

**Nebraska State Historical Society Foundation**

**Auditor's Report and Financial  
Statements**

**For the Years Ended  
June 30, 2018 and 2017**

**BUCKLEY & SITZMAN, LLP  
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Lincoln, Nebraska 68506  
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**Nebraska State Historical Society Foundation**

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**June 30, 2018**

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## **Independent Auditor's Report**

Board of Directors  
Nebraska State Historical Society Foundation  
Lincoln, Nebraska

We have audited the accompanying financial statements of the Nebraska State Historical Society Foundation, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 2018 financial statements referred to above present fairly, in all material respects, the financial position of the Nebraska State Historical Society Foundation as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of permanently restricted assets on page 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### ***Prior Period Financial Statements***

The financial statements of the Nebraska State Historical Society Foundation as of June 30 2017, were audited by other auditors whose report dated January 19, 2018, expressed an unmodified opinion on those statements.

Lincoln, Nebraska  
October 12, 2018

A handwritten signature in black ink that reads "Buckley & Sitzman LLP". The signature is written in a cursive, flowing style.

# NEBRASKA STATE HISTORICAL SOCIETY FOUNDATION

## Statements of Financial Position

June 30, 2018 and 2017

	2018	2017
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 45,826	\$ 147,021
Prepaid expenses	6,502	9,178
Pledges receivable	41,986	149,175
<b>Total Current Assets</b>	<u>\$ 94,314</u>	<u>\$ 305,374</u>
<b>Other Assets</b>		
Investments	\$ 15,124,305	\$ 12,855,418
Remainder interest in real property	1,327,000	-
Pledges receivable	86,207	-
Property, plant, and equipment, net of depreciation of \$126,120 for 2018 and \$201,197 for 2017	258,306	343,229
<b>Total Other Assets</b>	<u>\$ 16,795,818</u>	<u>\$ 13,198,647</u>
<b>Total Assets</b>	<u><u>\$ 16,890,132</u></u>	<u><u>\$ 13,504,021</u></u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 4,947	\$ 2,298
Accrued payroll	10,923	14,007
<b>Total Current Liabilities</b>	<u>\$ 15,870</u>	<u>\$ 16,305</u>
<b>Other Liabilities</b>		
Life estate use interest	\$ 175,628	\$ -
Security deposit	-	450
<b>Total Other Liabilities</b>	<u>\$ 175,628</u>	<u>\$ 450</u>
<b>Total Liabilities</b>	<u>\$ 191,498</u>	<u>\$ 16,755</u>
<b>Net Assets</b>		
Unrestricted	\$ 2,057,414	\$ 1,967,271
Temporarily restricted	9,108,773	6,044,914
Permanently restricted	5,532,447	5,475,081
<b>Total Net Assets</b>	<u>\$ 16,698,634</u>	<u>\$ 13,487,266</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 16,890,132</u></u>	<u><u>\$ 13,504,021</u></u>

See accompanying notes to financial statements

**NEBRASKA STATE HISTORICAL SOCIETY FOUNDATION**

**Statement of Activities  
For the Year Ended June 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2018 Total</u>
<b>Support and Revenue</b>				
Contributions	\$ 120,809	\$ 1,766,160	\$ 60,241	\$ 1,947,210
Investment income	45,735	208,082	-	253,817
Realized gains on investments	284,262	1,386,402	-	1,670,664
Unrealized losses on investments	(185,297)	(890,906)	-	(1,076,203)
Real estate property income	22,322	11,003	-	33,325
Net gain on asset disposal	-	1,501,303	-	1,501,303
Other income	42,672	-	-	42,672
Net assets released from restrictions or restrictions reclassified	921,060	(918,185)	(2,875)	-
<b>Total Support and Revenue</b>	<u>\$ 1,251,563</u>	<u>\$ 3,063,859</u>	<u>\$ 57,366</u>	<u>\$ 4,372,788</u>
<b>Expenses</b>				
Grants and awards paid	603,384	-	-	603,384
Insurance	8,849	-	-	8,849
Meetings and seminars	43,052	-	-	43,052
Occupancy	33,496	-	-	33,496
Office and administrative	29,259	-	-	29,259
Salaries	254,617	-	-	254,617
Payroll taxes	19,616	-	-	19,616
Professional fees	45,034	-	-	45,034
Development and fundraising activities	56,480	-	-	56,480
Depreciation	10,366	-	-	10,366
Travel	6,374	-	-	6,374
Investment management fees	50,893	-	-	50,893
<b>Total Expenses</b>	<u>\$ 1,161,420</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,161,420</u>
<b>Change in Net Assets</b>	\$ 90,143	\$ 3,063,859	\$ 57,366	\$ 3,211,368
<b>Net Assets, Beginning of Year</b>	1,967,271	6,044,914	5,475,081	13,487,266
<b>Net Assets, End of Year</b>	<u>\$ 2,057,414</u>	<u>\$ 9,108,773</u>	<u>\$ 5,532,447</u>	<u>\$ 16,698,634</u>

