

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

***December 31, 2020 and 2019***

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



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Nebraska Children and Families Foundation

Years ended December 31, 2020 and 2019

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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

We have audited the accompanying financial statements of Nebraska Children and Families Foundation, which comprise the statements of financial position as of December 31, 2020 and 2019, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2020 and 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 June 23, 2021, 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.

Handwritten signature in black ink that reads "HBE LLP". The letters are stylized and connected.

Lincoln, Nebraska  
June 23, 2021

Nebraska Children and Families Foundation

STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS

	<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents, undesignated (note A)	\$ 2,621,229	\$ 2,713,855
Cash and cash equivalents, restricted (note A)	1,378	1,392
Certificates of deposit	3,120,835	900,699
Grants receivable (notes A and B)	14,709,232	9,207,676
Prepaid expenses and other assets	<u>92,179</u>	<u>556,734</u>
Total current assets	20,544,853	13,380,356
PROPERTY AND EQUIPMENT, net (notes A and F)	840,646	92,456
RESTRICTED INVESTMENTS (notes A, D, and E)	<u>32,333,473</u>	<u>30,491,195</u>
Total assets	<u>\$ 53,718,972</u>	<u>\$ 43,964,007</u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable (note H)	\$ 4,322,273	\$ 2,647,338
Accrued expenses	441,255	308,486
Unearned grant revenue (note A)	<u>1,984</u>	<u>7,163</u>
Total current liabilities	<u>4,765,512</u>	<u>2,962,987</u>
<b>NET ASSETS (notes A, G, and I)</b>		
Without donor restrictions	3,023,137	512,644
With donor restrictions	<u>45,930,323</u>	<u>40,488,376</u>
Total net assets	<u>48,953,460</u>	<u>41,001,020</u>
Total liabilities and net assets	<u>\$ 53,718,972</u>	<u>\$ 43,964,007</u>

See accompanying notes to financial statements.

Nebraska Children and Families Foundation

STATEMENTS OF ACTIVITIES

Years ended December 31,

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Federal and state grants	\$ 18,184,668	\$ -	\$ 18,184,668	\$ 10,333,702	\$ -	\$ 10,333,702
Other agency grants	-	23,946,728	23,946,728	103,154	10,602,268	10,705,422
Investment return (note D)	20,767	2,862,264	2,883,031	79,941	4,769,587	4,849,528
Contributions and donations	447,607	-	447,607	381,487	-	381,487
Other income	479,929	-	479,929	838,211	-	838,211
Net assets released from restrictions	21,367,045	(21,367,045)	-	14,524,277	(14,524,277)	-
Total revenue and support	40,500,016	5,441,947	45,941,963	26,260,772	847,578	27,108,350
EXPENSES (notes A and C)						
Program services	35,914,738	-	35,914,738	24,188,259	-	24,188,259
Management and general	1,630,221	-	1,630,221	1,101,508	-	1,101,508
Fundraising	444,564	-	444,564	379,576	-	379,576
Total expenses	37,989,523	-	37,989,523	25,669,343	-	25,669,343
INCREASE IN NET ASSETS	2,510,493	5,441,947	7,952,440	591,429	847,578	1,439,007
Net assets, beginning of year	512,644	40,488,376	41,001,020	(78,785)	39,640,798	39,562,013
Net assets, end of year	\$ 3,023,137	\$ 45,930,323	\$ 48,953,460	\$ 512,644	\$ 40,488,376	\$ 41,001,020

See accompanying notes to financial statements.

