

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

***December 31, 2021 and 2020***

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



CPAs & Consultants | Wealth Management

Nebraska Children and Families Foundation

Years ended December 31, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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.

#### ***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 4, 2022 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.

*HBE LLP*

Lincoln, Nebraska  
August 4, 2022

Nebraska Children and Families Foundation

STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS

	<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents, undesignated (note A)	\$ 4,989,712	\$ 2,500,732
Cash and cash equivalents, restricted (note A)	104,572	121,875
Certificates of deposit	5,104,591	3,120,835
Grants receivable (notes A and B)	16,214,524	14,709,232
Prepaid expenses and other assets	<u>132,806</u>	<u>92,179</u>
Total current assets	26,546,205	20,544,853
PROPERTY AND EQUIPMENT, net (notes A and F)	1,072,245	840,646
RESTRICTED INVESTMENTS (notes A, D, and E)	<u>33,247,503</u>	<u>32,333,473</u>
Total assets	<u>\$ 60,865,953</u>	<u>\$ 53,718,972</u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable (note H)	\$ 3,623,924	\$ 4,322,273
Accrued expenses	520,475	441,255
Unearned grant revenue (note A)	<u>2,001,983</u>	<u>1,984</u>
Total current liabilities	<u>6,146,382</u>	<u>4,765,512</u>
<b>NET ASSETS (notes A, G, and I)</b>		
Without donor restrictions	5,032,121	3,023,137
With donor restrictions	<u>49,687,450</u>	<u>45,930,323</u>
Total net assets	<u>54,719,571</u>	<u>48,953,460</u>
Total liabilities and net assets	<u>\$ 60,865,953</u>	<u>\$ 53,718,972</u>

See accompanying notes to financial statements.

Nebraska Children and Families Foundation

STATEMENTS OF ACTIVITIES

Years ended December 31,

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>						
Federal and state grants	\$ 48,471,239	\$ -	\$ 48,471,239	\$ 18,184,668	\$ -	\$ 18,184,668
Other agency grants	-	19,855,311	19,855,311	-	23,946,728	23,946,728
Investment return (note D)	4,809	3,739,130	3,743,939	20,767	2,862,264	2,883,031
Contributions and donations	281,432	-	281,432	447,607	-	447,607
Other income	641,395	-	641,395	479,929	-	479,929
Net assets released from restrictions	19,837,314	(19,837,314)	-	21,367,045	(21,367,045)	-
<b>Total revenue and support</b>	<b>69,236,189</b>	<b>3,757,127</b>	<b>72,993,316</b>	<b>40,500,016</b>	<b>5,441,947</b>	<b>45,941,963</b>
<b>EXPENSES (notes A and C)</b>						
Program services	64,581,403	-	64,581,403	35,914,738	-	35,914,738
Management and general	2,144,371	-	2,144,371	1,630,221	-	1,630,221
Fundraising	501,431	-	501,431	444,564	-	444,564
<b>Total expenses</b>	<b>67,227,205</b>	<b>-</b>	<b>67,227,205</b>	<b>37,989,523</b>	<b>-</b>	<b>37,989,523</b>
<b>INCREASE IN NET ASSETS</b>						
Net assets, beginning of year	2,008,984	3,757,127	5,766,111	2,510,493	5,441,947	7,952,440
Net assets, end of year	3,023,137	45,930,323	48,953,460	512,644	40,488,376	41,001,020
	\$ 5,032,121	\$ 49,687,450	\$ 54,719,571	\$ 3,023,137	\$ 45,930,323	\$ 48,953,460

See accompanying notes to financial statements.

