

Nebraska Children and Families Foundation
Lincoln, Nebraska

December 31, 2024 and 2023

Financial Statements
and
Independent Auditor's Report



CPAs & Consultants | Wealth Management

Nebraska Children and Families Foundation

Years ended December 31, 2024 and 2023

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1-3
Financial Statements	
Statements of Financial Position	4
Statements of Activities	5
Statements of Cash Flows	6
Notes to Financial Statements	7-22
Supplemental Information	
Schedule of Expenditures of Federal Awards	24-25
Single Audit Section	
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 <i>Government Auditing Standards</i>	28-29
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance	30-32
Schedule of Findings and Questioned Costs	33
Summary Schedule of Prior Audit Findings	34



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INDEPENDENT AUDITOR'S REPORT

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, 2024 and 2023, 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, 2024 and 2023, 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 July 16, 2025 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
July 16, 2025

Nebraska Children and Families Foundation

STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS

	<u>2024</u>	<u>2023</u>
CURRENT ASSETS		
Cash and cash equivalents, undesignated (note A)	\$ 8,651,628	\$ 9,788,041
Cash and cash equivalents, restricted (note A)	59,651	67,641
Grants receivable, current (notes A and B)	11,130,084	10,270,273
Prepaid expenses and other assets	<u>137,486</u>	<u>134,552</u>
Total current assets	19,978,849	20,260,507
PROPERTY AND EQUIPMENT, net (notes A and F)	389,342	627,822
RESTRICTED INVESTMENTS (notes A, D and E)	31,011,893	30,394,473
GRANTS RECEIVABLE, net of current portion (notes A and B)	2,205,000	236,270
OPERATING LEASE RIGHT-OF-USE ASSETS (notes A and J)	<u>388,737</u>	<u>695,966</u>
Total assets	<u>\$ 53,973,821</u>	<u>\$ 52,215,038</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable (note H)	\$ 3,794,760	\$ 3,560,621
Accrued expenses	797,664	724,808
Operating lease obligations, current (notes A and J)	<u>190,925</u>	<u>309,964</u>
Total current liabilities	4,783,349	4,595,393
NONCURRENT LIABILITIES		
Operating lease obligations, net of current maturities (notes A and J)	<u>203,353</u>	<u>391,784</u>
Total liabilities	<u>4,986,702</u>	<u>4,987,177</u>
NET ASSETS (notes A, G, and I)		
Without donor restrictions	4,694,358	4,975,184
With donor restrictions	<u>44,292,761</u>	<u>42,252,677</u>
Total net assets	<u>48,987,119</u>	<u>47,227,861</u>
Total liabilities and net assets	<u>\$ 53,973,821</u>	<u>\$ 52,215,038</u>

See accompanying notes to financial statements.

Nebraska Children and Families Foundation

STATEMENTS OF ACTIVITIES

Years ended December 31,

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Federal and state grants	\$ 25,392,222	\$ -	\$ 25,392,222	\$ 29,692,795	\$ -	\$ 29,692,795
Other agency grants	3,634	17,116,218	17,119,852	-	11,730,284	11,730,284
Investment return (note D)	420,947	2,353,071	2,774,018	465,689	3,603,906	4,069,595
Contributions and donations	96,428	-	96,428	281,287	-	281,287
Contributed nonfinancial assets (note O)	85,902	-	85,902	2,850,766	-	2,850,766
Other income	89,885	-	89,885	21,362	-	21,362
Net assets released from restrictions (note G)	17,429,205	(17,429,205)	-	17,294,272	(17,294,272)	-
Total revenue and support	43,518,223	2,040,084	45,558,307	50,606,171	(1,960,082)	48,646,089
EXPENSES (notes A and C)						
Program services	39,864,297	-	39,864,297	46,673,116	-	46,673,116
Management and general	3,380,310	-	3,380,310	3,717,499	-	3,717,499
Fundraising	554,442	-	554,442	576,114	-	576,114
Total expenses	43,799,049	-	43,799,049	50,966,729	-	50,966,729
INCREASE (DECREASE) IN NET ASSETS	(280,826)	2,040,084	1,759,258	(360,558)	(1,960,082)	(2,320,640)
Net assets, beginning of year	4,975,184	42,252,677	47,227,861	5,335,742	44,212,759	49,548,501
Net assets, end of year	\$ 4,694,358	\$ 44,292,761	\$ 48,987,119	\$ 4,975,184	\$ 42,252,677	\$ 47,227,861

See accompanying notes to financial statements.

