

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017



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

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

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4 - 5
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Cash Flows	7 - 8
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	9 - 20



**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, 2018, 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The CEDARS Home for Children Foundation, Inc., and CEDARS Youth Services as of June 30, 2018, 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' 2017 financial statements, and our report dated September 11, 2017, 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, 2017, 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 20, 2018

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
ASSETS		
Cash	249,254	708,789
Accounts receivable (net of reserve for bad debts of \$88,496 for 2018 and \$88,496 for 2017)	634,988	709,019
Grant funds receivable	387,134	230,643
Prepaid expenses	24,788	24,758
Investments	24,996,485	23,776,836
Cash value life insurance	29,812	28,169
Fixed assets, at cost less accumulated depreciation of \$4,342,741 for 2018 and \$4,083,783 for 2017	<u>6,464,357</u>	<u>6,631,701</u>
TOTAL ASSETS	<u><u>32,786,818</u></u>	<u><u>32,109,915</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	319,327	351,268
Wages and payroll taxes accrued	366,516	367,814
Vacation liability accrued	412,417	267,155
Refundable reimbursements	30,307	29,339
Deferred revenues	100,596	205,983
Custodial funds		3,150
Unfunded liability for postemployment benefits	549,713	647,817
Annuities payable	<u>336,961</u>	<u>413,600</u>
Total liabilities	<u><u>2,115,837</u></u>	<u><u>2,286,126</u></u>
NET ASSETS		
Unrestricted		
Unappropriated	22,038,384	21,281,516
Appropriated	<u>6,464,357</u>	<u>6,631,701</u>
	28,502,741	27,913,217
Temporarily restricted	286,538	21,510
Permanently restricted	<u>1,881,702</u>	<u>1,889,062</u>
Total net assets	<u><u>30,670,981</u></u>	<u><u>29,823,789</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>32,786,818</u></u>	<u><u>32,109,915</u></u>

See accompanying notes to financial statements.

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total 2018	Total 2017
REVENUES AND OTHER SUPPORT					
Program revenues					
Service revenues	8,474,547			8,474,547	8,587,627
Grant revenues		2,320,705		2,320,705	1,987,861
Total program revenues	<u>8,474,547</u>	<u>2,320,705</u>		<u>10,795,252</u>	<u>10,575,488</u>
Support					
Contributions and gifts	749,844	274,777		1,024,621	1,144,183
Annuity contributions	39,602			39,602	10,407
Bequests	408,711			408,711	319,807
Total support	<u>1,198,157</u>	<u>274,777</u>		<u>1,472,934</u>	<u>1,474,397</u>
Farm income	23,589			23,589	28,053
Unrealized investment gains (losses)	953,525		(7,360)	946,165	2,240,339
Actuarial adjustments - annuities	20,034			20,034	(84,934)
Net investment income	718,682			718,682	626,250
Realized capital gains	529,137			529,137	267,602
Total investment income (loss)	<u>2,244,967</u>		<u>(7,360)</u>	<u>2,237,607</u>	<u>3,077,310</u>
Total revenues and support	<u>11,917,671</u>	<u>2,595,482</u>	<u>(7,360)</u>	<u>14,505,793</u>	<u>15,127,195</u>
Net assets released from restriction	<u>2,330,454</u>	<u>(2,330,454)</u>			
TOTAL REVENUES AND OTHER SUPPORT	<u>14,248,125</u>	<u>265,028</u>	<u>(7,360)</u>	<u>14,505,793</u>	<u>15,127,195</u>

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total 2018	Total 2017
EXPENSES					
Program Services					
Out of Home Services	6,191,534			6,191,534	5,488,986
Early Childhood and School Age	1,836,789			1,836,789	1,801,868
Family Solutions	1,073,329			1,073,329	920,554
Juvenile Justice	1,430,063			1,430,063	1,543,914
Evaluation	164,368			164,368	111,091
Administration	1,638,922			1,638,922	1,603,092
Total program services	<u>12,335,005</u>			<u>12,335,005</u>	<u>11,469,505</u>
Supporting Services					
Management and general	969,739			969,739	969,035
Fundraising	353,857			353,857	452,137
Total supporting services	<u>1,323,596</u>			<u>1,323,596</u>	<u>1,421,172</u>
TOTAL EXPENSES	<u>13,658,601</u>			<u>13,658,601</u>	<u>12,890,677</u>
CHANGE IN NET ASSETS	589,524	265,028	(7,360)	847,192	2,236,518
NET ASSETS, beginning of year	<u>27,913,217</u>	<u>21,510</u>	<u>1,889,062</u>	<u>29,823,789</u>	<u>27,587,271</u>
NET ASSETS, end of year	<u>28,502,741</u>	<u>286,538</u>	<u>1,881,702</u>	<u>30,670,981</u>	<u>29,823,789</u>

See accompanying notes to financial statements.

