

City of Lincoln, Nebraska
Community Health Permanent Endowment Fund
Independent Auditor's Report and Financial Statements
August 31, 2021 and 2020

City of Lincoln, Nebraska
Community Health Permanent Endowment Fund
August 31, 2021 and 2020

Contents

Independent Auditor's Report.....	1
Management's Discussion and Analysis	3
Financial Statements	
Balance Sheets.....	8
Statements of Revenues, Expenditures and Changes in Fund Balance	9
Notes to Financial Statements	10

Independent Auditor's Report

The Honorable Mayor, Board of Trustees,
and Members of the City Council
Community Health Permanent Endowment Fund
City of Lincoln, Nebraska

We have audited the accompanying financial statements of the Community Health Permanent Endowment Fund of the City of Lincoln, Nebraska, as of and for the years ended August 31, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Health Permanent Endowment Fund of the City of Lincoln, Nebraska, as of August 31, 2021 and 2020, and the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Community Health Permanent Endowment Fund and do not purport to, and do not, present fairly the financial position of the City of Lincoln, Nebraska as of August 31, 2021 and 2020, changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BKD, LLP

Lincoln, Nebraska
March 21, 2022

City of Lincoln, Nebraska
Community Health Permanent Endowment Fund
Management's Discussion and Analysis
August 31, 2021 and 2020

This discussion and analysis of the Community Health Permanent Endowment Fund of the City of Lincoln, Nebraska's (CHE or the Fund) financial statements provides the reader an overview of the financial activities for CHE for 2021, 2020 and 2019. The Community Health Permanent Endowment Fund of the City of Lincoln, Nebraska's financial statements are comprised of three components: (1) Management's Discussion and Analysis, (2) financial statements, and (3) notes to the financial statements. Please read this in conjunction with the financial statements and footnotes contained herein.

Summary of the Financial Statements

The financial statements, related notes to the financial statements and management's discussion and analysis provide information about CHE's financial position and activities.

Management's Discussion and Analysis – provides an objective and easily readable analysis of the financial activities of CHE based on currently known facts, decisions or conditions.

Balance Sheets – provide a summary of the assets, liabilities and fund balance of the Fund, as of CHE's fiscal year end. Over time, increases or decreases in fund balance may serve as a useful indicator of whether the financial position of CHE is improving or deteriorating.

Statements of Revenues, Expenditures and Changes in Fund Balance – present the results of the Fund's revenues and expenditures, and how CHE's fund balance changed during the year.

The financial statements are designed to provide readers with a broad overview of CHE's finances.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis

As noted earlier, fund balance may serve over time as a useful indicator of CHE's financial position. In the case of the Community Health Permanent Endowment Fund, as of August 31, 2021, fund balance was \$75,695,974. CHE's condensed financial information as of and for the years ended for August 31, 2021, 2020 and 2019 is found below.

City of Lincoln, Nebraska
Community Health Permanent Endowment Fund
Management's Discussion and Analysis
August 31, 2021 and 2020

Condensed Balance Sheets
As of August 31,

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets			
Investments	\$ 74,359,522	\$ 63,082,940	\$ 59,176,765
Other assets	<u>1,456,597</u>	<u>1,565,073</u>	<u>5,436,898</u>
Total assets	<u>\$ 75,816,119</u>	<u>\$ 64,648,013</u>	<u>\$ 64,613,663</u>
Total liabilities	<u>\$ 120,145</u>	<u>\$ 16,792</u>	<u>\$ 167,985</u>
Fund balance			
Nonspendable	37,000,000	37,000,000	37,000,000
Restricted	<u>38,695,974</u>	<u>27,631,221</u>	<u>27,445,678</u>
Total fund balance	<u>75,695,974</u>	<u>64,631,221</u>	<u>64,445,678</u>
Total liabilities and fund balance	<u>\$ 75,816,119</u>	<u>\$ 64,648,013</u>	<u>\$ 64,613,663</u>

The changes in investments and other assets from 2019 to 2020, and from 2020 to 2021 are a result of changes in the composition of investments and cash and cash equivalents in those reporting periods.

