

Nebraska State Historical Society Foundation

**Auditor's Report and Financial
Statements**

**For the Years Ended
June 30, 2021 and 2020**

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

Table of Contents

June 30, 2021

	Pages
Independent Auditor's Report	1-2
Statements of Financial Position	3
Statements of Activities and Functional Expenses	4-7
Statements of Cash Flows	8
Notes to Financial Statements	9-20
Supplemental Information	21

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, 2021 and 2020, and the related statements of activities, functional expenses 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.

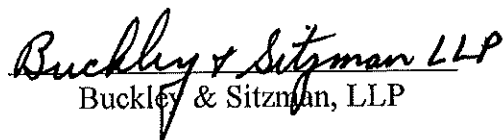
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years 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 21 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.


Buckley & Sitzman, LLP

Lincoln, Nebraska
October 26, 2021

NEBRASKA STATE HISTORICAL SOCIETY FOUNDATION
Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 9,489	\$ 26,160
Prepaid expenses	4,275	8,637
Pledges receivable	23,986	40,286
Total Current Assets	\$ 37,750	\$ 75,083
Other Assets		
Investments	\$ 16,544,470	\$ 14,093,379
Remainder interest in real property	1,327,000	1,327,000
Pledges receivable	13,960	26,160
Property, plant, and equipment, net of depreciation of \$145,417 for 2021 and \$139,624 for 2020	893,716	899,509
Total Other Assets	\$ 18,779,146	\$ 16,346,048
Total Assets	\$ 18,816,896	\$ 16,421,131
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 1,463	\$ 1,652
Accrued payroll	4,645	6,429
Current portion - note payable - Alkali Station	247,048	-
Note payable - PPP loan	-	59,500
Total Current Liabilities	\$ 253,156	\$ 67,581
Other Liabilities		
Life estate use interest	\$ 147,005	\$ 156,135
Note payable - Alkali Station	247,048	247,048
Less: current portion	(247,048)	-
Total Other Liabilities	\$ 147,005	\$ 403,183
Total Liabilities	\$ 400,161	\$ 470,764
Net Assets		
Without donor restrictions	\$ 2,496,763	\$ 2,137,954
With donor restrictions	15,919,972	13,812,413
Total Net Assets	\$ 18,416,735	\$ 15,950,367
Total Liabilities and Net Assets	\$ 18,816,896	\$ 16,421,131

See accompanying notes to financial statements

NEBRASKA STATE HISTORICAL SOCIETY FOUNDATION

Statement of Activities

For the Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>
Support and Revenue			
Contributions	\$ 136,590	\$ 157,997	\$ 294,587
Investment income (loss), net	(9,568)	253,668	244,100
Realized gains on investments	70,791	486,948	557,739
Unrealized gains on investments	396,242	1,995,947	2,392,189
Real estate property income	38,620	-	38,620
Other income	76,770	-	76,770
Net assets released from restrictions or restrictions reclassified	787,001	(787,001)	-
Total Support and Revenue	<u>\$ 1,496,446</u>	<u>\$ 2,107,559</u>	<u>\$ 3,604,005</u>
Expenses			
Program services	862,544	-	862,544
Support services			
Management and general	221,410	-	221,410
Fundraising	53,683	-	53,683
Total Expenses	<u>\$ 1,137,637</u>	<u>\$ -</u>	<u>\$ 1,137,637</u>
Change in Net Assets	\$ 358,809	\$ 2,107,559	\$ 2,466,368
Net Assets, Beginning of Year	<u>2,137,954</u>	<u>13,812,413</u>	<u>15,950,367</u>
Net Assets, End of Year	<u><u>\$ 2,496,763</u></u>	<u><u>\$ 15,919,972</u></u>	<u><u>\$ 18,416,735</u></u>