Nebraska Children and Families Foundation

STATEMENTS OF CASH FLOWS

Years ended December 31,

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from revenue and support	\$ 39,955,748	\$ 47,801,381
Cash paid to employees, suppliers, and contracted agencies	(41,513,749)	(52,278,258)
Interest received	420,947	465,689
Net cash used by operating activities	<u>(1,137,054)</u>	<u>(4,011,188)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	5,174,333	4,950,884
Purchase of investments	(3,438,682)	(2,280,601)
Purchase of property and equipment	<u>(6,500)</u>	<u>(19,144)</u>
Net cash provided by investing activities	<u>1,729,151</u>	<u>2,651,139</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Distribution to State Early Childhood Education Private Endowment Cash Fund	<u>(1,736,500)</u>	<u>(2,670,000)</u>
Net decrease in cash and cash equivalents	(1,144,403)	(4,030,049)
Cash and cash equivalents, undesignated, beginning of year	9,788,041	13,793,058
Cash and cash equivalents, restricted, beginning of year	67,641	92,673
Cash and cash equivalents, undesignated, end of year	<u>\$ 8,651,628</u>	<u>\$ 9,788,041</u>
Cash and cash equivalents, restricted, end of year	<u>\$ 59,651</u>	<u>\$ 67,641</u>
Increase (decrease) in net assets	<u>\$ 1,759,258</u>	<u>\$ (2,320,640)</u>
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities		
Depreciation	244,980	242,840
Reduction in carrying amount of right-of-use assets	307,229	64,421
Distribution to State Early Childhood Education Private Endowment Cash Fund	1,736,500	2,670,000
Net realized and unrealized losses (gains) on investments	(1,629,068)	(2,924,328)
Reinvested interest	(724,003)	(679,578)
(Increase) decrease in assets		
Grants receivable	(2,828,541)	3,224,887
Prepaid and other assets	(2,934)	(26,322)
Increase (decrease) in liabilities		
Accounts payable	234,139	(2,340,853)
Accrued expenses	72,856	140,894
Unearned grant revenue	-	(2,000,000)
Operating lease obligations	<u>(307,470)</u>	<u>(62,509)</u>
Total adjustments to decrease in net assets Net cash used by operating activities	<u>(2,896,312)</u>	<u>(1,690,548)</u>
Supplemental disclosure of noncash investing activities		
Right-of-use assets modified in exchange for lease liabilities	<u>\$ -</u>	<u>\$ 238,667</u>

See accompanying notes to financial statements.

Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

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

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

NOTE A - SUMMARY OF ACCOUNTING POLICIES

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF ACCOUNTING POLICIES – CONTINUED

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

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

Fair Value Measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. The Foundation utilizes a framework to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- | | |
|---------|--|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access. |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none"> • 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

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. Accordingly, net assets and changes therein are classified and reported as follows:

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

With donor restrictions. Net assets subject to donor- or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and are reported in the statements of activities as net assets released from restrictions.

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

Federal and State Grants.

The Foundation is the recipient of federal and state grants to fund its primary programs. Grants consist primarily of conditional grants, that is, those with a measurable performance or other barrier, and a right of return. Grants are not recognized until the conditions on which they depend have been substantially met. The federal and state government grants are conditioned upon the incurrence of allowable qualifying expenses. Grants are recorded as revenue when the related approved expenditures are made. Unearned grant revenue represents advances of grant funds received prior to the incurrence of related costs by the Foundation. At December 31, 2024 and 2023, conditional reimbursement-basis grants of \$20,157,103 and \$26,641,462, 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, 2024 and 2023, conditional contributions from private grants totaling \$550,000 and \$1,700,000, 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.