Nebraska Children and Families Foundation

STATEMENTS OF CASH FLOWS

Years ended December 31,

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from revenue and support	\$ 37,557,376	\$23,500,140
Cash paid to employees, suppliers, and contracted agencies	(34,826,049)	(24,366,983)
Interest received	20,767	150,244
Net cash provided (used) by operating activities	<u>2,752,094</u>	<u>(716,599)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from maturity of certificates of deposit	12,558,040	5,034,066
Purchase of certificates of deposit	(14,778,176)	(3,767,933)
Proceeds from sale of investments	3,643,161	2,280,652
Purchase of investments	(2,623,175)	(1,383,172)
Purchase of property and equipment	<u>(659,584)</u>	<u>(72,818)</u>
Net cash provided (used) by investing activities	<u>(1,859,734)</u>	<u>2,090,795</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Distribution to State Early Childhood Education Private Endowment Cash Fund	<u>(985,000)</u>	<u>(862,000)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(92,640)</u>	<u>512,196</u>
Cash and cash equivalents, undesignated, beginning of year	2,713,855	2,201,636
Cash and cash equivalents, restricted, beginning of year	<u>1,392</u>	<u>1,415</u>
Cash and cash equivalents, undesignated, end of year	<u>\$ 2,621,229</u>	<u>\$ 2,713,855</u>
Cash and cash equivalents, restricted, end of year	<u>\$ 1,378</u>	<u>\$ 1,392</u>
Reconciliation of increase in net assets to net cash provided (used) by operating activities		
Increase in net assets	<u>\$ 7,952,440</u>	<u>\$ 1,439,007</u>
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities		
Depreciation	17,244	18,129
Distribution to State Early Childhood Education Private Endowment Cash Fund	985,000	862,000
Net realized and unrealized gains on investments	(2,475,381)	(4,184,351)
Reinvested interest	(386,883)	(594,874)
(Increase) decrease in assets		
Grants receivable	(5,501,556)	1,321,259
Prepaid and other assets	464,555	(68,513)
Increase (decrease) in liabilities		
Accounts payable	1,569,085	447,023
Accrued expenses	132,769	61,874
Unearned grant revenue	<u>(5,179)</u>	<u>(18,153)</u>
Total adjustments to increase in net assets	<u>(5,200,346)</u>	<u>(2,155,606)</u>
Net cash provided (used) by operating activities	<u>\$ 2,752,094</u>	<u>\$ (716,599)</u>
Supplemental disclosure of noncash investing accitivities		
Property additions included in accounts payable	<u>\$ 105,850</u>	<u>\$ -</u>

See accompanying notes to financial statements.

## Nebraska Children and Families Foundation

### NOTES TO FINANCIAL STATEMENTS

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

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

#### NOTE A - SUMMARY OF ACCOUNTING POLICIES

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

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

**Cash and Cash Equivalents.** For purposes of the statements of cash flows, the Foundation considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

**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.



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:

Furniture and equipment	3 - 10 years
Leasehold improvements	5 - 10 years

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, 2020, conditional reimbursement-basis grants of \$22,727,071 were awarded to the Foundation, for which the Foundation has 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, 2020, conditional contributions from private grants totaling \$340,000 were awarded to the Foundation, for which no amounts had been received in advance. These conditional contributions have not been recognized in the accompanying financial statements.

**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.

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, 2020 and 2019 were \$365,867 and \$745,044, 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, 2020 and 2019, 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 and 990T) for December 31, 2020, 2019 and 2018 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:

	2020	2019
Private grants receivable due in less than one year	\$ 6,855,698	\$ 4,665,702
Private grants receivable due in one to five years	355,280	800,971
Federal and state grant reimbursements	7,498,254	3,741,003
	<u>\$ 14,709,232</u>	<u>\$ 9,207,676</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, 2020 and 2019 consist of the following:

	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
Sixpense 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>
	2019			
	Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$ 3,622,162	\$ 584,994	\$ 245,507	\$ 4,452,663
Payroll taxes and benefits	961,206	101,861	43,509	1,106,576
Professional fees	2,352,319	43,508	13,365	2,409,192
Occupancy	63,118	152,533	7,675	223,326
Travel and meeting expenses	502,242	3,012	33,076	538,330
Insurance	-	14,080	213	14,293
Advertising	114,190	1,881	1,823	117,894
Information technology	33,787	52,611	7,224	93,622
Office expense	51,670	106,195	11,683	169,548
Depreciation	-	18,129	-	18,129
Grants and other assistance	14,938,058	-	-	14,938,058
Sixpense Endowment Fund	985,000	-	-	985,000
Consulting fees	37,700	725	-	38,425
Miscellaneous	111,433	4,549	5,437	121,419
Supplies	415,374	17,430	10,064	442,868
Total expenses	<u>\$ 24,188,259</u>	<u>\$ 1,101,508</u>	<u>\$ 379,576</u>	<u>\$ 25,669,343</u>

Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

**NOTE D - RESTRICTED INVESTMENTS**

Investments at December 31, 2020 and 2019 consisted of the following:

	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>

	2019	
	Cost	Market
Money market fund	\$ 147,900	\$ 147,900
Balanced mutual fund	15,927,969	18,849,294
Equity securities	1,441,971	2,803,577
Exchange traded funds	1,835,408	2,437,062
Mutual funds	5,903,864	6,253,362
	<u>\$ 25,257,112</u>	<u>\$ 30,491,195</u>

Total investment return is comprised of the following:

	2020	2019
Interest and dividend income	\$ 407,650	\$ 665,177
Net realized and unrealized gains	<u>2,475,381</u>	<u>4,184,351</u>
	<u>\$ 2,883,031</u>	<u>\$ 4,849,528</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, 2020 and 2019.

*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. The funds are classified within Level 1 of the fair value hierarchy.

*Equity Securities:* Valued at the closing price reported on the active market on which the individual securities are traded. Equity securities are classified within Level 1 of the fair value hierarchy.

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, 2020 and 2019:

	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>

Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

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

	2019			
	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	\$ 147,900	\$ 147,900	\$ -	\$ -
Balanced mutual fund	18,849,294	18,849,294	-	-
Equity securities				
Energy	50,855	50,855	-	-
Communication services	526,820	526,820	-	-
Consumer discretionary	266,218	266,218	-	-
Consumer staples	127,276	127,276	-	-
Healthcare	412,105	412,105	-	-
Financial services	449,589	449,589	-	-
Industrials	239,938	239,938	-	-
Information technology	593,344	593,344	-	-
Real estate	137,432	137,432	-	-
Exchange traded funds				
Small blend	627,610	627,610	-	-
Medium growth	789,296	789,296	-	-
Large blend	1,020,156	1,020,156	-	-
Mutual funds				
Fixed income	3,357,598	3,357,598	-	-
Medium blend	1,176,910	1,176,910	-	-
Large blend	1,414,915	1,414,915	-	-
Large growth	303,939	303,939	-	-
Total investments	<u>\$ 30,491,195</u>	<u>\$ 30,491,195</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE F - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	2020	2019
Equipment, furniture and fixtures	\$ 433,816	\$ 458,480
Leasehold improvements	101,286	101,286
Construction in progress	790,209	53,425
	1,325,311	613,191
Less accumulated depreciation	<u>(484,665)</u>	<u>(520,735)</u>
	<u>\$ 840,646</u>	<u>\$ 92,456</u>

The financial statements include depreciation expense of \$17,244 and \$18,129 for the years ended December 31, 2020 and 2019, respectively.



Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

**NOTE G - NET ASSETS**

Net assets at December 31, 2020 and 2019 are available for the following purposes or periods:

	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	-	14,970,472	14,970,472
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>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Nonendowed funds:			
Operating	\$ 512,644	\$ -	\$ 512,644
Subject to expenditure for specified purpose:			
Community programs	-	11,015,789	11,015,789
Endowments:			
Subject to endowment spending policy and appropriation:			
Nebraska Early Childhood Education Private			
Endowment program activities and administration	-	8,471,563	8,471,563
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	21,001,024	21,001,024
	<u>\$ 512,644</u>	<u>\$ 40,488,376</u>	<u>\$ 41,001,020</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, 2020 and 2019:

	2020	2019
Satisfaction of purpose restrictions		
Community programs	\$ 20,027,045	\$ 13,539,277
Early Childhood Endowment Cash Fund	<u>1,340,000</u>	<u>985,000</u>
	<u>\$ 21,367,045</u>	<u>\$ 14,524,277</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 2020 and 2019 was \$1,340,000 and \$985,000, respectively and is included in Note C, Sixpence Endowment Fund. At December 31, 2020 and 2019, cumulative distributions of \$1,340,000 and \$985,000, respectively, were recorded in accounts payable.