See accompanying notes to financial statements

NEBRASKA STATE HISTORICAL SOCIETY FOUNDATION

Statement of Functional Expenses

For the Year Ended June 30, 2021

Expenses	Program Services	Management and General	Fundraising	2021 Total
Grants and awards paid	\$ 650,735	\$ 6,508	\$ 11,638	\$ 668,881
Insurance	-	8,600	-	8,600
Meetings and seminars	-	-	250	250
Occupancy	20,168	-	-	20,168
Office and administrative	-	31,679	-	31,679
Salaries	162,999	81,500	27,166	271,665
Payroll taxes	12,955	6,477	2,159	21,591
Professional fees	-	85,581	-	85,581
Development and fundraising activities	-	-	9,987	9,987
Depreciation	5,793	-	-	5,793
Travel	-	1,065	2,483	3,548
Interest Expense	9,894	-	-	9,894
Total Expenses	\$ 862,544	\$ 221,410	\$ 53,683	\$ 1,137,637

See accompanying notes to financial statements

NEBRASKA STATE HISTORICAL SOCIETY FOUNDATION

Statement of Activities

For the Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>
Support and Revenue			
Contributions	\$ 125,699	\$ 478,947	\$ 604,646
Investment income, net	818	282,894	283,712
Realized gains on investments	(4,326)	9,456	5,130
Unrealized gains on investments	38,852	216,890	255,742
Real estate property income	31,826	978	32,804
Other income	11,144	-	11,144
Net assets released from restrictions or restrictions reclassified	2,052,875	(2,052,875)	-
Total Support and Revenue	<u>\$ 2,256,888</u>	<u>\$ (1,063,710)</u>	<u>\$ 1,193,178</u>
Expenses			
Program services	2,063,004	-	2,063,004
Support services			
Management and general	211,354	-	211,354
Fundraising	92,634	-	92,634
Total Expenses	<u>\$ 2,366,992</u>	<u>\$ -</u>	<u>\$ 2,366,992</u>
Change in Net Assets	\$ (110,104)	\$ (1,063,710)	\$ (1,173,814)
Net Assets, Beginning of Year	2,248,058	14,876,123	17,124,181
Net Assets, End of Year	<u>\$ 2,137,954</u>	<u>\$ 13,812,413</u>	<u>\$ 15,950,367</u>

See accompanying notes to financial statements

NEBRASKA STATE HISTORICAL SOCIETY FOUNDATION

Statement of Functional Expenses

For the Year Ended June 30, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2020 Total</u>
Expenses				
Grants and awards paid	\$ 1,855,291	\$ 18,555	\$ 33,182	\$ 1,907,028
Insurance	-	9,166	-	9,166
Meetings and seminars	-	-	442	442
Occupancy	15,688	-	-	15,688
Office and administrative	-	27,802	-	27,802
Salaries	164,985	82,493	27,498	274,976
Payroll taxes	13,717	6,858	2,286	22,861
Professional fees	-	64,327	-	64,327
Development and fundraising activities	-	-	24,201	24,201
Depreciation	6,167	-	-	6,167
Travel	-	2,153	5,025	7,178
Interest Expense	7,156	-	-	7,156
Total Expenses	<u>\$ 2,063,004</u>	<u>\$ 211,354</u>	<u>\$ 92,634</u>	<u>\$ 2,366,992</u>

See accompanying notes to financial statements

NEBRASKA STATE HISTORICAL SOCIETY FOUNDATION

Statements of Cash Flows

June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities:		
Change in net assets	<u>\$ 2,466,368</u>	<u>\$ (1,173,814)</u>
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	5,793	6,167
Net unrealized and realized gains on investment	(2,949,928)	(260,872)
Contributions with donor restrictions in perpetuity	(3,320)	(2,320)
Changes in assets and liabilities:		
(Increase) decrease in:		
Prepaid expenses	4,362	(1,232)
Pledges and grants receivable	28,500	295,149
Increase (decrease) in:		
Accounts payable and accrued expenses	(1,973)	(11,397)
Life estate use interest	(9,130)	(9,541)
Total adjustments	<u>(2,925,696)</u>	<u>15,954</u>
Net Cash Used in Operating Activities	<u>\$ (459,328)</u>	<u>\$ (1,157,860)</u>
Cash Flows from Investing Activities:		
Proceeds from sale of investments	\$ 2,602,543	\$ 3,302,895
Purchases of investments	(2,103,706)	(2,222,353)
Purchases of property and equipment	-	(253,031)
Net Cash Provided by Investing Activities	<u>\$ 498,837</u>	<u>\$ 827,511</u>
Cash Flows from Financing Activities:		
Contributions with donor restrictions in perpetuity	3,320	2,320
Net advance (forgiveness) of PPP loan	(59,500)	59,500
Net advance of long-term debt	-	247,048
Net Cash Provided by (Used in) Financing Activities	<u>\$ (56,180)</u>	<u>\$ 308,868</u>
Net Change in Cash Balance	\$ (16,671)	\$ (21,481)
Cash Balance, at Beginning of Year	<u>26,160</u>	<u>47,641</u>
Cash Balance, at End of Year	<u>\$ 9,489</u>	<u>\$ 26,160</u>
Supplemental Information:		
Interest paid during the period	<u>\$ 9,894</u>	<u>\$ 7,156</u>