Condensed Statements of Revenues, Expenditures and Changes in Fund Balance
For the Years Ended August 31,

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenues	\$ 13,282,399	\$ 2,759,953	\$ 2,009,779
Expenditures	<u>2,217,646</u>	<u>2,574,410</u>	<u>3,000,241</u>
Net change in fund balance	11,064,753	185,543	(990,462)
Fund balance, beginning of year	<u>64,631,221</u>	<u>64,445,678</u>	<u>65,436,140</u>
Fund balance, end of year	<u>\$ 75,695,974</u>	<u>\$ 64,631,221</u>	<u>\$ 64,445,678</u>

Revenues increased from 2020 to 2021 and 2019 to 2020 as a result of an increase in investment income of approximately \$10.5 million and \$750 thousand, respectively, which was a result of a change in market conditions.

City of Lincoln, Nebraska
Community Health Permanent Endowment Fund
Management's Discussion and Analysis
August 31, 2021 and 2020

Engagement of Investment Management Services

In May 2020, the CHE Board of Trustees voted unanimously to solicit Request for Proposals (RFP) for CHE's investment management services. This RFP process represented due financial diligence on the part of CHE.

An RFP Review Team, consisting of all the members of CHE's Investment and Finance Committee, as well as former Committee members and the City of Lincoln's Finance Director, developed an RFP document and established an RFP timeline. The RFP and timeline were approved by the CHE Board of Trustees on May 27, 2020.

The RFP was released by CHE on June 26, 2020. Fourteen RFPs were received by August 14, 2020. The RFP Review Team selected four finalists and interviews were held on September 16 and 18, 2020. All members of the RFP Review Team participated in the interviews. A unanimous recommendation from the RFP Review Team was forwarded to the CHE Board of Trustees

At their regular meeting on September 23, 2020, the CHE Board of Trustees approved the engagement of Fiducient (formerly DiMeo Schneider & Associates) to provide CHE's investment management services. A formal investment strategy was developed by the RFP Review Team on November 4, 2020. The investment strategy was approved by the CHE Board of Trustees on December 2, 2020. CHE's new investment management strategy was implemented in two stages over a six-month period during 2021.

In April of 2021, a Fund Balance Management policy was approved by the Board of Trustees to outline the process used to determine the CHE fund's inflation-adjusted valuation and grant-making allocations.

COVID-19-Related Activities

In response to the COVID-19 pandemic, CHE suspended regular grant-making on March 18, 2020, to assure that CHE funding could be directed toward urgent, pandemic-related needs. On June 24, 2020, the CHE Board of Trustees approved the establishment of a Resiliency Fund and designated \$2.5 million to support the community's efforts to recover from the impact of the COVID-19 pandemic. Three priority areas were established within the Resiliency Fund: health equity, human connection, and embracing opportunity. The Resiliency Fund was continued into FY2021-22, with the priority areas of health equity and human connection.

Applications for the first Resiliency Fund grant cycle were due on August 21, 2020 and awards were announced October 30, 2021. Funds were available to grantees on January 1, 2021. Applications for the second Resiliency Fund grant cycle were due on February 12, 2021 and awards were announced May 28, 2021. Funds were available to grantees on July 2, 2021.

City of Lincoln, Nebraska
Community Health Permanent Endowment Fund
Management's Discussion and Analysis
August 31, 2021 and 2020

COVID-19-Related Activities - Continued

In addition to the establishment of the Resiliency Fund, CHE:

- * Completed a survey of 43 organizations serving the homeless regarding concerns and service adjustments related to COVID-19. A summary report of the survey responses served as the basis for a community plan to protect homeless individuals during the pandemic conditions. Subsequently, and in collaboration with the Lincoln-Lancaster County Health Department (LLCHD), CHE convened a Mission Relocation Task Force. The Task Force developed and implemented a plan to relocate more than 60 women and children from the People's City Mission to off-site housing.
- * Completed a survey of CHE grantees to connect with grantees, get a sense of how COVID-19 was affecting their organizations, and reassure them of CHE's support and flexibility. A summary report of the survey responses has been widely distributed to policymakers and funders. This report also guided CHE in establishing the Resiliency Fund. A follow-up survey was conducted in December, 2020 and distributed to the Board of Trustees, City Council, community funders, and the Mayor's Office.
- * Was represented on the COVID-19 Response Fund Committee which reviewed requests and made recommendations for the distribution of more than \$1 million from the community's COVID-19 Response Fund.
- * Provided funding for discretionary requests related to the COVID-19 pandemic, including pandemic-related supplies to childcare centers and congregate feeding sites.
- * Provided community education regarding to the impact of COVID-19 on minority and low-income populations.
- * Moderated a panel of physicians to provide medical guidance to the community regarding COVID-19.
- * Participated in weekly meetings of local hospital officials and physicians to stay abreast of pandemic-related issues such as hospital capacity, personal protective equipment (PPE) availability, treatment protocols, and COVID-19 case and death modeling.
- * Received updates regarding the COVID-19 pandemic at every Board of Trustees meeting from the Lincoln-Lancaster County Health Department and hospital officials.
- * Convened business, non-profits, schools, and others to plan and implement a citywide 'Thank You' Campaign for hospital workers. Events will be held in November 2021.

City of Lincoln, Nebraska
Community Health Permanent Endowment Fund
Management's Discussion and Analysis
August 31, 2021 and 2020

Requests for Information

This financial report is designed to provide a general overview of CHE's finances for all those with an interest in the Fund. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Community Health Endowment of Lincoln, 250 North 21st Street, Suite 2, Lincoln, NE 68508.

City of Lincoln, Nebraska
Community Health Permanent Endowment Fund
Balance Sheets
August 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 14,839	\$ 15,194
Equity in pooled cash and investments, including cash and cash equivalents of \$317,907 for 2021 and \$329,083 for 2020	1,440,251	1,544,171
Investments	74,359,522	63,082,940
Accrued interest receivable	1,507	5,708
Total assets	\$ 75,816,119	\$ 64,648,013
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 120,145	\$ 6,111
Accrued liabilities	-	10,681
Total liabilities	120,145	16,792
Fund Balance		
Nonspendable	37,000,000	37,000,000
Restricted	38,695,974	27,631,221
Total fund balance	75,695,974	64,631,221
Total liabilities and fund balance	\$ 75,816,119	\$ 64,648,013

City of Lincoln, Nebraska
Community Health Permanent Endowment Fund
Statements of Revenues, Expenditures and Changes in Fund Balance
Years Ended August 31, 2021 and 2020

	2021	2020
Revenues		
Investment income	\$ 13,275,516	\$ 2,751,474
Other	6,883	8,479
Total revenues	13,282,399	2,759,953
Expenditures		
Grants	1,667,788	2,065,022
Salaries and benefits	433,177	415,824
Other services and charges	116,681	93,564
Total expenditures	2,217,646	2,574,410
Net Change in Fund Balance	11,064,753	185,543
Fund Balance, Beginning of Year	64,631,221	64,445,678
Fund Balance, End of Year	\$ 75,695,974	\$ 64,631,221

City of Lincoln, Nebraska
Community Health Permanent Endowment Fund
Notes to Financial Statements
August 31, 2021 and 2020

Note 1: Summary of Significant Accounting Policies

Organization and Nature of Operations

The Community Health Permanent Endowment Fund ('CHE') is a permanent fund of the City of Lincoln, Nebraska (the 'City') used for the purpose of funding health and health-related programs or projects which further the health, safety or welfare of the citizens of the City. CHE is operated under the direction of a Board of Trustees appointed by the Mayor and confirmed by the Lincoln City Council. CHE was created from net cash proceeds received from the sale of Lincoln General Hospital on October 31, 1997. Donations, bequests or appropriations are also accepted by CHE.

