THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

DANA F. COLE
& COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

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AND
CEDARS YOUTH SERVICES
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DANA F. COLE & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
The CEDARS Home for Children Foundation, Inc.
To the Board of Directors
CEDARS Youth Services
Lincoln, Nebraska

We have audited the accompanying financial statements of The CEDARS Home for Children Foundation, Inc., and CEDARS Youth Services (nonprofit organizations), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 consolidated financial position of The CEDARS Home for Children Foundation, Inc., and CEDARS Youth Services as of June 30, 2019, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The CEDARS Home for Children Foundation, Inc., and CEDARS Youth Services' 2018 financial statements, and our report dated September 20, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in fiscal year ending June 30, 2019, the Organizations adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Dana F. Cole + Company, LLP

Lincoln, Nebraska
September 18, 2019

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS

	2019	2018
ASSETS		
Cash	197,902	249,254
Accounts receivable (net of reserve for bad debts of $88,496 for 2019 and $88,496 for 2018)	503,431	634,988
Grant funds receivable	339,565	387,134
Prepaid expenses	37,734	24,788
Investments	25,466,845	24,996,485
Cash value life insurance	31,467	29,812
Fixed assets, at cost less accumulated depreciation of $4,590,843 for 2019 and $4,342,741 for 2018	6,314,805	6,464,357
TOTAL ASSETS	32,891,749	32,786,818

LIABILITIES AND NET ASSETS

	2019	2018
LIABILITIES		
Accounts payable	329,069	319,327
Wages and payroll taxes accrued	326,444	366,516
Vacation liability accrued	323,145	412,417
Refundable reimbursements	31,788	30,307
Deferred revenues	22,389	100,596
Unfunded liability for postemployment benefits	464,161	549,713
Annuities payable	321,171	336,961
Total liabilities	1,818,167	2,115,837
NET ASSETS		
Without donor restrictions		
Undesignated	22,576,267	22,038,384
Designated	6,314,805	6,464,357
	28,891,072	28,502,741
With donor restrictions		
Time and purpose restrictions	317,175	286,538
Restricted in perpetuity	1,865,335	1,881,702
Total net assets	31,073,582	30,670,981
TOTAL LIABILITIES AND NET ASSETS	32,891,749	32,786,818

See accompanying notes to consolidated financial statements.

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	2019			
	Without Donor Restrictions	With Donor Restrictions	Total	2018 Total
REVENUES AND OTHER SUPPORT				
Program Revenues				
Service revenues	6,799,973		6,799,973	8,474,547
Grant revenues		2,457,439	2,457,439	2,320,705
Total program revenues	6,799,973	2,457,439	9,257,412	10,795,252
Support				
Contributions and gifts	963,209	326,850	1,290,059	1,024,621
Annuity contributions	36,037		36,037	39,602
Bequests	363,661	15,503	379,164	408,711
Total support	1,362,907	342,353	1,705,260	1,472,934
Farm income	27,438		27,438	23,589
Unrealized investment gains (losses)	(106,014)	(31,870)	(137,884)	946,165
Actuarial adjustments - annuities	(23,994)		(23,994)	20,034
Net investment income	1,115,927		1,115,927	718,682
Realized capital gains	334,801		334,801	529,137
Total investment income	1,348,158	(31,870)	1,316,288	2,237,607
Total revenues and other support	9,511,038	2,767,922	12,278,960	14,505,793
Net assets released from restriction	2,753,652	(2,753,652)		
TOTAL REVENUES AND OTHER SUPPORT	12,264,690	14,270	12,278,960	14,505,793
EXPENSES				
Program Services				
Out of Home Services	5,555,140		5,555,140	6,191,534
Early Childhood and School Age	990,370		990,370	1,836,789
Family Solutions	1,060,820		1,060,820	1,073,329
Juvenile Justice	1,105,522		1,105,522	1,430,063
Evaluation	148,837		148,837	164,368
Administration	1,664,170		1,664,170	1,638,922
Total program services	10,524,859		10,524,859	12,335,005

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	2019			
	Without Donor Restrictions	With Donor Restrictions	Total	2018 Total
EXPENSES (Continued)				
Supporting Services				
Management and general	967,806		967,806	969,739
Fundraising	383,694		383,694	353,857
Total supporting services	1,351,500		1,351,500	1,323,596
TOTAL EXPENSES	11,876,359		11,876,359	13,658,601
CHANGE IN NET ASSETS	388,331	14,270	402,601	847,192
NET ASSETS, beginning of year	28,502,741	2,168,240	30,670,981	29,823,789
NET ASSETS, end of year	28,891,072	2,182,510	31,073,582	30,670,981

See accompanying notes to consolidated financial statements.

