

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4 - 5
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Cash Flows	7 - 8
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	9 - 20

(This page has been left blank intentionally)



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
The CEDARS Home for Children Foundation, Inc.
To the Board of Directors
CEDARS Youth Services
Lincoln, Nebraska

We have audited the accompanying financial statements of The CEDARS Home for Children Foundation, Inc., and CEDARS Youth Services (nonprofit organizations), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 consolidated financial position of The CEDARS Home for Children Foundation, Inc., and CEDARS Youth Services as of June 30, 2017, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The CEDARS Home for Children Foundation, Inc., and CEDARS Youth Services' 2016 financial statements, and our report dated September 15, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Dana F Cole + Company, LLP

Lincoln, Nebraska
September 11, 2017

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS	2017	2016
ASSETS		
Cash	708,789	228,823
Accounts receivable (net of reserve for bad debts of \$88,496 for 2017 and \$88,496 for 2016)	709,019	751,836
Grant funds receivable	230,643	267,303
Prepaid expenses	24,758	15,188
Investments	23,776,836	21,370,318
Cash value life insurance	28,169	26,488
Fixed assets, at cost less accumulated depreciation of \$4,083,783 for 2017 and \$4,058,516 for 2016	<u>6,631,701</u>	<u>7,045,723</u>
TOTAL ASSETS	<u>32,109,915</u>	<u>29,705,679</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	351,268	265,405
Wages and payroll taxes accrued	367,814	355,480
Vacation liability accrued	267,155	257,108
Refundable reimbursements	29,339	19,142
Deferred revenues	205,983	91,311
Custodial funds	3,150	450
Unfunded liability for postemployment benefits	647,817	700,529
Annuities payable	413,600	428,983
Total liabilities	<u>2,286,126</u>	<u>2,118,408</u>
NET ASSETS		
Unrestricted		
Unappropriated	21,281,516	18,482,813
Appropriated	<u>6,631,701</u>	<u>7,045,723</u>
	27,913,217	25,528,536
Temporarily restricted	21,510	175,543
Permanently restricted	<u>1,889,062</u>	<u>1,883,192</u>
Total net assets	<u>29,823,789</u>	<u>27,587,271</u>
TOTAL LIABILITIES AND NET ASSETS	<u>32,109,915</u>	<u>29,705,679</u>

See accompanying notes to financial statements.

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total 2017	Total 2016
REVENUES AND OTHER SUPPORT					
Support					
Contributions and gifts	867,038	269,645	7,500	1,144,183	1,059,237
Annuity contributions	10,407			10,407	21,576
Bequests	319,807			319,807	855,922
Total support	<u>1,197,252</u>	<u>269,645</u>	<u>7,500</u>	<u>1,474,397</u>	<u>1,936,735</u>
4 Program revenues					
Service revenues	8,587,627			8,587,627	7,569,644
Grant revenues		1,987,861		1,987,861	2,010,555
Total program revenues	<u>8,587,627</u>	<u>1,987,861</u>		<u>10,575,488</u>	<u>9,580,199</u>
Farm income	28,053			28,053	16,220
Unrealized investment gains (losses)	2,241,969		(1,630)	2,240,339	(1,467,282)
Actuarial adjustments - annuities	(84,934)			(84,934)	(68,252)
Net investment income	626,250			626,250	625,650
Realized capital gains	267,602			267,602	639,781
Total investment income (loss)	<u>3,078,940</u>		<u>(1,630)</u>	<u>3,077,310</u>	<u>(253,883)</u>
Total revenues and support	<u>12,863,819</u>	<u>2,257,506</u>	<u>5,870</u>	<u>15,127,195</u>	<u>11,263,051</u>
Net assets released from restriction	<u>2,411,539</u>	<u>(2,411,539)</u>			
TOTAL REVENUES AND OTHER SUPPORT	<u>15,275,358</u>	<u>(154,033)</u>	<u>5,870</u>	<u>15,127,195</u>	<u>11,263,051</u>