As stated in the City ordinance, it is the intent of the City that CHE will not spend the original net proceeds from the sale of Lincoln General Hospital. Under the City ordinance, the net cash proceeds received from the sale of Lincoln General Hospital of \$37 million must be maintained by CHE in perpetuity. However, in the event of a community health disaster, the Director of the Lincoln-Lancaster County Health Department may initiate a written request for funds to the CHE Board of Trustees and the City Council to invade the principal, for the purpose of alleviating such disaster. If a majority of trustees of the CHE Board of Trustees has voted to allow the request for funds to alleviate a health disaster, a majority vote of the City Council shall authorize such use of the endowment funds. If a majority of the CHE Board of Trustees has not voted to allow such a request, a two-thirds vote of the City Council shall be required to authorize such requested use of funds. Regardless of the total fund balance at the time of request, such request shall not exceed \$9,250,000.

The CHE Board of Trustees has adopted a statement of investment policy. The primary investment objective of CHE is to increase the value of its financial assets by an amount that is greater than the combination of expenditures and the rate of inflation. This objective supports the purpose of CHE by using its resources prudently, while growing and preserving its assets.

The financial statements present only CHE and do not purport to, and do not, present fairly the financial position of the City as of August 31, 2021 and 2020, the changes in its financial position, or where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Measurement Focus and Basis of Accounting

The financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available, and expenditures are recognized when a liability is incurred and matured (due and payable). Investment income is considered susceptible to accrual. Other revenue is generally recognized when collected in cash.

City of Lincoln, Nebraska
Community Health Permanent Endowment Fund
Notes to Financial Statements
August 31, 2021 and 2020

Note 1: Summary of Significant Accounting Policies - Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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, expenditures and other changes in fund balances during the reporting period. Actual results could differ from those estimates.

Fund Balance Classifications

The fund balances for the Community Health Permanent Endowment Fund are displayed in four components, if applicable:

Nonspendable – Nonspendable fund balances are not in a spendable form or are required to be maintained intact.

Restricted – Restricted fund balances may be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Committed fund balances may be used only for the specific purposes determined by resolution of the City Council. Commitments may be changed or lifted only by issuance of a resolution by the City Council.

Assigned – Assigned fund balances are intended to be used by the City for specific purposes as determined by management. In governmental funds other than the general fund, such as the Community Health Permanent Endowment Fund, the assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Deposits and Investments

The City Treasurer is responsible for the safekeeping of cash and invested funds of CHE. The City is authorized to invest in certificates of deposit, time deposits, and any securities in which the State investment officer is authorized to invest pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act and as provided in the authorized investment guidelines of the Nebraska Investment Council and the City Investment Policy in effect on the date the investment is made. In addition, the Constitution of the State of Nebraska permits public endowments to invest in the manner required of a prudent investor acting with care, skill and diligence under the prevailing circumstance, without restrictions as to the type and limits of investments. Cash balances in excess of current requirements are invested along with cash from other City funds and the interest earned on these investments is allocated monthly to the various funds by the City Treasurer on a pro rata basis using aggregate quarterly balances.

City of Lincoln, Nebraska
Community Health Permanent Endowment Fund
Notes to Financial Statements
August 31, 2021 and 2020

Note 1: Summary of Significant Accounting Policies - Continued

Deposits and Investments - Continued

CHE considers cash on hand and in the bank, as well as equity in pooled cash and investments held by the City Treasurer and money market mutual funds which are readily convertible to known amounts of cash and have original maturities of three months or less from the date of acquisition, to be cash and cash equivalents.

CHE participates in a cash management pool managed by the City. The pool consists of bank deposits and investments. CHE's interest in this pool is shown as equity in pooled cash and investments in the balance sheets, as applicable. Fair value of the equity in the pool is the same as the value of the pool shares determined using the fair value of the pool's underlying investment portfolio.

Fair value is determined using quoted market prices, if available. Money market mutual funds are valued at amortized cost, which approximates fair value. Mutual funds are valued at fair value. Institutional funds and limited partnership interests are valued at the net asset value (NAV) of shares held by the fund. The NAV of the fund includes the market value of the securities in the fund, plus any receivables and the market value of the cash collateral fund, if any. The NAV also includes payables and accrued fund expenses. None of CHE's institutional funds or limited partnership interests have any unfunded commitments, and these investments can be redeemed by CHE at any time. Investment income includes interest income and the net change for the year in the fair value of investments.

