

Nebraska Cultural Endowment
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
For the year ended December 31, 2020

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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 statements of assets, liabilities, and net assets – modified cash basis as of December 31, 2020, and the related statements of support, revenue, expense, and changes in net assets – modified cash basis, functional expenses – modified cash basis, and cash flows – 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 judgement, 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, 2020, 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 United States of America. Our opinion is not modified with respect to that matter.

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 22 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.

Hayes & Associates, LLC
Omaha, Nebraska
May 1 , 2021

Nebraska Cultural Endowment
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS
December 31, 2020
(With comparative totals as of December 31, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 17,095	\$ -	\$ 17,095	\$ 29,525
Investments				
Trust fund investments (Note B)	311,073	13,634,053	13,945,126	12,261,636
Other	108,836	-	108,836	102,970
Total assets	<u>\$ 437,004</u>	<u>\$ 13,634,053</u>	<u>\$ 14,071,057</u>	<u>\$ 12,394,131</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Payroll related liabilities	\$ 1,038	\$ -	\$ 1,038	\$ 301
Annuity obligations (Note C)	67,661	-	67,661	69,830
Total Liabilities	<u>68,699</u>	<u>-</u>	<u>68,699</u>	<u>70,131</u>
Net assets				
Without donor restrictions	368,305	-	368,305	337,643
With donor restrictions	-	13,634,053	13,634,053	11,986,357
Total net assets	<u>368,305</u>	<u>13,634,053</u>	<u>14,002,358</u>	<u>12,324,000</u>
Total liabilities and net assets	<u>\$ 437,004</u>	<u>\$ 13,634,053</u>	<u>\$ 14,071,057</u>	<u>\$ 12,394,131</u>

See accompanying notes and independent auditor's report.

Nebraska Cultural Endowment
STATEMENT OF SUPPORT, REVENUE, EXPENSES, AND CHANGE IN NET ASSETS - MODIFIED CASH BASIS
For the year ended December 31, 2020
(With comparative totals as of December 31, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE, SUPPORT, AND RECLASSIFICATIONS				
Revenues and public support				
Contributions by the public	\$ 77,235	\$ 692,895	\$ 770,130	\$ 671,694
Nebraska Arts Council	4,000	-	4,000	4,000
Nebraska Cultural Preservation Endowment Fund	-	254,591	254,591	723,046
Humanities Nebraska	4,000	-	4,000	4,000
Foundation support	-	364,250	364,250	58,000
Net investment return	58,615	1,502,042	1,560,657	2,098,831
Net assets released from restrictions	1,166,082	(1,166,082)	-	-
Total revenue, support, and reclassifications	<u>1,309,932</u>	<u>1,647,696</u>	<u>2,957,628</u>	<u>3,559,571</u>
EXPENSES				
Program services	1,071,175	-	1,071,175	1,159,832
Management and general	96,787	-	96,787	64,196
Fundraising	106,636	-	106,636	117,706
Total expenses	<u>1,274,598</u>	<u>-</u>	<u>1,274,598</u>	<u>1,341,734</u>
CHANGE IN NET ASSETS FROM OPERATIONS	35,334	1,647,696	1,683,030	2,217,837
NONOPERATING EXPENSE				
Change in value of split-interest agreements	(4,672)	-	(4,672)	(4,458)
CHANGE IN TOTAL NET ASSETS	30,662	1,647,696	1,678,358	2,213,379
NET ASSETS, BEGINNING OF YEAR	<u>337,643</u>	<u>11,986,357</u>	<u>12,324,000</u>	<u>10,110,621</u>
NET ASSETS, END OF YEAR	<u>\$ 368,305</u>	<u>\$ 13,634,053</u>	<u>\$ 14,002,358</u>	<u>\$ 12,324,000</u>

See accompanying notes and independent auditor's report.