See accompanying notes to financial statements

Nebraska State Historical Society Foundation
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

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 financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America and with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, Not-for-Profit Entities, which requires the Foundation to classify its net assets into two categories based on the existence or absence of donor-imposed restrictions; net assets with donor imposed restrictions and net assets without donor imposed restrictions.

Net assets with donor restrictions

Those whose use by the Foundation has been limited by donors to a specific time period or purpose, and those that the Foundation is required to hold in perpetuity.

Net assets without donor restrictions

Those not subject to donor-imposed restrictions. The Foundation reports all expenditures in this class of net assets, since the use of restricted net assets in accordance with donors' stipulations result in the release of the restriction.

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.

Investments and Investment Return, Net

Investments in equity securities having a readily determinable fair value and all investments in debt securities are carried at fair value. Common stocks and exchange traded funds (ETFs) are valued at the closing price reported on the active market. Mutual funds are valued at the net asset value of the underlying investments. 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, net of investment fees, 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.

Nebraska State Historical Society Foundation
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

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

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restriction. Other investment return, net, is reflected in the statements of activities based upon the existence or absence of donor-imposed restrictions.

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 and 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.

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 2017.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis within the statement of functional expenses. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The allocations are based on the estimated percentage of time and resources attributable to each program or supporting function.

Nebraska State Historical Society Foundation
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

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

Revenue Recognition

The Foundation follows ASU 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09”). The Foundation’s revenues consist primarily of contributions, which are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that do not meet the definition of an exchange transaction in accordance with ASU 2014-09 are accounted for under the guidance in Accounting Standards Codification 958 “Not-for-Profit Entities.” Contributions that are restricted by the donor are reported as net increases in net assets with donor restrictions unless the restrictions expire in the same fiscal year in which the contributions are recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Amounts due from donors are classified as pledges receivable on the statements of financial position.

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 provided 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.

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.

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.

Nebraska State Historical Society Foundation
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

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, 2021 and 2020. Management believes any risk is mitigated by maintaining all deposits in high-quality financial institutions.

Additional financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of pledges receivable. Such credit risk with respect to these are limited due to the large number of contributions comprising the Foundation's contributor base and their dispersion across different industries and geographic areas. As of June 30, 2021, and 2020, the Foundation had no significant concentrations of credit risk.

3. Real Estate and Other Property

Real estate and other property consist of the following:

	2021	2020
Buildings	\$ 196,279	\$ 196,279
Equipment	26,577	26,577
Land	816,277	816,277
	<u>1,039,133</u>	<u>1,039,133</u>
Accumulated depreciation	<u>(145,417)</u>	<u>(139,624)</u>
	<u>\$ 893,716</u>	<u>\$ 899,509</u>

Real estate and other property held by the Foundation include donor restricted land and buildings, at net book value, as follows:

	2021	2020
Kinman Oldfield Suite of the Nebraska State Historical Society	\$ 65,780	\$ 68,655
Furnas House	17,060	18,299
Webster County farmland	152,820	152,820
	<u>\$ 235,660</u>	<u>\$ 239,774</u>

Donor restrictions related to the farms require that they be held for educational purposes. Depreciation expense was \$1,239 for each of the years ended June 30, 2021 and 2020.

