

**City of Lincoln, Nebraska**  
**Community Health Permanent Endowment Fund**  
Independent Auditor's Report and Financial Statements  
August 31, 2020 and 2019

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**Contents**

<b>Independent Auditor’s Report.....</b>	<b>1</b>
<b>Management’s Discussion and Analysis .....</b>	<b>3</b>
<b>Financial Statements</b>	
Balance Sheets.....	7
Statements of Revenues, Expenditures and Changes in Fund Balance .....	8
Notes to Financial Statements .....	9

## 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

### Report on Financial Statements

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, 2020 and 2019, and the related notes to 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, 2020 and 2019, 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, 2020 and 2019, and the 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 financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements and other knowledge we obtained during our audit of the 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  
February 26, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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 2020, 2019 and 2018. 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, 2020, fund balance was \$64,631,221. CHE's condensed financial information as of and for the years ended for August 31, 2020, 2019 and 2018 is found below.

#### **Condensed Balance Sheets As of August 31,**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Assets			
Investments	\$ 63,082,940	\$ 59,176,765	\$ 61,706,363
Other assets	1,565,073	5,436,898	3,798,513
Total assets	<u>\$ 64,648,013</u>	<u>\$ 64,613,663</u>	<u>\$ 65,504,876</u>
Total liabilities	<u>\$ 16,792</u>	<u>\$ 167,985</u>	<u>\$ 68,736</u>
Fund balance			
Nonspendable	37,000,000	37,000,000	37,000,000
Restricted by constitutional provisions	<u>27,631,221</u>	<u>27,445,678</u>	<u>28,436,140</u>
Total fund balance	<u>64,631,221</u>	<u>64,445,678</u>	<u>65,436,140</u>
Total liabilities and fund balance	<u>\$ 64,648,013</u>	<u>\$ 64,613,663</u>	<u>\$ 65,504,876</u>

The changes in investments and other assets from 2018 to 2019, and from 2019 to 2020 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,**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Revenues	\$ 2,759,953	\$ 2,009,779	\$ 2,870,518
Expenditures	<u>2,574,410</u>	<u>3,000,241</u>	<u>2,744,439</u>
Net change in fund balance	185,543	(990,462)	126,079
Fund balance, beginning of year	<u>64,445,678</u>	<u>65,436,140</u>	<u>65,310,061</u>
Fund balance, end of year	<u><u>\$ 64,631,221</u></u>	<u><u>\$ 64,445,678</u></u>	<u><u>\$ 65,436,140</u></u>

Revenues increased from 2019 to 2020 and decreased from 2018 to 2019 as a result of an increase in investment income of approximately \$750 thousand and decline in investment income of approximately \$856 thousand, respectively, which was a result of a change in market conditions.

***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 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. It is expected that CHE's new investment strategy will be implemented in two stages over a six-month period.

***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.

Applications for the Resiliency Fund's first grant cycle were due on August 23, 2020, with grant awards announced on October 30, 2020. A second cycle of the Resiliency Fund will occur in early 2021.

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.

### ***Reflection on a 20-Year History***

On January 18, 2018, the CHE Board of Trustees approved the implementation of an extensive Reflection Process consisting of four stages over approximately one year. The elements of the Reflection Process were: 1) board endorsement, 2) establishing a Reflection Leadership Team (RLT), 3) identifying and engaging a Trusted Dialogue Partner (TDP); 4) creating an inventory of key areas for administrative reflection; 5) conducting reflective conversations and summarizing the major themes; 6) inventorying CHE's history; 7) completing a President & CEO reflection; and 8) preparing and presenting a Final Report.

A total of 34 reflective conversations were held and revealed that CHE is well-respected as achieving the community's intention for the proceeds from the sale of Lincoln General Hospital in 1997. In general terms, CHE aligns with its goal of transformational philanthropy, influences systemic change, addresses high priority community health issues, and effectively values and cultivates board and community relationships. It was recommended that CHE review and refine grant-making processes for greater impact. CHE should continue to focus on current priorities and emerging issues already identified, while encouraging, fostering, and/or leading collaborative projects and approaches.

As part of the reflective conversations, successes, turning points, moments of clarity, and things that have been left undone were identified.

A number of administrative items were studied, and recommendations were noted for bylaw and municipal ordinance revisions, staffing and organizational structure, policies, funding priorities and processes, board and committee structure, the relationship with local government, and Trustee appointments.

The report identified three organizational principles affirmed by the CHE Board of Trustees. They included 1) The lasting impact of CHE funding cannot be fully defined by the outcomes/data of individual grants; 2) CHE should remain committed to Lincoln General Hospital's legacy of serving the needs of individuals and families at high risk for poor outcomes; and 3) CHE should actively maintain administrative independence from city government as outlined in Lincoln Municipal Code 4.16.

The report identified five prioritized recommendations:

1. CHE should continue to serve as a key leader, convener and partner in strategic collaborations in the community and should embrace the expanded benefits and responsibilities incumbent in this role.
2. The CHE Board of Trustees and staff should deliberately examine its current, competitive funding strategy and determine if different approaches to grant-making are well suited to CHE and the non-profit community.
3. The CHE Board of Trustees and staff should conduct an intentional analysis of future staffing needs. This effort should take into consideration the expectations and qualities of current CHE staff, as well as the desired roles and responsibilities of future CHE staff. CHE should consider future-focused organizational models that support innovation, opportunity, efficiencies, and new networks/ecosystems.
4. The CHE Board of Trustees should address the recommendations outlined in Reflection Report; and
5. CHE should actively seek out opportunities to raise community visibility. These efforts can include the expansion of current efforts, as well as implementing additional efforts e.g. utilizing former Trustees to as CHE "ambassadors" in the community.