Nebraska Cultural Endowment
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
For the year ended December 31, 2020
(With comparative totals as of December 31, 2019)

	2020				2019
	Program Services	Management & General	Fundraising	Total	Total
Salaries and related expense	\$ 28,836	\$ 46,461	\$ 70,355	\$ 145,652	\$ 122,281
Dues and subscriptions	156	234	391	781	3,264
Insurance	506	759	1,267	2,532	2,847
Marketing expense	7,959	11,938	19,896	39,793	12,520
Miscellaneous	1,514	2,272	3,785	7,571	5,146
Fundraising events	333	667	2,335	3,335	1,727
Postage and Delivery	242	484	1,692	2,418	1,191
Printing	992	1,487	2,479	4,958	7,635
Professional Fees	12,782	29,823	-	42,605	41,681
Rent	654	982	1,636	3,272	2,999
Supplies	714	1,072	1,786	3,572	1,641
Telephone	118	177	295	590	608
Travel and entertainment	287	431	719	1,437	4,347
Trust fund disbursements					
CPEF - Nebraska Arts Council	311,925	-	-	311,925	506,132
CPEF - Humanities Nebraska	206,619	-	-	206,619	216,914
Nebraska Arts Council	128,488	-	-	128,488	122,529
Humanities Nebraska	127,922	-	-	127,922	120,516
Holland Fund	79,810	-	-	79,810	69,234
John W. Carson Donor-Advised Fund	99,917	-	-	99,917	48,096
Omaha Symphony Association Fund	58,129	-	-	58,129	50,426
Thomas C. Woods, III Governor's Art Award Fund	3,272	-	-	3,272	-
Total expense	<u>\$ 1,071,175</u>	<u>\$ 96,787</u>	<u>\$ 106,636</u>	<u>\$ 1,274,598</u>	<u>\$ 1,341,734</u>

See accompanying notes and independent auditor's report.

Nebraska Cultural Endowment
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS
For the year ended December 31, 2020
(With comparative totals as of December 31, 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 1,678,358	\$ 2,213,379
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized and unrealized (gain)/loss on operating investments	(1,282,595)	(1,756,262)
Endowment net investment (return)/loss	(278,062)	(342,569)
Increase in payroll tax liability	737	301
Decrease in annuity obligations	(2,169)	(2,384)
Net cash from/(used) in operating activities	116,269	112,465
Adjustments to reconcile change in net assets to net cash used in investing activities:		
Distributions from trust fund investments	952,398	574,654
Purchases of trust fund investments	(1,075,231)	(677,101)
Increase in other investments	(5,866)	(9,628)
Net cash from/(used) in investing activities	(128,699)	(112,075)
NET CHANGE IN CASH	(12,430)	390
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	29,525	29,135
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 17,095	\$ 29,525

See accompanying notes and independent auditor's report.

Nebraska Cultural Endowment
NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS
For the year ended December 31, 2020

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.

Since 1998, the Nebraska Legislature has appropriated \$11 million dollars to create and build 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.

The Nebraska Legislature has appropriated an additional \$5 million dollars to the CPEF through 2028, provided the Cultural Endowment match the increase with private contributions. At December 31, 2020, the Cultural Endowment has received contributions totaling \$2,505,629 which are eligible to meet the matching requirements of the scheduled \$5 million dollar increase in the CPEF.

Humanities Nebraska

The Humanities Nebraska (HN), a non-profit 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.

Nebraska Cultural Endowment
NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS – CONTINUED
For the year ended December 31, 2020

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

2. Basis of Presentation

The Organization reports information regarding its assets, liabilities, net assets, revenues and expenses based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of net assets into two classes: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category follow:

- Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an endowment.
- With Donor Restrictions – Net assets subject to donor- (or certain 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.

The financial statements include certain prior year summarized comparative information in total but not by 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, 2019, from which the summarized information was derived.

Nebraska Cultural Endowment
NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS – CONTINUED
For the year ended December 31, 2020

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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. In addition, payroll tax liabilities are recognized when the related payroll is paid.

4. Contributions

Contributions received are recorded as either without donor restrictions or with donor restriction, depending on the existence and/or nature of any donor 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.

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. Money market accounts and other cash equivalents inside of investment accounts are classified as investments 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. Investment income and gains or losses on investments are recorded as either with or without donor restrictions depending on the restrictions placed on the underlying investments generating the income, gain or loss.

Nebraska Cultural Endowment
NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS – CONTINUED
For the year ended December 31, 2020

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Expense Allocation.

Expenses are charges to the 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, 2020, the Organization had no uncertain tax positions that would require the 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 account which, at time, may exceed federally insured limits. Cash balances were fully insured at December 31, 2020. However, there may be cash balances in investment accounts that are uninsured.

Revenue from the Nebraska Cultural Preservation Endowment Fund accounted for 8.20% of the Organization's total support and revenue. The Organization had significant unrealized gains in 2020.

