

***Nebraska Children and Families Foundation  
Lincoln, Nebraska***

***December 31, 2023 and 2022***

***Financial Statements  
and  
Independent Auditor's Report***



CPAs & Consultants | Wealth Management

Nebraska Children and Families Foundation

Years ended December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

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The Board of Directors  
Nebraska Children and Families Foundation  
Lincoln, Nebraska

**Report on the Financial Statements**

***Opinion***

We have audited the financial statements of Nebraska Children and Families Foundation, which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Nebraska Children and Families Foundation as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Nebraska Children and Families Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Change in Accounting Principle***

As discussed in Note P to the financial statements, in 2023, the entity adopted new accounting guidance ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Nebraska Children and Families Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Nebraska Children and Families Foundation's ability to continue as a going concern for a reasonable period of time.

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



### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated August 8, 2024 on our consideration of Nebraska Children and Families Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Nebraska Children and Families Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Nebraska Children and Families Foundation's internal control over financial reporting and compliance.

*ABE LLP*

Lincoln, Nebraska  
August 8, 2024

Nebraska Children and Families Foundation

STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS

	<u>2023</u>	<u>2022</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents, undesignated (note A)	\$ 9,788,041	\$ 13,793,058
Cash and cash equivalents, restricted (note A)	67,641	92,673
Grants receivable (notes A and B)	10,506,543	13,731,430
Prepaid expenses and other assets	<u>134,552</u>	<u>108,230</u>
Total current assets	20,496,777	27,725,391
PROPERTY AND EQUIPMENT, net (notes A and F)	627,822	851,518
RESTRICTED INVESTMENTS (notes A, D and E)	30,394,473	29,460,850
OPERATING LEASE RIGHT-OF-USE ASSETS (notes A and J)	<u>695,966</u>	<u>760,387</u>
Total assets	<u>\$ 52,215,038</u>	<u>\$ 58,798,146</u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable (note H)	\$ 3,560,621	\$ 5,901,474
Accrued expenses	724,808	583,914
Unearned grant revenue (note A)	-	2,000,000
Operating lease obligations, current (notes A and J)	<u>309,964</u>	<u>301,186</u>
Total current liabilities	4,595,393	8,786,574
<b>NONCURRENT LIABILITIES</b>		
Operating lease obligations, net of current maturities (notes A and J)	<u>391,784</u>	<u>463,071</u>
Total liabilities	<u>4,987,177</u>	<u>9,249,645</u>
<b>NET ASSETS (notes A, G, and I)</b>		
Without donor restrictions	4,975,184	5,335,742
With donor restrictions	<u>42,252,677</u>	<u>44,212,759</u>
Total net assets	<u>47,227,861</u>	<u>49,548,501</u>
Total liabilities and net assets	<u>\$ 52,215,038</u>	<u>\$ 58,798,146</u>

See accompanying notes to financial statements.

Nebraska Children and Families Foundation

STATEMENTS OF ACTIVITIES

Years ended December 31,

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>						
Federal and state grants	\$ 29,692,795	\$ -	\$ 29,692,795	\$ 51,574,539	\$ -	\$ 51,574,539
Other agency grants	-	11,730,284	11,730,284	-	14,997,696	14,997,696
Investment return (note D)	465,689	3,603,906	4,069,595	101,366	(3,786,648)	(3,685,282)
Contributions and donations	281,287	-	281,287	414,023	-	414,023
Contributed nonfinancial assets (note O)	2,850,766	-	2,850,766	1,112,225	-	1,112,225
Other income	21,362	-	21,362	34,337	-	34,337
Net assets released from restrictions (note G)	17,294,272	(17,294,272)	-	16,685,739	(16,685,739)	-
Total revenue and support	50,606,171	(1,960,082)	48,646,089	69,922,229	(5,474,691)	64,447,538
<b>EXPENSES (notes A and C)</b>						
Program services	46,673,116	-	46,673,116	66,199,479	-	66,199,479
Management and general	3,717,499	-	3,717,499	2,735,288	-	2,735,288
Fundraising	576,114	-	576,114	683,841	-	683,841
Total expenses	50,966,729	-	50,966,729	69,618,608	-	69,618,608
INCREASE (DECREASE) IN NET ASSETS	(360,558)	(1,960,082)	(2,320,640)	303,621	(5,474,691)	(5,171,070)
Net assets, beginning of year	5,335,742	44,212,759	49,548,501	5,032,121	49,687,450	54,719,571
Net assets, end of year	\$ 4,975,184	\$ 42,252,677	\$ 47,227,861	\$ 5,335,742	\$ 44,212,759	\$ 49,548,501

See accompanying notes to financial statements.