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Endowment Fund.

Interpretation of State Law

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

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

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

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

Endowment Investment and Spending Policies

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

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

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

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

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

As lessee

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

Operating Leases

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

Income Taxes. The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, income earned in the performance of its exempt purpose is not subject to income tax. Any income earned through activities not related to its exempt purpose is subject to income tax at normal corporate rates. For the years ended December 31, 2024 and 2023, 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, 2024, 2023 and 2022 are subject to examination by the IRS, generally for three years after they were filed.

Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF ACCOUNTING POLICIES – CONTINUED

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

NOTE B - GRANTS RECEIVABLE

Grants receivable consist of the following:

	2024	2023
Private grants receivable due in less than one year	\$ 3,816,872	\$ 2,280,772
Private grants receivable due in one to five years	2,205,000	236,270
Federal and state grant reimbursements	<u>7,313,212</u>	<u>7,989,501</u>
	<u>\$ 13,335,084</u>	<u>\$ 10,506,543</u>

NOTE C - FUNCTIONAL EXPENSE CLASSIFICATION

Expenses by functional classification for the years ended December 31, 2024 and 2023 consist of the following:

	2024			
	Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$ 7,187,236	\$ 1,698,996	\$ 373,554	\$ 9,259,786
Payroll taxes and benefits	1,984,896	373,205	76,744	2,434,845
Professional fees	1,749,888	65,496	718	1,816,102
Occupancy	131,922	197,161	3,306	332,389
Travel and meeting expenses	660,313	47,646	6,928	714,887
Insurance	24	27,500	957	28,481
Advertising	113,147	2,038	43,826	159,011
Information technology	291,773	169,250	13,469	474,492
Office expense	53,538	130,214	10,277	194,029
Depreciation	-	235,031	9,949	244,980
Grants and other assistance	24,453,844	40	-	24,453,884
Sixpence Endowment Fund	1,701,500	-	-	1,701,500
Consulting fees	170,880	374,147	10,420	555,447
Miscellaneous	116,301	37,815	1,253	155,369
Supplies	<u>1,249,035</u>	<u>21,771</u>	<u>3,041</u>	<u>1,273,847</u>
Total expenses	<u>\$ 39,864,297</u>	<u>\$ 3,380,310</u>	<u>\$ 554,442</u>	<u>\$ 43,799,049</u>

Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE C - FUNCTIONAL EXPENSE CLASSIFICATION – CONTINUED

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

NOTE D - RESTRICTED INVESTMENTS

Investments consist of the following:

	2024	
	Cost	Market
Money market fund	\$ 46,048	\$ 46,048
Equity securities	15,367,009	17,960,005
Mutual funds	14,270,605	13,005,840
	<u>\$ 29,683,662</u>	<u>\$ 31,011,893</u>
	2023	
	Cost	Market
Money market fund	\$ 61,442	\$ 61,442
Equity securities	17,156,567	18,010,644
Mutual funds	13,467,238	12,322,387
	<u>\$ 30,685,247</u>	<u>\$ 30,394,473</u>

Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE D - RESTRICTED INVESTMENTS - CONTINUED

Total investment return is comprised of the following:

	2024	2023
Interest and dividend income	\$ 1,144,950	\$ 1,145,267
Net realized and unrealized gains	<u>1,629,068</u>	<u>2,924,328</u>
	<u>\$ 2,774,018</u>	<u>\$ 4,069,595</u>

NOTE E - FAIR VALUE MEASUREMENTS

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used during the years ended December 31, 2024 and 2023.