See accompanying notes to financial statements

**NEBRASKA STATE HISTORICAL SOCIETY FOUNDATION**

**Statement of Activities**

**For the Year Ended June 30, 2017**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>2017 Total</b>
<b>Support and Revenue</b>				
Contributions	\$ 213,804	\$ 249,866	\$ 127,375	\$ 591,045
Investment income	38,431	199,831	-	238,262
Realized gains on investments	52,805	240,562	-	293,367
Unrealized gains on investments	156,482	637,574	-	794,056
Real estate property income	24,258	3,000	-	27,258
Other income	13,921	-	-	13,921
Net assets released from restrictions or restrictions reclassified	308,607	(307,783)	(824)	-
<b>Total Support and Revenue</b>	<b>\$ 808,308</b>	<b>\$ 1,023,050</b>	<b>\$ 126,551</b>	<b>\$ 1,957,909</b>
<b>Expenses</b>				
Grants and awards paid	244,446	-	-	244,446
Insurance	8,882	-	-	8,882
Meetings and seminars	29,279	-	-	29,279
Occupancy	25,658	-	-	25,658
Office and administrative	28,037	-	-	28,037
Salaries	227,187	-	-	227,187
Payroll taxes	17,649	-	-	17,649
Professional fees	36,224	-	-	36,224
Development and fundraising activities	39,215	-	-	39,215
Depreciation	11,185	-	-	11,185
Travel	6,947	-	-	6,947
Investment management fees	49,658	-	-	49,658
<b>Total Expenses</b>	<b>\$ 724,367</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 724,367</b>
<b>Change in Net Assets</b>	<b>\$ 83,941</b>	<b>\$ 1,023,050</b>	<b>\$ 126,551</b>	<b>\$ 1,233,542</b>
<b>Net Assets, Beginning of Year</b>	<b>1,883,330</b>	<b>5,021,864</b>	<b>5,348,530</b>	<b>12,253,724</b>
<b>Net Assets, End of Year</b>	<b>\$ 1,967,271</b>	<b>\$ 6,044,914</b>	<b>\$ 5,475,081</b>	<b>\$ 13,487,266</b>

See accompanying notes to financial statements

**NEBRASKA STATE HISTORICAL SOCIETY FOUNDATION**

**Statements of Cash Flows**

**June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 3,211,368	\$ 1,233,542
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	10,366	11,185
Net unrealized and realized gains on investment	(594,461)	(1,087,423)
Net realized gain on sale of asset	(1,501,303)	-
Permanently restricted contributions	(60,241)	(127,375)
Changes in assets and liabilities:		
(Increase) decrease in:		
Prepaid expenses	2,676	(8,590)
Pledges receivable	20,982	(149,175)
Remainder interest in real property	(1,327,000)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(435)	(2,668)
Security deposit	(450)	-
Life estate use interest	175,628	-
Total adjustments	(3,274,238)	(1,364,046)
<b>Net Cash Used in Operating Activities</b>	\$ (62,870)	\$ (130,504)
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sale of investments	\$ 12,167,030	\$ 2,260,320
Proceeds from sale of assets	1,575,860	-
Purchases of investments	(13,841,456)	(2,346,728)
Purchases of property and equipment	-	(2,004)
<b>Net Cash Used in Investing Activities</b>	\$ (98,566)	\$ (88,412)
<b>Cash Flows from Financing Activities:</b>		
Permanently restricted contributions	60,241	127,375
<b>Net Cash Provided by Financing Activities</b>	\$ 60,241	\$ 127,375
<b>Net Change in Cash Balance</b>	\$ (101,195)	\$ (91,541)
Cash Balance, at Beginning of Year	147,021	238,562
<b>Cash Balance, at End of Year</b>	\$ 45,826	\$ 147,021

