

**Lincoln Community Foundation, Inc. and
Combined Affiliates**

Combined Financial Report
(with Independent Auditor's Report Thereon)
December 31, 2009 and 2008

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**Independent Auditor's Report
on the Financial Statements**

To the Board of Directors
Lincoln Community Foundation, Inc.
Lincoln, Nebraska

We have audited the accompanying combined statements of financial position of the Lincoln Community Foundation, Inc. and Combined Affiliates as of December 31, 2009 and 2008 and the related combined statements of activities and cash flows for the years then ended. These combined financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these combined 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 2009 and 2008 combined financial statements referred to above present fairly, in all material respects, the financial position of the Lincoln Community Foundation, Inc. and Combined Affiliates as of December 31, 2009 and 2008 and the changes in their net assets and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Omaha, Nebraska
October 28, 2010

Lincoln Community Foundation, Inc. and Combined Affiliates

Combined Statements of Financial Position
December 31, 2009 and 2008

Assets	2009	2008
Cash and cash equivalents	\$ 2,590,815	\$ 4,207,635
Investments, at fair value	52,048,391	46,606,407
Beneficial interest in charitable trusts, at fair value	904,744	675,661
Contributions and other receivables, at fair value	1,831,116	3,301,897
Property and equipment, at cost, net	4,776,822	4,900,762
Total assets	\$ 62,151,888	\$ 59,692,362
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 666,343	\$ 580,092
Funds held for agencies	-	1,563,124
Annuities and trusts payable, at fair value	836,054	774,164
Total liabilities	1,502,397	2,917,380
Net Assets:		
Unrestricted	54,481,251	50,375,108
Temporarily restricted	6,168,240	6,399,874
Total net assets	60,649,491	56,774,982
Total liabilities and net assets	\$ 62,151,888	\$ 59,692,362

See Notes to Combined Financial Statements.

Lincoln Community Foundation, Inc. and Combined Affiliates

Combined Statement of Activities
Years Ended December 31, 2009 and 2008

	2009			2008		
	Unrestricted	Temporarily		Unrestricted	Temporarily	
		Restricted	Total		Restricted	Total
Revenue and Support:						
Contributions	\$ 1,506,375	\$ 385,060	\$ 1,891,435	\$ 3,964,621	\$ 693,852	\$ 4,658,473
Investment performance	6,483,496	183,394	6,666,890	(23,123,771)	(189,119)	(23,312,890)
Change in value of split-interest agreements	-	211,000	211,000	-	(347,827)	(347,827)
Other income	625,274	-	625,274	300,950	-	300,950
Net assets released from restrictions	1,011,088	(1,011,088)	-	2,498,222	(2,498,222)	-
Total revenue and support	9,626,233	(231,634)	9,394,599	(16,359,978)	(2,341,316)	(18,701,294)
Grants and Expenses:						
Grant distributions	3,746,539	-	3,746,539	4,141,028	-	4,141,028
Investment expenses	51,597	-	51,597	71,302	-	71,302
Personnel and fringe benefits	762,632	-	762,632	831,856	-	831,856
Other expenses	679,269	-	679,269	705,860	-	705,860
Depreciation	280,053	-	280,053	282,523	-	282,523
Total grants and expenses	5,520,090	-	5,520,090	6,032,569	-	6,032,569
Change in Net Assets	4,106,143	(231,634)	3,874,509	(22,392,547)	(2,341,316)	(24,733,863)
Net Assets:						
Beginning	50,375,108	6,399,874	56,774,982	72,767,655	8,741,190	81,508,845
Ending	\$ 54,481,251	\$ 6,168,240	\$ 60,649,491	\$ 50,375,108	\$ 6,399,874	\$ 56,774,982

See Notes to Combined Financial Statements.

Lincoln Community Foundation, Inc. and Combined Affiliates

**Combined Statements of Cash Flows
Years Ended December 31, 2009 and 2008**

	2009	2008
Cash Flows from Operating Activities:		
Change in net assets	\$ 3,874,509	\$ (24,733,863)
Items not requiring (providing) operating activities cash flows:		
Depreciation	280,053	282,523
Other, net	-	15,769
Net realized and unrealized (gains) losses on investments	(5,595,475)	25,360,332
Increase in cash surrender value of life insurance in excess of premiums paid	(150,239)	(118,341)
Change in value of split-interest agreements	370,824	466,168
Changes in:		
Contributions and other receivables	1,470,781	4,448,401
Accounts payable and accrued expenses	86,251	(468,307)
Funds held for agencies	(1,563,124)	(2,249,170)
Annuities and trusts payable	163,130	(77,352)
Net cash provided by (used in) operating activities	(1,063,290)	2,926,160
Cash Flows from Investing Activities:		
Net sales (purchases) of investments	(296,177)	(3,060,044)
Purchase of property and equipment	(156,113)	(5,425)
Net cash used in investing activities	(452,290)	(3,065,469)
Cash Flow from Financing Activities:		
Payments on annuities and trusts payable	(101,240)	(125,104)
Net cash used in financing activities	(101,240)	(125,104)
Net decrease in cash and cash equivalents	(1,616,820)	(264,413)
Cash and Cash Equivalents:		
Beginning	4,207,635	4,472,048
Ending	\$ 2,590,815	\$ 4,207,635

See Notes to Combined Financial Statements.

