

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020



**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, 2021, 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, 2021, 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' 2020 financial statements, and our report dated September 11, 2020, 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, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Dana F Cole + Company, LLP

Lincoln, Nebraska
September 22, 2021

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	ASSETS		
		2021	2020
ASSETS			
Cash and cash equivalents		2,417,673	1,614,155
Cash - custodial funds			1,900
Accounts receivable (net of reserve for bad debts of \$88,496 for 2021 and \$88,496 for 2020)		1,092,724	514,460
Grant funds receivable		734,893	489,519
Prepaid expenses		51,650	54,102
Investments		38,426,223	26,263,150
Cash value life insurance		34,946	33,211
Fixed assets, at cost less accumulated depreciation of \$4,663,671 for 2021 and \$4,417,055 for 2020		<u>7,900,885</u>	<u>6,488,382</u>
TOTAL ASSETS		<u>50,658,994</u>	<u>35,458,879</u>
	LIABILITIES AND NET ASSETS		
LIABILITIES			
Accounts payable		1,056,670	257,042
Wages and payroll taxes accrued		378,383	363,477
Vacation liability accrued		361,485	332,328
Refundable reimbursements		30,328	30,834
Deferred revenues		12,500	21,985
PPP loan payable			1,517,100
Custodial funds			1,900
Unfunded liability for postemployment benefits		4,287	366,923
Annuities payable		<u>321,897</u>	<u>384,037</u>
Total liabilities		<u>2,165,550</u>	<u>3,275,626</u>
NET ASSETS			
Without donor restrictions			
Undesignated		37,879,270	23,385,083
Designated		<u>7,900,885</u>	<u>6,488,382</u>
		<u>45,780,155</u>	<u>29,873,465</u>
With donor restrictions			
Time and purpose restrictions		722,392	467,531
Restricted in perpetuity		<u>1,990,897</u>	<u>1,842,257</u>
		<u>2,713,289</u>	<u>2,309,788</u>
Total net assets		<u>48,493,444</u>	<u>32,183,253</u>
TOTAL LIABILITIES AND NET ASSETS		<u>50,658,994</u>	<u>35,458,879</u>

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, 2021
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUES AND OTHER SUPPORT				
Program revenues				
Service revenues	6,469,181		6,469,181	6,574,187
Grant revenues		5,122,874	5,122,874	2,732,021
Total program revenues	<u>6,469,181</u>	<u>5,122,874</u>	<u>11,592,055</u>	<u>9,306,208</u>
Support				
Contributions and gifts	3,264,468	403,957	3,668,425	1,375,126
Annuity contributions				17,520
Bequests	5,096,087		5,096,087	885,901
Total support	<u>8,360,555</u>	<u>403,957</u>	<u>8,764,512</u>	<u>2,278,547</u>
Farm income	26,442		26,442	24,129
Unrealized investment gains (losses)	6,950,091	(1,360)	6,948,731	276,472
Actuarial adjustments - annuities	134,911		134,911	(113,812)
Net investment income	842,594		842,594	724,638
Realized capital gains	1,056,746		1,056,746	697,828
Total investment income	<u>9,010,784</u>	<u>(1,360)</u>	<u>9,009,424</u>	<u>1,609,255</u>
Total revenues and other support	<u>23,840,520</u>	<u>5,525,471</u>	<u>29,365,991</u>	<u>13,194,010</u>
Net assets released from restriction	<u>5,121,970</u>	<u>(5,121,970)</u>		
TOTAL REVENUES AND OTHER SUPPORT	<u>28,962,490</u>	<u>403,501</u>	<u>29,365,991</u>	<u>13,194,010</u>
EXPENSES				
Program Services				
Out of Home Services	6,316,860		6,316,860	5,827,223
Family Support and Education	2,288,491		2,288,491	1,859,877
Youth Intervention	749,980		749,980	1,076,027
Evaluation	143,322		143,322	141,519
Administration	1,975,376		1,975,376	1,717,532
Total program services	<u>11,474,029</u>		<u>11,474,029</u>	<u>10,622,178</u>

