

CEDARS HOME FOR CHILDREN FOUNDATION, INC.

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022



**DANA F. COLE
& COMPANY** LLP
CERTIFIED PUBLIC ACCOUNTANTS

CEDARS HOME FOR CHILDREN FOUNDATION, INC.
TABLE OF CONTENTS

| | Page |
|----------------------------------|--------|
| INDEPENDENT AUDITOR'S REPORT | 1 - 2 |
| FINANCIAL STATEMENTS | |
| Statements of Financial Position | 3 |
| Statement of Activities | 4 |
| Statement of Functional Expenses | 5 |
| Statements of Cash Flows | 6 |
| NOTES TO FINANCIAL STATEMENTS | 7 - 17 |



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
CEDARS Home for Children Foundation, Inc.
Lincoln, Nebraska

Opinion

We have audited the accompanying financial statements of CEDARS Home for Children Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CEDARS Home for Children Foundation, Inc., as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 CEDARS Home for Children Foundation, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CEDARS Home for Children Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 generally

accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 CEDARS Home for Children Foundation, Inc.'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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CEDARS Home for Children Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

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.

Report on Summarized Comparative Information

We have previously audited CEDARS Home for Children Foundation, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 29, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.


Dana J. Cole + Company, LLP

Lincoln, Nebraska
September 29, 2023

CEDARS HOME FOR CHILDREN FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

| | ASSETS | | |
|---|--------|--------------------------|--------------------------|
| | | 2023 | 2022 |
| ASSETS | | | |
| Cash | | 729,514 | 774,577 |
| Accounts receivable | | 88,494 | 195,253 |
| Prepaid expenses | | 9,658 | 4,078 |
| Investments | | 36,147,774 | 31,214,552 |
| Cash value life insurance | | 28,583 | 27,492 |
| Fixed assets, at cost, less accumulated depreciation of \$4,265,294 for 2023 and \$3,953,554 for 2022 | | <u>8,479,626</u> | <u>7,993,787</u> |
| TOTAL ASSETS | | <u><u>45,483,649</u></u> | <u><u>40,209,739</u></u> |
| LIABILITIES AND NET ASSETS | | | |
| LIABILITIES | | | |
| Accounts payable | | 26,288 | 12,902 |
| Due to CEDARS Youth Services | | 867,485 | 1,510,989 |
| Vacation liability accrued | | 34,742 | 61,920 |
| Annuities payable | | <u>305,510</u> | <u>332,098</u> |
| Total liabilities | | <u>1,234,025</u> | <u>1,917,909</u> |
| NET ASSETS | | | |
| Without donor restrictions | | | |
| Undesignated | | 32,227,246 | 28,307,146 |
| Designated | | <u>8,479,626</u> | <u>7,993,787</u> |
| | | <u>40,706,872</u> | <u>36,300,933</u> |
| With donor restrictions | | | |
| Restricted in perpetuity | | <u>3,542,752</u> | <u>1,990,897</u> |
| Total net assets | | <u>44,249,624</u> | <u>38,291,830</u> |
| TOTAL LIABILITIES AND NET ASSETS | | <u><u>45,483,649</u></u> | <u><u>40,209,739</u></u> |

See accompanying notes to consolidated financial statements.

CEDARS HOME FOR CHILDREN FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022

| | 2023 | | |
|--------------------------------------|----------------------------------|-------------------------------|---------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| | | | 2022 Total |
| Support | | | |
| Contributions and gifts | | | |
| Cash and other financial assets | 2,507,224 | | 2,507,224 |
| In-kind | 162,097 | | 162,097 |
| Annuity contributions | | | 31,825 |
| Bequests | 627,149 | | 627,149 |
| Total support | 3,296,470 | | 3,296,470 |
| Rental income | 54,543 | | 54,543 |
| Farm income | 15 | | 15 |
| Unrealized investment gains (losses) | 2,924,058 | | 2,924,058 |
| Actuarial adjustments - annuities | (16,778) | | (16,778) |
| Net investment income | 973,365 | | 973,365 |
| Realized capital gains | 112,398 | 1,551,855 | 1,664,253 |
| Total investment income | 4,047,601 | 1,551,855 | 5,599,456 |
| TOTAL REVENUES AND OTHER SUPPORT | 7,344,071 | 1,551,855 | 8,895,926 |
| EXPENSES | | | |
| Program expenses | | | |
| Support to CEDARS Youth Services | 1,103,914 | | 1,103,914 |
| Supporting services | | | |
| Management and general | 1,383,441 | | 1,383,441 |
| Fundraising | 450,777 | | 450,777 |
| Total supporting services | 1,834,218 | | 1,834,218 |
| TOTAL EXPENSES | 2,938,132 | | 2,938,132 |
| CHANGE IN NET ASSETS | 4,405,939 | 1,551,855 | 5,957,794 |
| NET ASSETS, beginning of year | 36,300,933 | 1,990,897 | 38,291,830 |
| NET ASSETS, end of year | 40,706,872 | 3,542,752 | 44,249,624 |