11. Subsequent Events.

On February 4, 2021, the Organization was granted a second round \$28,200 loan under the Paycheck Protection Program "PPP" administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. Proceeds from the loan are eligible for forgiveness if the Organization maintains employment levels during its covered period and uses the funds for certain payroll, rent, and utility expenses.

On February 25, 2021, the Organization was notified of full forgiveness of its first round \$24,500 PPP loan described in Note K.

Nebraska Cultural Endowment
NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS – CONTINUED
For the year ended December 31, 2020

NOTE B. INVESTMENTS

Investments are stated at fair value. Fair values and unrealized appreciation/(depreciation) at December 31, 2020 are summarized as follows:

	Cost	Fair Value	Appreciation (Depreciation)
Cash and cash equivalents	\$ 215,548	\$ 215,548	\$ -
Mutual funds/EFTs - equity	3,303,796	6,310,565	3,006,769
Mutual funds/EFTs - fixed income	4,562,011	4,737,085	175,074
Mutual funds/EFTs - global	1,386,435	1,858,018	471,583
Mutual funds/EFTs - real estate	754,650	823,910	69,260
Total investments	<u>\$ 10,222,440</u>	<u>\$ 13,945,126</u>	<u>\$ 3,722,686</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, 2020:

Interest and dividend income	\$ 320,346
Net realized gains	540,712
Net unrealized gains/(losses)	741,883
Advisory fee	<u>(42,284)</u>
Net investment return	<u>\$ 1,560,657</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. The excess of contributed assets over the annuity liability is recorded as a contribution without donor restrictions. 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 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, 2020, ranged from 3.8 percent to 5.4 percent.

Nebraska Cultural Endowment
NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS – CONTINUED
For the year ended December 31, 2020

NOTE D. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist partially of the accumulative earnings of the permanently restricted endowment that have not been disbursed and gifts temporarily restricted for a specific purpose. Other net assets are permanently restricted and 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.

Net assets with donor restrictions are restricted for the following purposes:

Subject to expenditure for specified purpose:	
Educational purposes	\$ 169,693
General support of Nebraska Arts Council/Nebraska Humanities	2,034,591
Support of the Omaha Symphony	1,353,059
Support of the Omaha Symphony and Opera Omaha	1,702,679
Humanities Programming Fund	814,082
School Bus for the Arts Fund	59,338
	<u>6,133,442</u>
Permanent Endowments:	
Subject to appropriation and expenditure when a specified event occurs:	
Support of the Governor's Arts Awards	34,117
General support of Nebraska Arts Council/Nebraska Humanities	1,499,502
Federal matching National Endowment for the Humanities	756,005
	<u>2,289,624</u>
Subject to endowment spending policy and appropriation:	
Support of Nebraska Arts Council/Nebraska Humanities	4,805,153
Educational purposes	15,466
Donor restricted for general support for Nebraska Humanities	19,610
Support of Nebraska Public Television	248,389
ASL interpretation	122,369
	<u>5,210,987</u>
Total Permanent Endowments	<u>7,500,611</u>
Total net assets with donor restrictions	<u>\$ 13,634,053</u>

Nebraska Cultural Endowment
NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS – CONTINUED
For the year ended December 31, 2020

NOTE D. NET ASSETS WITH DONOR RESTRICTIONS – CONTINUED

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions or by occurrence of the passage of time or other events specified by donors as follows:

Restricted purpose spending rate distributions and appropriations:

CPEF - Nebraska Arts Council	\$ 311,925
CPEF - Humanities Nebraska	206,619
Opera Omaha and Omaha Symphony Association	79,810
Omaha Symphony Association Fund	58,129
Nebraska Arts Council and Humanities Nebraska endowment earnings:	
Nebraska Arts Council fund disbursements	128,488
Humanities Nebraska fund disbursements	127,922
John W. Carson Donor-Advised Fund disbursements	99,917
Thomas C. Woods III GAA fund disbursements	3,272
Operating support	<u>150,000</u>
Total net assets released from donor restrictions	<u><u>\$ 1,166,082</u></u>

NOTE E. 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 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 market value to the extent that observable inputs are not available.

Nebraska Cultural Endowment
NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS – CONTINUED
For the year ended December 31, 2020

NOTE E. FAIR VALUE OF FINANCIAL STATEMENTS – CONTINUED

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 the recurring measurement of investments.

