

Nebraska Children and Families Foundation

Independent Auditor's Report and Financial Statements

December 31, 2014 and 2013



Nebraska Children and Families Foundation

December 31, 2014 and 2013

Contents

Independent Auditor's Report.....	1
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Financial Statements

Statements of Financial Position	3
Statements of Activities.....	4
Statements of Cash Flows.....	5
Notes to Financial Statements	6

Independent Auditor's Report

Board of Directors
Nebraska Children and
Families Foundation
Lincoln, Nebraska

We have audited the accompanying financial statements of Nebraska Children and Families Foundation, which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from 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 financial position of Nebraska Children and Families Foundation as of December 31, 2014 and 2013, 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.

BKD, LLP

Lincoln, Nebraska
April 14, 2015

Nebraska Children and Families Foundation

Statements of Financial Position

December 31, 2014 and 2013

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,535,362	\$ 3,091,495
Certificates of deposit	2,271,248	2,384,013
Grants receivable	2,745,647	4,046,395
Contributions and pledges receivable, net	703,500	903,500
Prepaid expenses and other assets	113,995	62,071
Total current assets	8,369,752	10,487,474
Investments and Other Assets		
Long-term contributions receivable, net	983,229	1,666,548
Investments	23,188,523	21,479,535
	24,171,752	23,146,083
Property and Equipment, Net	272,333	175,886
Total assets	\$ 32,813,837	\$ 33,809,443
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 138,510	\$ 521,455
Accrued expenses	128,285	140,922
Unearned grant revenue	832,512	1,670,739
Total current liabilities	1,099,307	2,333,116
Contract Payable	5,475	14,811
Net Assets		
Unrestricted	361,301	613,423
Temporarily restricted	11,413,501	10,980,521
Permanently restricted	19,934,253	19,867,572
Total net assets	31,709,055	31,461,516
Total liabilities and net assets	\$ 32,813,837	\$ 33,809,443

Nebraska Children and Families Foundation

Statements of Activities

Years Ended December 31, 2014 and 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support								
Federal and state grants	\$ 3,762,723	\$ -	\$ -	\$ 3,762,723	\$ 2,762,616	\$ -	\$ -	\$ 2,762,616
Other agency grants	348,212	7,146,921	-	7,495,133	437,949	9,708,552	-	10,146,501
Investment income	6,982	909,172	-	916,154	10,403	2,630,031	-	2,640,434
Contributions and donations	273,291	-	66,681	339,972	586,002	101,500	67,326	754,828
Other income	19,456	-	-	19,456	18,764	-	-	18,764
Net assets released from restrictions	7,623,113	(7,623,113)	-	-	6,160,952	(6,160,952)	-	-
Total revenues, gains and other support	12,033,777	432,980	66,681	12,533,438	9,976,686	6,279,131	67,326	16,323,143
Expenses								
Children and family programs	10,816,617	-	-	10,816,617	8,888,576	-	-	8,888,576
Administrative	1,115,838	-	-	1,115,838	1,112,513	-	-	1,112,513
Fundraising	353,444	-	-	353,444	343,512	-	-	343,512
Total expenses	12,285,899	-	-	12,285,899	10,344,601	-	-	10,344,601
Change in Net Assets	(252,122)	432,980	66,681	247,539	(367,915)	6,279,131	67,326	5,978,542
Net Assets, Beginning of Year	613,423	10,980,521	19,867,572	31,461,516	981,338	4,701,390	19,800,246	25,482,974
Net Assets, End of Year	\$ 361,301	\$ 11,413,501	\$ 19,934,253	\$ 31,709,055	\$ 613,423	\$ 10,980,521	\$ 19,867,572	\$ 31,461,516

Nebraska Children and Families Foundation
Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
Operating Activities		
Change in net assets	\$ 247,539	\$ 5,978,542
Items not requiring (providing) operating activities cash flows		
Depreciation	68,854	59,372
Contributions restricted for investment in endowment	(66,681)	(67,326)
Loss on disposal of property and equipment	3,160	-
Net realized and unrealized (gains) losses on investments	21,715	(1,639,916)
Changes in		
Grants receivable	1,300,748	(3,356,878)
Contributions and pledges receivable	883,319	684,949
Prepaid expenses and other assets	(51,924)	(24,260)
Accounts payable and accrued expenses	(395,582)	(131,967)
Unearned grant and contribution revenue	(838,227)	(174,774)
Net cash provided by operating activities	<u>1,172,921</u>	<u>1,327,742</u>
Investing Activities		
Proceeds from maturity of certificates of deposit	2,619,160	2,888,469
Purchase of certificates of deposit	(2,506,395)	(2,639,149)
Purchase of investments	(8,730,703)	(7,678,361)
Proceeds from sale of investments	7,000,000	5,933,900
Purchase of property and equipment	(168,461)	(55,693)
Net cash used in investing activities	<u>(1,786,399)</u>	<u>(1,550,834)</u>
Financing Activities		
Contributions restricted for investment in endowment	66,681	67,326
Payments on contract payable	(9,336)	(9,848)
Net cash provided by financing activities	<u>57,345</u>	<u>57,478</u>
Decrease in Cash and Cash Equivalents	(556,133)	(165,614)
Cash and Cash Equivalents, Beginning of Year	<u>3,091,495</u>	<u>3,257,109</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,535,362</u></u>	<u><u>\$ 3,091,495</u></u>