See accompanying notes to consolidated financial statements.

CEDARS HOME FOR CHILDREN FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022

| | Program Services | | Supporting Services | | | Total | Total |
|----------------------------------|-----------------------------|------------------------------|------------------------------|-----------------------|---------------------------------|-------------------------|-------------------------|
| | Cedars Youth Services | Total Program Services | Management and General | Fund- raising | Total Supporting Services | All Expenses 2023 | All Expenses 2022 |
| Wages | | | 594,797 | 264,283 | 859,080 | 859,080 | 771,202 |
| Taxes | | | 49,176 | 18,244 | 67,420 | 67,420 | 58,594 |
| Benefits | | | 90,480 | | 90,480 | 90,480 | 79,382 |
| Travel | | | 883 | 23 | 906 | 906 | 1,048 |
| Staff development & training | | | 2,149 | 3,972 | 6,121 | 6,121 | 4,677 |
| Printing and postage | | | 7,456 | 86,646 | 94,102 | 94,102 | 89,025 |
| Supplies | | | 7,046 | 7,954 | 15,000 | 15,000 | 19,432 |
| Professional fees | | | 201,644 | 62,924 | 264,568 | 264,568 | 145,824 |
| Insurance | | | 33,026 | | 33,026 | 33,026 | 47,238 |
| Occupancy | | | 16,360 | 6,731 | 23,091 | 23,091 | 58,064 |
| Equipment exp/depreciation | | | 374,174 | | 374,174 | 374,174 | 321,673 |
| Scholarship | | | 6,250 | | 6,250 | 6,250 | 3,215 |
| Support to CEDARS Youth Services | <u>1,103,914</u> | <u>1,103,914</u> | | | | <u>1,103,914</u> | <u>1,469,788</u> |
| Totals | <u><u>1,103,914</u></u> | <u><u>1,103,914</u></u> | <u><u>1,383,441</u></u> | <u><u>450,777</u></u> | <u><u>1,834,218</u></u> | <u><u>2,938,132</u></u> | <u><u>3,069,162</u></u> |

See accompanying notes to consolidated financial statements.

CEDARS HOME FOR CHILDREN FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
JUNE 30, 2023 AND 2022

| | 2023 | 2022 |
|--|-----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | <u>5,957,794</u> | <u>(7,774,004)</u> |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 334,506 | 295,680 |
| Unrealized (gains) losses on investments | (2,924,058) | 8,970,141 |
| Gains on sale of assets | (1,664,253) | (341,529) |
| Changes in assets and liabilities: | | |
| Decrease (increase) in assets: | | |
| Accounts receivable | 106,759 | 407,873 |
| Prepaid expenses | (5,580) | 10,256 |
| Cash value life insurance | (1,091) | 7,454 |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 13,386 | 12,224 |
| Due to CEDARS Youth Services | (643,504) | (148,328) |
| Vacation accrued | (27,178) | (188) |
| Annuities payable | (26,588) | 10,201 |
| Total adjustments | <u>(4,837,601)</u> | <u>9,223,784</u> |
| Net cash provided by operating activities | <u>1,120,193</u> | <u>1,449,780</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | (820,345) | (893,845) |
| Sales of investments | 3,156,696 | 734,254 |
| Purchase of investments | <u>(3,501,607)</u> | <u>(2,151,195)</u> |
| Net cash used in investing activities | <u>(1,165,256)</u> | <u>(2,310,786)</u> |
| NET DECREASE IN CASH | (45,063) | (861,006) |
| CASH, beginning of year | <u>774,577</u> | <u>1,635,583</u> |
| CASH, end of year | <u><u>729,514</u></u> | <u><u>774,577</u></u> |

See accompanying notes to consolidated financial statements.