Nebraska State Historical Society Foundation
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

4. Lease Agreements

The Foundation is the lessor of certain real estate having a net book value of \$816,277 at June 30, 2021 and 2020, 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,	
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 2021 and 2020, totaling approximately \$393,273 and \$1,585,503, respectively. The Foundation recognized \$23,733 and \$33,070 of contribution revenue from board members in 2021 and 2020, respectively.

6. Investments

The carrying amounts, market value, unrealized gains, and unrealized losses of the marketable securities at June 30, 2021 and 2020, follow.

	2021			
Total Cost	Unrealized Gains (Losses)	Estimated Fair Value		
Money market	\$ 861,073	\$ -	\$ 861,073	
U.S. government obligations	3,923,064	146,773	4,069,837	
Corporate bonds	1,154,536	25,036	1,179,572	
Exchange traded funds	5,543,213	3,335,297	8,878,510	
Mutual funds				
Fixed income	1,597,150	(41,672)	1,555,478	
Totals	\$ 13,079,036	\$ 3,465,434	\$ 16,544,470	

Nebraska State Historical Society Foundation
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

6. Investments (Continued)

	2020		
	Total Cost	Unrealized Gains (Losses)	Estimated Fair Value
Money market	\$ 1,021,779	\$ -	\$ 1,021,779
U.S. government obligations	3,308,537	196,671	3,505,208
Corporate bonds	1,041,840	29,446	1,071,286
Exchange traded funds	6,884,395	903,979	7,788,374
Mutual funds			
Fixed income	763,505	(56,773)	706,732
Totals	\$ 13,020,056	\$ 1,073,323	\$ 14,093,379

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

Nebraska State Historical Society Foundation
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

7. Fair Value Measurements (Continued)

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.

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, 2021 and 2020:

	2021			
	Total	Level 1	Level 2	Level 3
Money market	\$ 861,073	\$ 861,073	\$ -	\$ -
U.S. government obligations	4,069,837	4,069,837	-	-
Corporate bonds	1,179,572	1,179,572	-	-
Exchange traded funds	8,878,510	8,878,510	-	-
Mutual funds				
Fixed income	1,555,478	1,555,478	-	-
Total assets at fair value	\$ 16,544,470	\$ 16,544,470	\$ -	\$ -

	2020			
	Total	Level 1	Level 2	Level 3
Money market	\$ 1,021,779	\$ 1,021,779	\$ -	\$ -
U.S. government obligations	3,505,208	3,505,208	-	-
Corporate bonds	1,071,286	1,071,286	-	-
Exchange traded funds	7,788,374	7,788,374	-	-
Mutual funds				
Fixed income	706,732	706,732	-	-
Total assets at fair value	\$ 14,093,379	\$ 14,093,379	\$ -	\$ -

Nebraska State Historical Society Foundation
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

8. Split-Interest Agreement

The Foundation has a split-interest agreement with a remainder interest in 160 acres of farmland and buildings. The cost at the date of the Gerlach gift, net of life use liability at June 30, 2021 and 2020 was \$1,179,995 and \$1,170,865, respectively.

9. Donor-Designated Endowments

The Foundation's endowment consists of approximately 33 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 donor restricted endowed 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 as permanent is classified as temporarily restricted 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

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. There were no deficiencies of this nature at June 30, 2021 or 2020.

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

Nebraska State Historical Society Foundation
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

9. Donor-Designated Endowments (Continued)

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, 2021 and 2020, are as follows:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted	\$ -	\$14,466,371	\$14,466,371
Board-designated	2,078,098	-	2,078,098
Totals	<u>\$2,078,098</u>	<u>\$14,466,371</u>	<u>\$16,544,469</u>
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted	\$ -	\$12,335,328	\$12,335,328
Board-designated	1,758,047	-	1,758,047
Totals	<u>\$1,758,047</u>	<u>\$12,335,328</u>	<u>\$14,093,375</u>

Nebraska State Historical Society Foundation
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

9. Donor-Designated Endowments (Continued)

Changes in endowment net assets as of June 30, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$1,758,047	\$12,335,328	\$ 14,093,375
Contributions	38,250	47,539	85,789
Investment income	457,465	2,736,563	3,194,028
Appropriations	<u>(175,664)</u>	<u>(653,059)</u>	<u>(828,723)</u>
Totals	<u>\$2,078,098</u>	<u>\$14,466,371</u>	<u>\$ 16,544,469</u>