Nebraska Children and Families Foundation

STATEMENTS OF CASH FLOWS

Years ended December 31,

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from revenue and support	\$ 67,744,085	\$ 37,557,376
Cash paid to employees, suppliers, and contracted agencies	(62,917,789)	(34,826,049)
Interest received	4,809	20,767
Net cash provided by operating activities	4,831,105	2,752,094
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from maturity of certificates of deposit	44,028,591	12,558,040
Purchase of certificates of deposit	(46,012,347)	(14,778,176)
Proceeds from sale of investments	36,021,852	3,643,161
Purchase of investments	(33,196,752)	(2,623,175)
Purchase of property and equipment	(410,772)	(659,584)
Net cash provided (used) by investing activities	430,572	(1,859,734)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Distribution to State Early Childhood Education Private Endowment Cash Fund	(2,790,000)	(985,000)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	2,471,677	(92,640)
Cash and cash equivalents, undesignated, beginning of year	2,500,732	2,713,855
Cash and cash equivalents, restricted, beginning of year	121,875	1,392
Cash and cash equivalents, undesignated, end of year	\$ 4,989,712	\$ 2,500,732
Cash and cash equivalents, restricted, end of year	\$ 104,572	\$ 121,875
Reconciliation of increase in net assets to net cash provided by operating activities		
Increase in net assets	\$ 5,766,111	\$ 7,952,440
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	179,173	17,244
Distribution to State Early Childhood Education Private Endowment Cash Fund	2,790,000	985,000
Net realized and unrealized gains on investments	(3,626,249)	(2,475,381)
Reinvested interest	(112,881)	(386,883)
(Increase) decrease in assets		
Grants receivable	(1,505,292)	(5,501,556)
Prepaid and other assets	(40,627)	464,555
Increase (decrease) in liabilities		
Accounts payable	(698,349)	1,569,085
Accrued expenses	79,220	132,769
Unearned grant revenue	1,999,999	(5,179)
Total adjustments to increase in net assets	(935,006)	(5,200,346)
Net cash provided by operating activities	\$ 4,831,105	\$ 2,752,094
Supplemental disclosure of noncash investing activities		
Property additions included in accounts payable	\$ -	\$ 105,850

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.

**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 P.

**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.

**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.

Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

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

**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

Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

**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.

**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, 2021 and 2020, conditional reimbursement-basis grants of \$29,680,392 and \$22,727,071, 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, 2021 and 2020, conditional contributions from private grants totaling \$1,200,000 and \$340,000, respectively, 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.

**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.

Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

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

**Endowment Fund - Continued.**

Interpretation of State Law - Continued

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.

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.

**In-kind Contributions.** In-kind donations 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. The fair value of the contribution has been included in the accompanying financial statements as contribution revenue and program expense. In-kind contributions for the years ended December 31, 2021 and 2020 were \$515,302 and \$365,867, respectively.

Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

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

**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.

**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, 2021 and 2020, 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, 2021, 2020 and 2019 are subject to examination by the IRS, generally for three years after they were filed.

**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:

	2021	2020
Private grants receivable due in less than one year	\$ 6,679,803	\$ 6,855,698
Private grants receivable due in one to five years	483,250	355,280
Federal and state grant reimbursements	9,051,471	7,498,254
	<u>\$ 16,214,524</u>	<u>\$ 14,709,232</u>



Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

**NOTE C - FUNCTIONAL EXPENSE CLASSIFICATION**

Expenses by functional classification for the years ended December 31, 2021 and 2020 consist of the following:

	2021			
	Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$ 4,934,521	\$ 1,150,767	\$ 321,352	\$ 6,406,640
Payroll taxes and benefits	1,312,196	260,597	86,490	1,659,283
Professional fees	1,121,875	48,024	7,000	1,176,899
Occupancy	130,436	210,715	10,429	351,580
Travel and meeting expenses	139,494	4,315	35,572	179,381
Insurance	304	22,397	499	23,200
Advertising	630,546	2,005	4,637	637,188
Information technology	104,198	121,775	13,727	239,700
Office expense	54,045	102,857	4,900	161,802
Depreciation	-	169,603	9,570	179,173
Grants and other assistance	54,208,766	-	-	54,208,766
Sixpence Endowment Fund	1,415,000	-	-	1,415,000
Consulting fees	40,200	-	-	40,200
Miscellaneous	108,123	22,113	3,870	134,106
Supplies	381,699	29,203	3,385	414,287
Total expenses	<u>\$ 64,581,403</u>	<u>\$ 2,144,371</u>	<u>\$ 501,431</u>	<u>\$ 67,227,205</u>