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total 2017	Total 2016
EXPENSES					
Program Services					
Out of Home Services	5,488,986			5,488,986	5,080,281
Early Childhood and School Age	1,801,868			1,801,868	1,666,660
Family Solutions	920,554			920,554	756,556
Juvenile Justice	1,543,914			1,543,914	1,941,066
Evaluation	111,091			111,091	107,171
Administration	1,603,092			1,603,092	1,586,612
Total program services	<u>11,469,505</u>			<u>11,469,505</u>	<u>11,138,346</u>
Supporting Services					
Management and general	969,035			969,035	957,845
Fundraising	452,137			452,137	348,882
Total supporting services	<u>1,421,172</u>			<u>1,421,172</u>	<u>1,306,727</u>
TOTAL EXPENSES	<u>12,890,677</u>			<u>12,890,677</u>	<u>12,445,073</u>
CHANGE IN NET ASSETS	2,384,681	(154,033)	5,870	2,236,518	(1,182,022)
NET ASSETS, beginning of year	<u>25,528,536</u>	<u>175,543</u>	<u>1,883,192</u>	<u>27,587,271</u>	<u>28,769,293</u>
NET ASSETS, end of year	<u>27,913,217</u>	<u>21,510</u>	<u>1,889,062</u>	<u>29,823,789</u>	<u>27,587,271</u>

See accompanying notes to financial statements.

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

	Program Services							Supporting Services			Total	Total
	Out of Home Services	Early Childhood School Age	Family Solutions	Juvenile Justice	Evaluation	Administration	Total Program Services	Management and General	Fund- raising	Total Supporting Services	Expenses 2017	Expenses 2016
Wages	1,795,697	1,146,427	590,046	942,938	80,689	1,207,593	5,763,390	443,009	233,184	676,193	6,439,583	6,382,023
Taxes	142,084	90,219	48,726	75,945	6,454	92,333	455,761	54,483		54,483	510,244	515,010
Benefits	315,645	199,483	93,363	180,846	18,626	240,433	1,048,396	109,871		109,871	1,158,267	1,159,994
Travel	71,007	5,901	55,999	60,124		5,031	198,062	372	5,141	5,513	203,575	222,900
Staff development, training, and recruiting	33,412	41,799	17,091	4,383	865	24,034	121,584	1,620	1,208	2,828	124,412	96,155
Printing and postage	3,453	67	651	821		6,967	11,959	11,118	184,497	195,615	207,574	191,214
Supplies	198,832	78,671	33,352	24,252	41	32,303	367,451	6,469	25,638	32,107	399,558	363,422
Professional fees	2,404,564	20,830	52,609	82,276		36,502	2,596,781	31,026	2,349	33,375	2,630,156	2,316,213
Insurance	33,236	10,780	13,645	15,338	498	47,440	120,937	31,096		31,096	152,033	147,214
Assistance to youth	211,565	74,457	1,031	25,943		536	313,532	2,750		2,750	316,282	329,690
Occupancy	90,982	35,528	51,669	49,829	1,536	55,428	284,972	22,143	120	22,263	307,235	286,334
Equipment repair and maintenance and depreciation	40,886	41,222	10,120	29,670	278	59,124	181,300	255,078		255,078	436,378	412,671
Scholarship												
Other expense	671	3,964		521		224	5,380				5,380	22,233
Intercompany rents	146,952	52,520	(47,748)	51,028	2,104	(204,856)						
Totals	<u>5,488,986</u>	<u>1,801,868</u>	<u>920,554</u>	<u>1,543,914</u>	<u>111,091</u>	<u>1,603,092</u>	<u>11,469,505</u>	<u>969,035</u>	<u>452,137</u>	<u>1,421,172</u>	<u>12,890,677</u>	<u>12,445,073</u>

See accompanying notes to financial statements.

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
CONSOLIDATED STATEMENT OF CASH FLOWS
JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	<u>2,236,518</u>	<u>(1,182,022)</u>
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	307,894	309,549
Unrealized (gains) losses on investments	(2,240,339)	1,467,282
Gain on sale of assets	(267,602)	(639,781)
Contributions to permanently restricted endowment	(7,500)	(5,000)
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Accounts receivable	42,817	61,054
Grants receivable	36,660	(26,449)
Prepaid expenses	(9,570)	(455)
Cash value life insurance	(1,681)	(1,591)
Increase (decrease) in liabilities:		
Accounts payable	85,863	(66,700)
Wages and payroll taxes accrued	12,334	(3,845)
Vacation accrued	10,047	(5,425)
Custodial fund liability	2,700	(210)
Deferred revenues	114,672	53,516
Refundable reimbursement	10,197	10,109
Annuities payable	(15,383)	(36,524)
Unfunded liability for defined benefit plan	(52,712)	32,085
Total adjustments	<u>(1,971,603)</u>	<u>1,147,615</u>
Net cash provided by (used in) operating activities	<u>264,915</u>	<u>(34,407)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(232,288)	(89,953)
Sales of fixed assets	46,383	13,807
Sales of investments	697,721	2,612,840
Purchase of investments	<u>(304,265)</u>	<u>(2,585,166)</u>
Net cash provided by (used in) investing activities	<u>207,551</u>	<u>(48,472)</u>

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
CONSOLIDATED STATEMENT OF CASH FLOWS
JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term loans		(228,970)
Contributions to permanently restricted endowment	<u>7,500</u>	<u>5,000</u>
Net cash provided by (used in) financing activities	<u>7,500</u>	<u>(223,970)</u>
NET INCREASE (DECREASE) IN CASH	479,966	(306,849)
CASH, beginning of year	<u>228,823</u>	<u>535,672</u>
CASH, end of year	<u><u>708,789</u></u>	<u><u>228,823</u></u>

See accompanying notes to financial statements.