Nebraska Children and Families Foundation

STATEMENTS OF CASH FLOWS

Years ended December 31,

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from revenue and support	\$ 47,801,381	\$ 70,615,914
Cash paid to employees, suppliers, and contracted agencies	(52,278,258)	(67,014,636)
Interest received	<u>465,689</u>	<u>101,366</u>
Net cash provided (used) by operating activities	<u>(4,011,188)</u>	<u>3,702,644</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from maturity of certificates of deposit	-	9,001,498
Purchase of certificates of deposit	-	(4,000,000)
Proceeds from sale of investments	4,950,884	2,927,316
Purchase of investments	(2,280,601)	(2,927,311)
Purchase of property and equipment	<u>(19,144)</u>	<u>(15,794)</u>
Net cash provided by investing activities	<u>2,651,139</u>	<u>4,985,709</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Distribution to State Early Childhood Education Private Endowment Cash Fund	<u>(2,670,000)</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(4,030,049)</b>	<b>8,688,353</b>
Cash and cash equivalents, undesignated, beginning of year	13,793,058	5,092,806
Cash and cash equivalents, restricted, beginning of year	<u>92,673</u>	<u>104,572</u>
Cash and cash equivalents, undesignated, end of year	<u>\$ 9,788,041</u>	<u>\$ 13,793,058</u>
Cash and cash equivalents, restricted, end of year	<u>\$ 67,641</u>	<u>\$ 92,673</u>
Reconciliation of decrease in net assets to net cash provided (used) by operating activities		
Decrease in net assets	<u>\$ (2,320,640)</u>	<u>\$ (5,171,070)</u>
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities		
Depreciation	242,840	236,521
Reduction in carrying amount of right-of-use assets	64,421	299,985
Distribution to State Early Childhood Education Private Endowment Cash Fund	2,670,000	-
Net realized and unrealized losses (gains) on investments	(2,924,328)	4,241,104
Reinvested interest	(679,578)	(454,456)
(Increase) decrease in assets		
Grants receivable	3,224,887	2,483,094
Prepaid and other assets	(26,322)	24,576
Increase (decrease) in liabilities		
Accounts payable	(2,340,853)	2,277,550
Accrued expenses	140,894	63,439
Unearned grant revenue	(2,000,000)	(1,983)
Operating lease obligations	<u>(62,509)</u>	<u>(296,116)</u>
Total adjustments to decrease in net assets	<u>(1,690,548)</u>	<u>8,873,714</u>
Net cash provided (used) by operating activities	<u>\$ (4,011,188)</u>	<u>\$ 3,702,644</u>
<b>Supplemental disclosure of noncash investing activities</b>		
Right-of-use assets obtained in exchange for lease liabilities upon ASC 842 implementation	<u>\$ -</u>	<u>\$ 1,060,373</u>
Right-of-use assets modified in exchange for lease liabilities	<u>\$ 238,667</u>	<u>\$ -</u>

See accompanying notes to financial statements.

Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

Nebraska Children and Families Foundation (the “Foundation”) is a non-profit organization whose mission and principal activities are focused on supporting programs and initiatives that are designed to benefit communities, families, and children. The Foundation provides support through an integrated system of funding, programs, technical assistance, education and advocacy in the State of Nebraska. The Foundation’s programs are designed to support children and their families in the following areas: Early Childhood Care and Education, Prevention of Child Abuse, Prevention of Entry into the Child Welfare System, Promoting School Success/Prevention of Truancy and Transitioning to Adulthood. The Foundation’s operations are funded through federal and state grants, other agency grants, contributions, and donations.

The Foundation also administers the Early Childhood Education Private Endowment Fund (the “Endowment Fund”). The Nebraska Early Childhood Education Endowment, consisting of the Endowment Fund and the Early Childhood Endowment Cash Fund (the “Cash Fund”) which is separately maintained by the State of Nebraska, was established as a result of the passage of Neb. Rev. Stat 79-1104 by the Nebraska Legislature. The legislation provides for grants to schools and community partners to provide programs and services for at-risk children, from birth to age three. In 2006, the State of Nebraska Department of Education awarded the contract for administration and development of the private fund of Neb. Rev. Stat. 79-1104 to the Foundation. As a result, the Foundation established the Endowment Fund, also known as Sixpence Early Learning Fund, for fundraising and development purposes. The Foundation’s financial statements include the activities of the Endowment Fund which consist of contributions restricted for private endowment activities, earnings on private endowment fund investments, and expenses including administration and program expenses.

**NOTE A - SUMMARY OF ACCOUNTING POLICIES**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

**Method of Accounting.** The accompanying financial statements have been prepared on the accrual basis of accounting.

**Cash and Cash Equivalents.** For purposes of the statements of cash flows, the Foundation considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents are measured at amortized cost, thus, evaluated for expected credit losses. Based on management’s review of historical data in addition to current conditions and forecasts, the Foundation has not recognized an expected credit loss.

**Restricted Cash and Cash Equivalents.** Restricted cash and cash equivalents represent cash held by the Endowment Fund and a certificate of deposit that guarantees loans, see Note N. Cash and cash equivalents are measured at amortized cost, thus, evaluated for expected credit losses. Based on management’s review of historical data in addition to current conditions and forecasts, the Foundation has not recognized an expected credit loss.

**Grants Receivable.** Grant receivables are stated at the amount management expects to collect from balances outstanding at year-end. Grants receivable expected to be collected or paid in more than one year are recognized at the present value of estimated future cash flows. Based on management’s assessment of the credit history of grantors having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

**NOTE A - SUMMARY OF ACCOUNTING POLICIES – CONTINUED**

**Investments.** Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities as net assets with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

**Fair Value Measurements.** 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 measurement date. The Foundation utilizes a framework to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1      Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2      Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets or liabilities in inactive markets;
  - inputs other than quoted prices that are observable for the asset or liability;
  - inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3      Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**Property and Equipment and Depreciation.** Property and equipment are carried at cost, if purchased and at fair market value at the date of contribution, if received by donation, less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives computed primarily on the straight-line method. It is the Foundation's policy to capitalize property and equipment over \$5,000. Lesser amounts are expensed. The estimated lives by asset class follows:

Equipment, furniture, and fixtures	3 - 10 years
Leasehold improvements	5 - 10 years

**NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED**

**Net Asset Classification.** Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Without donor restrictions.** Net assets available for use in general operations and not subject to donor or grantor restrictions.

**With donor restrictions.** Net assets subject to donor- or grantor-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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. 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.

