

# **The Family Conservancy, Inc.**

Independent Auditor's Reports and Financial Statements

December 31, 2016 and 2015



**The Family Conservancy, Inc.**  
**December 31, 2016 and 2015**

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## Independent Auditor's Report

Board of Directors  
The Family Conservancy, Inc.  
Kansas City, Kansas

We have audited the accompanying financial statements of The Family Conservancy, Inc., which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
The Family Conservancy, Inc.  
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*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Family Conservancy, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*BKD, LLP*

Kansas City, Missouri  
July 17, 2017

**The Family Conservancy, Inc.**  
**Statements of Financial Position**  
**December 31, 2016 and 2015**

**Assets**

	<u>2016</u>	<u>2015</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 368,479	\$ 367,373
Receivables		
Professional services, net of allowance; 2016 - \$1,746, 2015 - \$3,710	9,192	19,288
Child and adult care food program	86,384	151,402
Interest and dividends	419	1,976
Grant and other receivables	2,464,697	1,762,858
Prepaid expenses	<u>132,845</u>	<u>48,179</u>
Total current assets	<u>3,062,016</u>	<u>2,351,076</u>
<b>Investments</b>		
Endowments	1,535,711	1,486,448
Board-designated	<u>1,660,435</u>	<u>1,577,426</u>
	<u>3,196,146</u>	<u>3,063,874</u>
<b>Property and Equipment, At Cost</b>		
Land	21,000	21,000
Building and improvements	595,840	591,184
Furniture and equipment	<u>133,786</u>	<u>122,646</u>
	750,626	734,830
Less accumulated depreciation	<u>499,242</u>	<u>468,718</u>
	<u>251,384</u>	<u>266,112</u>
Total assets	<u>\$ 6,509,546</u>	<u>\$ 5,681,062</u>



**The Family Conservancy, Inc.**  
**Statement of Activities**  
**Year Ended December 31, 2016**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Revenues, Gains and Other Support</b>				
<b>Public Support</b>				
Allocation by United Ways	\$ 1,327,562			\$ 1,327,562
Grants from governmental agencies	12,116,453	\$ 525,752		12,642,205
Grants from trusts and foundations	259,287	835,947		1,095,234
Fundraising	137,742			137,742
Other contributions	99,554			99,554
	<u>13,940,598</u>	<u>1,361,699</u>		<u>15,302,297</u>
<b>Revenue</b>				
Program service fees, net of fee adjustments of \$43,615	292,740			292,740
Investment income	63,746			63,746
Loss on sale of investments, net	(11,100)			(11,100)
	<u>345,386</u>	<u>-</u>		<u>345,386</u>
	<u>908,115</u>	<u>(908,115)</u>		
<b>Net Assets Released from Restrictions</b>				
Total public support and revenue	15,194,099	453,584		15,647,683
<b>Unrealized Gains on Investments, Net</b>	<u>75,744</u>		<u>\$ 47,701</u>	<u>123,445</u>
Total revenues, gains and other support	<u>15,269,843</u>	<u>453,584</u>	<u>47,701</u>	<u>15,771,128</u>

**The Family Conservancy, Inc.**  
**Statement of Activities (Continued)**  
**Year Ended December 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Expenses</b>				
<b>Program Services</b>				
Counseling	\$ 1,611,291			\$ 1,611,291
Family Asset Building Program	221,212			221,212
Healthy Parents Healthy Kids	110,509			110,509
Marriage Enrichment	8,615			8,615
Family Nutrition	12,304			12,304
Children's Services	9,982,455			9,982,455
Student Assistance Program	92,230			92,230
Child and Adult Care Food Program	<u>1,392,916</u>			<u>1,392,916</u>
Total program services	<u>13,431,532</u>			<u>13,431,532</u>
<b>Supporting Services</b>				
Development	484,862			484,862
General and administrative	<u>1,032,050</u>			<u>1,032,050</u>
Total supporting services	<u>1,516,912</u>			<u>1,516,912</u>
Total expenses	<u>14,948,444</u>			<u>14,948,444</u>
<b>Change in Net Assets Before Change in Defined Benefit Pension Plan Gains and Losses</b>				
	321,399	\$ 453,584	\$ 47,701	822,684
<b>Change in Defined Benefit Pension Plan Gains and Losses</b>				
	<u>(15,060)</u>			<u>(15,060)</u>
<b>Change in Net Assets</b>	306,339	453,584	47,701	807,624
<b>Net Assets, Beginning of Year</b>	<u>224,447</u>	<u>1,122,332</u>	<u>1,560,893</u>	<u>2,907,672</u>
<b>Net Assets, End of Year</b>	<u>\$ 530,786</u>	<u>\$ 1,575,916</u>	<u>\$ 1,608,594</u>	<u>\$ 3,715,296</u>