Grants

Grants are recognized as expenditures and liabilities when all eligibility requirements have been met. The Fund is committed to pay grants totaling approximately \$2,647,000 at August 31, 2021. Such grants are subject to the satisfaction of eligibility requirements before payment and recognition in the financial statements.

Note 2: Deposits, Investments and Investment Return

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Fund has been allocated a portion of the City's pooled cash and investments. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State Statutes 15-486 and 15-847 R.R.S., 1943 require banks either to provide a bond or may give security as provided in the Public Funds Deposit Security Act to the City Treasurer in the amount of the City's deposits. The Statutes allow pledged securities to be reduced by the amount of the deposit insured by the Federal Deposit Insurance Corporation (FDIC).

City of Lincoln, Nebraska
Community Health Permanent Endowment Fund
Notes to Financial Statements
August 31, 2021 and 2020

Note 2: Deposits, Investments and Investment Return - Continued

Deposits - Continued

The City's cash deposits, including certificates of deposit, are insured up to \$250,000 by the FDIC. Any cash deposits or certificates of deposit in excess of the \$250,000 FDIC limits are covered by collateral held in a Federal Reserve pledge account or by an agent for the City, or a letter of credit issued by the Federal Reserve Bank, and thus no custodial credit risk exists. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

Investments

As a public endowment fund, under State law, CHE is permitted to invest in the manner required of a prudent investor acting with care, skill and diligence under the prevailing circumstance, without restrictions as to the type and limits of investments.

At August 31, 2021 and 2020, CHE had the following investments and maturities:

	Carrying Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
August 31, 2021					
Money market mutual funds	\$ 193	\$ 193	\$ -	\$ -	\$ -
Mutual funds	74,351,202	74,351,202	-	-	-
Limited partnership	8,320	8,320	-	-	-
	<u>\$ 74,359,715</u>	<u>\$ 74,359,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Lincoln, Nebraska
Community Health Permanent Endowment Fund
Notes to Financial Statements
August 31, 2021 and 2020

Note 2: Deposits, Investments and Investment Return - Continued

Investments - Continued

	Carrying Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
August 31, 2020					
Money market mutual funds	\$ 306	\$ 306	\$ -	\$ -	\$ -
Institutional funds*					
U.S. fixed income	8,175,077	-	1,192,778	6,972,093	10,206
Intermediate term credit	2,943,268	-	2,943,268	-	-
Large cap equity	13,901,622	13,901,622	-	-	-
International equity	16,011,245	16,011,245	-	-	-
High-yield bonds	7,461,053	-	-	7,461,053	-
Emerging markets equity	3,749,235	3,749,235	-	-	-
Mid cap equity	2,451,317	2,451,317	-	-	-
U.S. Treasuries	4,383,084	-	4,383,084	-	-
Small cap equity	309,995	309,995	-	-	-
Commodities	3,605,427	3,605,427	-	-	-
Real estate	56,314	56,314	-	-	-
Limited partnership	35,303	35,303	-	-	-
	<u>\$ 63,083,246</u>	<u>\$ 40,120,764</u>	<u>\$ 8,519,130</u>	<u>\$ 14,433,146</u>	<u>\$ 10,206</u>

* The investment in the institutional funds is at the fund level. Additional detail has been presented to provide information on diversification within the fund. The fund is open-ended and therefore is not subject to credit risk disclosures. CHE's fixed income institutional funds have a weighted-average maturity of 4.68 years at August 31, 2020. CHE's equity security institutional funds are redeemable immediately thus not subject to liquidity risk. CHE transferred their institutional funds to mutual funds during the year ended August 31, 2021.

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, CHE's investment policy requires the average duration of the fixed income portfolio to be no more than 120% of the appropriate fixed income benchmark.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is CHE's policy to limit its investments in individual fixed income securities to issues with at least BBB-Baa3 ratings (S&P/Moody's). Short-term fixed income issues should have a minimum A-2/P-2 rating. CHE's investments in fixed income securities at August 31, 2021 and 2020 were made through mutual funds, which do not receive individual credit ratings.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, CHE will not be able to recover the value of its investment securities that are in the possession of an outside party. All investments are held in CHE's name.