The Organization used the following methods and significant assumptions 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.

Annuity obligations: Determined by the present value of expected future payments based on life expectancy of the annuitant.

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

	Total	Fair Value Measurements at December 31, 2020		
		Level 1	Level 2	Level 3
Assets:				
Investments:				
Money market funds	\$ 215,548	\$ 215,548	\$ -	\$ -
Mutual funds/EFTs - equity	6,310,565	6,310,565	-	-
Mutual funds/EFTs - fixed income	4,737,085	4,737,085	-	-
Mutual funds/EFTs - global	1,858,018	1,858,018	-	-
Mutual funds/EFTs - real estate	823,910	823,910	-	-
Total investments	13,945,126	13,945,126	-	-
Cash surrender value of life insurance	11,328	-	-	11,328
Total assets	\$ 13,956,454	\$ 13,945,126	\$ -	\$ 11,328
Liabilities:				
Annuity obligations	\$ 67,661	\$ -	\$ -	\$ 67,661

Nebraska Cultural Endowment
 NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS – CONTINUED
 For the year ended December 31, 2020

NOTE E. FAIR VALUE OF FINANCIAL STATEMENTS – CONTINUED

Following is a summary of activity related to the cash surrender value of life insurance for the year ended December 31, 2020:

Balance, December 31, 2019	\$	10,541
Increase in cash surrender value		787
Balance, December 31, 2020	\$	11,328

NOTE F. RELATED PARTIES

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 \$440,413 and \$334,541, respectively and received \$4,000 and \$4,000 from NAC and HC, respectively.

NOTE G. ENDOWMENT

The Organization’s endowment includes donor-restricted endowment funds. As required by the modified cash basis of accounting, 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 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. These 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.

Nebraska Cultural Endowment
NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS – CONTINUED
For the year ended December 31, 2020

NOTE G. ENDOWMENT – CONTINUED

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:

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.

Nebraska Cultural Endowment
NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS – CONTINUED
For the year ended December 31, 2020

NOTE G. ENDOWMENT – CONTINUED

Endowment Activity

The Organization’s endowment had the following activity as of December 31, 2020:

	<u>Board - designated</u>	<u>With donor restrictions</u>	<u>Total</u>
Changes in Endowment Net Assets for the Year Ended December 31, 2020			
Endowment net assets, beginning of year	\$ 275,279	\$ 11,986,357	\$ 12,261,636
Net investment return	30,909	1,481,347	1,512,256
Funds Transfer	28,932	-	28,932
New investment	-	283,063	283,063
Contributions	-	770,729	770,729
Appropriations of endowment assets for expenditures	<u>(24,047)</u>	<u>(887,443)</u>	<u>(911,490)</u>
Endowment net assets, end of year	<u>\$ 311,073</u>	<u>\$ 13,634,053</u>	<u>\$ 13,945,126</u>

**Endowment Net Asset Composition by Type of Fund
as of December 31, 2020**

Donor-restricted endowment funds	\$ -	\$ 13,634,053	\$ 13,634,053
Unrestricted, board-designated	<u>311,073</u>	<u>-</u>	<u>311,073</u>
	<u>\$ 311,073</u>	<u>\$ 13,634,053</u>	<u>\$ 13,945,126</u>

**Description of Amounts Classified as Net Assets with Donor
Restrictions (Endowment Only)**

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 permanent	\$ 7,500,611
Term endowment funds	<u>6,133,442</u>
Total endowment classified as net assets with donor restrictions	<u>\$ 13,634,053</u>

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 of NUPMIFA requires the Organization to retain as a fund of perpetual duration. There was no such deficiency as of December 31, 2020.

Nebraska Cultural Endowment
NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS – CONTINUED
For the year ended December 31, 2020

NOTE G. ENDOWMENT – CONTINUED

Return Objectives and Risk Parameters

The Organizations' 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 Objective

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	59%
Alternatives	7%
Fixed Income	34%

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 2.5% 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
For the year ended December 31, 2020

NOTE G. ENDOWMENT – CONTINUED

Board-designated funds

The Organization’s board has set aside certain funds for inclusion in the endowment. At December 31, 2020, those funds totaled \$311,073.