**The Family Conservancy, Inc.**  
**Statement of Activities**  
**Year Ended December 31, 2015**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Revenues, Gains and Other Support</b>				
<b>Public Support</b>				
Allocation by United Ways	\$ 785,307			\$ 785,307
Grants from governmental agencies	11,085,688	\$ 521,066		11,606,754
Grants from trusts and foundations	360,879	89,313		450,192
Fundraising	127,899			127,899
Other contributions	129,879			129,879
Total public support	12,489,652	610,379		13,100,031
<b>Revenue</b>				
Program service fees, net of fee adjustments of \$57,844	227,672			227,672
Investment income	64,770			64,770
Gain on sale of investments, net	996			996
Other revenues	7,359			7,359
Total revenue	300,797	-		300,797
<b>Net Assets Released from Restrictions</b>	1,017,679	(1,017,679)		
Total public support and revenue	13,808,128	(407,300)		13,400,828
<b>Unrealized Losses on Investments, Net</b>	(51,780)		\$ (38,112)	(89,892)
Total revenues, gains and other support	13,756,348	(407,300)	(38,112)	13,310,936

**The Family Conservancy, Inc.**  
**Statement of Activities (Continued)**  
**Year Ended December 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Expenses</b>				
<b>Program Services</b>				
Counseling	\$ 1,736,046			\$ 1,736,046
Family Asset Building Program	135,608			135,608
Healthy Parents Healthy Kids	112,908			112,908
Marriage Enrichment	8,639			8,639
Family Nutrition	25,050			25,050
Children's Services	8,151,130			8,151,130
Student Assistance Program	95,729			95,729
Ways to Work Program	64			64
Child and Adult Care Food Program	<u>1,897,307</u>			<u>1,897,307</u>
Total program services	<u>12,162,481</u>			<u>12,162,481</u>
<b>Supporting Services</b>				
Development	447,650			447,650
General and administrative	<u>1,075,969</u>			<u>1,075,969</u>
Total supporting services	<u>1,523,619</u>			<u>1,523,619</u>
Total expenses	<u>13,686,100</u>			<u>13,686,100</u>
<b>Change in Net Assets Before Change in Defined Benefit Pension Plan Gains and Losses</b>	70,248	\$ (407,300)	\$ (38,112)	(375,164)
<b>Change in Defined Benefit Pension Plan Gains and Losses</b>	<u>414,718</u>			<u>414,718</u>
<b>Change in Net Assets</b>	484,966	(407,300)	(38,112)	39,554
<b>Net Assets (Deficit), Beginning of Year</b>	<u>(260,519)</u>	<u>1,529,632</u>	<u>1,599,005</u>	<u>2,868,118</u>
<b>Net Assets, End of Year</b>	<u>\$ 224,447</u>	<u>\$ 1,122,332</u>	<u>\$ 1,560,893</u>	<u>\$ 2,907,672</u>

