

City of Lincoln, Nebraska Community Health Permanent Endowment Fund

Independent Auditor's Report

August 31, 2023 and 2022

City of Lincoln, Nebraska
Community Health Permanent Endowment Fund
August 31, 2023 and 2022

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1248 O Street, Suite 1040 / Lincoln, NE 68508

P 402.473.7600 / F 402.473.7698

forvis.com

Independent Auditor's Report

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

Opinion

We have audited the financial statements of the Community Health Permanent Endowment Fund of the City of Lincoln, Nebraska, as of and for the years ended August 31, 2023 and 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Community Health Permanent Endowment Fund, as of August 31, 2023 and 2022, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Community Health Permanent Endowment Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Community Health Permanent Endowment Fund and do not purport to, and do not, present fairly the financial position of the City of Lincoln, Nebraska as of August 31, 2023 and 2022, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Community Health Permanent Endowment Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

FORVIS,LLP

Lincoln, Nebraska
January 25, 2024

City of Lincoln, Nebraska
Community Health Permanent Endowment Fund
Management's Discussion and Analysis
August 31, 2023 and 2022

This discussion and analysis of the Community Health Permanent Endowment Fund of the City of Lincoln, Nebraska's (CHE or the Fund) financial statements provides the reader an overview of the financial activities for CHE for 2023, 2022 and 2021. The Community Health Permanent Endowment Fund of the City of Lincoln, Nebraska's financial statements are comprised of three components: (1) Management's Discussion and Analysis, (2) financial statements, and (3) notes to the financial statements. Please read this in conjunction with the financial statements and footnotes contained herein.

Summary of the Financial Statements

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

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

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

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

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

Notes to Financial Statements

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

Financial Analysis

As noted earlier, fund balance may serve over time as a useful indicator of CHE's financial position. In the case of the Community Health Permanent Endowment Fund, as of August 31, 2023, fund balance was \$65,361,360. CHE's condensed financial information as of and for the years ended for August 31, 2023, 2022 and 2021 is found below.

City of Lincoln, Nebraska
Community Health Permanent Endowment Fund
Management's Discussion and Analysis
August 31, 2023 and 2022

Condensed Balance Sheets
As of August 31,

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets			
Investments	\$ 62,472,528	\$ 62,930,180	\$ 74,359,522
Other assets	2,999,688	312,522	1,456,597
Total assets	<u>\$ 65,472,216</u>	<u>\$ 63,242,702</u>	<u>\$ 75,816,119</u>
Total liabilities	<u>\$ 110,856</u>	<u>\$ 62,546</u>	<u>\$ 120,145</u>
Fund balance			
Nonspendable	37,000,000	37,000,000	37,000,000
Restricted	<u>28,361,360</u>	<u>26,180,156</u>	<u>38,695,974</u>
Total fund balance	<u>65,361,360</u>	<u>63,180,156</u>	<u>75,695,974</u>
Total liabilities and fund balance	<u>\$ 65,472,216</u>	<u>\$ 63,242,702</u>	<u>\$ 75,816,119</u>

The changes in investments and other assets from 2022 to 2023, and from 2021 to 2022 are a result of changes in the composition of investments and cash and cash equivalents in those reporting periods.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues (Loss)	\$ 4,893,703	\$ (10,392,115)	\$ 13,282,399
Expenditures	<u>2,712,499</u>	<u>2,123,703</u>	<u>2,217,646</u>
Net change in fund balance	2,181,204	(12,515,818)	11,064,753
Fund balance, beginning of year	<u>63,180,156</u>	<u>75,695,974</u>	<u>64,631,221</u>
Fund balance, end of year	<u>\$ 65,361,360</u>	<u>\$ 63,180,156</u>	<u>\$ 75,695,974</u>

Revenues increased from 2022 to 2023 as a result of an increase in investment income of approximately \$15.3 million. Revenues decreased 2021 to 2022 as a result of a decrease in investment income of approximately \$23.7 million. These changes were a result of a change in market conditions.