Lincoln Community Foundation, Inc. and Combined Affiliates

Notes to Combined Financial Statements

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of operations: The Lincoln Community Foundation, Inc. (the Foundation) was incorporated on April 11, 1955. The mission of the Foundation is to secure gifts to perpetually enrich and improve the Lincoln community for those who live and work here. The Foundation's governing instruments allow for invasion of principal as well as authority to exercise its variance power. The Foundation also owns and manages the Lincoln Community Foundation Building. The building is leased to tax-exempt organizations.

A summary of the significant accounting policies follows:

Principles of combination: The combined financial statements of the Foundation include the accounts and operations of its affiliated organizations, the L.L. Coryell and Son Park Foundation, Inc. and the Lincoln Foundation Donor Directed Depository, Inc. The L.L. Coryell and Son Park Foundation, Inc. is a support organization which the Foundation's board appoints the L.L. Coryell and Son Park Foundation, Inc.'s board members. The Lincoln Foundation Donor Directed Depository, Inc. has the same board as the Foundation's board. All significant inter-entity transactions and balances have been eliminated in combination.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and uncertainties:

Contributions – Approximately 49% and 38% of all contributions were received from one donor in 2009 and 2008, respectively.

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

Basis of presentation: Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations or are donor-advised but the Foundation has variance power, as well as the ability to invade principal.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or passage of time.

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that neither expire by the passage of time and/or are otherwise removed by actions of the Foundation. There were no permanently restricted net assets as of December 31, 2009 or 2008.

Lincoln Community Foundation, Inc. and Combined Affiliates

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

In August 2008, The Financial Accounting Standards Board issued Staff Position topic, *Endowment of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowed Funds*. This topic provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). This topic also improves the disclosures about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of Nebraska adopted UPMIFA effective September 1, 2007. The Foundation has adopted this topic for the years ended December 31, 2009 and 2008. The Board of Directors, on the advice of legal counsel, has determined that the majority of the Foundation's net assets meet the definition of institutional funds under UPMIFA. The Foundation is governed subject to the Governing Documents for the Foundation and most contributions are received subject to the terms of the Governing Document.

Under the terms of the Governing Document, the Board of Directors has the ability to distribute as much of the principal of the funds as the board in its sole discretion shall determine. In accordance with UPMIFA, 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 fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

As a result of the ability to distribute principal, the Board of Directors has determined that all contributions received subject to the Governing Document, and subject to UPMIFA, are classified as unrestricted net assets. Temporarily restricted net assets consist of irrevocable charitable trusts, gift annuities, life insurance policies, and donor-directed depository accounts. The Foundation currently holds no funds considered to be permanently restricted. Thus, all other funds are classified as unrestricted.

Cash equivalents: The Foundation considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. At December 31, 2009 and 2008, cash equivalents consisted primarily of cash on deposit and money market accounts.

Because of the nature and size of the Foundation's operations, bank account balances often exceed the Federal Deposit Insurance Corporation limit of \$250,000. The Foundation has not experienced any losses on these accounts.

Investments and investment performance: Investments are stated at fair value. Marketable investments are valued at quoted market prices, when available, or market prices provided by recognized broker dealers. Nonmarketable securities are valued at their estimated fair value as determined by management, based upon unit net asset values provided by fund managers.

Lincoln Community Foundation, Inc. and Combined Affiliates

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Investment performance that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year are included in unrestricted net assets. Other investment performance is reflected in the statements of activities as unrestricted or temporarily restricted based upon the existence and nature of any donor or legally imposed restrictions.

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

Endowment investment and spending policies: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to return an amount that equals or exceeds the annual giving percentage plus the operating charge plus inflation.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realize and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundations' various endowed funds for grant making and administration. The Board approved spending percentage for 2009 was 4.25% from January to August, and 4% from August thru the year ended December 31, 2009. The Board approved spending percentage was 5.75% for the year ended December 31, 2008.

Beneficial interest in charitable trusts: The Foundation is the irrevocable beneficiary of charitable remainder trusts when the Foundation does not act as trustee. In these cases, the Foundation records as an asset the present value of the future benefits to be received from the trusts. The contribution receivable is adjusted annually to fair values and any gain or loss is reflected in the combined statements of activities, temporarily restricted funds, as a change in the value of split-interest agreements.

Contributions and other receivables: Pledges receivable are stated at the present value of the estimated future cash flows. Pledges are due as indicated by the donor in the pledge agreement. All other receivables, including estates receivable, are expected to be collected within one year and are stated at their net realizable value. Based upon a review of outstanding receivables and historical collection information, no allowance for doubtful accounts is deemed necessary.