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CEDARS Home for Children Foundation, Inc., is a not-for-profit corporation organized to financially and otherwise support the mission of CEDARS Youth Services (CYS). The Foundation engages in fundraising efforts, through direct mail, major gifts, bequests and events, resulting in gifts that ensure CYS will remain into perpetuity.

The Foundation exists to establish strong relationships with donors and act as a good steward of the funds given by those donors. In doing so, the Foundation is also working to create a solid reputation for both entities, based on over 70 years of quality care for children in need.

CEDARS Youth Services (CYS) is a not-for-profit corporation structured as a human service organization with a mission to help children who have been abused, neglected, or homeless achieve safety, stability, and enduring family relationships.

CEDARS Youth Services works to provide the highest quality care based on individual need, not financial ability. CEDARS is accredited by the Council on Accreditation (COA), National Association for the Education of Young Children (NAEYC), and is a gold member of the Better Business Bureau and is a partner of the United Way. CEDARS Youth Services serves a diverse population of children through programs within the following service areas: Out of Home and Emergency Services, Early Childhood and School Age Programs, Family Solutions, Juvenile Justice, Evaluation, and Management Contract.

Basis of Consolidation

CEDARS Home for Children Foundation, Inc., and CEDARS Youth Services are included in the consolidated statements. The consolidated financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States of America and with current financial reporting requirements. All interorganization amounts and transactions have been eliminated.

Basis of Accounting

The financial statements of the Organizations have been prepared on the accrual basis of accounting.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the FASB ASC 958-205 *Financial Statements of Not-for-Profit Organizations*. Under this standard, the Organizations are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets,

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

and permanently restricted net assets. A description of the three net asset categories utilized by the Organizations follows:

Unrestricted Net Assets

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains or losses on investments and any other assets or liabilities are reported as increases in unrestricted net assets unless their use is limited by donor stipulation or by laws.

Temporarily Restricted Net Assets

Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met, trust activity, deferred gifts, and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted or determined.

Permanently Restricted Net Assets

Permanently restricted net assets include gifts, trusts, and pledges receivable which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor.

Contributions

The Organizations utilize FASB ASC 958-605, *Not-for-Profit Entities Revenue Recognition*. This standard requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the Organizations to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributed Materials and Services

The Organizations record various types of in-kind contributions. Contributed services are recognized at fair market value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued)

Volunteers

Many individuals volunteer their time and perform a variety of tasks that assist the Organizations with their operations. The volunteer hours have not been recorded in the financial statements since those services do not meet the criteria for recognition.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organizations consider all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents as of June 30, 2017 and 2016.

Accounts Receivable

The Organizations use the allowance method to account for uncollectible accounts receivable.

Property and Equipment

Property and equipment are stated at cost, if purchased, or fair value, if donated. Major expenditures for property and those which substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Depreciation

The Organizations provide for depreciation of property and equipment using annual rates which are sufficient to amortize the cost of depreciable assets using the straight-line method over their estimated useful lives, which range from 2 to 40 years.

Depreciation in the amounts of \$307,894 and \$309,549 was charged to fixed assets for the years ended June 30, 2017 and 2016.

Investments

The Organizations have adopted FASB ASC 958-320, *Not-for-Profit Entities, Investments - Debt and Equity Securities*. FASB ASC 958-320 establishes standards of reporting at fair value certain investments, debt and equity securities, held by not-for-profit organizations.

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Therefore, investments in equity securities that have a readily determinable fair value and all investments in debt securities are stated at fair value, with gains and losses included in the statements of activities. Fair value is determined by quoted market values.

Compensated Absences

Employees' vacation benefits are recognized in the period earned.

Income Taxes

The Organizations are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organizations' tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organizations qualify for the charitable contribution deduction under Section 170(b)(1)(A) and have been classified as organizations other than a private foundation under Section 509(a)(2).