CEDARS HOME FOR CHILDREN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CEDARS Home for Children Foundation, Inc. (the Foundation), is a nonprofit corporation organized to make a lasting impact on the lives of children by connecting the charitable community to the mission of CEDARS Youth Services (CYS). To achieve their mission, the Foundation engages in a variety of fundraising efforts, including annual campaigns, events, major gifts, planned gifts, and bequests.

The Foundation exists to establish strong relationships with donors and act as a good steward of the funds given by those donors. In doing so, the Foundation is also working to create and uphold a solid reputation for CEDARS, based on more than 75 years of quality care for kids in need.

CEDARS Youth Services (CYS) is a community-based, private nonprofit organization dedicated to helping children and youth achieve safety, stability, and enduring family relationships. CYS serves a diverse population of kids and families based on need, not financial ability. These services are focused on kids who are unable to live at home, families in need of resources, support, and education, and youth in need of intervention services.

CYS is here to ensure that all kids have a safe environment where they can grow and thrive. We utilize a holistic approach that provides support from infancy through adulthood, with a variety of services to meet individual needs.

We are also here for families, offering them resources, opportunities, and education to keep their family connections strong. Our approach is trauma-informed and honors the experiences of those we serve, so families can become stronger, and kids can preserve those connections as a central part of their support system.

Helping kids receive the best possible care builds a strong foundation and empowers them to develop skills and work toward independence. Providing this security, and the opportunities that come with it, is at the heart of our mission, and at the heart of the people who carry it out.

CYS is accredited by the Council on Accreditation (COA), a Better Business Bureau accredited business with an A+ rating, and a partner of the United Way.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting.

CEDARS HOME FOR CHILDREN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

The financial statements report amounts by class of net assets, as required by Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for capital reserves.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and are reported in the statements of activities as net assets released from restrictions.

Contributions restricted by donors received in the same period when the associated stipulated time or purpose restriction is accomplished are reported as increases in net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions.

Contributions

The Foundation utilizes Financial Accounting Standards Board (FASB) Accounting Standards Codification (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 Foundation 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

CEDARS HOME FOR CHILDREN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Materials and Services (Continued)

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 operations. The volunteer hours have not been recorded in the financial statements since those services do not meet the criteria for recognition.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents as of June 30, 2023 and 2022.

Accounts Receivable

The Foundation uses the allowance method to account for uncollectible accounts receivable. No allowance for bad debts is considered necessary at 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 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.

Depreciation

The Foundation provides for depreciation of property and equipment using annual rates which are sufficient to amortize the cost of depreciable assets using the straight-line method over their estimated useful lives, which range from 2 - 40 years.

Depreciation in the amounts of \$334,506 and \$295,680 was charged to fixed assets for the years ended June 30, 2023 and 2022, respectively.

CEDARS HOME FOR CHILDREN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Foundation has adopted FASB ASC 958-320, *Not-for-Profit Entities, Investments - Debt and Equity Securities*. FASB ASC 958-320 establishes standards of reporting at fair value certain investments and debt and equity securities, held by not-for-profit organizations. Therefore, investments in equity securities that have a readily determinable fair value and all investments in debt securities are stated at fair value, with gains and losses included in the statement of activities. Fair value is determined by quoted market values.

Compensated Absences

Employees' vacation benefits are recognized in the period earned.

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 an organization 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 limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that would be material to the financial statements.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) 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.

Advertising

Advertising costs of the Foundation are expensed as incurred. Advertising expense was \$126,816 and \$67,573, for the years ended June 30, 2023 and 2022, respectively.

CEDARS HOME FOR CHILDREN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been reported on a functional basis in the statement of functional expenses. Expenses have been allocated based on time studies, square footage of space used, or other appropriate measures.

Comparative Totals

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the years ended June 30, 2023 and 2022, from which the summarized information was derived.