Split-interest agreements: Where the Foundation is the trustee, the fair value is calculated using the estimated present value of the annuity obligation. The discount rate (3.4%) and actuarial assumptions used in calculating the annuity obligation are those provided in Internal Revenue Service guidelines and actuarial tables. Where the Foundation is not the trustee, the split-interest agreement is calculated the same way but the asset and liability is recorded net.

Property and equipment: Property and equipment are stated at cost if purchased and at fair value at the date of contribution of assets donated to the Foundation. Annual depreciation is computed primarily using the straight-line method.

Lincoln Community Foundation, Inc. and Combined Affiliates

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Revenue recognition: Gifts of cash and other assets received are reported as unrestricted revenue and net assets, unless subject to time restrictions. When a donor-stipulated time restriction ends, restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Gifts having time stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Gifts of land, buildings, equipment and other long-lived assets are also reported as unrestricted revenue and net assets, unless subject to time restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using the IRS discount rate applicable to the year in which the unconditional promise was made. Amortization of the discount is included in contribution revenue.

Conditional promises to give are not included as revenue until the conditions are substantially met.

Grant distributions: Grant distribution expenses are recorded when approved by the Foundation and when grant terms do not include significant conditions.

Amounts due under annuity and trust agreements: A liability is recorded for the amount due to the income beneficiary of charitable gift annuities and charitable remainder trusts when the Foundation acts as trustee. The liability is based on the present value of the estimated future payments to be distributed during the beneficiary's expected life. Annual adjustments to the liability reflect revaluation of the present value of the estimated future payments to the beneficiary and are recognized in the combined statements of activities, unrestricted funds, as a change in value of split-interest agreements.

Scholarships: Scholarship expenses are recorded when approved by the Scholarship Committees. Those committees observe and follow all scholarship policies and procedures as outlined and approved by the Lincoln Community Foundation Board of Directors pertaining to the nomination of committee members and scholarship recipients.

Income taxes: The Foundation and affiliated organizations have been granted exemptions from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and have been determined not to be private foundations under Section 509 (a)(1) of the Code. As such, no provision for income taxes is reflected in the financial statements.

Subsequent events: The Foundation has evaluated subsequent events through October 28, 2010, the date on which the financial statements were available to be issued.

Adopted accounting pronouncements: In June 2009, the FASB issued an accounting pronouncement establishing the FASB "Accounting Standards Codification" (the "ASC") as the sole source of authoritative accounting principles recognized by the FASB to be applied to nongovernmental entities. Pursuant to the provisions of the Accounting Standards Codification, the Foundation has updated references to GAAP in its financial statement footnotes issued for the year ended December 31, 2009. The adoption of the Accounting Standards Codification did not impact the Foundation's financial statement presentation.

Lincoln Community Foundation, Inc. and Combined Affiliates

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

In September 2006, the FASB updated Accounting Standards Codification topic, *Fair Value Measurements*. This topic defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement. This topic is effective for financial statements issued for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued a FASB Staff Position to this topic, which permitted a one-year deferral for the implementation of this topic with regard to nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis. The Foundation adopted this topic for the fiscal year beginning January 1, 2008, except for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis for which delayed application was permitted until the Foundation's fiscal year beginning January 1, 2009. The adoption of the remaining provisions of this topic did not have a material impact on the Foundation's combined financial position or statement of activities.

In July 2006, the FASB updated Accounting Standards Codification topic, *Income Taxes*. This topic clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with this topic. This topic prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This topic requires the Foundation to accrue for losses it believes are probable and can be reasonably estimated. This topic also provides guidance on derecognition of tax benefits, classification in the financial statements, interest and penalties, accounting in interim periods, disclosure, and transition. In December 2008, the FASB provided for a deferral of the effective date of this topic for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2008. The Foundation elected this deferral and adopted this topic in its 2009 annual financial statements. The adoption of this topic did not have any impact on the Foundation's combined financial position or statement of activities. Uncertain tax positions, if any, are recorded as a liability if a tax position taken does not meet the more-likely-than-not standard that the position will be sustained upon examination by the taxing authorities. There is no liability for uncertain tax positions recorded at December 31, 2009, nor was there a liability as of the date of implementation of January 1, 2009.

Forms 990 filed by the Foundation are subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of each return. Forms 990 filed by the Foundation are no longer subject to examination for the years 2005 and prior.

In April 2009, the FASB issued Accounting Standards Codification topic, *Not-for-Profit Entities: Mergers and Acquisitions*. This Statement establishes principles and requirements for how a not-for-profit entity:

- Determines whether a combination is a merger or an acquisition;
- Applies the carryover method in accounting for a merger;
- Applies the acquisition method in accounting for an acquisition, including determining which of the combining entities is the acquirer; and
- Determines what information to disclose to enable users of financial statements to evaluate the nature and financial effects of a merger or an acquisition.