**NOTE I - ENDOWMENT**

The composition of the Foundation's donor-restricted endowment fund at December 31, 2020 and 2019 were:

	2020	2019
With donor restrictions		
Purpose restricted	\$ 9,958,827	\$ 8,471,563
Perpetual in nature	21,001,024	21,001,024
	<u>\$ 30,959,851</u>	<u>\$ 29,472,587</u>

Changes in endowment net assets for the years ended December 31, 2020 and 2019 were:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
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	-	(1,375,000)	(1,375,000)
Balance December 31, 2020	<u>\$ -</u>	<u>\$ 30,959,851</u>	<u>\$ 30,959,851</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Balance January 1, 2019	\$ -	\$ 25,723,503	\$ 25,723,503
Interest and dividends	-	585,236	585,236
Realized and unrealized gains	-	4,184,351	4,184,351
Amounts appropriated for expenditure	-	(1,020,503)	(1,020,503)
Balance December 31, 2019	<u>\$ -</u>	<u>\$ 29,472,587</u>	<u>\$ 29,472,587</u>

NOTES TO FINANCIAL STATEMENTS

**NOTE I - ENDOWMENT - CONTINUED**

Perpetual in nature funds at December 31, 2020 and 2019 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 15, 2017, the Foundation entered into a 36 month operating lease for office space to commence on January 2, 2018. Under the terms of the lease, quarterly rent payments are \$3,750.

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 December 20, 2018, the Foundation entered into a 12 month operating lease for office space. Under the terms of the lease, monthly rent payments are \$2,913 per month. On September 11, 2019, this lease was renewed for an additional 12 months with the same terms ending December 31, 2020.

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>	
2021	\$ 312,930
2022	317,827
2023	314,980
2024	317,213
2025	<u>148,841</u>
	<u>\$ 1,411,791</u>

The financial statements include rent expense of \$381,090 and \$260,490 for the years ended December 31, 2020 and 2019, 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 2020 and 2019, the Foundation matched \$1.56 per \$1 on the first 5% of the compensation deferred. Pension contribution expense was \$363,643 and \$260,471 for the years ended December 31, 2020 and 2019, 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 84% and 73% of the Foundation's other agency grant revenue was received from three donors for the years ended December 31, 2020 and 2019, respectively, of which approximately 51% and 45%, respectively, was from entities under common influence. Approximately 82% and 87% of grant receivables for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, the bank and STFIT accounts exceeded federally insured limits by \$4,143,359 and \$2,886,621, 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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,621,229	\$ 2,713,855
Certificates of deposit	3,120,835	900,699
Federal and state grant reimbursement receivables	<u>7,498,254</u>	<u>3,741,003</u>
	<u>\$ 13,240,318</u>	<u>\$ 7,355,557</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.

NOTES TO FINANCIAL STATEMENTS

**NOTE N - RISKS AND UNCERTAINTIES**

The COVID-19 (coronavirus) outbreak continues to prompt global health concerns. Consequently, it is possible the Foundation could be impacted by the resulting volatility in the economy beyond the financial statement date. Specifically, the Foundation could experience declines in investments, donations or grants.

**NOTE O - PPP GRANT**

On April 14, 2020, the Foundation obtained a loan for \$1,127,100 under the Payroll 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 are forgivable after eight weeks as long as the borrower uses the proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The unforgiven portion of the PPP loan is 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 has 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.

**NOTE P - SUBSEQUENT EVENTS**

On April 1, 2021, the Foundation's application for loan forgiveness was approved for \$1,127,100 including principal and accrued interest. See Note O for PPP loan information.

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

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## HIBE

SUPPLEMENTAL INFORMATION

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# Nebraska Children and Families Foundation