**The Family Conservancy, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Operating Activities</b>		
Change in net assets	\$ 807,624	\$ 39,554
Items not requiring (providing) operating activities cash flows		
Net unrealized and realized (gains) losses on investments	(112,345)	88,896
Depreciation and amortization	37,085	35,065
Change in defined benefit pension plan gains and losses	15,060	(414,718)
Changes in		
Receivables	(625,168)	(33,118)
Prepaid expenses	(84,666)	62,923
Accounts payable	4,853	130,706
Accrued expenses	189,938	6,377
Deferred revenue	(17,664)	(6,545)
Accrued pension costs	(171,327)	(46,537)
	<u>43,390</u>	<u>(137,397)</u>
Net cash provided by (used in) operating activities		
<b>Investing Activities</b>		
Purchase of property and equipment	(22,357)	(10,721)
Purchase of investments	(1,455,652)	(926,035)
Proceeds from disposition of investments	1,435,725	971,725
	<u>(42,284)</u>	<u>34,969</u>
Net cash provided by (used in) investing activities		
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	1,106	(102,428)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>367,373</u>	<u>469,801</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 368,479</u>	<u>\$ 367,373</u>

**The Family Conservancy, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2016**

<b>Expenses</b>	<b>Total</b>	<b>Counseling</b>	<b>Family Asset Building Program</b>	<b>Healthy Parents Healthy Kids</b>
Salaries	\$ 4,367,652	\$ 978,725	\$ 59,516	\$ 67,238
Employee benefits	992,560	263,031	17,140	19,719
Payroll taxes	323,955	72,492	4,471	4,542
Unemployment	10,436	2,366	142	158
Professional fees	5,480,934	30,998	642	4,566
Legal and accounting fees	160,573	14,785	554	1,516
Technology and internet	129,532	28,097	1,225	404
Equipment and furniture	136,454	-	-	-
Supplies	773,144	29,970	35	7,903
Printing and copying	17,126	1,765	-	-
Telephone	71,696	17,863	697	1,560
Postage	8,490	580	170	10
Occupancy and utilities	426,880	78,370	5,194	574
Equipment rental and maintenance	47,020	12,674	476	190
Travel	203,445	40,638	1,214	462
Continuing education and conferences	238,036	9,662	465	10
Specific/financial assistance	199,335	780	125,295	755
Provider payments	1,181,418	-	-	-
Agency dues and licenses	48,205	10,852	3,428	276
Promotion	10,299	850	-	-
Insurance	41,131	10,038	448	625
Depreciation	37,085	2,656	-	-
Other	39,455	516	100	1
Bad debts	3,583	3,583	-	-
<b>Total Expenses</b>	<b>\$ 14,948,444</b>	<b>\$ 1,611,291</b>	<b>\$ 221,212</b>	<b>\$ 110,509</b>

<b>Marriage Enrichment</b>	<b>Family Nutrition</b>	<b>Children's Services</b>	<b>Student Assistance Program</b>	<b>Child and Adult Care Food Program</b>	<b>Development</b>	<b>General and Administrative</b>
\$ -	\$ 6,845	\$ 2,161,944	\$ 37,864	\$ 107,379	\$ 266,025	\$ 682,116
-	1,170	602,955	10,575	37,123	66,008	(25,161)
-	496	161,205	2,806	8,080	20,089	49,774
-	-	5,189	89	225	641	1,626
-	150	5,370,077	268	964	31,954	41,315
-	430	14,522	582	1,330	2,374	124,480
-	436	70,734	1,113	9,697	5,025	12,801
-	-	136,454	-	-	-	-
-	342	661,325	1,055	1,099	34,469	36,946
-	-	7,846	-	823	6,637	55
-	154	41,993	456	1,384	1,813	5,776
-	6	3,930	24	1,974	1,272	524
-	1,696	270,703	2,484	31,806	21,391	14,662
-	160	23,880	432	1,778	2,025	5,405
-	249	136,918	2,713	5,346	4,108	11,797
-	-	218,562	-	-	1,438	7,899
-	-	41,740	30,075	-	575	115
-	-	-	-	1,181,418	-	-
-	52	18,206	869	125	10,803	3,594
-	-	5,340	-	-	3,716	393
-	118	21,195	410	1,405	1,860	5,032
-	-	6,824	-	-	-	27,605
8,615	-	913	415	960	2,639	25,296
-	-	-	-	-	-	-
<b>\$ 8,615</b>	<b>\$ 12,304</b>	<b>\$ 9,982,455</b>	<b>\$ 92,230</b>	<b>\$ 1,392,916</b>	<b>\$ 484,862</b>	<b>\$ 1,032,050</b>