This topic also amends FASB Accounting Standards Codification topic, *Goodwill and Other Intangible Assets*, to make it fully applicable to not-for-profit entities. The adoption of the *Not-for-Profit Entities: Mergers and Acquisitions* topic did not have any impact on the Foundation's combined financial position or statement of activities.

Lincoln Community Foundation, Inc. and Combined Affiliates

Notes to Combined Financial Statements

Note 2. Investments and Investment Performance

Investments at fair value as of December 31 consisted of the following:

	2009	2008
Marketable securities:		
Certificates of deposit	\$ 5,858,369	\$ -
U.S. Government bonds	2,986,871	30,246
Common stocks	105	67,689
Equity and fixed-income funds	24,914,497	24,280,721
	<u>33,759,842</u>	<u>24,378,656</u>
Nonmarketable securities:		
Alternative investments	16,047,570	20,137,011
Cash value of life insurance	2,240,979	2,090,740
	<u>18,288,549</u>	<u>22,227,751</u>
	<u>\$ 52,048,391</u>	<u>\$ 46,606,407</u>

Alternative investments: At December 31, 2009 and 2008, the Foundation's alternative investments include interest in five offshore investments. These investments employ nontraditional investment strategies that utilize a variety of securities and financial instruments in sophisticated trading and portfolio management techniques. Specific strategies utilized by these investments include hedge directional, distressed securities, debt relative-value and convertible arbitrage, event-driven and tactical trading, and derivative instruments, among others. The funds' investment portfolios may include long and short positions in both U.S. and international securities. These investments and the underlying investment strategies are specialized, potentially leveraged investments, managed by various portfolio managers selected by the funds' sponsors, which could involve substantial risk.

Three separate funds held as alternative investments have been in liquidation since April 1, 2009. The fair value of these investments at December 31, 2009, is \$951,259. Subsequent to December 31, 2009, the Fund(s) compulsorily redeemed shares for cash, leaving a remaining net value of \$509,666. The cash value received was not materially different from fair value at December 31, 2009.

Three other funds held as alternative investments, valued at \$11,751,003 at December 31, 2009, were redeemed in 2010 for cash values not materially different from fair value at December 31, 2009.

The investments' performance is expected to be uncorrelated with traditional U.S. equity investments. The Foundation's risk of loss is limited to the carrying amount of its investment. There is not a public market for shares in these offshore investments, and the shares are transferable or redeemable only at the discretion of the investment manager. A determination of net asset value per share is made on a monthly basis, and this net asset value is considered to be the fair value for these investments, which is estimated based on the estimated fair values of the underlying securities. These estimates could change materially in the near term.

Lincoln Community Foundation, Inc. and Combined Affiliates

Notes to Combined Financial Statements

Note 2. Investments and Investment Performance (Continued)

Investment performance: Total investment performance is reflected in the statements of activities and consists of:

	2009	2008
Interest and dividend income	\$ 1,051,607	\$ 2,047,442
Net realized and unrealized gains (losses) on investments reported at fair value	5,615,283	(25,360,332)
	<u>\$ 6,666,890</u>	<u>\$ (23,312,890)</u>

Note 3. Split-Interest Agreements

The Foundation has entered into irrevocable agreements with donors whereby, in exchange for the gift from the donor, the Foundation is obligated to provide an annuity to the donor or other designated beneficiaries over a specified number of years. Additionally, the Foundation has entered into irrevocable agreements with donors for various life insurance contracts whereby the Foundation is the owner and beneficiary.

A liability is recognized for the estimated present value of the annuity obligation and the assets are recorded at their gross market value for agreements where the Foundation is the trustee. The discount rate (3.4%) and actuarial assumptions used in calculating the annuity obligation are those provided in Internal Revenue Service guidelines and actuarial tables. The value of these future payments as of December 31, 2009 and 2008 is \$836,054 and \$774,164, respectively.

For agreements where the Foundation is not the trustee, the Foundation has recorded an asset as a beneficial interest in charitable trusts, which represents its beneficial interest in the agreements.

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

	2009	2008
Cash and cash equivalents	\$ 15,153	\$ 28,246
Investments, including cash value of life insurance	3,274,670	3,119,836
Beneficial interest in charitable trusts	904,744	675,661
	<u>\$ 4,194,567</u>	<u>\$ 3,823,743</u>

Lincoln Community Foundation, Inc. and Combined Affiliates

Notes to Combined Financial Statements

Note 4. Contributions and Other Receivables

Contributions and other receivables consist of the following:

	2009	2008
Pledges receivable due in:		
Less than one year	\$ 2,000	\$ 7,000
One to five years	8,000	8,000
Five to fifteen years	22,000	28,000
Fifteen to twenty-five years	215,000	215,000
More than twenty-five years	187,122	187,647
	<u>434,122</u>	<u>445,647</u>
Less unaccreted discount	(312,633)	(320,230)
Total pledges receivable, net	121,489	125,417
Other, including estate receivables	1,709,627	3,176,480
	<u><u>\$ 1,831,116</u></u>	<u><u>\$ 3,301,897</u></u>

The discount rates range from 4.2% to 7.4%.