City of Lincoln, Nebraska

Community Health Permanent Endowment Fund

Management's Discussion and Analysis

August 31, 2023 and 2022

Investment And Finance

Investment Policy Statement Revision. On December 7, 2022, the CHE Board of Trustees approved a revised Investment Policy Statement (IPS) as recommended by Fiducient, CHE's investment advisor, and CHE's Committee on Investment/Finance. The IPS was revised to allow for an allocation of 3% to cash/cash equivalents. This revision allows for the cash liquidity needed for grant obligations.

10-Year Endowment Recovery Plan. According to CHE's Fund Balance Management Policy (adopted April 28, 2021), the primary goal of the CHE Board of Trustees is an actual valuation of the fund that is approximately 100% of the inflation-adjusted valuation. When the actual valuation of the CHE fund is between 90% and 110% of the inflation adjusted valuation, there ordinarily will be no need for special grant-making allocation limitations. Shall the valuation fall below 90% of the inflation-adjusted valuation, CHE will consider utilizing a structured, smoothing approach to limit the grant-making allocation in a progressive manner.

As of December 31, 2022, the CHE Fund fell below 90% of the inflation-adjusted valuation, which prompted Board action according to the Fund Balance Management Policy. The Investment & Finance Committee met with Fiducient Advisors on February 21, 2023, to review CHE's portfolio performance underlying manager performance, and the market outlook. The Investment & Finance Committee subsequently met on March 21, 2023, to review various endowment "recovery plan" options. The goal of the discussion was to consider multiple models and recommend a recovery plan for review by the CHE Board of Trustees. Based upon review and discussion, the CHE Investment & Finance Committee made, and the CHE Board of Trustees approved, the following recommendation on April 26, 2023:

- The CHE Board of Trustees should adopt a 10-Year Recovery Plan. The plan should be based on an original balance of \$60,715,000 and projected annual growth of 7.9%.
- The 10-Year Recovery Plan should be reviewed and reported to the Board of Trustees on no less than a quarterly basis.

Funding

Funding Priorities. The funding priorities for FY2022-2023 were established and approved by the CHE Board of Trustees in February of 2022. They are: Place Matters (Prenatal Care, Healthy Food Access, and Youth Fitness) and Mental Wellness and Human Connection. These priorities were recommended by CHE's Funding Committee and based on data from multiple sources, including Place Matters, grantee surveys, Lincoln-Lancaster County Health Department, Bryan Health, and the Lincoln Health Equity Coalition.

Spring 2023 Grant Cycle. On October 26, 2022, the CHE Board of Trustees made the difficult decision to postpone new funding awards in the Spring 2023 grant cycle. The CHE fund is subject to the Lincoln Municipal Code (LMC) that requires growth at the rate of inflation. Specifically, LMC 4.16.060 (e) states that the CHE Board of Trustees "*shall adhere to investment practices and policies that achieve preservation of the inflation-adjusted purchasing power of the endowment fund.*" Due to unique market conditions in 2022, CHE did not achieve the inflation-adjusted purchasing power of the fund for the first time in its nearly 25-year history. It is important to note that this decision impacted only new funding and CHE remained fully committed to meeting existing grant obligations and multi-year awards in an amount of approximately \$3 million over the following two years.

City of Lincoln, Nebraska

Community Health Permanent Endowment Fund

Management's Discussion and Analysis

August 31, 2023 and 2022

Fall 2023 and Spring 2024 Grant Cycles. The CHE Funding Committee and CHE staff met on February 27, 2023, and April 17, 2023. The purpose of these meetings was to discuss CHE's funding strategy, timing, and priorities. The Funding Committee utilized the following information/data in their discussion:

1. A 10-year CHE Recovery Plan from the CHE Investment/Finance Committee
2. An update on the Cultural Centers Project
3. Potential Legacy Project requests
4. Current projects that may need continuation of funding
5. An update on the Place Matters 5.0 report

Based upon the committee's review and discussion, the CHE Funding Committee made the following recommendations, and the CHE Board of Trustees approved the recommendations, on April 26, 2023:

- The Fall 2023 grant cycle will focus on review/consideration of potential Legacy Projects and current projects that may need continuation of funding. Grant applications will be by invitation only. The CHE Funding Committee will provide application review and funding recommendations to the Board of Trustees.
- The second funding cycle (Spring 2024) will focus on priorities identified by Place Matters 5.0 and other community planning documents, including the Comprehensive Health Improvement Plan. Grant applications will be required in a competitive, open cycle. The budget for this cycle is approximately \$550,000. Grant applications will be due on March 1, 2024. The grant contracts will begin on July 1, 2024.