NOTE H. IMPLEMENTATION OF RECENT ACCOUNTING PRONOUNCEMENTS

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, with the stated purpose of providing guidance in evaluating whether transactions should be accounted for as contributions or exchanges. In addition, the update introduces the concept of barriers in providing additional guidance on identifying conditions that would preclude the recognition of a contribution as revenue.

ASU 2018-08 changes the reasoning process behind classification of transactions, the nuances of which may affect the timing of revenue recognition. Contributions and exchanges are governed by different accounting pronouncements, and therefore may be recognized in different accounting periods and require different disclosures.

NOTE I. LIQUIDITY AND AVAILABILITY

As of December 31, 2020, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows:

Financial assets at year end	
Cash and cash equivalents	\$ 17,095
Cash surrender value of life insurance	<u>11,328</u>
Total financial assets available within one year	<u><u>\$ 28,423</u></u>

The Organization’s endowment funds consist of donor-restricted endowments. Income from the donor-restricted endowment can be spent for the same restricted purpose. Approximately 2.5% of the administrative fee from the endowment funds can be used for general expenditure within one year.

NOTE J. RETIREMENT PLAN

The Organization, under a permissive aggregation memorandum of understanding with another allied nonprofit organization, offers a tax-deferred annuity plan (the Plan) qualified under IRC Section 401(k) covering substantially all employees. All full-time employees are eligible to participate in the plan. There is no minimum age requirement to make salary reduction contributions, but the participant must be 21 years of age and complete at least 3

Nebraska Cultural Endowment
 NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS – CONTINUED
 For the year ended December 31, 2020

NOTE J. RETIRMENT PLAN – CONTINUED

months of service to receive employer matching contributions. The Organization contributes 3% of the employee’s compensation whether or not they are making contributions. Participants are eligible to receive an additional matching contribution equal to 100% of the employee’s contribution up to a maximum of 3.5% of the employee’s compensation for the plan year. Employees are fully vested immediately in all employee contributions.

Total matching contributions for the year ended December 31, 2020 were \$5,850. Vesting of employer contributions follows the vesting schedule below:

<u>Years of Service</u>	<u>Vested Percentage</u>
Less than 1	0%
1	20%
2	40%
3	60%
4	80%
5 or more	100%

NOTE K. COVID-19 PANDEMIC AND PAYROLL PROTECTION PROGRAM

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Organization is closely monitoring its liquidity and is actively working to minimize the impact of the pandemic. The extent of the impact of COVID-19 on the Organization’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization’s customers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization’s financial position and changes in net assets and cash flows is uncertain and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.

The Organization was granted a \$24,500 loan under the Paycheck Protection Program “PPP” administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. Proceeds from the loan are eligible for forgiveness if the Organization maintains employment levels during its 24-week covered period and uses the funds for certain payroll, rent, and utility expenses.

SUPPLEMENTARY INFORMATION

Nebraska Cultural Endowment
SCHEDULE OF TRUST FUND INVESTMENTS - MODIFIED CASH BASIS
December 31, 2020

	Total
Restricted funds for Nebraska Arts Council	
Contributions by the public	\$ 3,666,964
Arts/Humanities Education Fund	
In honor of Chip Woods	26,882
In honor of Woody Varner	26,882
Holland Fund for Arts and Humanities	146,830
Nebraskans for Public Television	248,389
School Bus for the Arts Fund	59,338
Governor's Arts Awards	34,117
ASL Interpretation	122,368
Total restricted funds for the Nebraska Arts Council	4,331,770
 Restricted funds for the Humanities Nebraska	
Contributions by the public	2,879,120
Federal NEH Challenge Grant	756,005
Donor restricted	19,610
HN Programming Fund - FFF	814,082
Holland Fund for Arts and Humanities	146,830
Arts/Humanities Education Fund	
Arts and Humanities Education	15,466
In honor of Chip Woods	26,882
In honor of Jack Thompson	62,166
In honor of Woody Varner	26,882
Total restricted funds for the Humanities Nebraska	4,747,043
 Restricted funds for other uses	
Restricted for Omaha Symphony Association	1,353,059
Restricted for Opera Omaha and Omaha Symphony Association	1,702,679
Total restricted funds for other uses	3,055,738
 Donor advised fund	
John W. Carson Donor-Advised Fund	1,499,502
 Unrestricted, board-designated fund for future purposes and use	311,073
 Total Trust Fund Investments	\$ 13,945,126

See Independent Auditor's Report