Nebraska Children and Families Foundation

Notes to Financial Statements

December 31, 2014 and 2013

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

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 grant making, 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. 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.

Use of Estimates

The preparation of financial statements in conformity 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, expenses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2014 and 2013, cash equivalents consisted primarily of a short term trust account with a bank recorded at cost.

Nebraska Children and Families Foundation

Notes to Financial Statements

December 31, 2014 and 2013

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. 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 unrestricted net assets. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight line method over the estimated useful life of each asset. Assets under leasehold improvements are depreciated over the shorter of the lease term or their respective estimated use life.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Furniture and equipment	3 – 10 Years
Leasehold improvements	5 – 10 Years

Long-lived Asset Impairment

The Foundation evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2014 and 2013.

Nebraska Children and Families Foundation

Notes to Financial Statements

December 31, 2014 and 2013

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Foundation has been limited by donors or by law to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity.

Grants

The Foundation is the recipient of federal and state grants to fund its primary programs. Government grants are recorded as revenue when the related approved expenditures are made. Federal and state grant receivables are stated at the amount by which program expenditures are yet to be reimbursed. Unearned grant revenue is recognized to the extent grant receipts exceed approved expenditures. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Donations of property and equipment are recorded as unrestricted revenue and net assets at their estimated value, unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time property and equipment must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the property and equipment are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional promises to give depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Nebraska Children and Families Foundation

Notes to Financial Statements

December 31, 2014 and 2013

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

In-kind Contributions

In addition to receiving cash contributions, the Foundation receives in-kind contributions of services and rent from various donors. It is the policy of the Foundation to record the estimated fair value of certain in-kind donations as an expense in its financial statements and similarly increase contribution revenue by a like amount. For the years ended December 31, 2014 and 2013, approximately \$128,000 and \$150,000, respectively, was received as in-kind contributions.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs of the Foundation have been allocated among the program, management and general and fund raising categories based on estimates of benefits derived from the expense.

Income Taxes

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

The Foundation files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Foundation is no longer subject to U.S. federal examinations by tax authorities for years before 2011.

Reclassifications

Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 2: Grants Receivable

Grants receivable at December 31 consist of the following:

	2014	2013
Private grants receivable due in less than one year	\$ 2,242,309	\$ 3,340,273
Federal and state grant reimbursements	503,338	706,122
	<u>\$ 2,745,647</u>	<u>\$ 4,046,395</u>

Nebraska Children and Families Foundation

Notes to Financial Statements

December 31, 2014 and 2013

Note 3: Contributions and Pledges Receivable

Receivables at December 31 consist of the following:

	2014	2013
Contributions - permanently restricted		
Due within one year	\$ 700,000	\$ 900,000
Due within one to five years	1,000,000	1,700,000
	1,700,000	2,600,000
Less unamortized discount	16,771	33,452
	1,683,229	2,566,548
Pledges - temporarily restricted	3,500	3,500
	<u>\$ 1,686,729</u>	<u>\$ 2,570,048</u>

Pledges receivable are expected to be collected within one year.

There were no long-term contributions made during 2014 or 2013.

Note 4: Conditional Gifts

The Foundation has received a conditional promise to give of \$50,000 and \$100,000 at December 31, 2014 and 2013, respectively, that is not recognized in the financial statements. The promise is in support of the Endowment Fund and is conditioned upon continued private sector representation on the Endowment Fund's Board of Trustees at the time of payment as well as the existence of the Cash Fund maintained by the State of Nebraska. During both 2014 and 2013, the Foundation received and recorded \$50,000 of contribution revenue related to this promise.