Note 5. Property and Equipment

Property and equipment as of December 31, 2009 and 2008 consisted of the following:

	2009	2008
Land	\$ 698,229	\$ 698,228
Buildings and improvements	6,011,051	5,998,350
Furniture, fixture and equipment	403,299	259,887
	<u>7,112,579</u>	<u>6,956,465</u>
Less accumulated depreciation	(2,335,757)	(2,055,703)
	<u><u>\$ 4,776,822</u></u>	<u><u>\$ 4,900,762</u></u>

Lincoln Community Foundation, Inc. and Combined Affiliates

Notes to Combined Financial Statements

Note 6. Transactions in Funds Held for Agencies

Financial activity related to agency funds is recorded as adjustments to the funds held for agencies liability and therefore are not included in the combined statements of activities. During 2009, the Foundation elected to eliminate the management of agency funds. Throughout 2009, the Foundation returned agency assets, so that, as of December 31, 2009, no agency funds remained. The agency fund transactions are summarized as follows:

	2009	2008
<hr/>		
Additions:		
Contributions	\$ 5,062	\$ 71,255
Investment returns	63,323	(970,901)
Interfund transfers in/(out), net	(313,913)	16,816
Internal administrative fees	(21,514)	(26,104)
Total additions	(267,042)	(908,934)
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Deductions:		
Grant distributions	1,296,054	1,338,167
Investment expenses	28	2,069
Total deductions	1,296,082	1,340,236
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Change in balance	(1,563,124)	(2,249,170)
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Funds held for agencies, beginning of year	1,563,124	3,812,294
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Funds held for agencies, end of year	\$ -	\$ 1,563,124
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Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	2009	2008
Split-interest agreements	\$ 2,947,564	\$ 2,752,765
Donor-directed depository time restrictions	3,220,676	3,647,109
	\$ 6,168,240	\$ 6,399,874

During 2009 and 2008, net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of expiration of time restrictions in the amounts of \$1,011,088 and \$2,498,222, respectively.

Lincoln Community Foundation, Inc. and Combined Affiliates

Notes to Combined Financial Statements

Note 8. Intentions to Give

The Foundation has received indications of gifts in the form of bequests which are revocable during the donors' lifetime or irrevocable, for which a donation amount cannot be determined. Due to the uncertain nature of these intentions, the Foundation has not recognized an asset or contribution revenue for these gifts. The estimated total intentions to give consist of:

	2009	2008
Gross expectancies	\$ 45,784,664	\$ 47,154,613
Less split-interest liability	2,244,870	2,477,831
Net expectancies	\$ 43,539,794	\$ 44,676,782

Note 9. Retirement Plans

The Foundation has a SEP-IRA retirement plan covering all employees who meet the eligibility requirements. The Foundation's contributions to the plan have been determined by the Board of Directors. Contributions to the plan were \$15,564 and \$57,971 for 2009 and 2008, respectively.

Note 10. Operating Leases

The Foundation has entered into noncancellable operating leases with its tenants that expire in various years through 2016.

Future minimum lease revenue at December 31, 2009 is:

2010	\$ 234,139
2011	193,636
2012	167,897
2013	170,742
2014	158,469
Thereafter	197,936
	<u>\$ 1,122,819</u>

Rental income is included in other income on the combined statements of activities.

Lincoln Community Foundation, Inc. and Combined Affiliates

Notes to Combined Financial Statements

Note 11. Classification of Expenses

The statements of activities disclose expenses by natural classification. The classification of expenses by function is as follows:

	2009	2008
Program services	\$ 4,637,902	\$ 5,150,313
Management and general	521,891	441,534
Fundraising	360,297	440,722
	<u>\$ 5,520,090</u>	<u>\$ 6,032,569</u>

The other expense classification on the combined statements of activities for 2009 and 2008 includes \$435,533 and \$459,847, respectively, of building expenses associated with the Lincoln Community Foundation Building.

Note 12. Fair Value Measurements

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. In determining fair value, the Foundation uses various methods, including market, income and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.
- Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the fiscal years ended December 31, 2009 and 2008, the application of valuation techniques applied to similar assets and liabilities has been consistent.

Lincoln Community Foundation, Inc. and Combined Affiliates

Notes to Combined Financial Statements

Note 12. Fair Value Measurements (Continued)

Fair value on a recurring basis: The tables below present the balances of assets and liabilities measured at fair value on a recurring basis for the years ended December 31, 2009 and 2008, respectively.