**The Family Conservancy, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2015**

<b>Expenses</b>	<b>Total</b>	<b>Counseling</b>	<b>Family Asset Building Program</b>	<b>Healthy Parents Healthy Kids</b>
Salaries	\$ 4,244,450	\$ 960,608	\$ 60,152	\$ 64,007
Employee benefits	1,073,873	251,765	17,771	19,213
Payroll taxes	309,012	69,174	4,448	3,997
Professional fees	4,571,440	152,116	839	4,535
Legal and accounting fees	70,194	11,306	1,887	751
Technology and internet	146,776	33,736	1,436	1,672
Supplies	436,877	62,984	411	9,073
Printing and copying	22,410	2,452	-	-
Telephone	85,314	19,895	937	1,330
Postage	8,423	602	260	64
Occupancy and utilities	431,037	84,439	2,782	4,330
Equipment rental and maintenance	72,363	18,905	2,834	263
Travel	225,422	32,916	1,694	1,269
Continuing education and conferences	109,139	9,224	175	300
Specific/financial assistance	73,638	50	39,163	1,238
Provider payments	1,640,700	-	-	-
Agency dues and licenses	32,111	6,640	246	305
Promotion	14,969	1,482	-	-
Insurance	37,968	9,070	406	561
Depreciation	35,065	2,457	-	-
Other	40,132	1,507	167	-
Bad debts	4,787	4,718	-	-
<b>Total Expenses</b>	<b>\$ 13,686,100</b>	<b>\$ 1,736,046</b>	<b>\$ 135,608</b>	<b>\$ 112,908</b>

<b>Marriage Enrichment</b>	<b>Family Nutrition</b>	<b>Children's Services</b>	<b>Student Assistance Program</b>	<b>Ways to Work Program</b>	<b>Child and Adult Care Food Program</b>	<b>Development</b>	<b>General and Administrative</b>
\$ -	\$ 15,683	\$ 2,084,156	\$ 36,617	\$ -	\$ 132,502	\$ 250,679	\$ 640,046
-	2,587	582,481	9,899	-	44,333	60,769	85,055
-	1,131	152,776	2,651	-	9,803	18,635	46,397
-	412	4,253,236	366	-	1,066	31,498	127,372
-	314	18,926	488	-	1,528	1,980	33,014
-	646	80,654	1,209	-	9,697	5,705	12,021
-	1,150	315,015	3,178	-	1,705	23,291	20,070
-	-	13,180	69	-	2,728	3,511	470
-	448	49,978	672	-	2,174	2,516	7,364
-	34	2,966	9	-	2,413	1,226	849
-	1,303	258,619	2,494	-	37,032	19,572	20,466
-	300	32,477	782	-	2,008	8,532	6,262
-	740	167,467	4,384	-	6,877	2,150	7,925
-	-	84,239	650	-	60	4,464	10,027
-	-	2,242	30,925	-	-	20	-
-	-	-	-	-	1,640,700	-	-
-	104	17,872	555	-	100	2,597	3,692
-	-	6,384	-	-	-	5,951	1,152
-	197	20,259	378	-	1,599	1,729	3,769
-	-	5,003	-	-	-	-	27,605
8,639	1	3,200	403	-	982	2,825	22,408
-	-	-	-	64	-	-	5
<u>\$ 8,639</u>	<u>\$ 25,050</u>	<u>\$ 8,151,130</u>	<u>\$ 95,729</u>	<u>\$ 64</u>	<u>\$ 1,897,307</u>	<u>\$ 447,650</u>	<u>\$ 1,075,969</u>

# **The Family Conservancy, Inc.**

## **Notes to Financial Statements**

**December 31, 2016 and 2015**

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

#### ***Nature of Operations***

The Family Conservancy, Inc. (Agency) is a not-for-profit corporation that provides various services to families and individuals throughout the greater Kansas City metropolitan area. The Agency's revenues and other support are derived principally from grants from government agencies, trusts and foundations and United Way allocations.