See accompanying notes to financial statements



**Nebraska State Historical Society Foundation**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**1. Nature of Activities and Summary of Significant Accounting Policies**

**Nature of the Organization**

The Nebraska State Historical Society Foundation (the Foundation) is incorporated as a nonprofit charitable organization in the State of Nebraska. The Foundation was established to financially assist the Nebraska State Historical Society (the Society), which is the principal beneficiary of the Foundation; to aid in the general preservation and interpretation of Nebraska history; and to preserve historical sites and structures. The Foundation is supported primarily through contributions and investment return.

**Financial Statement Presentation**

The Foundation utilizes FASB ASC 958-205 in the financial statement presentation. FASB ASC 958-205 sets standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net assets categories according to externally (donor) imposed restrictions. A description of the three net asset categories follows:

**Unrestricted Net Assets**

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains or losses on investments and any other assets or liabilities are reported as increases in unrestricted net assets unless their use is limited by donor stipulation or by law.

**Temporarily Restricted Net Assets**

Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose.

**Permanently Restricted Net Assets**

Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity and only the income be made available for program operations in accordance with donor.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash, short term federal investment trust funds, and money market funds. The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents.

**Reclassifications**

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 financial statement presentation. These reclassifications had no effect on net assets.

**Nebraska State Historical Society Foundation**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**1. Nature of Activities and Summary of Significant Accounting Policies (Continued)**

**Investments**

Investments in equity securities having a readily determinable fair value and all investments in debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment transactions are recorded on a trade date basis. The Foundation recognizes payables and receivables in the accompanying financial statements of financial position for investment transactions which were traded prior to year-end settled subsequent to year-end.

**Property and Equipment**

Property and equipment are stated at cost, if purchased, or fair value, if donated. Major expenditures for property and those which substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals under \$5,000 are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

The Foundation provides for depreciation of property and equipment using the straight-line method over their estimated useful lives, which range from 5 to 40 years.

**Contributions**

The Foundation utilizes FASB ASC 958-605, *Not-for Profit Entities Revenue Recognition*. This standard requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

**Contributed Materials and Services**

The Foundation records various types of in-kind contributions. Contributed services are recognized at fair market value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provide by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

**Nebraska State Historical Society Foundation**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**1. Nature of Activities and Summary of Significant Accounting Policies (Continued)**

**Volunteers**

Many individuals volunteer their time and perform a variety of tasks that assist the Foundation with its operation. The volunteer hours have not been recorded in the financial statements since those services do not meet the criteria for recognition.

**Income Taxes**

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as a Foundation other than a private foundation under Section 509(a)(2).

The Foundation utilizes the provisions of FASB ASC 740-10, *Accounting for Uncertain Tax Positions*. The Foundation continually evaluates expiring statutes of limitation, audits, proposed settlements, changes in tax law, and new authoritative rulings. The Foundation believes that it has appropriate support of any tax positions taken, and as such, does not have uncertain tax positions that would be material to the financial statements. The Foundation is no longer subject to income tax examination by tax authorities for years before 2014.

**Use of Estimates**

The preparation of financial statements in accordance 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.