10. Net Assets

At June 30, 2021, the Foundation's net assets consisted of the following:

<u>Nature of Specific Net Assets</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Undesignated	\$ 7,657	\$ -	\$ 7,657
Designated	2,078,098	-	2,078,098
Donor-restricted endowment funds	-	14,466,371	14,466,371
Pledges and grants	-	37,946	37,946
Life estate	-	1,179,995	1,179,995
Invested in land and buildings	411,008	235,660	646,668
Totals	<u>\$2,496,763</u>	<u>\$15,919,972</u>	<u>\$ 18,416,735</u>

At June 30, 2020, the Foundation's net assets consisted of the following:

<u>Nature of Specific Net Assets</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Undesignated	\$ (32,780)	\$ -	\$ (32,780)
Designated	1,758,047	-	1,758,047
Donor-restricted endowment funds	-	12,335,328	12,335,328
Pledges and grants	-	66,446	66,446
Life estate	-	1,170,865	1,170,865
Invested in land and buildings	412,687	239,774	652,461
Totals	<u>\$2,137,954</u>	<u>\$13,812,413</u>	<u>\$ 15,950,367</u>

Nebraska State Historical Society Foundation
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

11. Pledges Receivable

The Foundation had unconditional written promises to give (pledges receivable) of \$37,946 and \$66,446 at June 30, 2021 and 2020, 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.

12. Subsequent Events

In preparing the financial statements, Foundation management has evaluated events and transactions for potential recognition or disclosure through the report date, which is the date the financial statements were available to be issued, and concluded that no additional disclosures are required.

13. Liquidity and Availability

The Foundation's financial assets available within one year of the balance sheet date for general expenditures are as follows:

	2021	2020
Total assets at year end	\$ 18,816,896	\$ 16,421,131
Less:		
Pledges receivable due in more than one year	(13,960)	(26,160)
Prepaid expenses	(4,275)	(8,637)
Remainder interest in real property, net	(1,179,995)	(1,170,865)
Property and equipment	(893,716)	(899,509)
Investments subject to purpose restrictions	(8,973,801)	(6,846,082)
Investments held in perpetuity	(5,492,570)	(5,489,250)
Board designated investments	<u>(2,078,098)</u>	<u>(1,759,022)</u>
Financial assets available at year end for general expenditure:	<u>\$ 180,481</u>	<u>\$ 221,606</u>

The Foundation's restricted investment funds are not available for general expenditure. With committee approval, they are available for expenditure based on their specified purpose. Additionally, although the Board does not intend to spend from their Board-designated funds, with Board approval, amounts could be made available if necessary.

Nebraska State Historical Society Foundation
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

14. Long-Term Debt

The Foundation's long-term debt at June 30 2020 consisted of a 3.95% note payable to Union Bank & Trust, payable semiannually with interest only and secured by land. This note matures in September of 2021 and as such, is included within current maturities of long-term debt at June 30, 2021.

15. Payroll Protection Program (PPP) Loan Payable

On April 13, 2020 the Foundation was granted a loan from Union Bank & Trust in the aggregate amount of \$59,500, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The loan, which was in the form of a note dated April 13, 2020, was forgiven during the year ended June 30, 2021 as all loan proceeds were used on qualifying expenses.

NEBRASKA STATE HISTORICAL SOCIETY FOUNDATION
Supplemental Information on Assets Subject to Restriction in Perpetuity
June 30, 2021 and 2020

<u>Fund</u>	<u>Purpose</u>	<u>2021</u>	<u>2020</u>
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	363,124	359,804
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	152,441
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 Peral 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	2,158,912	2,158,912
Oldfather Family	Kearney Archway educational initiatives	152,000	152,000
	Total permanently restricted investments, pledges receivable, and cash equivalents	5,492,570	5,489,250
Oldfield	Permanently restricted real property	65,780	68,655
	Total permanently restricted net assets	<u>\$ 5,558,350</u>	<u>\$ 5,557,905</u>

See accompanying notes to financial statements