**Revenue Recognition.** The Foundation is primarily funded through contributions and governmental and other grants. Recognition policies are as follows:

**Federal and State Grants.**

The Foundation is the recipient of federal and state grants to fund its primary programs. Grants consist primarily of conditional grants, that is, those with a measurable performance or other barrier, and a right of return. Grants are not recognized until the conditions on which they depend have been substantially met. The federal and state government grants are conditioned upon the incurrence of allowable qualifying expenses. Grants are recorded as revenue when the related approved expenditures are made. Unearned grant revenue represents advances of grant funds received prior to the incurrence of related costs by the Foundation. At December 31, 2023 and 2022, conditional reimbursement-basis grants of \$26,641,462 and \$39,799,526, respectively, were awarded to the Foundation, for which the Foundation had not yet incurred related expenditures.

**Contributions and Other Grants.**

Contributions are recognized when a donor makes a promise to give that is, in substance, unconditional. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. At December 31, 2023 and 2022, conditional contributions from private grants totaling \$1,700,000 were awarded to the Foundation, for which no amounts had been received in advance. These conditional contributions have not been recognized in the accompanying financial statements.

**NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED**

**Endowment Fund.**

Interpretation of State Law

The Endowment Fund's endowment consists of an individual donor-restricted fund established for the Early Childhood Education Private Endowment Fund of Nebraska Children and Families Foundation. As required by accounting principles generally accepted in the United State of America (U.S.GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's governing body has interpreted the State of Nebraska Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions the original value of gifts donated to the permanent endowment and accumulations to the permanent endowment made in accordance with the understanding of donor directions. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until these amounts are appropriated for expenditure by the Foundation in a manner consistent with the standards of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

Endowment Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity. Under the Foundation's policies, endowment assets are invested in a manner that is intended to produce results that maximize both cash and capital gain income while assuming an acceptable level of investment risk.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.



**NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED**

The Foundation's endowment spending policy requires distribution of earnings as defined by applicable state law. Earnings consist of interest, dividends and net unrealized and realized appreciation, net of reasonable administration fees. In accordance with state law, distributions of the earnings are to be deposited into the Early Childhood Education Endowment Cash Fund.

**Contributed Nonfinancial Assets.** Contributed nonfinancial assets are recorded as contributions at their estimated fair values at the date of donation. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would have otherwise been purchased by the Foundation. It is the Foundation's policy to sell all contributed assets immediately upon receipt unless the asset is restricted for use in a specific program by the donor.

**Functional Allocation of Expenses.** The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, which is allocated on a square footage basis, as well as salaries, payroll taxes and benefits, which are allocated on the basis of estimates of time and effort.

**Leases.** At inception, the Foundation determines if a contract is or includes a lease arrangement. The Foundation's lease commitments include office space. The following describes the Foundation's accounting policies related to its leasing arrangements:

As lessee

Leased assets represent the right to control the use of an identified asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. The Foundation recognizes a right-of-use asset and related liability at the commencement date, generally based on the present value of lease payments over the lease term using the applicable risk-free rate. Leases with an initial term of 12 months or less, including month to month leases, are not recorded on the statement of financial position and are expensed on a straight-line basis.

*Operating Leases*

Operating lease assets and liabilities are recognized separately on the Foundation's statement of financial position. The Foundation recognizes a single lease expense on a straight-line basis over the lease term. Non-lease components including expenses for common area maintenance are expensed as incurred.

**Income Taxes.** The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, income earned in the performance of its exempt purpose is not subject to income tax. Any income earned through activities not related to its exempt purpose is subject to income tax at normal corporate rates. For the years ended December 31, 2023 and 2022, the Foundation had no tax liability on unrelated business activity. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation's Federal Exempt Organization Business Income Tax Returns (Form 990) for December 31, 2023, 2022 and 2021 are subject to examination by the IRS, generally for three years after they were filed.

Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

**NOTE A - SUMMARY OF ACCOUNTING POLICIES – CONTINUED**

**Use of Estimates.** The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE B - GRANTS RECEIVABLE**

Grants receivable consist of the following:

	<u>2023</u>	<u>2022</u>
Private grants receivable due in less than one year	\$ 2,280,772	\$ 4,192,180
Private grants receivable due in one to five years	236,270	170,732
Federal and state grant reimbursements	<u>7,989,501</u>	<u>9,368,518</u>
	<u>\$ 10,506,543</u>	<u>\$ 13,731,430</u>

**NOTE C - FUNCTIONAL EXPENSE CLASSIFICATION**

Expenses by functional classification for the years ended December 31, 2023 and 2022 consist of the following:

	<u>2023</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 6,299,699	\$ 2,023,182	\$ 320,254	\$ 8,643,135
Payroll taxes and benefits	1,656,913	430,177	103,519	2,190,609
Professional fees	1,171,565	105,318	32,329	1,309,212
Occupancy	129,710	243,484	4,836	378,030
Travel and meeting expenses	576,301	28,380	48,862	653,543
Insurance	288	25,774	528	26,590
Advertising	45,405	225	1,570	47,200
Information technology	74,696	196,691	16,046	287,433
Office expense	49,552	135,377	13,803	198,732
Depreciation	-	232,978	9,862	242,840
Grants and other assistance	34,033,138	-	4,713	34,037,851
Sixpence Endowment Fund	1,300,000	-	-	1,300,000
Consulting fees	76,428	264,779	-	341,207
Miscellaneous	130,055	1,665	8,164	139,884
Supplies	<u>1,129,366</u>	<u>29,469</u>	<u>11,628</u>	<u>1,170,463</u>
Total expenses	<u>\$ 46,673,116</u>	<u>\$ 3,717,499</u>	<u>\$ 576,114</u>	<u>\$ 50,966,729</u>

Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

**NOTE C - FUNCTIONAL EXPENSE CLASSIFICATION – CONTINUED**

	2022			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 5,650,949	\$ 1,469,174	\$ 338,571	\$ 7,458,694
Payroll taxes and benefits	1,503,157	304,943	94,643	1,902,743
Professional fees	1,161,033	47,505	2,545	1,211,083
Occupancy	130,173	221,796	19,634	371,603
Travel and meeting expenses	485,521	12,510	57,205	555,236
Insurance	288	22,231	417	22,936
Advertising	68,109	2,993	54,508	125,610
Information technology	51,719	178,190	15,724	245,633
Office expense	53,785	128,614	15,361	197,760
Depreciation	-	226,921	9,600	236,521
Grants and other assistance	55,361,391	-	1,100	55,362,491
Sixpence Endowment Fund	1,300,000	-	-	1,300,000
Consulting fees	42,123	-	57,890	100,013
Miscellaneous	128,972	75,458	8,218	212,648
Supplies	262,259	44,953	8,425	315,637
<b>Total expenses</b>	<b><u>\$ 66,199,479</u></b>	<b><u>\$ 2,735,288</u></b>	<b><u>\$ 683,841</u></b>	<b><u>\$ 69,618,608</u></b>

**NOTE D - RESTRICTED INVESTMENTS**

Investments at December 31, 2023 and 2022 consisted of the following:

	2023	
	<u>Cost</u>	<u>Market</u>
Money market fund	\$ 61,442	\$ 61,442
Equity securities	17,156,567	18,010,644
Mutual funds	13,467,238	12,322,387
	<b><u>\$ 30,685,247</u></b>	<b><u>\$ 30,394,473</u></b>
	2022	
	<u>Cost</u>	<u>Market</u>
Money market fund	\$ 798,236	\$ 798,236
Equity securities	17,664,104	15,220,714
Mutual funds	14,821,297	13,441,900
	<b><u>\$ 33,283,637</u></b>	<b><u>\$ 29,460,850</u></b>

Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

**NOTE D - RESTRICTED INVESTMENTS - CONTINUED**

Total investment return is comprised of the following:

	<u>2023</u>	<u>2022</u>
Interest and dividend income	\$ 1,145,267	\$ 555,822
Net realized and unrealized gains (losses)	<u>2,924,328</u>	<u>(4,241,104)</u>
	<u>\$ 4,069,595</u>	<u>\$ (3,685,282)</u>

**NOTE E - FAIR VALUE MEASUREMENTS**

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used during the years ended December 31, 2023 and 2022.

*Money Market and Mutual Funds:* Fair values for investments are valued at the net asset value (NAV) of shares held by the Foundation at year-end.

*Equity Securities:* Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

**NOTE E - FAIR VALUE MEASUREMENTS – CONTINUED**

The following tables set forth the balances of assets measured at fair value on a recurring basis as of December 31, 2023 and 2022:

	2023			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market fund	\$ 61,442	\$ 61,442	\$ -	\$ -
Equity securities				
Communication services	1,447,461	1,447,461	-	-
Consumer defensive	436,980	436,980	-	-
Healthcare	2,048,152	2,048,152	-	-
Financial services	5,018,666	5,018,666	-	-
Industrials	1,309,842	1,309,842	-	-
Technology	5,262,773	5,262,773	-	-
Real estate	524,340	524,340	-	-
Basic materials	1,962,430	1,962,430	-	-
Mutual funds				
Fixed income	12,322,387	12,322,387	-	-
Total investments	<u>\$ 30,394,473</u>	<u>\$ 30,394,473</u>	<u>\$ -</u>	<u>\$ -</u>

	2022			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market fund	\$ 798,236	\$ 798,236	\$ -	\$ -
Equity securities				
Communication services	1,188,426	1,188,426	-	-
Consumer defensive	302,923	302,923	-	-
Healthcare	1,962,199	1,962,199	-	-
Financial services	3,531,325	3,531,325	-	-
Industrials	2,288,221	2,288,221	-	-
Technology	4,282,417	4,282,417	-	-
Basic materials	1,665,203	1,665,203	-	-
Mutual funds				
Fixed income	13,441,900	13,441,900	-	-
Total investments	<u>\$ 29,460,850</u>	<u>\$ 29,460,850</u>	<u>\$ -</u>	<u>\$ -</u>

Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

**NOTE F - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	<u>2023</u>	<u>2022</u>
Equipment, furniture and fixtures	\$ 694,140	\$ 693,086
Leasehold improvements	942,768	942,768
Construction in progress	<u>-</u>	<u>20,009</u>
	1,636,908	1,655,863
Less accumulated depreciation	<u>(1,009,086)</u>	<u>(804,345)</u>
	<u>\$ 627,822</u>	<u>\$ 851,518</u>

The financial statements include depreciation expense of \$242,840 and \$236,521 for the years ended December 31, 2023 and 2022, respectively.