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

	Program Services						Supporting Services			Total All Expenses 2018	Total All Expenses 2017	
	Out of Home Services	Early Childhood School Age	Family Solutions	Juvenile Justice	Evaluation	Administration	Total Program Services	Management and General	Fund- raising			Total Supporting Services
Wages	2,183,082	1,171,388	629,109	860,252	116,835	1,226,110	6,186,776	486,571	177,479	664,050	6,850,826	6,439,583
Taxes	169,329	94,743	50,331	70,424	10,135	91,084	486,046	47,676		47,676	533,722	510,244
Benefits	343,236	209,172	113,049	161,512	23,666	258,591	1,109,226	104,702		104,702	1,213,928	1,158,267
Travel	94,696	12,559	35,430	52,976		4,099	199,760	878	383	1,261	201,021	203,575
Staff development, training, and recruiting	50,917	23,836	16,967	15,125	519	22,077	129,441	1,899	1,473	3,372	132,813	124,412
Printing and postage	3,308	316	864	703	76	3,634	8,901	8,937	148,277	157,214	166,115	207,574
Supplies	172,764	90,938	46,454	19,853	31	24,775	354,815	2,222	20,693	22,915	377,730	399,558
Professional fees	2,562,378	30,572	133,632	84,834	5,894	60,396	2,877,706	28,318	5,472	33,790	2,911,496	2,630,156
Insurance	34,767	12,184	12,816	16,369	588	47,954	124,678	30,695		30,695	155,373	152,033
Assistance to youth	265,424	69,045	8,502	23,485			366,456	1,206		1,206	367,662	316,282
Occupancy	107,568	43,047	56,765	49,685	1,716	54,012	312,793	11,272	80	11,352	324,145	307,235
Equipment repair and maintenance and depreciation	54,224	19,858	14,951	27,686	1,004	51,441	169,164	245,363		245,363	414,527	436,378
Scholarship												
Other expense	2,725	6,187		90		241	9,243				9,243	5,380
Intercompany rents	147,116	52,944	(45,541)	47,069	3,904	(205,492)						
Totals	<u>6,191,534</u>	<u>1,836,789</u>	<u>1,073,329</u>	<u>1,430,063</u>	<u>164,368</u>	<u>1,638,922</u>	<u>12,335,005</u>	<u>969,739</u>	<u>353,857</u>	<u>1,323,596</u>	<u>13,658,601</u>	<u>12,890,677</u>

See accompanying notes to financial statements.

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
CONSOLIDATED STATEMENT OF CASH FLOWS
JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	<u>847,192</u>	<u>2,236,518</u>
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	291,761	307,894
Unrealized gains on investments	(946,165)	(2,240,339)
Gain on sale of assets	(529,137)	(267,602)
Contributions to permanently restricted endowment		(7,500)
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Accounts receivable	74,031	42,817
Grants receivable	(156,491)	36,660
Prepaid expenses	(30)	(9,570)
Cash value life insurance	(1,643)	(1,681)
Increase (decrease) in liabilities:		
Accounts payable	(31,941)	85,863
Wages and payroll taxes accrued	(1,298)	12,334
Vacation accrued	145,262	10,047
Custodial fund liability	(3,150)	2,700
Deferred revenues	(105,387)	114,672
Refundable reimbursement	968	10,197
Annuities payable	(76,639)	(15,383)
Unfunded liability for defined benefit plan	(98,104)	(52,712)
Total adjustments	<u>(1,437,963)</u>	<u>(1,971,603)</u>
Net cash provided by (used in) operating activities	<u>(590,771)</u>	<u>264,915</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(126,743)	(232,288)
Sales of fixed assets	830	46,383
Sales of investments	1,759,096	697,721
Purchase of investments	<u>(1,501,947)</u>	<u>(304,265)</u>
Net cash provided by investing activities	<u>131,236</u>	<u>207,551</u>

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
CONSOLIDATED STATEMENT OF CASH FLOWS
JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions to permanently restricted endowment		7,500
Net cash provided by financing activities		7,500
NET INCREASE (DECREASE) IN CASH	(459,535)	479,966
CASH, beginning of year	708,789	228,823
CASH, end of year	249,254	708,789

See accompanying notes to 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., 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 Management Contract.

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

Financial statement presentation follows the recommendations of the FASB ASC 958-205, *Financial Statements of Not-for-Profit Organizations*. Under this standard, the Organizations are required to report information regarding their financial position and activities according

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories utilized by the Organizations follows:

Unrestricted Net Assets

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains or losses on investments and any other assets or liabilities are reported as increases in unrestricted net assets unless their use is limited by donor stipulation or by laws.

Temporarily Restricted Net Assets

Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met, trust activity, deferred gifts, and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted or determined.

Permanently Restricted Net Assets

Permanently restricted net assets include gifts, trusts, and pledges receivable which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor.

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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued)

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, 2018 and 2017.