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

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

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

The following tables set forth the balances of assets measured at fair value on a recurring basis as of December 31, 2024 and 2023:

	2024			
	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	\$ 46,048	\$ 46,048	\$ -	\$ -
Equity securities				
Communication services	1,086,660	1,086,660	-	-
Consumer defensive	546,659	546,659	-	-
Healthcare	2,666,874	2,666,874	-	-
Financial services	5,148,531	5,148,531	-	-
Industrials	1,999,073	1,999,073	-	-
Technology	4,131,275	4,131,275	-	-
Real estate	470,704	470,704	-	-
Basic materials	1,910,229	1,910,229	-	-
Mutual funds				
Fixed income	<u>13,005,840</u>	<u>13,005,840</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 31,011,893</u>	<u>\$ 31,011,893</u>	<u>\$ -</u>	<u>\$ -</u>

Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE E - FAIR VALUE MEASUREMENTS - CONTINUED

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

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2024	2023
Equipment, furniture and fixtures	\$ 700,640	\$ 694,140
Leasehold improvements	<u>942,768</u>	<u>942,768</u>
	1,643,408	1,636,908
Less accumulated depreciation	<u>(1,254,066)</u>	<u>(1,009,086)</u>
	<u>\$ 389,342</u>	<u>\$ 627,822</u>

The financial statements include depreciation expense of \$244,980 and \$242,840 for the years ended December 31, 2024 and 2023, respectively.

Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE G - NET ASSETS

Net assets at December 31, 2024 and 2023 are available for the following purposes or periods:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Nonendowed funds:			
Operating	\$ 4,694,358	\$ -	\$ 4,694,358
Subject to expenditure for specified purpose:			
Community programs	-	7,258,079	7,258,079
Subject to the passage of time:			
Grants receivable	-	6,021,872	6,021,872
Endowments:			
Subject to endowment spending policy and appropriation:			
Nebraska Early Childhood Education Private			
Endowment program activities and administration	-	10,011,786	10,011,786
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	21,001,024	21,001,024
	<u>\$ 4,694,358</u>	<u>\$ 44,292,761</u>	<u>\$ 48,987,119</u>
	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Nonendowed funds:			
Operating	\$ 4,975,184	\$ -	\$ 4,975,184
Subject to expenditure for specified purpose:			
Community programs	-	9,339,396	9,339,396
Subject to the passage of time:			
Grants receivable	-	2,517,042	2,517,042
Endowments:			
Subject to endowment spending policy and appropriation:			
Nebraska Early Childhood Education Private			
Endowment program activities and administration	-	9,395,215	9,395,215
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	21,001,024	21,001,024
	<u>\$ 4,975,184</u>	<u>\$ 42,252,677</u>	<u>\$ 47,227,861</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, 2024 and 2023:

	2024	2023
Satisfaction of purpose restrictions		
Community programs	\$ 15,727,705	\$ 15,994,272
Early Childhood Endowment Cash Fund	<u>1,701,500</u>	<u>1,300,000</u>
	<u>\$ 17,429,205</u>	<u>\$ 17,294,272</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 2024 and 2023 was \$1,701,500 and \$1,300,000, respectively, and is included in Note C, Sixpence Endowment Fund.

NOTE I - ENDOWMENT

The composition of the Foundation's donor-restricted endowment fund at December 31, 2024 and 2023 were:

	<u>2024</u>	<u>2023</u>
With donor restrictions		
Purpose restricted	\$ 10,011,786	\$ 9,395,215
Perpetual in nature	<u>21,001,024</u>	<u>21,001,024</u>
	<u>\$ 31,012,810</u>	<u>\$ 30,396,239</u>

Changes in endowment net assets for the years ended December 31, 2024 and 2023 were:

		<u>2024</u>	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance December 31, 2023	\$ -	\$ 30,396,239	\$ 30,396,239
Interest and dividends	-	724,003	724,003
Realized and unrealized gains	-	1,629,068	1,629,068
Amounts appropriated for expenditure	<u>-</u>	<u>(1,736,500)</u>	<u>(1,736,500)</u>
Balance December 31, 2024	<u>\$ -</u>	<u>\$ 31,012,810</u>	<u>\$ 31,012,810</u>
		<u>2023</u>	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance December 31, 2022	\$ -	\$ 28,127,333	\$ 28,127,333
Interest and dividends	-	679,578	679,578
Realized and unrealized losses	-	2,924,328	2,924,328
Amounts appropriated for expenditure	<u>-</u>	<u>(1,335,000)</u>	<u>(1,335,000)</u>
Balance December 31, 2023	<u>\$ -</u>	<u>\$ 30,396,239</u>	<u>\$ 30,396,239</u>

Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE I - ENDOWMENT - CONTINUED

Perpetual in nature funds at December 31, 2024 and 2023 consisted of perpetual endowment funds required to be retained permanently by explicit donor stipulation or SPMIFA. Investment returns on the endowment funds are restricted for use in providing distributions to the State endowment cash fund, as described in Note H, as well as for the payment of administrative costs to the Foundation associated with managing the funds.

NOTE J - OPERATING LEASES

As Lessee-Operating Leases

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

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

On November 11, 2019, the Foundation entered into a 60-month operating lease for office space. Under the terms of the lease monthly rent payments are \$0 until June 30, 2020, \$6,071 from July 1, 2020 to June 30, 2021, \$6,192 from July 1, 2021 to June 30, 2022, \$6,316 from July 1, 2022 to June 30, 2023, \$6,442 from July 1, 2023 to June 30, 2024, and \$6,571 from July 1, 2024 to June 30, 2025. The Foundation has the right to extend the term of the lease for two additional 36-month periods. As of December 31, 2024, the Foundation intends to exercise the first 36-month extension. Under the terms of the lease estimated monthly rent payments for the first extension are \$6,703 from July 1, 2025 to June 30, 2026, \$6,837 from July 1, 2026 to June 30, 2027, and \$6,973 from July 1, 2027 to June 30, 2028. On June 26, 2024, the Foundation entered into a 12-month sublease for a portion of the office space commencing July 1, 2024. Under the terms of the sublease, monthly rent payments are \$7,687.

Operating lease expense for the years ended December 31, 2024 and 2023 is as follows:

	2024	2023
Operating lease expense	\$ 313,129	\$ 307,536
Short-term lease expense	56,443	60,014
Non-lease components	8,939	10,480
Sublease income	(46,122)	-
	<u>\$ 332,389</u>	<u>\$ 378,030</u>

Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE J - OPERATING LEASES – CONTINUED

The aggregate future lease payments below summarize the remaining future undiscounted cash flows for operating leases as of December 31, 2024, and a reconciliation to operating lease liabilities reported on the statement of financial position:

<u>Year ending December 31,</u>	
2025	\$ 193,993
2026	81,236
2027	82,861
2028	<u>41,842</u>
Total minimum lease payments	399,932
Less: Present value discount	<u>(5,654)</u>
Operating lease liabilities	<u>\$ 394,278</u>

Average operating leases terms and discount rates at December 31, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Weighted average remaining lease term (years):	2.78	3.09
Weighted average discount rate:	1.06%	1.05%

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

Cash paid for amounts included in the measurement of operating lease liabilities:		
Operating cash flows	<u>\$ 313,129</u>	<u>\$ 307,536</u>
Right-of-use assets modified in exchange for operating lease obligations	<u>\$ -</u>	<u>\$ 238,677</u>

NOTE K - DEFINED CONTRIBUTION PLAN

The Foundation offers a 403(b) defined contribution pension plan covering substantially all eligible employees. The Board of Directors annually determines the amount of the Foundation's contributions to the plan. For 2024 and 2023, the Foundation matched \$1.56 per \$1 on the first 5% of the compensation deferred. Pension contribution expense was \$700,263 and \$643,233 for the years ended December 31, 2024 and 2023, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE L - CONCENTRATIONS

Grant Funding

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

Approximately 71% and 79% of the Foundation's other agency grant revenue was received from three donors for the years ended December 31, 2024 and 2023, respectively, of which approximately 38% and 57%, respectively, was from entities under common influence. Approximately 95% and 87% of grant receivables for the years ended December 31, 2024 and 2023, 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, 2024 and 2023, the bank and STFIT accounts exceeded federally insured limits by \$1,108,120 and \$476,814, respectively. The Foundation has not experienced any losses on such accounts.