  

	2020			
	Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$ 4,347,570	\$ 931,166	\$ 326,450	\$ 5,605,186
Payroll taxes and benefits	1,092,823	181,805	70,251	1,344,879
Professional fees	2,197,770	89,644	4,592	2,292,006
Occupancy	122,344	219,936	10,855	353,135
Travel and meeting expenses	146,325	235	4,955	151,515
Insurance	185	15,983	326	16,494
Advertising	150,646	2,272	1,040	153,958
Information technology	19,514	80,730	8,943	109,187
Office expense	41,495	57,046	7,926	106,467
Depreciation	-	17,244	-	17,244
Grants and other assistance	25,580,508	-	-	25,580,508
Sixpence Endowment Fund	1,340,000	-	-	1,340,000
Consulting fees	63,389	433	-	63,822
Miscellaneous	37,019	11,166	2,268	50,453
Supplies	775,150	22,561	6,958	804,669
Total expenses	<u>\$ 35,914,738</u>	<u>\$ 1,630,221</u>	<u>\$ 444,564</u>	<u>\$ 37,989,523</u>

Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

**NOTE D - RESTRICTED INVESTMENTS**

Investments at December 31, 2021 and 2020 consisted of the following:

	2021	
	Cost	Market
Money market fund	\$ 109,010	\$ 109,010
Equity securities	16,580,178	17,000,122
Mutual funds	16,140,000	16,138,371
	<u>\$ 32,829,188</u>	<u>\$ 33,247,503</u>

  

	2020	
	Cost	Market
Money market fund	\$ 75,458	\$ 75,458
Balanced mutual fund	16,180,934	20,418,506
Equity securities	1,435,384	3,070,711
Exchange traded funds	1,411,518	2,228,301
Mutual funds	5,750,305	6,540,497
	<u>\$ 24,853,599</u>	<u>\$ 32,333,473</u>

Total investment return is comprised of the following:

	2021	2020
Interest and dividend income	\$ 117,690	\$ 407,650
Net realized and unrealized gains	<u>3,626,249</u>	<u>2,475,381</u>
	<u>\$ 3,743,939</u>	<u>\$ 2,883,031</u>

Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

**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, 2021 and 2020.

*Money Market, Exchange Traded 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.

The following tables set forth the balances of assets measured at fair value on a recurring basis as of December 31, 2021 and 2020:

	2021			
	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	\$ 109,010	\$ 109,010	\$ -	\$ -
Equity securities				
Communication services	1,880,875	1,880,875	-	-
Consumer discretionary	870,000	870,000	-	-
Consumer staples	374,238	374,238	-	-
Healthcare	2,121,339	2,121,339	-	-
Financial services	3,714,012	3,714,012	-	-
Industrials	2,213,670	2,213,670	-	-
Information technology	4,285,638	4,285,638	-	-
Materials	1,540,350	1,540,350	-	-
Mutual funds				
Fixed income	16,138,371	16,138,371	-	-
Total investments	<u>\$ 33,247,503</u>	<u>\$ 33,247,503</u>	<u>\$ -</u>	<u>\$ -</u>



Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

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

	2020			
	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	\$ 75,458	\$ 75,458	\$ -	\$ -
Balanced mutual fund	20,418,506	20,418,506	-	-
Equity securities				
Communication services	483,336	483,336	-	-
Consumer discretionary	237,934	237,934	-	-
Consumer staples	296,657	296,657	-	-
Healthcare	347,115	347,115	-	-
Financial services	335,041	335,041	-	-
Industrials	373,871	373,871	-	-
Information technology	918,421	918,421	-	-
Real estate	78,336	78,336	-	-
Exchange traded funds				
Small blend	686,247	686,247	-	-
Medium growth	842,130	842,130	-	-
Large blend	699,924	699,924	-	-
Mutual funds				
Fixed income	3,746,148	3,746,148	-	-
Medium blend	825,669	825,669	-	-
Large blend	971,388	971,388	-	-
Large growth	470,315	470,315	-	-
International equity	526,977	526,977	-	-
Total investments	<u>\$ 32,333,473</u>	<u>\$ 32,333,473</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE F - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	2021	2020
Equipment, furniture and fixtures	\$ 688,826	\$ 433,816
Leasehold improvements	942,768	101,286
Construction in progress	9,927	790,209
	1,641,521	1,325,311
Less accumulated depreciation	(569,276)	(484,665)
	<u>\$ 1,072,245</u>	<u>\$ 840,646</u>