	December 31, 2009			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Certificate of deposit	\$ 5,858,369	\$ -	\$ 5,858,369	\$ -
Common stocks	105	105	-	-
Equity and fixed-income funds	24,914,497	24,914,497	-	-
U.S. Government bonds	2,986,871	-	2,986,871	-
Alternative investment funds	16,047,570	-	-	16,047,570
Cash value of life insurance	2,240,979	-	-	2,240,979
Beneficial interest in charitable trusts	904,744	-	-	904,744
Total assets	\$ 52,953,135	\$ 24,914,602	\$ 8,845,240	\$ 19,193,293
Liabilities:				
Annuities and trust payable	\$ 836,054	\$ -	\$ -	\$ 836,054

	December 31, 2008			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Common stocks	\$ 67,689	\$ 67,689	\$ -	\$ -
Equity and fixed-income funds	24,280,721	24,278,376	2,345	-
U.S. Government bonds	30,246	-	30,246	-
Alternative investment funds	20,137,011	-	-	20,137,011
Cash value of life insurance	2,090,740	-	-	2,090,740
Beneficial interest in charitable trusts	675,661	-	-	675,661
Total assets	\$ 47,282,068	\$ 24,346,065	\$ 32,591	\$ 22,903,412
Liabilities:				
Annuities and trust payable	\$ 774,164	\$ -	\$ -	\$ 774,164

Lincoln Community Foundation, Inc. and Combined Affiliates

Notes to Combined Financial Statements

Note 12. Fair Value Measurements (Continued)

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis are summarized as follows:

	Assets	Liabilities
Balance, December 31, 2007	\$ 33,187,604	\$ 976,620
Net realized and unrealized gains (losses)	(13,096,038)	(202,456)
Purchases, sales, issuances and settlements, net	2,811,846	-
Balance, December 31, 2008	22,903,412	774,164
Net realized and unrealized gains (losses)	842,317	61,890
Purchases, sales, issuances and settlements, net	(4,552,436)	-
Balance, December 31, 2009	<u>\$ 19,193,293</u>	<u>\$ 836,054</u>

Note 13. Subsequent Events

Effective January 1, 2010, the Foundation returned the responsibility and authority for managing the L.L. Coryell and Son Park Foundation funds, along with the assets, to their board.

Note 14. Accounting Guidance

In January 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-06, *Fair Value Measurements and Disclosures* (Topic 820). The ASU amends Subtopic 820-10 to require new disclosures for transfers between Level 1 and Level 2 fair value measurements and provide more information on the activity of the Level 3 fair value measurements. The ASU amends Subtopic 820-10 to clarify existing disclosures on level of disaggregation and inputs and valuation techniques. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009 except for the disclosures about purchases, sales, issuances, and settlements in the roll forward activity of Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010.



**Independent Auditor's Report
on the Supplementary Information**

To the Board of Directors
Lincoln Community Foundation, Inc.
Lincoln, Nebraska

Our audit was made for the purpose of forming an opinion on the basic combined financial statements for the years ended December 31, 2009 and 2008, taken as a whole. The supplementary combining information for the years ended December 31, 2009 and 2008 is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position and results of operations of the individual organizations or funds, and is not a required part of the basic combined financial statements. Such combining information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

McGladrey & Pullen, LLP

Omaha, Nebraska
October 28, 2010

Lincoln Community Foundation, Inc. and Combined Affiliates
 Combining Schedule of Financial Position

December 31, 2009
 (With Combined Totals for 2008)

	Lincoln Community Foundation, Inc.	Lincoln Foundation Donor Directed Depository, Inc.	L.L. Coryell & Son Park Foundation, Inc.	2009 Combined	2008 Combined
Assets					
Cash and cash equivalents	\$ (666,769)	\$ 3,231,430	\$ 26,154	\$ 2,590,815	\$ 4,207,635
Investments, at fair value	50,693,402	-	1,354,989	52,048,391	46,606,407
Beneficial interests in charitable trusts, at fair value	904,744	-	-	904,744	675,661
Contributions and other receivables	1,831,116	-	-	1,831,116	3,301,897
Property and equipment, net	4,624,445	-	152,377	4,776,822	4,900,762
Total assets	\$ 57,386,938	\$ 3,231,430	\$ 1,533,520	\$ 62,151,888	\$ 59,692,362
Liabilities and Net Assets					
Accounts payable and accrued expenses	\$ 653,989	\$ 10,754	\$ 1,600	\$ 666,343	\$ 580,092
Annuities and trusts payable, at fair value	836,054	-	-	836,054	774,164
Funds held for agencies	-	-	-	-	1,563,124
Total liabilities	1,490,043	10,754	1,600	1,502,397	2,917,380
Net assets:					
Unrestricted	52,949,331	-	1,531,920	54,481,251	50,375,108
Temporarily restricted	2,947,564	3,220,676	-	6,168,240	6,399,874
Total net assets	55,896,895	3,220,676	1,531,920	60,649,491	56,774,982
Total liabilities and net assets	\$ 57,386,938	\$ 3,231,430	\$ 1,533,520	\$ 62,151,888	\$ 59,692,362

This schedule includes internal due to assets and due from liabilities which are eliminated in the combined statement of financial position.