Reclassification

In certain instances, figures for the prior year have been reclassified to place them on a basis comparable with the current year.

NOTE 2. CONCENTRATION OF CREDIT RISK

The Foundation has deposits in financial institutions subject to the \$250,000 limit insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2023 and 2022, there were no deposits in excess of the insurance provided by the FDIC.

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist primarily of trade receivables with a variety of customers. The Foundation generally does not require collateral from its customers. Such credit risk is considered by management to be limited due to the Foundation's broad customer base and their customers' financial resources.

NOTE 3. FIXED ASSETS

The major classes of fixed assets in service at June 30, 2023 and 2022, are as follows:

| | 2023 | 2022 |
|-------------------------------|-------------------------|-------------------------|
| Land | 815,037 | 815,037 |
| Land improvements | 199,501 | 112,347 |
| Building | 11,601,655 | 10,890,217 |
| Playground | 3,585 | 17,884 |
| Equipment | 125,142 | 111,856 |
| | <u>12,744,920</u> | <u>11,947,341</u> |
| Less accumulated depreciation | 4,265,294 | 3,953,554 |
| Net fixed assets | <u><u>8,479,626</u></u> | <u><u>7,993,787</u></u> |

CEDARS HOME FOR CHILDREN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4. NET ASSETS WITHOUT DONOR RESTRICTIONS

The Board of Trustees (the Board), has appropriated unrestricted net assets for the establishment of the following reserves:

Reserve for Operations

The Board approved that annually, the change in unrestricted net fixed assets be transferred (charged) to a reserve to fund future operations.

The balance in this reserve was \$8,479,626 and \$7,993,787 at June 30, 2023 and 2022, respectively.

NOTE 5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following as of June 30, 2023 and 2022:

| | 2023 | 2022 |
|-------------------------------------|------------------|------------------|
| Net assets restricted in perpetuity | <u>3,542,752</u> | <u>1,990,897</u> |

NOTE 6. INVESTMENTS

The Foundation has adopted FASB ASC 820-10, *Fair Value Measurements*, which provides a framework for measuring fair value under accounting principles generally accepted in the United States of America. FASB ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in FASB ASC 820-10, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various methods including market, income, and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated, or generally unobservable inputs. The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

CEDARS HOME FOR CHILDREN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6. INVESTMENTS (Continued)

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models, and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the fiscal years ended June 30, 2023 and 2022, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Marketable Equity Securities

The fair value of marketable 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 unobservable inputs due to the limited market activity of the instrument.

Fair Value on a Recurring Basis

The table below presents the balances of assets measured at June 30, 2023 and 2022, at fair value on a recurring basis.

| | 2023 | | | |
|-------------------|-------------------|-------------------|------------------|---------|
| | Total | Level 1 | Level 2 | Level 3 |
| Common stock | 9,808 | 9,808 | | |
| Bond funds | 8,206,758 | 8,206,758 | | |
| U.S. mutual funds | 27,761,704 | 27,761,704 | | |
| Real estate | 169,504 | | 169,504 | |
| Totals | <u>36,147,774</u> | <u>35,978,270</u> | <u>169,504</u> | |
| | 2022 | | | |
| | Total | Level 1 | Level 2 | Level 3 |
| Cash equivalents | 14,888 | 14,888 | | |
| Bond funds | 8,120,660 | 8,120,660 | | |
| U.S. mutual funds | 22,077,949 | 22,077,949 | | |
| Real estate | 1,001,055 | | 1,001,055 | |
| Totals | <u>31,214,552</u> | <u>30,213,497</u> | <u>1,001,055</u> | |

CEDARS HOME FOR CHILDREN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6. INVESTMENTS (Continued)

Fair Value on a Recurring Basis (Continued)