The financial statements include depreciation expense of \$179,173 and \$17,244 for the years ended December 31, 2021 and 2020, respectively.

Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

**NOTE G - NET ASSETS**

Net assets at December 31, 2021 and 2020 are available for the following purposes or periods:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Nonendowed funds:			
Operating	\$ 5,032,121	\$ -	\$ 5,032,121
Subject to expenditure for specified purpose:			
Community programs	-	9,275,416	9,275,416
Subject to the passage of time:			
Grants receivable	-	7,163,053	7,163,053
Endowments:			
Subject to endowment spending policy and appropriation:			
Nebraska Early Childhood Education Private			
Endowment program activities and administration	-	12,247,957	12,247,957
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	21,001,024	21,001,024
	<u>\$ 5,032,121</u>	<u>\$ 49,687,450</u>	<u>\$ 54,719,571</u>
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Nonendowed funds:			
Operating	\$ 3,023,137	\$ -	\$ 3,023,137
Subject to expenditure for specified purpose:			
Community programs	-	7,759,494	7,759,494
Subject to the passage of time:			
Grants receivable	-	7,210,978	7,210,978
Endowments:			
Subject to endowment spending policy and appropriation:			
Nebraska Early Childhood Education Private			
Endowment program activities and administration	-	9,958,827	9,958,827
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	21,001,024	21,001,024
	<u>\$ 3,023,137</u>	<u>\$ 45,930,323</u>	<u>\$ 48,953,460</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, 2021 and 2020:

	2021	2020
Satisfaction of purpose restrictions		
Community programs	\$ 18,422,314	\$ 20,027,045
Early Childhood Endowment Cash Fund	<u>1,415,000</u>	<u>1,340,000</u>
	<u>\$ 19,837,314</u>	<u>\$ 21,367,045</u>

Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

**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 2021 and 2020 was \$1,415,000 and \$1,340,000, respectively and is included in Note C, Sixpence Endowment Fund. At December 31, 2021, there were no distributions recorded in accounts payable. At December 31, 2020, cumulative distributions of \$1,340,000 were recorded in accounts payable.

**NOTE I - ENDOWMENT**

The composition of the Foundation's donor-restricted endowment fund at December 31, 2021 and 2020 were:

	<u>2021</u>	<u>2020</u>
With donor restrictions		
Purpose restricted	\$ 12,247,957	\$ 9,958,827
Perpetual in nature	<u>21,001,024</u>	<u>21,001,024</u>
	<u>\$ 33,248,981</u>	<u>\$ 30,959,851</u>

Changes in endowment net assets for the years ended December 31, 2021 and 2020 were:

	<u>2021</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance January 1, 2021	\$ -	\$ 30,959,851	\$ 30,959,851
Interest and dividends	-	112,881	112,881
Realized and unrealized gains	-	3,626,249	3,626,249
Amounts appropriated for expenditure	-	<u>(1,450,000)</u>	<u>(1,450,000)</u>
Balance December 31, 2021	<u>\$ -</u>	<u>\$ 33,248,981</u>	<u>\$ 33,248,981</u>

  

	<u>2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance January 1, 2020	\$ -	\$ 29,472,587	\$ 29,472,587
Interest and dividends	-	386,883	386,883
Realized and unrealized gains	-	2,475,381	2,475,381
Amounts appropriated for expenditure	-	<u>(1,375,000)</u>	<u>(1,375,000)</u>
Balance December 31, 2020	<u>\$ -</u>	<u>\$ 30,959,851</u>	<u>\$ 30,959,851</u>

Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

**NOTE I - ENDOWMENT - CONTINUED**

Perpetual in nature funds at December 31, 2021 and 2020 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 I, as well as for the payment of administrative costs to the Foundation associated with managing the funds.