**2. Concentration of Credit Risk**

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist primarily of deposits in banks in excess of the Federal Deposit Insurance Corporation limits of \$250,000. Although the Foundation has periodically maintained bank balances in excess of the regulatory amount insured by the FDIC, there were no losses incurred by the Foundation on any of these accounts during the years ended June 30, 2018 and 2017. Management believes any risk is mitigated by maintaining all deposits in high-quality financial institutions.

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of pledges receivable. Such credit risk with respect to pledges receivable are limited due to the large number of contributions comprising the Foundation's contributor base and their dispersion across different industries and geographic areas.

**Nebraska State Historical Society Foundation**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**2. Concentration of Credit Risk (Continued)**

As of June 30, 2018 and 2017, the Foundation had no significant concentrations of credit risk.

**3. Real Estate and Other Property**

Real estate and other property consist of the following:

	<b>2018</b>	<b>2017</b>
Buildings	\$ 194,605	\$ 291,105
Equipment	26,576	26,576
Land	163,245	226,745
	<u>384,426</u>	<u>544,426</u>
Accumulated depreciation	(126,120)	(201,197)
	<u><u>\$ 258,306</u></u>	<u><u>\$ 343,229</u></u>

Real estate and other property held by the Foundation include permanently restricted buildings and temporarily restricted land and buildings as follows:

Permanently restricted buildings at net book value:

	<b>2018</b>	<b>2017</b>
Kinman Oldfield Suite of the Nebraska State Historical Society	<u><u>\$ 74,405</u></u>	<u><u>\$ 77,280</u></u>

Temporarily restricted land and buildings at net book value:

	<b>2018</b>	<b>2017</b>
Furnas House	\$ 19,367	\$ 21,414
Webster County farmland	152,820	152,820
Webster County farm buildings	212	637
Lageshulte - Weese farmland	-	63,500
Lageshulte - Weese farm buildings	-	13,269
	<u><u>\$ 172,399</u></u>	<u><u>\$ 251,640</u></u>

Donor restrictions related to the farms require that they be held for educational purposes. Depreciation expense for the years ended June 30, 2018 and 2017, was \$4,683 and \$4,884, respectively.

**Nebraska State Historical Society Foundation**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**4. Lease Agreements**

The Foundation is the lessor of certain real estate having a net book value of \$153,032 and \$230,226, at June 30, 2018 and 2017, respectively, to others for commercial and agricultural purposes. Aggregate future minimum lease payments to be received under these agreements are as follows:

Year Ending June 30,	
2019	\$ 13,844
2020	13,909
2021	14,006
2022	14,071
2023	14,136

The Foundation is also the lessee of office equipment under various leases with varying terms in amounts not significant to the financial statements.

**5. Related Party Transactions**

The Foundation provided grants to the Society in 2018 and 2017, totaling approximately \$543,559 and \$0, respectively. The Foundation recognized \$76,583 and \$30,480 of contribution revenue from board members in 2018 and 2017, respectively.

**6. Investments**

The carrying amounts, market value, unrealized gains, and unrealized losses of the marketable securities at June 30, 2018 and 2017, are as follows:

	<b>2018</b>		
	Total Cost	Unrealized Gains (Losses)	Estimated Fair Value
Money market	\$ 1,436,038	\$ -	\$ 1,436,038
U.S. government obligations	3,885,094	(62,660)	3,822,434
Corporate bonds	1,379,719	(33,140)	1,346,579
Mutual funds			
Equity	7,350,948	522,483	7,873,431
Fixed income	674,646	(28,823)	645,823
Totals	<u>\$ 14,726,445</u>	<u>\$ 397,860</u>	<u>\$ 15,124,305</u>

**Nebraska State Historical Society Foundation**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**6. Investments (Continued)**

	<b>2017</b>		
	Total	Unrealized	Estimated
	Cost	Gains (Losses)	Fair Value
Money market	\$ 1,213,236	\$ -	\$ 1,213,236
U.S. government obligations	604,140	(2,613)	601,527
Corporate bonds	275,990	404	276,394
Mutual funds			
Equity	5,568,710	1,472,156	7,040,866
Fixed income	3,736,485	(13,090)	3,723,395
	<u>\$ 11,398,561</u>	<u>\$ 1,456,857</u>	<u>\$ 12,855,418</u>
Totals	<u>\$ 11,398,561</u>	<u>\$ 1,456,857</u>	<u>\$ 12,855,418</u>

**7. Fair Value Measurements**

The Foundation previously adopted FASB ASC 820-10, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

ASC 820-10 defines fair value as 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. It also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes 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 active 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 that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

**Marketable Debt and Equity Securities**

The fair value of marketable debt and equity securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobserved inputs due to the limited market activity of the instrument.