Lincoln Community Foundation, Inc. and Combined Affiliates
 Combining Schedule of Activities

Year Ended December 31, 2009
 (With Combined Totals for 2008)

	Lincoln Community Foundation, Inc.	Lincoln Foundation Donor Directed Depository, Inc.	L.L. Coryell & Son Park Foundation, Inc.	Less: Reclassifications			
				Agency Funds	Reclassifications Eliminations	2009 Combined	2008 Combined
Revenue and Support:							
Contributions	\$ 1,603,085	\$ 291,174	\$ 2,238	\$ (5,062)	\$ -	\$ 1,891,435	\$ 4,658,473
Investment performance	6,567,669	2,495	160,049	(63,323)	-	6,666,890	(23,312,890)
Change in value of split-interest agreements	211,000	-	-	-	-	211,000	(347,827)
Other income	288,847	-	1,000	-	335,427	625,274	300,950
Internal administrative fee revenue	1,123,200	-	-	-	(1,123,200)	-	-
Interfund transfers	(45,178)	45,178	-	313,913	(313,913)	-	-
Total revenue and support	9,748,623	338,847	163,287	245,528	(1,101,686)	9,394,599	(18,701,294)
Grants and Expenses:							
Grant distributions	4,320,398	722,195	-	(1,296,054)	-	3,746,539	4,141,028
Investment expenses	50,187	1,218	220	(28)	-	51,597	71,302
Personnel and fringe benefits	700,123	-	62,509	-	-	762,632	831,856
Other expenses	654,992	1,280	22,997	-	-	679,269	705,860
Depreciation	263,282	-	16,771	-	-	280,053	282,523
Internal administrative fee expense	990,898	112,302	20,000	(21,514)	(1,101,686)	-	-
Total grants and expenses	6,979,880	836,995	122,497	(1,317,596)	(1,101,686)	5,520,090	6,032,569
Change in Net Assets	2,768,743	(498,148)	40,790	1,563,124	-	3,874,509	(24,733,863)
Net Assets, Beginning of Year	53,128,152	3,718,824	1,491,130	(1,563,124)	-	56,774,982	81,508,845
Net Assets, End of Year:							
Unrestricted	52,949,331	-	1,531,920	-	-	54,481,251	50,375,108
Temporarily restricted	2,947,564	3,220,676	-	-	-	6,168,240	6,399,874
Funds held for agencies	-	-	-	-	-	-	-
Total net assets, end of year	\$ 55,896,895	\$ 3,220,676	\$ 1,531,920	\$ -	\$ -	\$ 60,649,491	\$ 56,774,982

This schedule includes internal administrative fee revenue and expense and interfund transfers which are eliminated in the combined statement of activity.
 This schedule presents activity before reclassifying transactions related to agency funds.

Lincoln Community Foundation, Inc. and Combined Affiliates
 Combining Schedule of Financial Position - Lincoln Community Foundation Funds Only

December 31, 2009
 (With Totals for 2008)

	Operations	Operating Endowment	Unrestricted/ Discretionary Grant Funds	Donor Advised Funds	Field of Interest Funds	Donor-Specified Purpose Funds	Donor-Designated Funds	Agency Funds	Split - Interest Agreement Funds	Building & Garden	2009		2008	
											LCF	Total		LCF
Assets														
Cash and cash equivalents	\$ 1,454,813	\$ (3,746,198)	\$ 109,765	\$ 990,383	\$ 25,894	\$ 119,809	\$ 109,301	\$ -	\$ 15,153	\$ 254,311	\$ (666,769)	\$ 446,227		
Investments, at fair value	-	6,423,753	7,437,975	2,613,541	12,823,369	4,987,708	12,769,263	-	3,274,670	363,123	50,693,402	45,304,261		
Beneficial interests in charitable trusts, at fair value	-	-	-	-	-	-	-	-	904,744	-	904,744	675,661		
Contributions and other receivables	-	610,454	-	-	-	935,000	138,870	-	-	146,792	1,831,116	3,300,916		
Property and equipment, net	202,372	-	-	-	-	-	-	-	-	4,422,073	4,624,445	4,744,318		
Due from/(to) other funds	-	3,334,323	-	-	-	-	-	-	-	(3,334,323)	-	-		
Total assets	\$ 1,657,185	\$ 6,622,332	\$ 7,547,740	\$ 3,603,924	\$ 12,849,263	\$ 6,042,517	\$ 13,017,434	\$ -	\$ 4,194,567	\$ 1,851,976	\$ 57,386,938	\$ 54,471,383		
Liabilities and Net Assets														
Accounts payable and accrued expenses	\$ 53,160	-	-	\$ 185,200	\$ -	\$ -	\$ -	\$ -	\$ 410,949	\$ 4,680	\$ 653,989	\$ 569,067		
Annuitites and trusts payable, at fair value	-	-	-	-	-	-	-	-	836,054	-	836,054	774,164		
Total liabilities	53,160	-	-	185,200	-	-	-	-	1,247,003	4,680	1,490,043	1,343,231		
Net assets:														
Unrestricted	1,604,025	6,622,332	7,547,740	3,418,724	12,849,263	6,042,517	13,017,434	-	-	1,847,296	52,949,331	48,812,263		
Temporarily restricted	-	-	-	-	-	-	-	-	2,947,564	-	2,947,564	2,752,765		
Funds held for agencies	-	-	-	-	-	-	-	-	-	-	-	1,563,124		
Total net assets	1,604,025	6,622,332	7,547,740	3,418,724	12,849,263	6,042,517	13,017,434	-	2,947,564	1,847,296	55,896,895	53,128,152		
Total liabilities and net assets	\$ 1,657,185	\$ 6,622,332	\$ 7,547,740	\$ 3,603,924	\$ 12,849,263	\$ 6,042,517	\$ 13,017,434	\$ -	\$ 4,194,567	\$ 1,851,976	\$ 57,386,938	\$ 54,471,383		