The Organizations utilize the provisions of FASB ASC 740-10, Accounting for Uncertain Tax Positions. The Organizations continually evaluate expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. The Organizations believe that they have appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that would be material to the financial statements.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising

Advertising costs of the Organizations are expensed as incurred.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been reported on a functional basis in the consolidated statement of functional expenses.

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organizations' financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Reclassification

In certain instances, figures for the prior year have been reclassified to place them on a basis comparable with the current year.

NOTE 2. CONCENTRATION OF CREDIT RISK

The Organizations have deposits in financial institutions subject to the \$250,000 limit insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2017 and 2016, there were no deposits in excess of the insurance provided by FDIC.

Financial instruments which potentially subject the Organizations to concentrations of credit risk consist primarily of trade receivables with a variety of customers. The Organizations generally do not require collateral from their customers. Such credit risk is considered by management to be limited due to the Organizations' broad customer base and their customers' financial resources.

NOTE 3. FIXED ASSETS

The major classes of fixed assets in service at June 30, 2017 and 2016, are as follows:

	2017	2016
Land	828,835	828,835
Land improvements	22,800	22,800
Building	8,331,151	8,769,361
Playground	22,181	22,181
Equipment	1,160,094	1,134,234
Vehicles	350,423	326,828
	<u>10,715,484</u>	<u>11,104,239</u>
Less accumulated depreciation	4,083,783	4,058,516
Net fixed assets	<u>6,631,701</u>	<u>7,045,723</u>

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. NET ASSETS

The Board of Directors has appropriated unrestricted net assets for the establishment of the following reserves:

Reserve for Operations

The Board approved that annually the change in unrestricted net fixed assets be transferred (charged) to a reserve to fund future operations.

The balance in this reserve was \$6,631,701 and \$7,045,723 at June 30, 2017 and 2016, respectively.

NOTE 5. RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following as of June 30, 2017 and 2016:

	2017	2016
Contributions for specific projects	<u>21,510</u>	<u>175,543</u>

NOTE 6. INVESTMENTS

The Foundation has adopted FASB ASC 820-10, *Fair Value Measurements*, which provides a framework for measuring fair value under accounting principles generally accepted in the United States of America. FASB ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in FASB ASC 820-10, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various methods including market, income, and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated, or generally unobservable inputs. The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. INVESTMENTS (Continued)

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option-pricing models, discounted cash flow models, and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the fiscal year ended June 30, 2017, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Marketable Equity Securities

The fair value of marketable equity securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Fair Value on a Recurring Basis

The table below presents the balances of assets measured at June 30, 2017, at fair value on a recurring basis.

	Total	Level 1	Level 2	Level 3
Cash equivalents	14,869	14,869		
Common stocks	16,187	16,187		
Bond funds	5,000,816	5,000,816		
U.S. mutual funds	17,773,984	17,773,984		
Real estate	970,980		970,980	
	<u>23,776,836</u>	<u>22,805,856</u>	<u>970,980</u>	
Totals	<u>23,776,836</u>	<u>22,805,856</u>	<u>970,980</u>	

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. INVESTMENTS (Continued)

The carrying amounts, market value, unrealized gains, and unrealized losses of the investments at June 30, 2017 and 2016, are as follows:

	2017		
	Total Cost	Unrealized Gains (Losses)	Estimated Fair Value
Cash equivalents	14,869		14,869
Common stocks	14,795		16,187
Bond funds	5,126,196	(125,380)	5,000,816
U.S. mutual funds	<u>12,234,786</u>	<u>5,539,198</u>	<u>17,773,984</u>
Totals	<u>17,390,646</u>	<u>5,413,818</u>	<u>22,805,856</u>
	2016		
	Total Cost	Unrealized Gains (Losses)	Estimated Fair Value
Cash equivalents	2,816		2,816
Bond funds	4,998,271	21,846	5,020,117
U.S. mutual funds	<u>12,223,380</u>	<u>3,151,395</u>	<u>15,374,775</u>
Totals	<u>17,224,467</u>	<u>3,173,241</u>	<u>20,397,708</u>

Management evaluates securities for other than temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial conditions and near-term prospects of the issuer, and (3) the intent and ability of the Organizations to retain their investments in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. As management has the ability to hold securities for the foreseeable future, no declines are deemed to be other than temporary.

Real Estate

The real estate is valued at market value based on assessed values set by the county treasurer.