The carrying amounts, market value, unrealized gains, and unrealized losses of the investments at June 30, 2023 and 2022, are as follows:

| | 2023 | | |
|-------------------|-------------------|---------------------------------|----------------------------|
| | Total Cost | Unrealized Gains (Losses) | Estimated Fair Value |
| Common stock | 4,434 | 5,374 | 9,808 |
| Bond funds | 9,615,206 | (1,408,448) | 8,206,758 |
| U.S. mutual funds | <u>18,750,201</u> | <u>9,011,503</u> | <u>27,761,704</u> |
| Totals | <u>28,369,841</u> | <u>7,608,429</u> | <u>35,978,270</u> |
| | 2022 | | |
| | Total Cost | Unrealized Gains (Losses) | Estimated Fair Value |
| Cash equivalents | 14,888 | | 14,888 |
| Bond funds | 7,495,207 | 625,453 | 8,120,660 |
| U.S. mutual funds | <u>18,153,300</u> | <u>3,924,649</u> | <u>22,077,949</u> |
| Totals | <u>25,663,395</u> | <u>4,550,102</u> | <u>30,213,497</u> |

Management evaluates securities for other than temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial conditions and near-term prospects of the issuer, and (3) the intent and ability of the Foundation to retain its investments in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. As management has the ability to hold securities for the foreseeable future, no declines are deemed to be other than temporary.

Real Estate

The real estate is valued at market value based on assessed values set by the county treasurer.

CEDARS HOME FOR CHILDREN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7. ANNUITY CONTRACTS PAYABLE

Annuity contracts payable consisted of the following at June 30, 2023:

| | Contract Rate | Original Contracts | Present Value of Life Annuity |
|--------------------------|------------------|-----------------------|--|
| Total for all annuitants | 4.5% - 9.9% | <u>697,202</u> | <u>305,510</u> |

NOTE 8. DONOR-DESIGNATED ENDOWMENTS

The Foundation's endowment consists of individual funds established for a variety of purposes. Its endowment includes donor-restricted funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 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 SPMIFA. In accordance with SPMIFA, 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.

Investment Return Objectives, Risk Parameters, and Strategies

The Foundation has adopted investment and spending policies, approved by the Board of Trustees, 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

CEDARS HOME FOR CHILDREN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8. DONOR-DESIGNATED ENDOWMENTS (Continued)

Investment Return Objectives, Risk Parameters, and Strategies (Continued)

debt securities, that is intended to result in a consistent, inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Therefore, 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 amount. 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 5% of the 3-year rolling average of the monthly portfolio market value with a budgeting lead of one year. 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 possible effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 2% - 3% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets, as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of June 30, 2023 and 2022, is as follows:

| | 2023 | 2022 |
|-------------------------------------|-----------|-----------|
| Net assets restricted in perpetuity | 3,542,752 | 1,990,897 |

Changes in endowment net assets as of June 30, 2023 and 2022, are as follows:

| | 2023 | 2022 |
|-------------------------------------|-----------|-----------|
| Endowment assets, beginning of year | 1,990,897 | 1,990,897 |
| Contributions | 1,551,855 | _____ |
| Endowment assets, end of year | 3,542,752 | 1,990,897 |

CEDARS HOME FOR CHILDREN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 9. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date comprise the following:

| | 2023 | 2022 |
|---------------------|----------------|----------------|
| Cash | 729,514 | 774,577 |
| Accounts receivable | <u>88,494</u> | <u>195,253</u> |
| | <u>818,008</u> | <u>969,830</u> |

As part of the liquidity management plan, cash in excess of short-term requirements is invested in accordance with the investment policy of the Foundation and the timing of its financial support to provide necessary operating cash flow.

NOTE 10. RELATED PARTIES

CEDARS Home for Children Foundation, Inc., is affiliated with CEDARS Youth Services. The Foundation provides financial support for CEDARS Youth Services. Financial support provided to CEDARS Youth Services by the Foundation totaled \$659,640 and \$1,215,211 for the years ended June 30, 2023 and 2022, respectively.

The Foundation was indebted to CEDARS Youth Services in the amounts of \$867,485 and \$1,510,989 at June 30, 2023 and 2022, respectively.

CEDARS Youth Service also provides management services for the Foundation and receives fees for these services under a contractual agreement. Revenue of \$1,031,822 and \$899,611 was recognized under this arrangement for the years ended June 30, 2023 and 2022, respectively.

CEDARS Youth Services leases building space from the Foundation. During the next year, the minimum annual rentals are \$54,543.

NOTE 11. SUBSEQUENT EVENT

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 29, 2023, the date the financial statements were available to be issued.