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	Program Services							Supporting Services			Total	Total
	Out of Home Services	Early Childhood and School Age	Family Solutions	Juvenile Justice	Evaluation	Administration	Total Program Services	Management and General	Fund-raising	Total Supporting Services	All Expenses 2019	All Expenses 2018
Wages	2,034,039	620,892	599,751	666,766	102,883	1,223,135	5,247,466	491,300	183,355	674,655	5,922,121	6,850,826
Taxes	172,981	56,781	50,700	58,987	8,655	106,149	454,253	39,826	13,683	53,509	507,762	533,722
Benefits	359,378	95,021	105,984	113,045	21,696	240,010	935,134	102,582		102,582	1,037,716	1,213,928
Travel	75,243	5,233	25,514	43,600		3,164	152,754	1,503	2,402	3,905	156,659	201,021
Staff development, training, and recruiting	29,332	6,720	6,689	4,461	5,150	15,274	67,626	2,178	927	3,105	70,731	132,813
Printing and postage	1,179	91	132	252		2,856	4,510	9,324	153,976	163,300	167,810	166,115
Supplies	230,408	48,691	53,865	26,446	50	26,685	386,145	2,503	20,127	22,630	408,775	377,730
Professional fees	2,008,031	22,754	143,261	44,297	2,913	102,690	2,323,946	19,325	9,224	28,549	2,352,495	2,911,496
Insurance	44,204	12,513	15,503	14,930	850	31,281	119,281	33,214		33,214	152,495	155,373
Assistance to youth	272,756	24,863	8,729	25,163			331,511	11,567		11,567	343,078	367,662
Occupancy	127,045	34,971	63,419	38,400	1,314	54,398	319,547				319,547	324,145
Equipment repair and maintenance and depreciation	52,274	10,003	20,986	29,834	1,726	63,702	178,525	248,484		248,484	427,009	414,527
Scholarship								6,000		6,000	6,000	
Other expense	1,154	2,885	18	90		14	4,161				4,161	9,243
Intercompany rents	147,116	48,952	(33,731)	39,251	3,600	(205,188)						
Totals	5,555,140	990,370	1,060,820	1,105,522	148,837	1,664,170	10,524,859	967,806	383,694	1,351,500	11,876,359	13,658,601

See accompanying notes to consolidated financial statements.

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
CONSOLIDATED STATEMENT OF CASH FLOWS
JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	402,601	847,192
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	296,575	291,761
Unrealized (gains) losses on investments	137,884	(946,165)
Gains on sale of assets	(334,801)	(529,137)
Contributions to permanently restricted endowment	(15,503)	
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Accounts receivable	131,557	74,031
Grants receivable	47,569	(156,491)
Prepaid expenses	(12,946)	(30)
Cash value life insurance	(1,655)	(1,643)
Increase (decrease) in liabilities:		
Accounts payable	9,742	(31,941)
Wages and payroll taxes accrued	(40,072)	(1,298)
Vacation accrued	(89,272)	145,262
Custodial fund liability		(3,150)
Deferred revenues	(78,207)	(105,387)
Refundable reimbursement	1,481	968
Annuities payable	(15,790)	(76,639)
Unfunded liability for defined benefit plan	(85,552)	(98,104)
Total adjustments	(48,990)	(1,437,963)
Net cash provided by (used in) operating activities	353,611	(590,771)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(147,023)	(126,743)
Sales of fixed assets	4,050	830
Sales of investments	2,258,164	1,759,096
Purchase of investments	(2,535,657)	(1,501,947)
Net cash provided by (used in) investing activities	(420,466)	131,236

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
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CONSOLIDATED STATEMENT OF CASH FLOWS
JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions to permanently restricted endowment	15,503	
Net cash provided by financing activities	15,503	
NET DECREASE IN CASH	(51,352)	(459,535)
CASH, beginning of year	249,254	708,789
CASH, end of year	197,902	249,254

See accompanying notes to consolidated financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CEDARS Home for Children Foundation, Inc., is a not-for-profit corporation organized to financially and otherwise support the mission of CEDARS Youth Services (CYS). The Foundation engages in fundraising efforts, through direct mail, major gifts, bequests, and events, resulting in gifts that ensure CYS will remain into perpetuity.

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 a solid reputation for both entities, based on over 70 years of quality care for children in need.

CEDARS Youth Services is a not-for-profit corporation structured as a human service organization with a mission to help children who have been abused, neglected, or homeless achieve safety, stability, and enduring family relationships.

CEDARS Youth Services works to provide the highest quality care based on individual need, not financial ability. CEDARS is accredited by the Council on Accreditation (COA), National Association for the Education of Young Children (NAEYC), and is a gold member of the Better Business Bureau and is a partner of the United Way. CEDARS Youth Services serves a diverse population of children through programs within the following service areas: Out of Home and Emergency Services, Early Childhood and School Age Programs, Family Solutions, Juvenile Justice, Evaluation, and Administration.