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
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CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
EXPENSES (Continued)				
Supporting Services				
Management and general	1,273,377		1,273,377	1,152,148
Fundraising	308,394		308,394	310,013
Total supporting services	<u>1,581,771</u>		<u>1,581,771</u>	<u>1,462,161</u>
TOTAL EXPENSES	<u>13,055,800</u>		<u>13,055,800</u>	<u>12,084,339</u>
CHANGE IN NET ASSETS	15,906,690	403,501	16,310,191	1,109,671
NET ASSETS, beginning of year	<u>29,873,465</u>	<u>2,309,788</u>	<u>32,183,253</u>	<u>31,073,582</u>
NET ASSETS, end of year	<u>45,780,155</u>	<u>2,713,289</u>	<u>48,493,444</u>	<u>32,183,253</u>

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, 2021
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020

	Program Services						Supporting Services			Total All Expenses 2021	Total All Expenses 2020
	Out of Home Services	Family Support and Education	Youth Intervention	Evaluation	Administration	Total Program Services	Management and General	Fund- raising	Total Supporting Services		
Wages	2,543,372	1,481,934	408,334	103,734	1,388,081	5,925,455	668,401	120,640	789,041	6,714,496	6,164,861
Taxes	214,471	121,253	35,066	8,660	78,656	458,106	53,273	8,644	61,917	520,023	488,059
Benefits	348,240	232,881	65,593	19,644	223,100	889,458	81,546		81,546	971,004	1,050,425
Travel	64,597	31,435	30,751		5,591	132,374	179	80	259	132,633	118,739
Staff development, training, and recruiting	38,780	21,360	5,129	948	37,309	103,526	2,130	2,581	4,711	108,237	85,033
Printing and postage	1,611	528	216		6,799	9,154	6,391	83,099	89,490	98,644	148,041
Supplies	231,057	94,323	34,268	78	27,878	387,604	3,185	5,216	8,401	396,005	406,323
Professional fees	117,628	62,327	42,587	2,315	120,347	345,204	105,555	84,182	189,737	534,941	341,833
Foster care contract payments	1,798,908					1,798,908				1,798,908	1,908,128
Insurance	61,316	28,498	15,757	1,004	48,239	154,814	64,438	50	64,488	219,302	165,022
Assistance to youth	448,086	46,934	20,188		749	515,957				515,957	404,409
Occupancy	201,334	100,225	41,812	2,386	96,626	442,383	17,260	3,902	21,162	463,545	363,036
Equipment repair and maintenance and depreciation	95,998	61,282	17,783	953	127,403	303,419	268,671		268,671	572,090	430,151
Scholarship							2,348		2,348	2,348	3,950
Other expense	2,883	2,824	55		1,905	7,667				7,667	6,329
Intercompany rents	148,579	2,687	32,441	3,600	(187,307)						
Totals	<u>6,316,860</u>	<u>2,288,491</u>	<u>749,980</u>	<u>143,322</u>	<u>1,975,376</u>	<u>11,474,029</u>	<u>1,273,377</u>	<u>308,394</u>	<u>1,581,771</u>	<u>13,055,800</u>	<u>12,084,339</u>

See accompanying notes to consolidated financial statements.

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
CONSOLIDATED STATEMENTS OF CASH FLOWS
JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	<u>16,310,191</u>	<u>1,109,671</u>
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	332,095	307,064
Unrealized (gains) losses on investments	(6,948,731)	(276,472)
Gains on sale of assets	(1,056,746)	(697,828)
PPP loan forgiveness	(1,517,100)	
Contributions to permanently restricted endowment	(150,000)	(7,882)
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Accounts receivable	(578,264)	(11,029)
Grants receivable	(245,374)	(149,954)
Prepaid expenses	2,452	(16,368)
Cash value life insurance	(1,735)	(1,744)
Increase (decrease) in liabilities:		
Accounts payable	799,628	(72,027)
Wages and payroll taxes accrued	14,906	37,033
Vacation accrued	29,157	9,183
Custodial fund liability	(1,900)	1,900
Deferred revenues	(9,485)	(404)
Refundable reimbursement	(506)	(954)
Annuities payable	(62,140)	62,866
Unfunded liability for defined benefit plan	(362,636)	(97,238)
Total adjustments	<u>(9,756,379)</u>	<u>(913,854)</u>
Net cash provided by operating activities	<u>6,553,812</u>	<u>195,817</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(1,749,430)	(480,641)
Sales of fixed assets	5,250	5,900
Sales of investments	1,826,852	3,249,457
Purchase of investments	<u>(5,984,866)</u>	<u>(3,077,362)</u>
Net cash used in investing activities	<u>(5,902,194)</u>	<u>(302,646)</u>

