Parameters

The Organization's investment objectives have been established in conjunction with a comprehensive review of current and projected financial requirements. The investment objectives are:

- To manage the portfolio assets consistent with the Organization's mission and prudent investor guidelines.
- To preserve the purchasing power of the corpus.
- To provide a growing stream of income to be made available per the Organization's distribution and spending policy.
- Maximize the portfolio's return within reasonable and prudent levels of risk.
- Maintain an appropriate asset allocation based on a long-term total return strategy that is compatible with the Organization's distribution and spending policy.

Strategies Employed for Achieving Objectives

The desired investment objective is a long-term rate of return on assets and is approximately 8.0%. To satisfy its long-term rate objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a composition of endowment assets as follows:

Equities	64%
Alternatives	6%
Fixed Income	30%

The percentage allocation to each asset class may vary depending upon market conditions.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The earnings on the permanently restricted net assets are released from restricted funds and are used in accordance with donor stipulations. The amount of distribution from endowment funds is at the Board of Directors discretion and may not exceed 5% of the endowment's most recent three year average portfolio value less general cash donations received in the previous calendar year. The Holland Fund and the Omaha Symphony Association Fund shall distribute 5% of the net assets in the funds on the first day of each calendar year. The Organization may annually allocate up to 2% of the total three year average portfolio value to cover the administrative expenses of the endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as, to provide additional real growth through new gifts and investment return.

Nebraska Cultural Endowment  
 NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS - CONTINUED  
 December 31, 2015

NOTE J – DECLINE IN INVESTMENT VALUES

Subsequent to December 31, 2015, the Organization's investment portfolio declined in value due to market fluctuations of approximately \$454,859 distributed as follows:

	Unrestricted	Temporarily Restricted	Total
Equity index funds	\$ -	\$ (97,491)	\$ (97,491)
Mutual funds - equity	(4,633)	(347,087)	(351,720)
Mutual funds - fixed income	(126)	(5,522)	(5,648)
Total investments	<u>\$ (4,759)</u>	<u>\$ (450,100)</u>	<u>\$ (454,859)</u>

SUPPLEMENTARY INFORMATION

Nebraska Cultural Endowment  
SCHEDULE OF TRUST FUND INVESTMENTS - MODIFIED CASH BASIS  
December 31, 2015

Designated funds for Nebraska Arts Council	
Contributions by the public	\$ 2,562,731
Arts/Humanities Education Fund	
In honor of Chip Woods	19,687
In honor of Woody Varner	19,687
Nebraskans for Public Television	11,761
Opera Omaha programming	2,386
ASL Interpretation	77,076
Total designated funds for the Nebraska Arts Council	2,693,328
Designated funds for the Humanities Nebraska	
Contributions by the public	1,939,737
Federal NEH Challenge Grant	650,367
Donor restricted	16,870
Arts/Humanities Education Fund	
Arts and Humanities Education	12,925
In honor of Chip Woods	18,896
In honor of Jack Thompson	51,953
In honor of Woody Varner	18,896
Omaha programming	19,664
Total designated funds for the Humanities Nebraska	2,729,308
Designated funds for other uses	
Designated for Omaha Symphony Association	915,498
Designated for Opera Omaha and Omaha Symphony Association	1,304,034
Designated for the Governor's Arts Awards	26,798
	2,246,330
Donor advised fund	
John W. Carson Donor-Advised Fund	1,141,869
Total Trust Fund Investments	\$ 8,810,835