**NOTE G - NET ASSETS**

Net assets at December 31, 2023 and 2022 are available for the following purposes or periods:

	<u>2023</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Nonendowed funds:			
Operating	\$ 4,975,184	\$ -	\$ 4,975,184
Subject to expenditure for specified purpose:			
Community programs	-	9,339,396	9,339,396
Subject to the passage of time:			
Grants receivable	-	2,517,042	2,517,042
Endowments:			
Subject to endowment spending policy and appropriation:			
Nebraska Early Childhood Education Private			
Endowment program activities and administration	-	9,395,215	9,395,215
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	<u>-</u>	<u>21,001,024</u>	<u>21,001,024</u>
	<u>\$ 4,975,184</u>	<u>\$ 42,252,677</u>	<u>\$ 47,227,861</u>

Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

**NOTE G - NET ASSETS – CONTINUED**

	2022		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Nonendowed funds:			
Operating	\$ 5,335,742	\$ -	\$ 5,335,742
Subject to expenditure for specified purpose:			
Community programs	-	11,722,514	11,722,514
Subject to the passage of time:			
Grants receivable	-	4,362,912	4,362,912
Endowments:			
Subject to endowment spending policy and appropriation:			
Nebraska Early Childhood Education Private			
Endowment program activities and administration	-	7,126,309	7,126,309
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	21,001,024	21,001,024
	<u>\$ 5,335,742</u>	<u>\$ 44,212,759</u>	<u>\$ 49,548,501</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors as follows for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restrictions		
Community programs	\$ 15,994,272	\$ 15,385,739
Early Childhood Endowment Cash Fund	1,300,000	1,300,000
	<u>\$ 17,294,272</u>	<u>\$ 16,685,739</u>

**NOTE H - DISTRIBUTIONS TO STATE**

The Early Childhood Education Private Endowment Fund is required by state law to periodically distribute earnings, as defined, into the Cash Fund established by Neb. Rev. State. 79-1104 which is held by the State of Nebraska. Distribution expense to the State during 2023 and 2022 was \$1,300,000 and is included in Note C, Sixpence Endowment Fund. At December 31, 2023, there were no distributions recorded in accounts payable. At December 31, 2022, cumulative distributions of \$1,300,000 were recorded in accounts payable.

Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

**NOTE I - ENDOWMENT**

The composition of the Foundation's donor-restricted endowment fund at December 31, 2023 and 2022 were:

	<u>2023</u>	<u>2022</u>
With donor restrictions		
Purpose restricted	\$ 9,395,215	\$ 7,126,309
Perpetual in nature	<u>21,001,024</u>	<u>21,001,024</u>
	<u>\$ 30,396,239</u>	<u>\$ 28,127,333</u>

Changes in endowment net assets for the years ended December 31, 2023 and 2022 were:

	<u>2023</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance December 31, 2022	\$ -	\$ 28,127,333	\$ 28,127,333
Interest and dividends	-	679,578	679,578
Realized and unrealized gains	-	2,924,328	2,924,328
Amounts appropriated for expenditure	-	<u>(1,335,000)</u>	<u>(1,335,000)</u>
Balance December 31, 2023	<u>\$ -</u>	<u>\$ 30,396,239</u>	<u>\$ 30,396,239</u>
	<u>2022</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance December 31, 2021	\$ -	\$ 33,248,981	\$ 33,248,981
Interest and dividends	-	454,456	454,456
Realized and unrealized losses	-	(4,241,104)	(4,241,104)
Amounts appropriated for expenditure	-	<u>(1,335,000)</u>	<u>(1,335,000)</u>
Balance December 31, 2022	<u>\$ -</u>	<u>\$ 28,127,333</u>	<u>\$ 28,127,333</u>



Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

**NOTE I - ENDOWMENT - CONTINUED**

Perpetual in nature funds at December 31, 2023 and 2022 consisted of perpetual endowment funds required to be retained permanently by explicit donor stipulation or SPMIFA. Investment returns on the endowment funds are restricted for use in providing distributions to the State endowment cash fund, as described in Note H, as well as for the payment of administrative costs to the Foundation associated with managing the funds.

**NOTE J - OPERATING LEASES**

As Lessee-Operating Leases

On January 1, 2006, the Foundation entered into a 120-month operating lease for office space. On September 10, 2015, the lease was extended for an additional 120 months ending December 31, 2025. Under the terms of the lease, monthly rent payments are \$8,598 with a 2% increase each year beginning in 2019.

On June 10, 2016, the Foundation entered into a 72-month operating lease for office space. Under the terms of the lease, monthly rent payments are \$5,036 per month from April 1, 2016 to September 30, 2019. On October 1, 2019, the Foundation, extended the lease term to December 31, 2024 and expanded the amount of space being leased. Monthly rent payments under the extension are \$9,601 per month from October 1, 2019 to March 31, 2021, \$9,753 per month from April 1, 2020 to March 31, 2022, \$9,906 per month from April 1, 2022 to December 31, 2023, and \$10,058 per month from January 1, 2024 to December 31, 2024.

On November 11, 2019, the Foundation entered into a 60-month operating lease for office space. Under the terms of the lease monthly rent payments are \$0 until June 30, 2020, \$6,071 from July 1, 2020 to June 30, 2021, \$6,192 from July 1, 2021 to June 30, 2022, \$6,316 from July 1, 2022 to June 30, 2023, \$6,442 from July 1, 2023 to June 30, 2024, and \$6,571 from July 1, 2024 to June 30, 2025. The Foundation has the right to extend the term of the lease for two additional 36-month periods. As of December 31, 2023, the Foundation intends to exercise the first 36-month extension. Under the terms of the lease estimated monthly rent payments for the first extension are \$6,703 from July 1, 2025 to June 30, 2026, \$6,837 from July 1, 2026 to June 30, 2027, and \$6,973 from July 1, 2027 to June 30, 2028.