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
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CONSOLIDATED STATEMENTS OF CASH FLOWS
JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans		1,517,100
Contributions to permanently restricted endowment	<u>150,000</u>	<u>7,882</u>
Net cash provided by financing activities	<u>150,000</u>	<u>1,524,982</u>
NET INCREASE IN CASH	801,618	1,418,153
CASH, beginning of year	<u>1,616,055</u>	<u>197,902</u>
CASH, end of year	<u><u>2,417,673</u></u>	<u><u>1,616,055</u></u>

See accompanying notes to consolidated financial statements.

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CEDARS Home for Children Foundation, Inc. (Foundation) is a nonprofit corporation organized to make a lasting impact in the lives of children by connecting the charitable community to the mission of CEDARS Youth Services. 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 70 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 walk alongside them, using a holistic approach that provides support from infancy through young adulthood, with a variety of services to meet individual needs.

We're also here to walk with 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 all 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.

CEDARS is accredited by the Council on Accreditation (COA) and the National Association for the Education of Young Children (NAEYC). CEDARS is a Charity Navigator Four Star Charity and a Top Rated Charity with CharityWatch.org, as well as a Better Business Bureau accredited business with an A+ rating and a partner of the United Way.

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.

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued)

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.

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, 2021 and 2020.

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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$332,095 and \$307,064 was charged to fixed assets for the years ended June 30, 2021 and 2020.

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.

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates (Continued)

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 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 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, 2020, 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 Organizations have deposits in financial institutions subject to the \$250,000 limit insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2021 and 2020, 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.

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

NOTE 3. FIXED ASSETS

The major classes of fixed assets in service at June 30, 2021 and 2020, are as follows:

	2021	2020
Land	828,835	828,835
Land improvements	30,300	34,666
Building	10,156,947	8,790,755
Playground	17,884	22,181
Equipment	1,158,479	904,774
Vehicles	372,111	324,226
	<u>12,564,556</u>	<u>10,905,437</u>
Less accumulated depreciation	<u>4,663,671</u>	<u>4,417,055</u>
Net fixed assets	<u><u>7,900,885</u></u>	<u><u>6,488,382</u></u>

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 \$7,900,885 and \$6,488,382 at June 30, 2021 and 2020, respectively.

NOTE 5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following as of June 30, 2021 and 2020:

	2021	2020
Contributions for specific projects	722,392	467,531
Restricted in perpetuity	<u>1,990,897</u>	<u>1,842,257</u>
	<u><u>2,713,289</u></u>	<u><u>2,309,788</u></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

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

NOTE 6. INVESTMENTS (Continued)

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.

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, 2021, 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.

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NOTE 6. INVESTMENTS (Continued)

Fair Value on a Recurring Basis

The table below presents the balances of assets measured at June 30, 2021 and 2020, at fair value on a recurring basis.

	2021			
	Total	Level 1	Level 2	Level 3
Cash equivalents	14,968	14,968		
Bond funds	9,202,313	9,202,313		
U.S. mutual funds	28,309,512	28,309,512		
Real estate	899,430		899,430	
Totals	<u>38,426,223</u>	<u>37,526,793</u>	<u>899,430</u>	
	2020			
	Total	Level 1	Level 2	Level 3
Cash equivalents	7,526	7,526		
Bond funds	6,481,930	6,481,930		
U.S. mutual funds	18,872,904	18,872,904		
Real estate	900,790		900,790	
Totals	<u>26,263,150</u>	<u>25,362,360</u>	<u>900,790</u>	

The carrying amounts, market value, unrealized gains, and unrealized losses of the investments at June 30, 2021 and 2020, are as follows:

	2021		
	Total Cost	Unrealized Gains (Losses)	Estimated Fair Value
Cash equivalents	14,968		14,968
Bond funds	7,332,969	1,869,344	9,202,313
U.S. mutual funds	<u>16,658,613</u>	<u>11,650,899</u>	<u>28,309,512</u>
Totals	<u>24,006,550</u>	<u>13,520,243</u>	<u>37,526,793</u>