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. EMPLOYEE BENEFIT PLAN

The Organizations have implemented 401(k) and 403(b) defined contribution pension plans, which cover all employees who have completed one year of service and attained age 21. The Organizations make contributions equal to 5% of each eligible employee's gross salary. The Organizations made contributions to the plans totaling \$224,677 and \$190,506 during the years ended June 30, 2017 and 2016.

The CEDARS Home for Children Foundation, Inc., and CEDARS Youth Services are participating in supplemental executive retirement agreements which have been classified as defined benefit plans. The Organizations have adopted the requirements of FASB-ASC 715-20, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* effective with the year ended June 30, 2009. FASB-ASC 715-20 requires the Organizations to recognize the funded status of a defined benefit plan. Information regarding the plan as of June 30, 2017 and 2016, is summarized as follows:

Pension Plan obligations and funded status:

	2017	2016
Projected benefit obligation	(1,300,255)	(1,226,655)
Plan assets at fair value	<u>652,438</u>	<u>526,126</u>
Net unfunded liability for postemployment benefits	<u>(647,817)</u>	<u>(700,529)</u>

Due to the nature of the supplemental executive retirement agreements, there is no current obligation until certain criteria are met. Additionally, there are no employer or participant contributions to the Plan, and no benefits paid in the current year.

Amounts recognized in the statement of financial position consist of:

	2017	2016
Unfunded liability for postemployment benefits	<u>647,817</u>	<u>700,529</u>

Amounts recognized in the statement of activities consist of:

	2017	2016
Net gain	(61,606)	(69,618)
Net periodic pension cost	<u>73,600</u>	<u>69,618</u>
Expense recognized	<u>11,994</u>	<u>_____</u>

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. EMPLOYEE BENEFIT PLAN (Continued)

The projected benefit obligation is calculated using a discount rate of 6% and the length of time until the participants reach the age of retirement. Plan assets are held in the form of mutual fund investments. No benefits are expected to be paid in the next five years.

For the year ended June 30, 2017, the Organizations' overall investment strategy for the Plan's assets is to invest in mutual funds with a mix of approximately 74 percent equity funds and 26 percent bond funds. For the year ended June 30, 2016 the Organizations' investments consisted of cash value life insurance.

Fair values of the Plan's assets at June 30, 2017, by asset class are as follows:

	Total	Level 1	Level 2	Level 3
Bond funds	169,634	169,634		
U.S. mutual funds	<u>482,804</u>	<u>482,804</u>		
Totals	<u>652,438</u>	<u>652,438</u>		

NOTE 8. ANNUITY CONTRACTS PAYABLE

Annuity contracts payable consisted of the following at June 30, 2017:

	Contract Rate	Original Contracts	Present Value of Life-Annuity
Total for all annuitants	4.5% to 14%	<u>1,348,401</u>	<u>413,600</u>

NOTE 9. DONOR-DESIGNATED ENDOWMENTS

The Organization's endowment consists of individual funds established for a variety of purposes. Its endowment includes donor-restricted funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the 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 Organization classifies as permanently restricted net assets (a) the original value of gifts donated to

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9. DONOR-DESIGNATED ENDOWMENTS (Continued)

the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies

The Organization has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return equal to or greater than the rate of inflation plus the distribution plus all fees and expenses annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The Organization has a policy of appropriating for distribution each year 5% of the three-year rolling average of the monthly portfolio market value with a budgeting lead of one year. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 2-3% annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

THE CEDARS HOME FOR CHILDREN FOUNDATION, INC.
AND
CEDARS YOUTH SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9. DONOR-DESIGNATED ENDOWMENTS (Continued)

Spending Policy (Continued)

Endowment net asset composition by type of fund as of June 30, 2017 and 2016, is as follows:

	2017	2016
Permanently restricted endowment funds	<u>1,889,062</u>	<u>1,883,192</u>

Changes in endowment net assets as of June 30, 2017 and 2016, are as follows:

	2017	2016
Endowment assets, beginning of year	1,883,192	1,870,922
Contributions	7,500	5,000
Income	(1,630)	7,270
Transfers	<u>- 0 -</u>	<u>- 0 -</u>
Endowment assets, end of year	<u>1,889,062</u>	<u>1,883,192</u>

NOTE 10. ECONOMIC DEPENDENCY

CEDARS Youth Services received \$7,516,282 or 65.91% of its service revenues during the year ended June 30, 2017, from the State of Nebraska, either through the Nebraska Department of Health and Human Services or the Probation Office. If this major funding source were lost, CEDARS Youth Services could not continue the level of services currently provided for that program.

NOTE 11. SUBSEQUENT EVENTS

In preparing the financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through September 11, 2017, the date the financial statements were available to be issued.