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 \$291,761 and \$307,894 was charged to fixed assets for the years ended June 30, 2018 and 2017.

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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

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 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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2017, 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, 2018 and 2017, 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, 2018 and 2017, are as follows:

	2018	2017
Land	828,835	828,835
Land improvements	30,300	22,800
Building	8,349,004	8,331,151
Playground	22,181	22,181
Equipment	1,241,514	1,160,094
Vehicles	335,264	350,423
	<u>10,807,098</u>	<u>10,715,484</u>
Less accumulated depreciation	4,342,741	4,083,783
Net fixed assets	<u>6,464,357</u>	<u>6,631,701</u>

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

NOTE 4. NET ASSETS

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 \$6,464,357 and \$6,631,701 at June 30, 2018 and 2017, respectively.

NOTE 5. RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following as of June 30, 2018 and 2017:

	2018	2017
Contributions for specific projects	<u>286,538</u>	<u>21,510</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.

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
NOTES TO CONSOLIDATED 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 year ended June 30, 2018, 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, 2018, at fair value on a recurring basis.

	Total	Level 1	Level 2	Level 3
Cash equivalents	18,458	18,458		
Bond funds	5,675,326	5,675,326		
U.S. mutual funds	18,339,081	18,339,081		
Real estate	963,620		963,620	
	<u>24,996,485</u>	<u>24,032,865</u>	<u>963,620</u>	
Totals	<u>24,996,485</u>	<u>24,032,865</u>	<u>963,620</u>	

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

NOTE 6. INVESTMENTS (Continued)

The carrying amounts, market value, unrealized gains, and unrealized losses of the investments at June 30, 2018 and 2017, are as follows:

	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	<u>11,631,542</u>	<u>6,707,539</u>	<u>18,339,081</u>
Totals	<u>17,664,130</u>	<u>6,368,735</u>	<u>24,032,865</u>
	2017		
	Total Cost	Unrealized Gains (Losses)	Estimated Fair Value
Cash equivalents	14,869		14,869
Common stocks	14,795		16,187
Bond funds	5,126,196	(125,380)	5,000,816
U.S. mutual funds	<u>12,234,786</u>	<u>5,539,198</u>	<u>17,773,984</u>
Totals	<u>17,390,646</u>	<u>5,413,818</u>	<u>22,805,856</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.

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

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 \$249,221 and \$224,677 during the years ended June 30, 2018 and 2017.

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, 2018 and 2017, is summarized as follows:

Pension Plan obligations and funded status:

	2018	2017
Projected benefit obligation	(1,378,270)	(1,300,255)
Plan assets at fair value	<u>828,557</u>	<u>652,438</u>
Net unfunded liability for postemployment benefits	<u>(549,713)</u>	<u>(647,817)</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:

	2018	2017
Unfunded liability for postemployment benefits	<u>549,713</u>	<u>647,817</u>

Amounts recognized in the statement of activities consist of:

	2018	2017
Net gain	(57,139)	(61,606)
Net periodic pension cost	<u>78,015</u>	<u>73,600</u>
Expense recognized	<u>20,876</u>	<u>11,994</u>

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

NOTE 7. EMPLOYEE BENEFIT PLAN (Continued)

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 Organization's 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, 2018, by asset class are as follows:

	Total	Level 1	Level 2	Level 3
Bond funds	240,282	240,282		
U.S. mutual funds	<u>588,275</u>	<u>588,275</u>		
Totals	<u>828,557</u>	<u>828,557</u>		

NOTE 8. ANNUITY CONTRACTS PAYABLE

Annuity contracts payable consisted of the following at June 30, 2018:

	Contract Rate	Original Contracts	Present Value of Life-Annuity
Total for all annuitants	4.5% to 9.9%	<u>913,401</u>	<u>336,961</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 CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9. DONOR-DESIGNATED ENDOWMENTS (Continued)

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.

Spending Policy

The Organization has a policy of appropriating for distribution each year 5% of the three-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.

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

NOTE 9. DONOR-DESIGNATED ENDOWMENTS (Continued)

Spending Policy (Continued)

Endowment net asset composition by type of fund as of June 30, 2018 and 2017, is as follows:

	2018	2017
Permanently restricted endowment funds	<u>1,881,702</u>	<u>1,889,062</u>

Changes in endowment net assets as of June 30, 2018 and 2017, are as follows:

	2018	2017
Endowment assets, beginning of year	1,889,062	1,883,192
Contributions	- 0 -	7,500
Income	(7,360)	(1,630)
Transfers	<u>- 0 -</u>	<u>- 0 -</u>
Endowment assets, end of year	<u>1,881,702</u>	<u>1,889,062</u>

NOTE 10. ECONOMIC DEPENDENCY

CEDARS Youth Services received \$7,555,345 or 65.31% of its service revenues during the year ended June 30, 2018, 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. SUBSEQUENT EVENTS

In preparing the financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through September 20, 2018, the date the financial statements were available to be issued.