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NOTE 6. INVESTMENTS (Continued)

Fair Value on a Recurring Basis (Continued)

	2020		
	Total Cost	Unrealized Gains (Losses)	Estimated Fair Value
Cash equivalents	7,526		7,526
Bond funds	4,987,598	1,494,332	6,481,930
U.S. mutual funds	<u>13,797,084</u>	<u>5,075,820</u>	<u>18,872,904</u>
Totals	<u>18,792,208</u>	<u>6,570,152</u>	<u>25,362,360</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 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 \$241,371 and \$215,253 during the years ended June 30, 2021 and 2020.

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*

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NOTE 7. EMPLOYEE BENEFIT PLAN (Continued)

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, 2021 and 2020, is summarized as follows:

Pension Plan obligations and funded status:

	2021	2020
Projected benefit obligation	(1,703,674)	(1,607,239)
Plan assets at fair value	<u>1,699,387</u>	<u>1,240,316</u>
Net unfunded liability for postemployment benefits	<u>(4,287)</u>	<u>(366,923)</u>

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.

Amounts recognized in the statement of financial position consist of:

	2021	2020
Unfunded liability for postemployment benefits	<u>4,287</u>	<u>366,923</u>

Amounts recognized in the statement of activities consist of:

	2021	2020
Net gain	(339,090)	(48,134)
Net periodic pension cost	<u>96,434</u>	<u>145,876</u>
Expense recognized	<u>(242,656)</u>	<u>97,742</u>

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.

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NOTE 7. EMPLOYEE BENEFIT PLAN (Continued)

Fair values of the Plan's assets at June 30, 2021, by asset class are as follows:

	Total	Level 1	Level 2	Level 3
Money market	1,215	1,215		
Bond funds	543,909	543,909		
U.S. mutual funds	<u>1,154,263</u>	<u>1,154,263</u>		
Totals	<u>1,699,387</u>	<u>1,699,387</u>		

NOTE 8. ANNUITY CONTRACTS PAYABLE

Annuity contracts payable consisted of the following at June 30, 2021:

	Contract Rate	Original Contracts	Present Value of Life-Annuity
Total for all annuitants	4.5% to 9.9%	<u>736,022</u>	<u>321,897</u>

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

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NOTE 9. DONOR-DESIGNATED ENDOWMENTS (Continued)

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.

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.

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NOTE 9. DONOR-DESIGNATED ENDOWMENTS (Continued)

Endowment net asset composition by type of fund as of June 30, 2021 and 2020, is as follows:

	2021	2020
Net assets restricted in perpetuity	<u>1,990,897</u>	<u>1,842,257</u>

Changes in endowment net assets as of June 30, 2021 and 2020, are as follows:

	2021	2020
Endowment assets, beginning of year	1,842,257	1,865,335
Contributions	150,000	7,882
Income	(1,360)	(30,960)
Transfers	<u>- 0 -</u>	<u>- 0 -</u>
Endowment assets, end of year	<u>1,990,897</u>	<u>1,842,257</u>

NOTE 10. ECONOMIC DEPENDENCY

CEDARS Youth Services received \$5,862,448 or 79.44% of its service revenues during the year ended June 30, 2021, 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. PPP LOAN

CEDARS Youth Services received \$1,517,100 loan from the SBA's Payroll Protection Program. This program provides loans to businesses that may be forgiven, provided certain criteria are met. Any amounts unforgiven have a maturity of 2 years, with an interest rate of 1%. The loan was fully forgiven in the fiscal year ended June 30, 2021.

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NOTE 12. 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:

	2021	2020
Cash	2,417,673	1,614,155
Accounts receivable	<u>1,092,724</u>	<u>514,460</u>
	<u>3,510,397</u>	<u>2,128,615</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 Organizations, the timing of its financial support to provide necessary operating cash flow.

NOTE 13. RISKS AND UNCERTAINTIES

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization's customers, employees, and vendors all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization's financial position and changes in net assets and cash flows is uncertain and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.

NOTE 14. SUBSEQUENT EVENT

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 22, 2021, the date the financial statements were available to be issued.