City of Lincoln, Nebraska
Community Health Permanent Endowment Fund
Notes to Financial Statements
August 31, 2021 and 2020

Note 2: Deposits, Investments and Investment Return - Continued

Investments - Continued

Concentration of Credit Risk - Concentration of credit risk is the risk associated with the amount of investments CHE has with any one issuer that exceeds 5% or more of its total investments. None of CHE's investments exceeded 5% or more of its total investments at August 31, 2021.

Foreign Currency Risk - This risk relates to adverse affects on the fair value of an investment from changes in exchange rates. CHE had no investments denominated in foreign currency at August 31, 2021 and 2020.

Summary of Carrying Values

The carrying values of deposits and investments are included in the balance sheets as follows:

	<u>2021</u>	<u>2020</u>
Carrying value		
Deposits	\$ 14,646	\$ 14,888
Investments	74,359,715	63,083,246
Equity in pooled cash and investments	<u>1,440,251</u>	<u>1,544,171</u>
	<u>\$ 75,814,612</u>	<u>\$ 64,642,305</u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 14,839	\$ 15,194
Equity in pooled cash and investments	1,440,251	1,544,171
Investments	<u>74,359,522</u>	<u>63,082,940</u>
	<u>\$ 75,814,612</u>	<u>\$ 64,642,305</u>

Note 3: Active Living Center

In fiscal year 2012, construction was completed on the Active Living Center, a mixed-use building located in the City's newly constructed Antelope Valley Redevelopment Area. CHE's portion of the Active Living Center is being used for its office and meeting space. CHE owns, manages, and operates its portion of the building and, consistent therewith, the internal records of the City identify CHE as the owner. However, as CHE is a permanent endowment governmental fund of the City of Lincoln, capital assets are not shown as assets in the financial statements, but were presented as expenditures in the period when the related costs were incurred. Total capital expenditures incurred by CHE, in prior years, for its portion of the building totaled approximately \$725,000.

City of Lincoln, Nebraska
Community Health Permanent Endowment Fund
Notes to Financial Statements
August 31, 2021 and 2020

Note 4: Risk Management

CHE participates in the City's self-insurance program, administered by the City's Risk Management Division. The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees and the public; or acts of God. The City has a self-insured retention for workers' compensation exposures up to \$800,000 per individual; building and contents exposures up to \$100,000 per occurrence; general liability exposures up to \$250,000 per occurrence and employee long-term disability.

Workers' compensation and general liability are covered by excess insurance which provides statutory limits above the City's retention. The Nebraska Political Tort Claims Act limits the City's liability for tort claims to \$1 million per individual and \$5 million per occurrence. Settled claims have not exceeded coverage in any of the past three fiscal years.

Premium amounts are paid to the Insurance Revolving Fund, including an estimate of the liability for claims incurred, but not yet reported as of August 31, 2021 and 2020.

As a result of the spread of the SARS-CoV-2 Virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, and the changes in financial position of the Fund. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Note 5: Retirement Plan

CHE offers employees a deferred compensation plan created in accordance with provisions in IRS Section 457. The deferred compensation plan allows employees to defer a portion of current salary to future years, but the deferred balance is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, including income attributed to such amounts, are placed in a trust which is not the property of CHE. These financial statements present only CHE, see Note 1, therefore assets and liabilities related to the deferred compensation plan are not included in the financial statements.

City of Lincoln, Nebraska
Community Health Permanent Endowment Fund
Notes to Financial Statements
August 31, 2021 and 2020

Note 6: Disclosures About 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. There is a hierarchy of 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 are significant to the fair value of the assets or liabilities

CHE's investments in money market mutual funds are carried at cost, and thus are not included within the fair value hierarchy. CHE's investments in institutional funds and limited partnership interests are carried at net asset value, and thus are not included within the fair value hierarchy. CHE's investments in mutual funds are measured at fair value on a recurring basis, and are classified within Level 1 of the fair value hierarchy.