Additional Activities

In addition to the above, CHE:

- Hired a part-time Equity & Diversity Officer in February 2023.
- Celebrated CHE's 25-Year Anniversary and produced a video in partnership with the City's production team (LNK TV) that highlighted Place Matters, grantees, and the history of CHE.
- Redesigned CHE's website and made it more accessible.
- Provided community education regarding the power of mentoring/human connection and cultural diversity in healthcare.
- Hosted three events with current and former CHE Trustees to discuss health equity related topics, convened by CHE's Equity & Diversity Officer.

Requests for Information

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

City of Lincoln, Nebraska
Community Health Permanent Endowment Fund
Balance Sheets
August 31, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 1,996,025	\$ 27,493
Equity in pooled cash and investments, including cash and cash equivalents of \$27,854 for 2023 and \$0 for 2022	997,481	282,145
Investments	62,472,528	62,930,180
Accrued interest receivable	6,182	2,884
	<u>\$ 65,472,216</u>	<u>\$ 63,242,702</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 110,148	\$ 62,546
Due to other City funds	708	-
	<u>110,856</u>	<u>62,546</u>
Fund Balance		
Nonspendable	37,000,000	37,000,000
Restricted	28,361,360	26,180,156
	<u>65,361,360</u>	<u>63,180,156</u>
Total fund balance	<u>65,361,360</u>	<u>63,180,156</u>
Total liabilities and fund balance	<u>\$ 65,472,216</u>	<u>\$ 63,242,702</u>

City of Lincoln, Nebraska
Community Health Permanent Endowment Fund
Statements of Revenues, Expenditures and Changes in Fund Balance
Years Ended August 31, 2023 and 2022

	2023	2022
Revenues		
Investment income (loss)	\$ 4,892,778	\$ (10,413,396)
Other	925	21,281
Total revenues (loss)	4,893,703	(10,392,115)
Expenditures		
Grants	2,139,714	1,566,870
Salaries and benefits	459,501	439,772
Other services and charges	105,377	117,061
Capital outlay	7,907	-
Total expenditures	2,712,499	2,123,703
Net Change in Fund Balance	2,181,204	(12,515,818)
Fund Balance, Beginning of Year	63,180,156	75,695,974
Fund Balance, End of Year	\$ 65,361,360	\$ 63,180,156

City of Lincoln, Nebraska
Community Health Permanent Endowment Fund
Notes to Financial Statements
August 31, 2023 and 2022

Note 1: Summary of Significant Accounting Policies

Organization and Nature of Operations

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

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

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

The financial statements present only CHE and do not purport to, and do not, present fairly the financial position of the City as of August 31, 2023 and 2022, the changes in its financial position, or where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Measurement Focus and Basis of Accounting

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

City of Lincoln, Nebraska
Community Health Permanent Endowment Fund
Notes to Financial Statements
August 31, 2023 and 2022

Note 1: Summary of Significant Accounting Policies - Continued

Use of Estimates

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

Fund Balance Classifications

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

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

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

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

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

Deposits and Investments

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

City of Lincoln, Nebraska
Community Health Permanent Endowment Fund
Notes to Financial Statements
August 31, 2023 and 2022

Note 1: Summary of Significant Accounting Policies - Continued

Deposits and Investments - Continued

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

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

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

Grants

Grants are recognized as expenditures and liabilities when all eligibility requirements have been met. The Fund is committed to pay grants totaling approximately \$1,888,000 at August 31, 2023. Such grants are subject to the satisfaction of eligibility requirements before payment and recognition in the financial statements.