Operating lease expense for the years ended December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Operating lease expense	\$ 307,536	\$ 305,578
Short-term lease expense	60,014	56,363
Non-lease components	<u>10,480</u>	<u>9,662</u>
	<u>\$ 378,030</u>	<u>\$ 371,603</u>

Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

**NOTE J - OPERATING LEASES – CONTINUED**

The aggregate future lease payments below summarize the remaining future undiscounted cash flows for operating leases as of December 31, 2023, and a reconciliation to operating lease liabilities reported on the statement of financial position:

<u>Year ending December 31,</u>	
2024	\$ 313,129
2025	193,993
2026	81,236
2027	82,861
2028	<u>41,842</u>
Total minimum lease payments	713,061
Less: Present value discount	<u>(11,313)</u>
Operating lease liabilities	<u>\$ 701,748</u>

Average operating leases terms and discount rates at December 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Weighted average remaining lease term (years):	3.09	2.56
Weighted average discount rate:	1.05%	1.05%

The following summarizes cash paid for operating lease liabilities and other non-cash information:

Cash paid for amounts included in the measurement of operating lease liabilities:		
Operating cash flows	<u>\$ 307,536</u>	<u>\$ 305,578</u>
Right-of-use assets modified in exchange for operating lease obligations	<u>\$ 238,677</u>	<u>\$ -</u>

**NOTE K - DEFINED CONTRIBUTION PLAN**

The Foundation offers a 403(b) defined contribution pension plan covering substantially all eligible employees. The Board of Directors annually determines the amount of the Foundation's contributions to the plan. For 2023 and 2022, the Foundation matched \$1.56 per \$1 on the first 5% of the compensation deferred. Pension contribution expense was \$643,233 and \$531,472 for the years ended December 31, 2023 and 2022, respectively.

NOTES TO FINANCIAL STATEMENTS

**NOTE L - CONCENTRATIONS**

Grant Funding

The Foundation receives a significant amount of its revenues from federal and state grants. These grants are obtained on an annual basis, and not receiving one or more of these grants would have a material effect on the Foundation. Federal financial assistance programs are subject to financial and compliance audits. The amount of expenditures, if any, which may be disallowed by the granting agencies is not determinable at this time; however, the Foundation does not believe that such amounts would be significant.

Approximately 79% and 84% of the Foundation's other agency grant revenue was received from three donors for the years ended December 31, 2023 and 2022, respectively, of which approximately 57% and 38%, respectively, was from entities under common influence. Approximately 87% and 74% of grant receivables for the years ended December 31, 2023 and 2022, respectively, were from three donors in each year.

Financial Instruments

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of checking accounts at a financial institution. Accounts at each institution are insured by the FDIC up to \$250,000. Additionally, the Foundation has Short Term Federal Investment Trust (STFIT) accounts at a financial institution, which are not federally insured. At December 31, 2023 and 2022, the bank and STFIT accounts exceeded federally insured limits by \$476,814 and \$8,819,298, respectively. The Foundation has not experienced any losses on such accounts.

**NOTE M - LIQUIDITY AND AVAILABILITY**

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also has received gifts to establish the Nebraska Early Childhood Education Private Endowment that will exist in perpetuity; the income generated from such endowment is used to fund distributions to the Early Childhood Endowment Cash Fund (Cash Fund) maintained by the State of Nebraska's Department of Education. In addition, the Foundation receives support without donor restrictions; however, such support has historically represented less than 5% of annual program funding needs, with the remainder of needs funded from gifts with donor restrictions.

The Foundation considers contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

1. Operating within a prudent range of financial soundness and stability;
2. Maintaining adequate liquid assets, and;
3. Maintaining sufficient reserves to provide reasonable assurance that long term grant commitments and obligations under donor restrictions that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

**NOTE M - LIQUIDITY AND AVAILABILITY - CONTINUED**

As part of the Foundation’s liquidity management, it invests cash in excess of daily requirements in short-term assets. As of December 31, 2023, approximately 100% of cash in excess is invested in ICS (insured cash sweep) accounts. As of December 31, 2022, approximately 50% of cash in excess is invested in a short-term federal investment trust (STFIT) account, and 50% in savings accounts. The Foundation’s financial assets available within one year of the statement of financial position date for general expenditures:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 9,788,041	\$ 13,793,058
Federal and state grant reimbursement receivables	7,989,501	9,368,518
Private grants receivable due in less than one year	<u>2,280,772</u>	<u>4,192,180</u>
	<u>\$ 20,058,314</u>	<u>\$ 27,353,756</u>

The Foundation’s Early Childhood Education Private Endowment fund is a donor restricted endowment. Income from the Endowment is restricted for specific purposes and therefore, not available for general expenditure.

**NOTE N - GUARANTEE**

The Foundation has guaranteed loans from banks for borrowers who meet certain criteria. At December 31, 2023 and 2022, the Foundation had guaranteed loans outstanding of \$41,138 and \$51,784, respectively. In the event the borrower defaults on the loan the Foundation will pay the outstanding balance. The loans are secured by a certificate of deposit at a financial institution and the amounts are reported as restricted cash.

**NOTE O – CONTRIBUTED NONFINANCIAL ASSETS**

For the years ended December 31, 2023 and 2022, contributed nonfinancial assets recognized as revenue within the statement of activities consist of the following:

Professional services	<u>\$ 2,850,766</u>	<u>\$ 1,112,225</u>
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Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. Contributed nonfinancial assets consist of professional services donated, which were valued based upon estimates of fair market value for similar services. Donated contributed nonfinancial assets are not sold and are only used as program services, primarily for the Preschool Development Grant program.

NOTES TO FINANCIAL STATEMENTS

**NOTE P – NEW ACCOUNTING STANDARD**

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. ASU 2016-13 significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. The FASB has subsequently issued additional, clarifying standards to address issues arising from implementation of the new current expected credit loss standard. ASU 2016-13 and all subsequently issued amendments, collectively "ASC 326," is effective for annual reporting periods beginning after December 15, 2022. Financial assets held by the Foundation that are subject to the guidance in FASB ASC 326 were cash and cash equivalents, undesignated and restricted, and guarantees.