Basis of Consolidation

CEDARS Home for Children Foundation, Inc., and CEDARS Youth Services are included in the consolidated statements. The consolidated financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States of America and with current financial reporting requirements. All interorganization amounts and transactions have been eliminated.

Basis of Accounting

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

Financial Statement Presentation

The consolidated financial statements report amounts by class of net assets, as required by 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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 Organizations utilize FASB ASC 958-605, *Not-for-Profit Entities Revenue Recognition*. This standard requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the Organizations 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 Organizations record 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 Organizations with their operations. The volunteer hours have not been recorded in the financial statements since those services do not meet the criteria for recognition.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organizations consider 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, 2019 and 2018.

Accounts Receivable

The Organizations use the allowance method to account for uncollectible accounts receivable.

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 Organizations provide 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 to 40 years.

Depreciation in the amounts of $296,575 and $291,761 was charged to fixed assets for the years ended June 30, 2019 and 2018.

Investments

The Organizations have 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, 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organizations are 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 Organizations' tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organizations qualify for the charitable contribution deduction under Section 170(b)(1)(A) and have been classified as organizations other than a private foundation under Section 509(a)(2).

The Organizations utilize the provisions of FASB ASC 740-10, *Accounting for Uncertain Tax Positions*. The Organizations continually evaluate expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings. The Organizations believe that they have appropriate support for any tax positions taken, and as such, do 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 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 Organizations are expensed as incurred.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been reported on a functional basis in the consolidated statement of functional expenses.

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organizations' financial statements for the year ended June 30, 2018, from which the summarized information was derived.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassification

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

New Accounting Pronouncement

Effective July 1, 2018, the Organizations adopted FASB Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, (ASU 2016-14). The provisions of ASU 2016-14 are intended to simplify and improve the presentation of net assets, as well as provide information regarding liquidity, financial performance, and cash flows. The provisions of ASU 2016-14 that significantly change the Organizations' financial statements are as follows:

- Revises the net assets classification structure to two classes (net assets with donor restrictions and net assets without donor restrictions) instead of the previous three classes;

- Enhances disclosures for self-imposed limits on the use of resources both with and without donor-imposed restrictions; and

- Requires quantitative and qualitative disclosures on liquidity and the availability of resources to fund operations.

The financial statements for the year ended June 30, 2018, have been retrospectively restated for the effects of the adoption of ASU 2016-14, which resulted in temporarily and permanently restricted net assets being reported as net assets with donor restrictions, and unrestricted net assets being reported as net assets without donor restrictions. There was no change in total net assets, nor was there an effect on the change in net assets in the accompanying statements of activities for the year ended June 30, 2018.

NOTE 2. CONCENTRATION OF CREDIT RISK

The Organizations have deposits in financial institutions subject to the $250,000 limit insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2019 and 2018, there were no deposits in excess of the insurance provided by FDIC.

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

NOTE 3. FIXED ASSETS

The major classes of fixed assets in service at June 30, 2019 and 2018, are as follows:

	2019	2018
Land	828,835	828,835
Land improvements	34,666	30,300
Building	8,371,272	8,349,004
Playground	22,181	22,181
Equipment	1,323,668	1,241,514
Vehicles	325,026	335,264
	10,905,648	10,807,098
Less accumulated depreciation	4,590,843	4,342,741
Net fixed assets	6,314,805	6,464,357

NOTE 4. NET ASSETS WITHOUT DONOR RESTRICTIONS

The Board of Directors 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 $6,314,805 and $6,464,357 at June 30, 2019 and 2018, respectively.

NOTE 5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following as of June 30, 2019 and 2018:

	2019	2018
Contributions for specific projects	317,175	286,538
Restricted in perpetuity	1,865,335	1,881,702
	2,182,510	2,168,240

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.

NOTE 6. INVESTMENTS (Continued)

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.

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 year ended June 30, 2019, 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.

NOTE 6. INVESTMENTS (Continued)

Fair Value on a Recurring Basis

The table below presents the balances of assets measured at June 30, 2019, at fair value on a recurring basis.