#### ***Use of Estimates***

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

#### ***Cash and Cash Equivalents***

The Agency considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2016 and 2015, cash equivalents consisted primarily of money market accounts.

At December 31, 2016, the Agency's cash accounts exceeded federally insured limits by approximately \$343,000.

#### ***Investments and Investment Return***

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statement of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.



# **The Family Conservancy, Inc.**

## **Notes to Financial Statements**

**December 31, 2016 and 2015**

### ***Beneficial Interest in Assets Held by Others***

The Agency maintains an interest in assets held at The Greater Kansas City Community Foundation and The Truman Heartland Community Foundation (Foundations), for which the Foundations have been granted variance power. The Agency receives distributions of earnings on such assets, and may request distributions of principal with respect to the assets held by the Foundations. The assets (which are included with investments on the accompanying statements of financial position) are invested primarily in equity and fixed income pools. The cumulative amount of retained beneficial interest amounted to \$940,132 and \$883,440 at December 31, 2016 and 2015, respectively (see *Note 4*).

### ***Accounts Receivable***

The Agency reports accounts receivable for professional services (primarily counseling) rendered at net realizable amounts from third-party payers, patients, customers and others. The Agency provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. As a service to the patient, the Agency bills third-party payers directly and bills the patient when the patient's liability is determined. Accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

### ***Property and Equipment***

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

### ***Temporarily and Permanently Restricted Net Assets***

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

### ***Contributions***

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

# The Family Conservancy, Inc.

## Notes to Financial Statements

December 31, 2016 and 2015

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

### **Government Grants**

Support funded by grants is recognized as the Agency performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

The Agency receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of the Agency are prepared on the accrual basis, all earned portions of the grants not yet received as of December 31, 2016, have been recorded as receivables. Following are the significant grant commitments that extend beyond December 31, 2016:

<b>Grant</b>	<b>Term</b>	<b>Grant Amount</b>	<b>Earned as of December 31, 2016</b>	<b>Funding Available</b>
Federal Head Start	11/01/16-10/31/17	\$ 5,728,937	\$ 911,720	\$ 4,817,217
Missouri Early Head Start	07/01/16-06/30/17	826,500	398,715	427,785
Kansas Early Head Start	08/01/16-07/31/17	2,351,687	928,490	1,423,197

### **Allocation of Functional Expenses**

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the programs based on labor dollars incurred by the program.

### **Transfers Between Fair Value Hierarchy Levels**

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

### **Income Taxes**

The Agency is a not-for-profit organization and is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3). However, the Agency is subject to income tax on any unrelated business taxable income. The Agency files tax returns in the U.S. federal jurisdiction.

# The Family Conservancy, Inc.

## Notes to Financial Statements

December 31, 2016 and 2015

### **Subsequent Events**

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

### **Note 2: Temporarily and Permanently Restricted Net Assets**

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

	<u>2016</u>	<u>2015</u>
Family Nutrition	\$ -	\$ 12,548
Family Asset Building Program	47,336	85,378
Children's Services	1,036,532	892,112
Healthy Parents Healthy Kids	24,087	18,073
Counseling	360,484	14,446
Student Assistance Program	93,848	66,649
Other	13,629	33,126
	<u>\$ 1,575,916</u>	<u>\$ 1,122,332</u>

Permanently restricted net assets at December 31 are restricted to:

	<u>2016</u>	<u>2015</u>
Investments to be held in perpetuity		
The Living Center for Growth in Marriage (interest and dividend income to be used for related program)	\$ 736,679	\$ 710,908
Family Achievement Night (interest and dividend income to be used for related program)	89,940	84,518
Student Assistance Program (interest and dividend income to be used for related program)	48,328	45,412
General Endowment (interest and dividend income is unrestricted)	733,647	720,055
	<u>\$ 1,608,594</u>	<u>\$ 1,560,893</u>

# The Family Conservancy, Inc.

## Notes to Financial Statements

December 31, 2016 and 2015

### Note 3: Temporarily Restricted Assets Released From Restriction

Net assets were released from donor or grantor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors or grantors. Amounts released are as follows:

	<u>2016</u>	<u>2015</u>
Ways to Work Program	\$ -	\$ 725
Counseling	6,128	9,181
Children's Services	710,738	816,435
Healthy Parents Healthy Kids	21,121	39,003
Family Asset Building Program	80,095	71,090
Student Assistance Program	44,361	9,939
Family Nutrition	12,548	29,643
Other	33,124	41,663
	<u>\$ 908,115</u>	<u>\$ 1,017,679</u>

### Note 4: Investments and Investment Return

Investments, which are recorded at fair value, consisted of the following at December 31:

#### *Board Designated*

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 45,309	\$ 23,500
Equity mutual funds	405,391	403,865
Hedge mutual funds	67,731	74,137
Fixed income mutual funds	290,857	271,653
Real estate investment trusts	32,439	34,367
Commodity mutual funds	16,844	16,394
Beneficial interest in assets held by others	801,864	753,510
	<u>\$ 1,660,435</u>	<u>\$ 1,577,426</u>

# The Family Conservancy, Inc.

## Notes to Financial Statements

December 31, 2016 and 2015

The beneficial interest in assets held by others are invested as follows at December 31:

	<u>2016</u>	<u>2015</u>
Fixed income securities	40%	40%
Equity securities	<u>60%</u>	<u>60%</u>
	<u>100%</u>	<u>100%</u>

### **Endowments**

	<u>2016</u>	<u>2015</u>
The Living Center for Growth in Marriage		
Cash and cash equivalents	\$ 81,579	\$ 76,714
Equity mutual funds	323,922	324,765
Hedge mutual funds	53,029	57,414
Fixed income mutual funds	237,379	214,356
Real estate investment trusts	26,657	27,906
Commodity mutual funds	<u>14,113</u>	<u>9,753</u>
	<u>736,679</u>	<u>710,908</u>
General Endowment		
Cash and cash equivalents	66,405	54,621
Equity mutual funds	299,155	302,564
Hedge mutual funds	49,879	55,372
Fixed income mutual funds	209,017	197,313
Real estate investment trusts	23,875	25,526
Commodity mutual funds	<u>12,433</u>	<u>10,214</u>
	<u>660,764</u>	<u>645,610</u>
Family Achievement Night		
Beneficial interest in assets held by others	<u>89,940</u>	<u>84,518</u>
Student Assistance Program		
Beneficial interest in assets held by others	<u>48,328</u>	<u>45,412</u>
Total endowment investments	<u>\$ 1,535,711</u>	<u>\$ 1,486,448</u>

Cash and cash equivalents included in investment portfolios managed by third parties are included with investments.

# The Family Conservancy, Inc.

## Notes to Financial Statements

December 31, 2016 and 2015

Total investment return is comprised of the following:

	<u>2016</u>	<u>2015</u>
Investment income	\$ 63,746	\$ 64,770
Net realized and unrealized gains (losses) on investments reported at fair value	<u>112,345</u>	<u>(88,896)</u>
	<u>\$ 176,091</u>	<u>\$ (24,126)</u>

### Note 5: Endowment

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

The Agency's governing body has interpreted the State of Kansas 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 Agency classifies as permanently restricted net assets (a) the original value of gifts donated to 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 donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Agency considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Agency and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Agency
7. Investment policies of the Agency

**The Family Conservancy, Inc.**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

The composition of net assets by type of endowment fund at December 31 was:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>December 31, 2016</b>				
Donor-restricted endowment funds	\$ (72,883)	\$ -	\$ 1,608,594	\$ 1,535,711
Board-designated endowment funds	1,660,435	-	-	1,660,435
Total endowment funds	<u>\$ 1,587,552</u>	<u>\$ -</u>	<u>\$ 1,608,594</u>	<u>\$ 3,196,146</u>
<b>December 31, 2015</b>				
Donor-restricted endowment funds	\$ (74,445)	\$ -	\$ 1,560,893	\$ 1,486,448
Board-designated endowment funds	1,577,426	-	-	1,577,426
Total endowment funds	<u>\$ 1,502,981</u>	<u>\$ -</u>	<u>\$ 1,560,893</u>	<u>\$ 3,063,874</u>