**Nebraska State Historical Society Foundation**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**7. Fair Value Measurements (Continued)**

**Fair Value on a Recurring Basis**

The following tables present the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2018 and 2017:

	<b>2018</b>			
	Total	Level 1	Level 2	Level 3
Money market	\$ 1,436,038	\$ 1,436,038	\$ -	\$ -
U.S. government obligations	3,822,434	3,822,434	-	-
Corporate bonds	1,346,579	1,346,579	-	-
Mutual funds				
Equity	7,873,431	7,873,431	-	-
Fixed income	645,823	645,823	-	-
Total assets at fair value	<u>\$15,124,305</u>	<u>\$15,124,305</u>	<u>\$ -</u>	<u>\$ -</u>

	<b>2017</b>			
	Total	Level 1	Level 2	Level 3
Money market	\$ 1,213,236	\$ 1,213,236	\$ -	\$ -
U.S. government obligations	601,527	601,527	-	-
Corporate bonds	276,394	276,394	-	-
Mutual funds				
Equity	7,040,866	7,040,866	-	-
Fixed income	3,723,395	3,723,395	-	-
Total assets at fair value	<u>\$12,855,418</u>	<u>\$12,855,418</u>	<u>\$ -</u>	<u>\$ -</u>

**8. Split-Interest Agreement**

The Foundation had the following split-interest agreements as of June 30, 2018 and 2017:

	<b>2018</b>	<b>2017</b>
Gerlach gift with remainder interest in 160 acres of farmland and buildings at cost at date of gift net of life use liability	\$1,151,372	\$ -
Lageshulte - Weese Endowment remainder interest in 160 acres of farmland and buildings at cost at date of gift with no related liabilities	-	30,464
	<u>\$ 1,151,372</u>	<u>\$ 30,464</u>

**Nebraska State Historical Society Foundation**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**9. Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets, consisting of cash, investments, and fixed assets totaling \$9,108,773 and \$6,044,914, at June 30, 2018 and 2017, respectively, are available to support specific programs and activities designated by the donors. These temporarily restricted assets are allocated among the same purposes as for the permanently restricted.

Permanently restricted net assets are required by the donor to be maintained in perpetuity with income earned on the investment restricted to a specific purpose. Each fund and purpose are included in the Supplemental Information.

**10. Donor-Designated Endowments**

The Foundation's endowment consists of approximately 41 individual funds established for a variety of purposes. Its endowment includes donor-restricted funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Foundation, and (7) the Foundation's investment policies.

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor contributed if UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets.



**Nebraska State Historical Society Foundation**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**10. Donor-Designated Endowments (Continued)**

There were no deficiencies of this nature at June 30, 2018 or 2017.

**Investment Return Objectives, Risk Parameters, and Strategies**

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 3%, while also growing the funds. As such, the Foundation expects its endowment assets, over time, to produce an average rate of return equal to or greater than the rate of inflation plus the distribution plus all fees and expenses annually. Actual returns in any given year may vary from this. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

**Spending Policy**

The Foundation has a policy of appropriating for distribution each year 3% of its endowment fund's average fair value of the prior 12 quarters as of March 31 of the prior year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 6.5% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional growth through new gifts and investment return.

Endowment net assets composition by type of fund as of June 30, 2018 and 2017, are presented in the tables on the following page.