The Reflection Report and its recommendation were approved by the CHE Board of Trustees on December 4, 2019. A copy of the full Reflection Report can be obtained by contacting CHE.

### ***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 21<sup>st</sup> Street, Suite 2, Lincoln, NE 68508.



**City of Lincoln, Nebraska**  
**Community Health Permanent Endowment Fund**  
**Balance Sheets**  
**August 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 15,194	\$ 1,211,908
Equity in pooled cash and investments, including cash and cash equivalents of \$329,083 for 2020 and \$192,099 for 2019	1,544,171	4,218,082
Investments	63,082,940	59,176,765
Accrued interest receivable	5,708	6,908
Total assets	<b>\$ 64,648,013</b>	<b>\$ 64,613,663</b>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 6,111	\$ 139,838
Accrued liabilities	10,681	8,147
Due to other City funds	-	20,000
Total liabilities	16,792	167,985
<b>Fund Balance</b>		
Nonspendable	37,000,000	37,000,000
Restricted by constitutional provisions	27,631,221	27,445,678
Total fund balance	64,631,221	64,445,678
Total liabilities and fund balance	<b>\$ 64,648,013</b>	<b>\$ 64,613,663</b>

**City of Lincoln, Nebraska**  
**Community Health Permanent Endowment Fund**  
**Statements of Revenues, Expenditures and Changes in Fund Balance**  
**Years Ended August 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Revenues</b>		
Investment income	\$ 2,751,474	\$ 2,002,784
Other	8,479	6,995
Total revenues	2,759,953	2,009,779
<b>Expenditures</b>		
Grants	2,065,022	2,504,293
Salaries and benefits	415,824	392,675
Other services and charges	93,564	103,273
Total expenditures	2,574,410	3,000,241
<b>Net Change in Fund Balance</b>	185,543	(990,462)
<b>Fund Balance, Beginning of Year</b>	64,445,678	65,436,140
<b>Fund Balance, End of Year</b>	\$ 64,631,221	\$ 64,445,678

**City of Lincoln, Nebraska**  
**Community Health Permanent Endowment Fund**  
**Notes to Financial Statements**  
**August 31, 2020 and 2019**

**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, 2020 and 2019, and 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, 2020 and 2019**

**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, 2020 and 2019**

**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. 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 \$1,343,000 at August 31, 2020. 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, 2020 and 2019**

**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. CHE has engaged one of the world's largest institutional investment firms to advise on portfolio management. That investment firm and affiliates are also the sponsor and investment manager for all of the institutional funds listed below.

At August 31, 2020 and 2019, CHE had the following investments and maturities:

	Carrying Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<b>August 31, 2020</b>					
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>

**City of Lincoln, Nebraska**  
**Community Health Permanent Endowment Fund**  
**Notes to Financial Statements**  
**August 31, 2020 and 2019**

**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
<b>August 31, 2019</b>					
Money market mutual funds	\$ 1,196,905	\$ 1,196,905	\$ -	\$ -	\$ -
Institutional funds*					
U.S. fixed income	8,927,473	-	4,178,417	4,729,858	19,198
Intermediate term credit	1,800,034	-	1,800,034	-	-
Large cap equity	7,622,718	7,622,718	-	-	-
International equity	12,939,737	12,939,737	-	-	-
High-yield bonds	6,583,770	-	-	6,583,770	-
Emerging markets equity	1,826,873	1,826,873	-	-	-
Mid cap equity	2,453,434	2,453,434	-	-	-
U.S. Treasuries	4,774,220	-	4,774,220	-	-
Small cap equity	2,418,897	2,418,897	-	-	-
Commodities	4,770,247	4,770,247	-	-	-
Real estate	4,848,693	4,848,693	-	-	-
Limited partnership	210,669	210,669	-	-	-
	<u>\$ 60,373,670</u>	<u>\$ 38,288,173</u>	<u>\$ 10,752,671</u>	<u>\$ 11,313,628</u>	<u>\$ 19,198</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 and 4.63 years at August 31, 2020 and 2019, respectively. CHE's equity security institutional funds are redeemable immediately thus not subject to interest rate risk.

*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 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. None of CHE's investments were rated at August 31, 2020 and 2019.

*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, 2020 and 2019**

**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. CHE limits the percentage that may be invested in any one sector, company and issuer. CHE's portfolio shall not own more than 5% of the outstanding securities of any single issuer. Exceptions are allowed where a fund's benchmark includes securities greater than 3%, in which case the investment manager may have no more than the securities index weight plus 2%. The entire portfolio shall have no more than 5% of its assets invested in the securities of any one issuer, with the exception of U.S. Treasury and U.S. agencies obligations.

*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, 2020 and 2019.

***Summary of Carrying Values***

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

	<b>2020</b>	<b>2019</b>
Carrying value		
Deposits	\$ 14,888	\$ 15,003
Investments	63,083,246	60,373,670
Equity in pooled cash and investments	1,544,171	4,218,082
	<u>\$ 64,642,305</u>	<u>\$ 64,606,755</u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 15,194	\$ 1,211,908
Equity in pooled cash and investments	1,544,171	4,218,082
Investments	63,082,940	59,176,765
	<u>\$ 64,642,305</u>	<u>\$ 64,606,755</u>



**City of Lincoln, Nebraska**  
**Community Health Permanent Endowment Fund**  
**Notes to Financial Statements**  
**August 31, 2020 and 2019**

**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.

**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, 2020 and 2019.

**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. 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, 2020 and 2019**

**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.

**Note 7: COVID-19**

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.