NOTE M - LIQUIDITY AND AVAILABILITY

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

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

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

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

Nebraska Children and Families Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE M - LIQUIDITY AND AVAILABILITY - CONTINUED

As part of the Foundation's liquidity management, it invests cash in excess of daily requirements in short-term assets. As of December 31, 2024, approximately 12% of cash in excess is invested in a short-term federal investment trust (STFIT) account, and 88% in savings accounts. As of December 31, 2023, approximately 100% of cash in excess is invested in ICS (insured cash sweep) accounts. The Foundation's financial assets available within one year of the statement of financial position date for general expenditures:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 8,651,628	\$ 9,788,041
Federal and state grant reimbursement receivables	7,313,212	7,989,501
Private grants receivable due in less than one year	<u>3,816,872</u>	<u>2,280,772</u>
	<u>\$ 19,781,712</u>	<u>\$ 20,058,314</u>

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

NOTE N - GUARANTEE

The Foundation has guaranteed loans from banks for borrowers who meet certain criteria. At December 31, 2024 and 2023, the Foundation had guaranteed loans outstanding of \$29,732 and \$41,138, respectively. In the event the borrower defaults on the loan the Foundation will pay the outstanding balance. The loans are secured by a certificate of deposit at a financial institution and the amounts are reported as restricted cash.

NOTE O – CONTRIBUTED NONFINANCIAL ASSETS

For the years ended December 31, 2024 and 2023, contributed nonfinancial assets recognized as revenue within the statement of activities consist of the following:

Professional services	<u>\$ 85,902</u>	<u>\$ 2,850,766</u>
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Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. Contributed nonfinancial assets consist of professional services donated, which were valued based upon estimates of fair market value for similar services. Donated contributed nonfinancial assets are not sold and are only used as program services, primarily for the Preschool Development Grant program.

NOTE P - SUBSEQUENT EVENTS

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

On January 27, 2025, the OMB of the United States Federal Government instituted a pause (freeze) on the disbursement of federal grant and loan funds, which became effective on January 28, 2025.

NOTES TO FINANCIAL STATEMENTS

NOTE P - SUBSEQUENT EVENTS - CONTINUED

The extent to which the funding freeze impacts the Foundation's operations, financial results, and cash flows, both current and future, will depend on future developments, which are highly uncertain and cannot be predicted with any measure of certainty or probability.

As a result, the Foundation is unable to estimate what impact, if any, the funding freeze has on the December 31, 2024 financial statements or the Foundation's future operations. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Foundation has received notification of the termination of some funding in 2025. However, most of the funding terminated was already scheduled to end during 2025.

On May 14, 2025, the Foundation entered into a lease agreement for office space. The term of the lease is April 1, 2025 to June 30, 2028. Monthly rent payments are \$7,667.