On January 1, 2023, the Foundation adopted ASC 326. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only. The Foundation's accounting policies in note A have been updated to reflect the impact of the standard.

**NOTE Q - SUBSEQUENT EVENTS**

Effective July 1, 2024, the Foundation entered into an agreement to sub-lease a portion of its office space on Harney Street for 12 months beginning July 1, 2024. Monthly rent payments are \$7,687.

Subsequent events have been evaluated through the audit report date, the date the financial statements were available to be issued.

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SUPPLEMENTAL INFORMATION

# Nebraska Children and Families Foundation

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2023

Federal Grantor/Program or Cluster Title	Pass-Through Grantor	Assistance Listing Number	Grant Identifying Number	Federal Expenditures	Paid to Subrecipients
<b>U.S. Department of Education</b>					
Special Education Grants for Infants and Families	Nebraska Department of Education	84.181	H181X210033	\$ 91,600	\$ -
COVID-19, Special Education Grants for Infants and Families	Nebraska Department of Education	84.181X	H181X210033	2,563	-
				<u>94,163</u>	<u>-</u>
<b>U.S. Department of Justice</b>					
Services for Trafficking Victims	Nebraska Department of Health and Human Services	16.320	2020-MU-MU-0024	407,637	-
<b>U. S. Department of Health and Human Services</b>					
Community - Based Child Abuse Prevention Grants	N/A - Direct	93.590	2001NEBCC6 2102NEBCAP 2203NEBCAP 2303NEBCAP	1,158,368	-
Child Abuse and Neglect - Discretionary Activities	N/A - Direct	93.670	90CA1857	464,601	-
Child Care and Development Block Grant	Nebraska Department of Health and Human Services	93.575	2101NECCC5 2101NECDC6 2201NECCDD 2301NECCDD	6,242,600	-
COVID-19, Child Care and Development Block Grant	Nebraska Department of Health and Human Services	93.575	G2001NECC3 2101NECCC5	313,502	-
Child Care and Development Block Grant	Nebraska Department of Education	93.575	G1901NECCDF G2001NECCDF	142,856	-
CCDF Cluster Total				<u>6,698,958</u>	<u>-</u>
Every Student Succeeds Act/Preschool Development Grants	Nebraska Department of Health and Human Services	93.434	90TP007903 90TP010801	8,532,484	-
MaryLee Allen Promoting Safe and Stable Families Program	Nebraska Department of Health and Human Services	93.556	2201NEFPSS 2301NEFPSS	869,362	-
477 Cluster : Temporary Assistance for Needy Families	Nebraska Department of Health and Human Services	93.558	0G2001NETANF	35	-
Social Services Block Grant	Nebraska Department of Health and Human Services	93.667	2301NETANF	1,527,452	464,805
Chafee Education and Training Vouchers Program	Nebraska Department of Health and Human Services	93.599	2201NECETV	357,688	-
Children's Justice Grants to States	Nebraska Department of Health and Human Services	93.643	0G2001NECJA1	19,998	-
Child Abuse and Neglect State Grants	Nebraska Department of Health and Human Services	93.669	G2001NENCAN 2201NENCAN	383,166	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	Nebraska Department of Health and Human Services	93.674	0G2101NECILP 2201NECILP 2301NECILP	894,183	-
				<u>20,906,295</u>	<u>464,805</u>



Nebraska Children and Families Foundation

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year ended December 31, 2023

Federal Grantor/Program or Cluster Title	Pass-Through Grantor	Assistance Listing Number	Grant Identifying Number	Federal Expenditures	Paid to Subrecipients
<b>U.S. Department of the Treasury</b>					
COVID-19, Emergency Rental Assistance Program	City of Lincoln, Nebraska	21.023	ERA0391	2,139,458	-
COVID-19, Emergency Rental Assistance Program	Lancaster County, Nebraska	21.023	ERA0382 ERAEO478	377,683	-
				<u>2,517,141</u>	-
COVID-19, Coronavirus State and Local Fiscal Recovery Funds	Nebraska Department of Health and Human Services	21.027	SLFPR3145 ARPA HHS LB1014 CHILD CARE	2,656,321	-
				<u>5,173,462</u>	-
<b>U.S. Department of Agriculture</b>					
COVID-19, Pandemic Relief Activities: Local Food Purchase Agreements with States, Tribes, and Local Governments	Nebraska Department of Health and Human Services	10.182	AM22LFPA0000C050	120,643	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Nebraska Department of Health and Human Services	10.561	202323S251443	105	-
				<u>120,748</u>	-
				<u>\$ 26,702,305</u>	<u>\$ 464,805</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Basis of Presentation.** The accompanying schedule of federal awards includes federal grant activity of Nebraska Children and Families Foundation and is presented on the accrual basis of accounting. Grant awards are considered expended when the expense transactions associated with the grant occur. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

**Subrecipients.** The Foundation provided federal awards to subrecipients as detailed above.

**Indirect Costs.** The Foundation elected to use the ten percent de minimis indirect cost rate as allowed in the Uniform Guidance, 2 CFR 200.414.