**Nebraska State Historical Society Foundation**  
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**For the Year Ended June 30, 2018**

**10. Donor-Designated Endowments (Continued)**

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ -	\$ 7,855,234	\$ 5,458,042	\$ 13,313,276
Board-designated	1,811,029	-	-	1,811,029
Totals	<u>\$ 1,811,029</u>	<u>\$ 7,855,234</u>	<u>\$ 5,458,042</u>	<u>\$ 15,124,305</u>

  

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ -	\$ 5,644,100	\$ 5,397,801	\$ 11,041,901
Board-designated	1,813,517	-	-	1,813,517
Totals	<u>\$ 1,813,517</u>	<u>\$ 5,644,100</u>	<u>\$ 5,397,801</u>	<u>\$ 12,855,418</u>

Changes in endowment net assets as of June 30, 2018 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 1,813,517	\$ 5,644,100	\$ 5,397,801	\$12,855,418
Contributions	-	1,766,160	60,241	1,826,401
Investment income	144,700	703,578	-	848,278
Appropriations	(147,188)	(258,604)	-	(405,792)
Totals	<u>\$ 1,811,029</u>	<u>\$ 7,855,234</u>	<u>\$ 5,458,042</u>	<u>\$15,124,305</u>

**11. Pledges Receivable**

The Foundation had unconditional written promises to give (pledges receivable) of \$128,193 and \$149,175 at June 30, 2018 and 2017, respectively. Unconditional promises to give that are expected to be collected within one year are reflected as current assets. Unconditional promises expected to be collected in future years are reflected as other assets. A provision for uncollectible amounts has not been recorded as estimated uncollectible promises to give are not expected to be material, nor is the discount to present value on future contributions.

**Nebraska State Historical Society Foundation**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**13. Subsequent Events**

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 12, 2018, the date the financial statements were available to be issued.

**NEBRASKA STATE HISTORICAL SOCIETY FOUNDATION**  
**Supplemental Information on Permanently Restricted Assets**  
**June 30, 2018 and 2017**

<b>Fund</b>	<b>Purpose</b>	<b>2018</b>	<b>2017</b>
Paxson	Support of the Gerald R. Ford Conservation Center	\$ 1,000,000	\$ 1,000,000
Chapin	Support of the Foundation's operations	150,000	150,000
Oldfather	Support for the Foundation's operations	355,384	355,084
Johnson	Care for and exhibit work of art	48,430	48,430
Abbott	Support of the Chimney Rock visitor center	135,000	135,000
Furnas	Maintenance of the Creigh Furnas House	25,000	25,000
Glass	Children's educational material and programs	152,441	124,500
Wray	Recognize cowboys and others who pioneered the prairies	11,000	11,000
Leu	Preserve valuable Nebraska archival documents	5,000	5,000
Sellers	Recognize significant contributions to Nebraska history	5,000	5,000
Creigh	Supports educational leaflets, teachers in institute, and history programs developed by the Society through Nebraska Educational Television Network	109,000	109,000
Lux	Stipends for student internship projects and/or programs	168,750	168,750
Lux	Purchase of permanent collections by the Society	100,000	100,000
Lux	Support of various activities for K-12 students and teachers	100,000	100,000
Pearl Harbor	Nebraska Pearl Harbor Remembrance Fund scholarships	34,726	34,726
Allen	Support research grant program	20,000	20,000
Champe	Support archaeological research and publications	46,663	46,663
Kenard	Support of Kenard House	93,500	93,500
Martin	Support of Historic Marker program	74,000	74,000
World War II	Nebraskans of World War II scholarships	158,250	158,250
Oldfield	Support of the Kinman Oldfield Suite of the Nebraska State Historical Society Foundation	381,774	381,774
Paintings			
Conservatorship	Support of Painting Conservator	2,132,124	2,132,124
Oldfather Family	Kearney Archway educational initiatives	152,000	120,000
	Total permanently restricted investments, pledges receivable, and cash equivalents	5,458,042	5,397,801
Oldfield	Permanently restricted real property	74,405	77,280
	Total permanently restricted net assets	<u>\$ 5,532,447</u>	<u>\$ 5,475,081</u>

See accompanying notes to financial statements