Note 2: Deposits, Investments and Investment Return

Deposits

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

State Statutes 15-846 and 15-847 R.R.S. 1943, require banks either to provide a bond or may give security as provided in the Public Funds Deposit Security Act to the City Treasurer in the amount of the City's deposits. The Statutes allow pledged securities to be reduced by the amount of the deposit insured by the Federal Deposit Insurance Corporation (FDIC).

City of Lincoln, Nebraska
Community Health Permanent Endowment Fund
Notes to Financial Statements
August 31, 2023 and 2022

Note 2: Deposits, Investments and Investment Return - Continued

Deposits - Continued

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

Investments

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

At August 31, 2023 and 2022, CHE had the following investments and maturities:

	Carrying Value	Maturities in Years			More Than 10
		Less Than 1	1-5	6-10	
August 31, 2023					
Money market mutual funds	\$ 1,975,938	\$ 1,975,938	\$ -	\$ -	\$ -
Mutual funds	62,472,037	62,472,037	-	-	-
Limited partnership	491	491	-	-	-
	<u>\$ 64,448,466</u>	<u>\$ 64,448,466</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	Carrying Value	Maturities in Years			More Than 10
		Less Than 1	1-5	6-10	
August 31, 2022					
Money market mutual funds	\$ 13,287	\$ 13,287	\$ -	\$ -	\$ -
Mutual funds	62,929,689	62,929,689	-	-	-
Limited partnership	491	491	-	-	-
	<u>\$ 62,943,467</u>	<u>\$ 62,943,467</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Lincoln, Nebraska
Community Health Permanent Endowment Fund
Notes to Financial Statements
August 31, 2023 and 2022

Note 2: Deposits, Investments and Investment Return - Continued

Investments - Continued

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates that adversely affect the fair value of an investment. As a means of limiting its exposure, CHE compares the risk and return characteristics derived from the actual performance of an investment to appropriate benchmarks, at least annually. Asset allocation and investments are adjusted as necessary by this monitoring.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is CHE's policy to limit its investments in individual fixed income securities to issues with at least BBB-/Baa3 ratings (S&P/Moody's). Short-term fixed income issues should have a minimum A-2/P-2 rating. CHE's investments in fixed income securities at August 31, 2023 and 2022 were made through mutual funds, which do not receive individual credit ratings.

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

Concentration of Credit Risk - Concentration of credit risk is the risk associated with the amount of investments CHE has with any one issuer that exceeds 5% or more of its total investments. None of CHE's investments exceeded 5% or more of its total investments at August 31, 2023 and 2022.

Foreign Currency Risk - This risk relates to adverse affects on the fair value of an investment from changes in exchange rates. CHE had no investments denominated in foreign currency at August 31, 2023 and 2022.

Summary of Carrying Values

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

	2023	2022
Carrying value		
Deposits	\$ 20,087	\$ 14,206
Investments	64,448,466	62,943,467
Equity in pooled cash and investments	997,481	282,145
	<u>\$ 65,466,034</u>	<u>\$ 63,239,818</u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 1,996,025	\$ 27,493
Equity in pooled cash and investments	997,481	282,145
Investments	62,472,528	62,930,180
	<u>\$ 65,466,034</u>	<u>\$ 63,239,818</u>

City of Lincoln, Nebraska
Community Health Permanent Endowment Fund
Notes to Financial Statements
August 31, 2023 and 2022

Note 3: Active Living Center

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

Note 4: Risk Management

CHE participates in the City's self-insurance program, administered by the City's Risk Management Division. The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees and the public; or acts of God. The City has a self-insured retention for workers' compensation exposures up to \$800,000 per individual; building and contents exposures up to \$100,000 per occurrence; general liability exposures up to \$400,000 per occurrence and employee long-term disability.

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

Premium amounts are paid to the Insurance Revolving Fund, including an estimate of the liability for claims incurred, but not yet reported as of August 31, 2023 and 2022.

Note 5: Retirement Plan

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

City of Lincoln, Nebraska
Community Health Permanent Endowment Fund
Notes to Financial Statements
August 31, 2023 and 2022

Note 6: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

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