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SINGLE AUDIT SECTION

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INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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The Board of Directors  
Nebraska Children and Families Foundation  
Lincoln, Nebraska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Nebraska Children and Families Foundation, which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 8, 2024.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Nebraska Children and Families Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Nebraska Children and Families Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nebraska Children and Families Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HBE LLP

Lincoln, Nebraska  
August 8, 2024

HBE  
HBE



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INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

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Board of Directors  
Nebraska Children and Families Foundation  
Lincoln, Nebraska

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Nebraska Children and Families Foundation's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Nebraska Children and Families Foundation's major federal programs for the year ended December 31, 2023. Nebraska Children and Families Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Nebraska Children and Families Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Nebraska Children and Families Foundation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Nebraska Children and Families Foundation's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Nebraska Children and Families Foundation's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Nebraska Children and Families Foundation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Nebraska Children and Families Foundation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Nebraska Children and Families Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Nebraska Children and Families Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Nebraska Children and Families Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each major federal program is not modified with respect to these matters. *Government Auditing Standards* requires the auditor to perform limited procedures on Nebraska Children and Families Foundation's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Nebraska Children and Families Foundation's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



## Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. *Government Auditing Standards* requires the auditor to perform limited procedures on Nebraska Children and Families Foundation's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Nebraska Children and Families Foundation's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*ABE LLP*

Lincoln, Nebraska  
August 8, 2024

Nebraska Children and Families Foundation

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2023

**Summary of Auditors' Results**

- a. An unmodified audit report was issued on the financial statements of Nebraska Children and Families Foundation.
- b. No deficiencies in internal control were disclosed by the audit of the financial statements.
- c. The audit did not disclose any noncompliance which would be material to the financial statements.
- d. One control deficiency (2023-001) in internal control over its major federal award programs was disclosed by the audit.
- e. An unmodified audit report was issued on compliance for Nebraska Children and Families Foundation's major federal award programs.
- f. The audit disclosed one finding (2023-001) which was required to be reported relative to the major federal award programs.
- g. The programs tested as major were:
  - Coronavirus State and Local Fiscal Recovery Funds, Assistance Listing No. 21.027
  - Child Care and Development Block Grant Cluster, Assistance Listing No. 93.575
  - MaryLee Allen Promoting Safe and Stable Families Program, Assistance Listing No. 93.556
  - Chafee Education and Training Vouchers Program, Assistance Listing No. 93.599
  - Emergency Rental Assistance Program, Assistance Listing No. 21.023
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$801,069.
- i. Nebraska Children and Families Foundation qualified as a low-risk auditee as defined by the Uniform Guidance.

**Findings - Financial Statements Audit**

None

**Findings and Questioned Costs – Major Federal Awards Program Audit**

**2023-001 - Noncompliance and Significant Deficiency in Internal Controls over Compliance for Reporting**

*Identification data:* U.S. Department of Health and Human Services (HHS) – CCDF Cluster, Child Care and Development Block Grant, Assistance Listing No. 93.575, Agreement Identifying No. 2301NECCDD.

*Criteria:* As stated in subaward No. 2301NECCDD signed with the pass-through grantor, Nebraska Department of Health and Human Services (NE DHHS), the Foundation was required to submit two semi-annual work plan activity reports to NE DHHS utilizing the reporting template provided by NE DHHS.

*Condition:* The Foundation did not submit one of the two semi-annual workplans as required.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2023

**Findings and Questioned Costs – Major Federal Awards Program Audit – Continued**

**2023-001 - Noncompliance and Significant Deficiency in Internal Controls over Compliance for Reporting – Continued**

*Cause:* A breakdown in the Foundation’s internal controls over reporting did not allow the Foundation to meet the reporting requirements of the program.

*Effect or potential effect:* The control deficiency is a significant deficiency that prevented the Foundation from complying with the requirements of the program.

*Identification of a Repeat Finding:* New finding.

*Recommendation:* The Foundation should review its system of internal control over reporting to determine improvements that can be made to ensure the Foundation has processes for remaining in compliance with all reporting criteria identified above.

*Views of Responsible Officials:* To ensure reports are submitted on time to the reporting agency from Nebraska Children and Families Foundation, the Foundation will:

- 1) All (sub)awards will be reviewed by the Program Lead responsible for deliverables included in the (sub)award agreement. All requirements, including but not limited to reporting requirements, will also be sent to the Program Lead’s supervisor for approval.
- 2) If necessary, reporting requirements are shared with the contracts and legal department.
- 3) The Program Lead will complete the required reports before they are due to the awarding agency and sent to their supervisor.
- 4) The supervisor will review and approve the reports. The supervisor will return with approval or indicate the revision needed.
- 5) Upon final approval, the Program Lead, or appropriate staff, will submit the report to the awarding agency before the deadline and copy the transmission to their supervisor.
- 6) The Program Lead will archive the report on the Foundation’s secure data storage site.



## Corrective Action Plan

### Finding 2023-001 Noncompliance and Significant Deficiency in Internal Controls over Compliance for Reporting


#### Corrective Action Planned:

To ensure that reports are submitted on time to the reporting agency from Nebraska Children and Families Foundation (NCFF), we will implement the following corrective action plan:

- 1) All (sub)awards will be reviewed by the Program Lead responsible for the deliverables included in the (sub)award agreement. All requirements, including but not limited to reporting requirements, will also be sent to the Program Lead's supervisor for approval.
- 2) If necessary, reporting requirements are shared with the contracts and legal department.
- 3) The Program Lead will complete the required reports before they are due to the awarding agency and sent to their supervisor.
- 4) The supervisor will review and approve the reports. The supervisor will return with approval or indicate the revision needed.
- 5) Upon final approval, the Program Lead, or appropriate staff, will submit the report to the awarding agency before the deadline and copy the transmission to their supervisor.
- 6) The Program Lead will archive the report on NCFF's secure data storage site.

**Anticipated Completion Date:** Continuous.

**Responsible Parties:** Executive Vice President, Senior Vice President, Vice President, and/or Program Lead

  
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Mary Jo Pankoke  
President and CEO