SUPPLEMENTAL INFORMATION

Nebraska Children and Families Foundation

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2024

Federal Grantor/Program or Cluster Title	Pass-Through Grantor	Assistance Listing Number	Grant Identifying Number	Federal Expenditures	Paid to Subrecipients
U.S. Department of Education					
Special Education Grants for Infants and Families	Nebraska Department of Education	84.181	H181A220033 H181A230033	\$ 205,521	\$ -
Innovative Approaches to Literacy	University of Nebraska at Kearney	84.215k	S215K240079	37,233	-
Fund for the Improvement of Postsecondary Education	N/A - Direct	84.116W	P116W240056	27,725	-
				<u>270,479</u>	<u>-</u>
U.S. Department of Justice					
Services for Trafficking Victims	Nebraska Department of Health and Human Services	16.320	2020-MU-MU-0024	380,384	-
U. S. Department of Health and Human Services					
Community - Based Child Abuse Prevention Grants	N/A - Direct	93.590	2001NEBCC6 2102NEBCAP 2203NEBCAP 2303NEBCAP	838,615	-
Child Abuse and Neglect - Discretionary Activities	N/A - Direct	93.670	90CA1857	113,976	-
Child Care and Development Block Grant	Nebraska Department of Health and Human Services	93.575	2101NECDC6 2301NECCDD 2401NECCDD	5,352,013	-
Child Care and Development Block Grant	Nebraska Department of Education	93.575	2201NECCDD 2301NECCDF	160,980	-
CCDF Cluster Total				<u>5,512,993</u>	<u>-</u>
Every Student Succeeds Act/Preschool Development Grants	Nebraska Department of Health and Human Services	93.434	90TP010801	2,612,363	291,244
MaryLee Allen Promoting Safe and Stable Families Program	Nebraska Department of Health and Human Services	93.556	2301NEFPSS 2401NEFPSS	851,462	-
MaryLee Allen Promoting Safe and Stable Families Program	Chapin Hall at the University of Chicago	93.556	90FA3006-01-00	17,347	-
				<u>868,809</u>	<u>-</u>
Social Services Block Grant	Nebraska Department of Health and Human Services	93.667	2401NESOSR	1,418,302	-
Chafee Education and Training Vouchers Program	Nebraska Department of Health and Human Services	93.599	2301NECETV 2401NECETV	412,645	-
Children's Justice Grants to States	Nebraska Department of Health and Human Services	93.643	2202NECJA1 2201NENCAN 2301NENCAN 2401NENCAN	24,852	-
Child Abuse and Neglect State Grants	Nebraska Department of Health and Human Services	93.669	2101NENCC6 2401NECILP	519,044	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	Nebraska Department of Health and Human Services	93.674	2301NECILP 2401NECILP	894,480	-
				<u>13,216,079</u>	<u>291,244</u>

Nebraska Children and Families Foundation

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year ended December 31, 2024

Federal Grantor/Program or Cluster Title	Pass-Through Grantor	Assistance Listing Number	Grant Identifying Number	Federal Expenditures	Paid to Subrecipients
U.S. Department of the Treasury					
COVID-19, Emergency Rental Assistance Program	City of Lincoln, Nebraska	21.023	ERA0391	1,674,911	-
COVID-19, Emergency Rental Assistance Program	Lancaster County, Nebraska	21.023	ERA0382 ERAEO478	26,985	-
				<u>1,701,896</u>	<u>-</u>
COVID-19, Coronavirus State and Local Fiscal Recovery Funds	Nebraska Department of Health and Human Services	21.027	SLFPR3145	<u>1,319,142</u>	<u>-</u>
				<u>3,021,038</u>	<u>-</u>
U.S. Department of Agriculture					
COVID-19, Pandemic Relief Activities: Local Food Purchase Agreements with States, Tribes, and Local Governments	Nebraska Department of Health and Human Services	10.182	AM22LFPA0000C050	<u>711,231</u>	<u>7,167</u>
				<u>\$ 17,599,211</u>	<u>\$ 298,411</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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

Indirect Costs. The Foundation elected to use the ten percent de minimis indirect cost rate for the period from January 1, 2024, through September 30, 2024 and the fifteen percent de minimis cost rate for the period from October 1, 2024 through December 31, 2024, as allowed in the Uniform Guidance, 2 CFR 200.414.

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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*

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, 2024, 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 July 16, 2025.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Lincoln, Nebraska
July 16, 2025



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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

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, 2024. 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, 2024.

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
July 16, 2025

Nebraska Children and Families Foundation

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2024

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 deficiencies in internal control over its major federal award programs were 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:
 - Coronavirus State and Local Fiscal Recovery Funds, Assistance Listing No. 21.027
 - Emergency Rental Assistance Program, Assistance Listing No. 21.023
 - Services for Trafficking Victims, Assistance Listing No. 16.320
 - Child Abuse and Neglect State Grants, Assistance Listing 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

Nebraska Children and Families Foundation

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended December 31, 2024

Findings - Financial Statements Audit

None

Findings and Questioned Costs – Major Federal Awards Program Audit

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

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

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

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

Status: Corrected