This schedule includes internal due to assets and due from liabilities which are eliminated in the combined statement of financial position.

Lincoln Community Foundation, Inc. and Combined Affiliates
 Combining Schedule of Activities - Lincoln Community Foundation Funds Only

Year Ended December 31, 2009
 (With Totals for 2008)

	Operations	Operating Endowment	Unrestricted/ Discretionary Grant Funds	Donor Advised Funds	Field of Interest Funds	Donor Specified Purpose Funds	Donor Designated Funds	Agency Funds	Split - Interest Agreement Funds	Building & Garden	2009 LCF Total	2008 LCF Total
Revenue and Support:												
Contributions	\$ 11,250	\$ 7,072	\$ 101,757	\$ 166,968	\$ 155,861	\$ 943,833	\$ 117,395	\$ 5,063	\$ 93,886	\$ -	\$ 1,603,085	\$ 4,138,100
Investment performance	17,087	761,698	1,015,437	278,492	1,715,839	750,277	1,744,960	63,323	171,627	48,929	6,567,669	(23,715,459)
Change in value of split-interest agreements	-	-	-	-	-	-	-	-	211,000	-	211,000	(347,827)
Other income	25	-	356	-	10,747	-	3	-	-	277,716	288,847	288,662
Internal administrative fee revenue	966,617	156,583	-	-	-	-	-	-	-	-	1,123,200	802,036
Interfund transfers	336,131	(375,108)	158,042	184,428	574,419	(869,293)	373,910	(313,913)	(74,420)	(39,374)	(45,178)	3,488
Total revenue and support	1,331,110	550,245	1,275,592	629,888	2,456,866	824,817	2,236,268	(245,527)	402,093	287,271	9,748,623	(18,831,000)
Grants and Expenses:												
Grant distributions	-	-	126,988	483,650	87,629	370,132	1,955,944	1,296,055	-	-	4,320,398	3,641,477
Investment expenses	44,087	(249)	4,382	28	-	1	195	28	1,715	-	50,187	68,578
Personnel and fringe benefits	670,668	6,636	-	-	-	-	-	-	-	22,819	700,123	776,691
Other expenses	264,075	-	1,724	1,714	-	-	197	-	200,542	186,740	654,992	681,016
Depreciation	19,939	-	-	-	-	-	-	-	-	243,343	263,282	263,318
Internal administrative fee expense	-	130,717	142,451	52,312	298,025	110,259	224,276	21,514	5,037	6,307	990,898	721,985
Total grants and expenses	998,769	137,104	275,545	537,704	385,654	480,392	2,180,612	1,317,597	207,294	459,209	6,979,880	6,153,065
Change in Net Assets	332,341	413,141	1,000,047	92,184	2,071,212	344,425	55,656	(1,563,124)	194,799	(171,938)	2,768,743	(24,984,065)
Net Assets, Beginning of Year	1,271,684	6,209,191	6,547,693	3,326,540	10,778,051	5,698,092	12,961,778	1,563,124	2,752,765	2,019,234	53,128,152	78,112,217
Net Assets, End of Year:												
Unrestricted	1,604,025	6,622,332	7,547,740	3,418,724	12,849,263	6,042,517	13,017,434	-	-	1,847,296	52,949,331	48,812,263
Temporarily restricted	-	-	-	-	-	-	-	-	2,947,564	-	2,947,564	2,752,765
Funds held for agencies	-	-	-	-	-	-	-	-	-	-	-	1,563,124
Total net assets	\$ 1,604,025	\$ 6,622,332	\$ 7,547,740	\$ 3,418,724	\$ 12,849,263	\$ 6,042,517	\$ 13,017,434	\$ -	\$ 2,947,564	\$ 1,847,296	\$ 55,896,895	\$ 53,128,152

This schedule includes internal administrative fee revenue and expense and interfund transfers which are eliminated in the combined statement of activity.