	Total	Level 1	Level 2	Level 3
Cash equivalents	20,896	20,896		
Bond funds	6,046,784	6,046,784		
U.S. mutual funds	18,467,415	18,467,415		
Real estate	931,750		931,750	
Totals	25,466,845	24,535,095	931,750	

The carrying amounts, market value, unrealized gains, and unrealized losses of the investments at June 30, 2019 and 2018, are as follows:

	2019		
	Total Cost	Unrealized Gains (Losses)	Estimated Fair Value
Cash equivalents	20,896		20,896
Bond funds	4,876,690	1,170,094	6,046,784
U.S. mutual funds	13,374,788	5,092,627	18,467,415
Totals	18,272,374	6,262,721	24,535,095

	2018		
	Total Cost	Unrealized Gains (Losses)	Estimated Fair Value
Cash equivalents	18,458		18,458
Bond funds	6,014,130	(338,804)	5,675,326
U.S. mutual funds	11,631,542	6,707,539	18,339,081
Totals	17,664,130	6,368,735	24,032,865

NOTE 6. INVESTMENTS (Continued)

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 Organizations to retain their 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.

NOTE 7. EMPLOYEE BENEFIT PLAN

The Organizations have implemented 401(k) and 403(b) defined contribution pension plans, which cover all employees who have completed one year of service and attained age 21. The Organizations make contributions equal to 5% of each eligible employee's gross salary. The Organizations made contributions to the plans totaling $231,007 and $249,221 during the years ended June 30, 2019 and 2018.

The CEDARS Home for Children Foundation, Inc., and CEDARS Youth Services are participating in supplemental executive retirement agreements which have been classified as defined benefit plans. The Organizations have adopted the requirements of FASB-ASC 715-20, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, effective with the year ended June 30, 2009. FASB-ASC 715-20 requires the Organizations to recognize the funded status of a defined benefit plan. Information regarding the Plan as of June 30, 2019 and 2018, is summarized as follows:

Pension Plan obligations and funded status:

Projected benefit obligation	(1,460,966)	(1,378,270)
Plan assets at fair value	996,805	828,557
Net unfunded liability for postemployment benefits	(464,161)	(549,713)

Due to the nature of the supplemental executive retirement agreements, there is no current obligation until certain criteria are met. Additionally, there are no employer or participant contributions to the Plan, and no benefits paid in the current year.

NOTE 7. EMPLOYEE BENEFIT PLAN (Continued)

Amounts recognized in the statement of financial position consist of:

	2019	2018
Unfunded liability for postemployment benefits	464,161	549,713

Amounts recognized in the statement of activities consist of:

	2019	2018
Net gain	(59,183)	(57,139)
Net periodic pension cost	82,696	78,015
Expense recognized	23,513	20,876

The projected benefit obligation is calculated using a discount rate of 6% and the length of time until the participants reach the age of retirement. Plan assets are held in the form of mutual fund investments. No benefits are expected to be paid in the next five years.

The Organizations' overall investment strategy for the Plan's assets is to invest in mutual funds with a mix of approximately 74 percent equity funds and 26 percent bond funds

Fair values of the Plan's assets at June 30, 2019, by asset class are as follows:

	Total	Level 1	Level 2	Level 3
Bond funds	309,010	309,010		
U.S. mutual funds	687,795	687,795		
Totals	996,805	996,805		

NOTE 8. ANNUITY CONTRACTS PAYABLE

Annuity contracts payable consisted of the following at June 30, 2019:

	Contract Rate	Original Contracts	Present Value of Life-Annuity
Total for all annuitants	4.5% to 9.9%	897,815	321,171

NOTE 9. DONOR-DESIGNATED ENDOWMENTS

The Organization's endowment consists of 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 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 Organization 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 Organization 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 Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the 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 Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies

The Organization 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 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 Organization 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.

NOTE 9. DONOR-DESIGNATED ENDOWMENTS (Continued)

Spending Policy

The Organization 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 Organization 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 Organization 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 Organization'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, 2019 and 2018, is as follows:

	2019	2018
Net assets restricted in perpetuity	1,865,335	1,881,702

Changes in endowment net assets as of June 30, 2019 and 2018, are as follows:

	2019	2018
Endowment assets, beginning of year	1,881,702	1,889,062
Contributions	15,503	
Income	(31,870)	(7,360)
Transfers	- 0 -	- 0 -
Endowment assets, end of year	1,865,335	1,881,702

NOTE 10. ECONOMIC DEPENDENCY

CEDARS Youth Services received $5,902,950 or 77.50% of its service revenues during the year ended June 30, 2019, from the state of Nebraska, either through the Nebraska Department of Health and Human Services or the Probation Office. If this major funding source was lost, CEDARS Youth Services could not continue the level of services currently provided for that program.

NOTE 11. 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:

	2019	2018
Cash	197,902	249,254
Accounts receivable	503,431	634,988
	602,250	847,889

As part of the liquidity management plan, cash in excess of short-term requirements is invested in accordance with the investment policy of the Organizations.

NOTE 12. SUBSEQUENT EVENTS

In preparing the financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through September 18, 2019, the date the financial statements were available to be issued.