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2020

Federal Grantor/Program or Cluster Title	Pass-Through Grantor	Federal CFDA Number	Grant Identifying Number	Federal Expenditures	Paid to Subrecipients
<b>U. S. Department of Health and Human Services</b>					
Community - Based Child Abuse Prevention Grants	N/A - Direct	93.590	G-1901NEBCAP G-2001NEBCAP	\$ 667,578	\$ -
Child Abuse and Neglect - Discretionary Activities	N/A - Direct	93.670	90CA1857	416,129	-
Child Care and Development Block Grant	Nebraska Department of Health and Human Services	93.575	G1901NECCDD G1901NECCDF G2001NECCDF	2,302,191	-
COVID - Child Care and Development Block Grant	Nebraska Department of Health and Human Services	93.575	0G2001NECC3 0G2001NECCDF	5,308,657	-
Child Care and Development Block Grant	Nebraska Department of Education	93.575	G1701NECCDF G1801NECCDF G1901NECCDF	63,256	-
CCDF Cluster Total				7,674,104	-
Comprehensive Mental Health Services for Children with Serious Emotional Disturbances (SED)	Nebraska Department of Health and Human Services	93.104	H79SM063392	33,377	-
Every Student Succeeds Act/Preschool Development Grants	Nebraska Department of Health and Human Services	93.434	90TP0040 90TP004090 90TP0079-01-00	3,352,615	-
Pregnancy Assistance Fund Program	Nebraska Department of Health and Human Services	93.500	SP1AH000056	326,372	-
Promoting Safe and Stable Families	Nebraska Department of Health and Human Services	93.556	G-1901NEFPSS G2001NEFPSS	820,231	-
477 Cluster: Temporary Assistance for Needy Families	Nebraska Department of Health and Human Services	93.558	2001NETANF	90,762	-
Chafee Education and Training Vouchers Program (ETV)	Nebraska Department of Health and Human Services	93.599	G-1901NECETV G2001NECETV	364,206	-
Head Start Cluster: Head Start	Nebraska Department of Health and Human Services	93.600	07CD4011	2,300	-
Children's Justice Grants to States	Nebraska Department of Health and Human Services	93.643	G-1801NECJA1	24,817	-
Stephanie Tubbs Jones Child Welfare Services Program	Nebraska Department of Health and Human Services	93.645	0G2001NECWC3	142,600	-
Child Abuse and Neglect State Grants	Nebraska Department of Health and Human Services	93.669	G-1801NENCAN G-1901NENCAN G2001NENCAN	820,258	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	Nebraska Department of Health and Human Services	93.674	G-1901NECILP G2001NECILP	926,441	-
				15,661,790	-
<b>Corporation for National and Community Service</b>					
Social Innovation Fund	N/A - Direct	94.019	15SIHNE001	76,129	60,647
				\$ 15,737,919	\$ 60,647

Nebraska Children and Families Foundation

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2020

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

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

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

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SINGLE AUDIT SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Nebraska Children and Families Foundation, which comprise the statement of financial position as of December 31, 2020, 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 June 23, 2021.

**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.

Handwritten signature in black ink that reads "HBE LLP". The letters are stylized and connected.

Lincoln, Nebraska  
June 23, 2021



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

We have audited Nebraska Children and Families Foundation's compliance with the types of compliance requirements described 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, 2020. 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.

### Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Nebraska Children and Families Foundation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Nebraska Children and Families Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Nebraska Children and Families Foundation's compliance.

## Opinion on Each Major Federal Program

In our opinion, Nebraska Children and Families Foundation complied, in all material respects, with the types of 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, 2020.

## Report on Internal Control Over Compliance

Management of Nebraska Children and Families Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Nebraska Children and Families Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purposes of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Nebraska Children and Families Foundation's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



Lincoln, Nebraska  
June 23, 2021



Nebraska Children and Families Foundation

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2020

**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:
  - Child Care and Development Block Grant, CCDF Cluster, CFDA No. 93.575
  - Promoting Safe and Stable Families, CFDA No. 93.556
  - Child Abuse and Neglect State Grants, CFDA No. 93.669
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- 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



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended December 31, 2020

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

#### 2019 – 001 Internal Controls over Suspension and Debarment

*Condition:* The Organization did not maintain documentation to support the verification that contractors, community providers, consultants, and other lower-tier agencies were not excluded from participation in the Federal grant programs.

*Corrective Action Planned:* Management of Nebraska Children and Families Foundation understands the need to maintain adequate documentation supporting verifications of suspension and debarment status of contractors, community providers, consultants, and other lower-tier agencies performing services under the Federal grant programs. Management has implemented a process to maintain the verification documentation upon payment or contract execution or renewal with applicable organizations.

*Status:* Corrected.