**NOTE J - OPERATING LEASES**

As Lessee

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 December 19, 2017, the Foundation entered into a 60 month operating lease for a copier machine in the Project Harmony office. Under the terms of the lease, monthly rent payments are \$255.

On July 23, 2018, the Foundation entered into a 60 month operating lease for a copier machine. Under the terms of the lease, monthly rent payments are \$349.

On July 10, 2019, the Foundation entered into a 60 month operating lease for a copier machine. Under the terms of the lease, monthly rent payments are \$482.

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.

On December 16, 2019, the Foundation entered into a 60 month operating lease for a copier machine. Under the terms of the lease, monthly rent payments are \$820.

Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

**NOTE J - OPERATING LEASES - CONTINUED**

Future minimum lease payments are as follows:

<u>Year ending December 31,</u>	
2022	\$ 323,611
2023	320,764
2024	320,587
2025	<u>148,841</u>
	<u>\$ 1,113,803</u>

The financial statements include rent expense of \$382,475 and \$381,090 for the years ended December 31, 2021 and 2020, respectively.

**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 2021 and 2020, the Foundation matched \$1.56 per \$1 on the first 5% of the compensation deferred. Pension contribution expense was \$435,281 and \$363,643 for the years ended December 31, 2021 and 2020, respectively.

**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 78% and 84% of the Foundation's other agency grant revenue was received from three donors for the years ended December 31, 2021 and 2020, respectively, of which approximately 71% and 51%, respectively, was from entities under common influence. Approximately 84% and 82% of grant receivables for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, the bank and STFIT accounts exceeded federally insured limits by \$6,562,696 and \$4,143,359, respectively. The Foundation has not experienced any losses on such accounts.

Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

**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.

As part of the Foundation's liquidity management, it invests cash in excess of daily requirements in short-term assets. Approximately 50% of cash in excess is invested in a short term federal investment trust (STFIT) account, and 50% in a certificate of deposit account registry service (CDARS). The Foundation's financial assets available within one year of the statement of financial position date for general expenditures and without donor or other restrictions limiting their use are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 4,989,712	\$ 2,500,732
Certificates of deposit	5,104,591	3,120,835
Federal and state grant reimbursement receivables	<u>9,051,471</u>	<u>7,498,254</u>
	<u>\$ 19,145,774</u>	<u>\$ 13,119,821</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.

Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

**NOTE N - PPP GRANT**

On April 14, 2020, the Foundation obtained a loan for \$1,127,100 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loan and accrued interest were forgivable after eight weeks as long as the borrower used the proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintained its payroll levels. The unforgiven portion of the PPP loan was payable over two years at an interest rate of 1% with a deferral of payments for the first six months. In June 2020, the SBA approved an extended deferral period to 10-months after the end of the Foundation's forgiveness covered period to submit an application for forgiveness or begin repayments. Upon submission of a forgiveness application, no payments are due until the date the SBA remits the loan forgiveness to the Foundation's lender.

Under the contribution guidance in ASC 958-605, the Foundation initially recorded the entire amount as a conditional contribution (unearned grant revenue). Revenue was recognized as the qualifying expenses were incurred. The Foundation determined that it has substantially met the terms of forgiveness and recorded \$1,127,100 as grant income for the period ending December 31, 2020. The Foundation received full forgiveness on April 1, 2021.

**NOTE O - GUARANTEE**

The Foundation has guaranteed loans from banks for borrowers who meet certain criteria. At December 31, 2021 and 2020, the Foundation had guaranteed loans outstanding of \$54,887 and \$48,133, 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 amounts reported as restricted cash.