Changes in endowment net assets for the years ended December 31 were:

	<b>2016</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 1,502,981	\$ -	\$ 1,560,893	\$ 3,063,874
Investment return				
Investment income	50,450	-	-	50,450
Net appreciation	64,644	-	47,701	112,345
Total investment return	<u>115,094</u>	<u>-</u>	<u>47,701</u>	<u>162,795</u>
Contributions	15,580	-	-	15,580
Appropriation of endowment assets for expenditure	(30,196)	-	-	(30,196)
Investment expenses	(15,907)	-	-	(15,907)
Endowment net assets, end of year	<u>\$ 1,587,552</u>	<u>\$ -</u>	<u>\$ 1,608,594</u>	<u>\$ 3,196,146</u>
	<b>2015</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 1,599,455	\$ -	\$ 1,599,005	\$ 3,198,460
Investment return				
Investment income	64,770	-	-	64,770
Net depreciation	(50,784)	-	(38,112)	(88,896)
Total investment return	<u>13,986</u>	<u>-</u>	<u>(38,112)</u>	<u>(24,126)</u>
Contributions	11,899	-	-	11,899
Appropriation of endowment assets for expenditure	(90,616)	-	-	(90,616)
Investment expenses	(31,743)	-	-	(31,743)
Endowment net assets, end of year	<u>\$ 1,502,981</u>	<u>\$ -</u>	<u>\$ 1,560,893</u>	<u>\$ 3,063,874</u>

**The Family Conservancy, Inc.**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

Amounts of donor-restricted endowment funds classified as permanently restricted net assets at December 31, consisted of:

	<b>2016</b>	<b>2015</b>
Permanently restricted net assets - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or SPMIFA	\$ 1,608,594	\$ 1,560,893

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Agency is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and aggregated \$72,883 and \$74,445 at December 31, 2016 and 2015, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new permanently restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body.

The Agency has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Agency must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Agency's policies, endowment assets are invested in a manner that is intended to produce income to fund current operations while assuming a prudent level of investment risk. The Agency expects its endowment funds to provide an average rate of return of approximately 4.5% annually over time. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Agency 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 Agency targets a diversified asset allocation that places equal emphasis on equity-based and fixed income-based investments to achieve its long-term return objectives within prudent risk constraints.

The Agency has a policy (the spending policy) of appropriating for expenditure each year up to 4% of its endowment fund's average fair value over the prior 12 quarters through the year end preceding the year in which expenditure is planned. In establishing this policy, the Agency considered the long-term expected return on its endowment. Accordingly, over the long term, the Agency expects the current spending policy to allow its endowment to grow at an average of 0.5% of the moving average market value annually as determined above. This is consistent with the Agency's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.



# The Family Conservancy, Inc.

## Notes to Financial Statements

December 31, 2016 and 2015

### Note 6: Leases

The Agency rents office space and equipment under non-cancellable operating leases that expire at various dates through 2025. Rental expense related to these leases and other occupancy costs totaled \$402,251 and \$406,172 for the years ended December 31, 2016 and 2015, respectively.

Future minimum lease payments under operating leases at December 31, 2016 are as follows:

2017	\$ 386,557
2018	366,302
2019	366,879
2020	367,456
2021	362,552
Later years	<u>1,118,751</u>
Total minimum lease payments	<u>\$ 2,968,497</u>

### Note 7: Pension Plans

#### ***Defined Contribution Plan***

The Agency implemented a defined contribution pension plan covering substantially all employees on August 1, 2007. The plan allows for employee contributions, subject to certain IRS contribution limits. The Agency contributes 5% of compensation to the plan and matches 100% of the employee contributions up to 2% of compensation. Expense under this plan was approximately \$257,000 and \$235,000 for 2016 and 2015, respectively.