Nebraska Children and Families Foundation

Notes to Financial Statements

December 31, 2014 and 2013

Note 5: Investments and Investment Return

Investments at December 31, 2014 and 2013, consisted of the following:

	2014	2013
Money market fund	\$ 59,550	\$ -
Balanced mutual fund	15,007,201	21,479,535
Equity securities		
Energy	176,976	-
Consumer discretionary	262,070	-
Consumer staples	89,704	-
Healthcare	421,486	-
Financial services	331,856	-
Industrials	279,171	-
Technology	395,714	-
Utilities	48,772	-
Real estate	57,531	-
Exchange traded funds		
Small blend	300,633	-
Medium growth	573,893	-
Large blend	369,299	-
Mutual funds		
Fixed income	486,835	-
Small value	260,174	-
Small blend	316,628	-
Medium blend	631,740	-
Medium growth	229,486	-
Large value	1,433,306	-
Large blend	859,945	-
Large growth	596,553	-
	<u>\$ 23,188,523</u>	<u>\$ 21,479,535</u>

Nebraska Children and Families Foundation

Notes to Financial Statements

December 31, 2014 and 2013

Note 5: Investments and Investment return - Continued

Total investment return is comprised of the following:

	2014	2013
Interest and dividend income	\$ 937,869	\$ 1,000,518
Net realized and unrealized gains (losses) on investments reported at fair value	(21,715)	1,639,916
	<u>\$ 916,154</u>	<u>\$ 2,640,434</u>

Fair Value of Investments

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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Nebraska Children and Families Foundation

Notes to Financial Statements

December 31, 2014 and 2013

Note 5: Investments and Investment return - Continued

Recurring Measurements

The following table presents the fair value measurements of investments recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2014 and 2013.

	2014	Fair Value Measurements Using	
		Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Money market fund		\$ 59,550	\$ 59,550
Balanced mutual fund		15,007,201	15,007,201
Equity securities			
Energy		176,976	176,976
Consumer discretionary		262,070	262,070
Consumer staples		89,704	89,704
Healthcare		421,486	421,486
Financial services		331,856	331,856
Industrials		279,171	279,171
Technology		395,714	395,714
Utilities		48,772	48,772
Real estate		57,531	57,531
Exchange traded funds			
Small blend		300,633	300,633
Medium growth		573,893	573,893
Large blend		369,299	369,299
Mutual funds			
Fixed income		486,835	486,835
Small value		260,174	260,174
Small blend		316,628	316,628
Medium blend		631,740	631,740
Medium growth		229,486	229,486
Large value		1,433,306	1,433,306
Large blend		859,945	859,945
Large growth		596,553	596,553
Total investments		<u>\$ 23,188,523</u>	<u>\$ 23,128,973</u>
	2013		
Balanced mutual fund		<u>\$ 21,479,535</u>	<u>\$ 21,479,535</u>

Nebraska Children and Families Foundation

Notes to Financial Statements

December 31, 2014 and 2013

Note 5: Investments and Investment return - Continued

Following is a description of the valuation methodologies and inputs used for investments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position. There have been no significant changes in valuation techniques during the year ended December 31, 2014.

Money Market, Exchange Traded and Mutual Funds

Money market, exchange traded and mutual funds are valued at the net asset value (NAV) of shares held by the Foundation at year-end. The funds are classified within Level 1 of the fair value hierarchy.

Equity Securities

Equity securities consist of common stocks, which are stated at fair value. Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the year; investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the average of the last reported bid and ask prices. Equity securities are classified within Level 1 of the fair value hierarchy.

Note 6: Property and Equipment

Property and equipment at December 31 consists of:

	2014	2013
Furniture and equipment	\$ 591,782	\$ 476,771
Leasehold improvements	93,090	93,090
	684,872	569,861
Less accumulated depreciation	412,539	393,975
	<u>\$ 272,333</u>	<u>\$ 175,886</u>

Nebraska Children and Families Foundation

Notes to Financial Statements

December 31, 2014 and 2013

Note 7: Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 are available for the following purposes or periods:

	2014	2013
Children and family program expenses	\$ 9,330,301	\$ 8,081,387
For periods after December 31	2,083,200	2,899,134
	<u>\$ 11,413,501</u>	<u>\$ 10,980,521</u>

Permanently Restricted Net Assets

As of December 31, 2014 and 2013, the Foundation had \$19,934,253 and \$19,867,572, respectively, of permanently restricted net assets (of which \$1,683,229 and \$2,566,548 at December 31, 2014 and 2013, respectively, is reflected in contributions receivable) in its Endowment Fund. Income from the Endowment Fund is expendable to support Nebraska Early Childhood Education Endowment program activities and administration.

Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors.

	2014	2013
Children and family program expenses	\$ 7,623,113	\$ 6,059,966
Passage of specified time	-	100,986
	<u>\$ 7,623,113</u>	<u>\$ 6,160,952</u>

Nebraska Children and Families Foundation

Notes to Financial Statements

December 31, 2014 and 2013

Note 8: Endowment

Interpretation of State Law

The Foundation's endowment consists of one individual donor-restricted fund established for the Foundation's Early Childhood Education Private Endowment Fund. As required by accounting principles generally accepted in the United States of America (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 permanently restricted net assets 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 temporarily restricted net assets 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. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

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 while seeking to maintain the purchasing power of the endowment. 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.

Nebraska Children and Families Foundation

Notes to Financial Statements

December 31, 2014 and 2013

Note 8: Endowment - Continued

Investment and Spending Policies - Continued

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.

The Foundation's endowment spending policy requires distribution of earnings as defined by applicable state law. Earnings consist of interest, dividends 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.

Composition of and Changes in Endowment Net Assets

The composition of net assets of the Foundation's donor-restricted endowment fund at December 31, 2014 and 2013 was:

	2014	2013
Temporarily restricted	\$ 5,058,940	\$ 4,184,768
Permanently restricted	19,934,253	19,867,572
	<u>\$ 24,993,193</u>	<u>\$ 24,052,340</u>

Changes in endowment net assets for the years ended December 31, 2014 and 2013 were:

	2014		
	Unrestricted	Temporarily Restricted	Permanently Restricted
			Total
Endowment net assets, beginning of year	\$ -	\$ 4,184,768	\$ 19,867,572
Investment return			
Investment income	-	930,887	-
Net depreciation	-	(21,715)	-
Total investment return	-	909,172	-
Contributions	-	-	66,681
Appropriation of endowment assets for expenditure	-	(35,000)	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 5,058,940</u>	<u>\$ 19,934,253</u>

Nebraska Children and Families Foundation

Notes to Financial Statements

December 31, 2014 and 2013

Note 8: Endowment - Continued

Composition of and Changes in Endowment Net Assets - Continued

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 2,039,737	\$ 19,800,246	\$ 21,839,983
Investment return				
Investment income	-	990,115	-	990,115
Net appreciation	-	1,639,916	-	1,639,916
Total investment return	-	2,630,031	-	2,630,031
Contributions	-	-	67,326	67,326
Appropriation of endowment assets for expenditure	-	(485,000)	-	(485,000)
Endowment net assets, end of year	\$ -	\$ 4,184,768	\$ 19,867,572	\$ 24,052,340

Permanently restricted net assets at December 31, 2014 and 2013 consisted of perpetual endowment funds required to be retained permanently by explicit donor stipulation or SPMIFA.

Note 9: Leases

Operating

Non-cancellable operating leases for office space expire in various years through 2017. Rental expense totaled approximately \$191,000 and \$180,000 for the years ended December 31, 2014 and 2013, respectively.

Future minimum lease payments at December 31, 2014 were:

2015	\$ 201,255
2016	65,195
2017	15,108
	<u>\$ 281,558</u>

Nebraska Children and Families Foundation

Notes to Financial Statements

December 31, 2014 and 2013

Note 10: Defined Contribution Plan

The Foundation has a defined contribution pension plan covering substantially all employees. The Board of Directors annually determines the amount of the Foundation's contributions to the plan. Pension expense was approximately \$176,000 and \$158,000 for 2014 and 2013, respectively.

Note 11: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

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 86% and 81% of the Foundation's other agency grants revenue was received from entities under common influence in 2014 and 2013, respectively. As of December 31, 2014 and 2013 approximately 86% and 81%, respectively, of the Foundation's grants receivable were from four and three donors.

Investments

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statements of financial position.

As of December 31, 2014, approximately 65% of the Foundation's investments were held in a balanced mutual fund and the remaining Foundation investments were held in various equity and mutual fund securities at one brokerage firm. As of December 31, 2013, all of the Foundation's investments were held in one balanced mutual fund.

Nebraska Children and Families Foundation

Notes to Financial Statements

December 31, 2014 and 2013

Note 11: Significant Estimates and Concentrations - Continued

Contributions

Contributions receivable were primarily from two donors in support of the Endowment Fund (See Notes 7 and 8), as of December 31, 2014 and 2013. Approximately 56% of contribution revenue in 2014 was from two donors. Substantially all permanently restricted contributions were received from one donor in 2014 and 2013.

Note 12: Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.