**NOTE P - SUBSEQUENT EVENTS**

On March 24, 2022, the Foundation was awarded a \$30,000,000 Rent and Utility assistance grant through the City of Lincoln. The Foundation is required to comply with allowable cost principles, required reporting, and other compliance requirements of the grant.

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

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Nebraska Children and Families Foundation  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended December 31, 2021

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>					
COVID-19, Individuals with Disabilities Education Act - Part C - ARP	Nebraska Department of Education	84.027X	H181X210033	\$ 7,920	\$ -
<b>U.S. Department of Justice</b>					
Services for Trafficking Victims	Nebraska Department of Health and Human Services	16.320	2020-MU-MU-0024	229,584	-
<b>U. S. Department of Health and Human Services</b>					
Community - Based Child Abuse Prevention Grants	N/A - Direct	93.590	CBCAP21 CBCAP20 BCC6	685,701	-
Child Abuse and Neglect - Discretionary Activities	N/A - Direct	93.670	90CA185703 90CA185704	953,137	-
Child Care and Development Block Grant	Nebraska Department of Health and Human Services	93.575	G2001NECCDD G2001NECCC3 G2101NECCC5	2,418,319	-
COVID-19, Child Care and Development Block Grant	Nebraska Department of Health and Human Services	93.575	G2001NECCDD G2001NECCC3 G2101NECCC5	13,539,416	-
Child Care and Development Block Grant	Nebraska Department of Education	93.575	G1901NECCDF G2001NECCDF	222,658	-
CCDF Cluster Total				16,180,393	-
Every Student Succeeds Act/Preschool Development Grants	Nebraska Department of Health and Human Services	93.434	90TP0079-01-00 90TP0079-02-00	6,531,510	-
MaryLee Allen Promoting Safe and Stable Families Program	Nebraska Department of Health and Human Services	93.556	G1901NEFPSS G2001NEFPSS	561,597	-
Temporary Assistance for Needy Families	Nebraska Department of Health and Human Services	93.558	G2001NETANF	1,160,151	392,484
Community Services Block Grant	Nebraska Department of Health and Human Services	93.569	G19G1NECOSR	2,879	-
477 Cluster Total				1,163,030	392,484
Chafee Education and Training Vouchers Program (ETV)	Nebraska Department of Health and Human Services	93.599	G2001NECETV	508,994	-
Children's Justice Grants to States	Nebraska Department of Health and Human Services	93.643	G1801NECJA1	20,350	-
Child Abuse and Neglect State Grants	Nebraska Department of Health and Human Services	93.669	G1901NENCAN G2001NENCAN	673,688	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	Nebraska Department of Health and Human Services	93.674	G2001NECILP	1,296,516	-
				28,574,916	392,484
<b>U.S. Department of Housing and Urban Development</b>					
COVID-19, Community Development Block Grant/State's Program and Non-Entitlement Grants to Hawaii	Board of Regents of the University of Nebraska	14.228	26-0520-0344-007	385,178	-
<b>U.S. Department of the Treasury</b>					
COVID-19, Emergency Rental Assistance Program	City of Lincoln, Nebraska	21.023	ERA0391	16,343,402	-
COVID-19, Emergency Rental Assistance Program	Lancaster County, Nebraska	21.023	ERA0382 ERAEO478	1,310,839	-
				17,654,241	-
				\$ 46,851,839	\$ 392,484

Nebraska Children and Families Foundation

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2021

**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.

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, 2021, 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 4, 2022.

**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 determination of financial statement amounts. 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 4, 2022





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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, 2021. 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, 2021.

***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.

### ***Report on Internal Control Over Compliance***

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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

Handwritten signature in black ink, appearing to read "HBE LLP".

Lincoln, Nebraska  
August 4, 2022

Nebraska Children and Families Foundation

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2021

**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. No control deficiencies 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 no findings which were required to be reported relative to the major federal award programs.
- g. The programs tested as major were:
  - Community Development Block Grant/State's Program and Non-Entitlement Grants to Hawaii, Assistance Listing No. 14.228
  - Emergency Rental Assistance Program, Assistance Listing No. 21.023
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$1,405,555.
- 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**

None