#### ***Defined Benefit Plan***

The Agency has a noncontributory defined benefit pension plan covering all employees who meet the eligibility requirements. The Agency's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Agency may determine to be appropriate from time to time. The Agency expects to contribute approximately \$284,000 to the plan in 2017. Effective July 31, 2007, the Agency froze the defined benefit pension plan.

# The Family Conservancy, Inc.

## Notes to Financial Statements

December 31, 2016 and 2015

The Agency uses a December 31 measurement date for the plan. Significant balances, costs and assumptions are:

	<u>2016</u>	<u>2015</u>
Benefit obligation	\$ 7,677,237	\$ 7,592,409
Fair value of plan assets	<u>5,957,393</u>	<u>5,716,298</u>
Funded status	\$ (1,719,844)	\$ (1,876,111)

Amounts recognized in change in unrestricted net assets not yet recognized as components of net periodic benefit cost consist of:

	<u>2016</u>	<u>2015</u>
Net loss	<u>\$ 2,801,445</u>	<u>\$ 2,786,385</u>

The accumulated benefit obligation for all defined benefit pension plans was:

	<u>2016</u>	<u>2015</u>
Accumulated benefit obligation	\$ (7,677,237)	\$ (7,592,409)
Accrued pension cost recognized in the statements of financial position as noncurrent liabilities	\$ (1,719,844)	\$ (1,876,111)

Other significant balances and costs are:

	<u>2016</u>	<u>2015</u>
Net periodic benefit costs	\$ 92,329	\$ 89,026
Employer contributions	\$ 263,656	\$ 263,656
Benefits paid	\$ 402,733	\$ 376,179

The estimated net loss that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year is \$163,614.

# The Family Conservancy, Inc.

## Notes to Financial Statements

December 31, 2016 and 2015

The following amounts have been recognized in the change in net assets:

	<b>2016</b>	<b>2015</b>
Amounts arising during the period		
Net (gain) loss	\$ 172,203	\$ (225,018)
Amounts reclassified as component of net periodic benefit cost of the period		
Net loss	\$ 157,143	\$ 189,700

Weighted-average assumptions used to determine benefit obligations:

	<b>2016</b>	<b>2015</b>
Discount rate	3.90%	4.10%
Rate of compensation increase	0.00%	0.00%
Mortality table	MP-2016	MP-2015

Weighted-average assumptions used to determine benefit costs:

	<b>2016</b>	<b>2015</b>
Discount rate	4.10%	3.70%
Expected return on plan assets	7.00%	7.25%
Rate of compensation increase *	0.00%	0.00%

\* As the plan is frozen, there is no future service credit.

The Agency has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information.

Asset allocation is primarily based on a strategy to provide stable earnings while still permitting the plans to recognize potentially higher returns through a limited investment in equity securities. The target asset allocation percentages for 2016 and 2015 are as follows:

	<b>2016</b>	<b>2015</b>
Equity securities	50%	50%
Fixed income and other	50%	50%

### **Pension Plan Assets**

Following is a description of the valuation methodologies used for pension plan assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

# The Family Conservancy, Inc.

## Notes to Financial Statements

December 31, 2016 and 2015

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. The plan did not have any assets classified as Level 1. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of plan assets with similar characteristics or discounted cash flows. Level 2 plan assets include pooled separate accounts in equity and fixed income funds. In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3 of the hierarchy and include a guaranteed investment contract with Mutual of America Life Insurance Company.

The fair values of the Agency's pension plan assets at December 31, 2016 and 2015, by asset class are as follows:

Asset Category	Total Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2016</b>				
Guaranteed investment contract	\$ 619,291	\$ -	\$ -	\$ 619,291
Pooled separate accounts - equity funds	3,142,677	-	3,142,677	-
Pooled separate accounts - fixed income funds	2,195,425	-	2,195,425	-
Total	<u>\$ 5,957,393</u>	<u>\$ -</u>	<u>\$ 5,338,102</u>	<u>\$ 619,291</u>
<b>December 31, 2015</b>				
Guaranteed investment contract	\$ 751,767	\$ -	\$ -	\$ 751,767
Pooled separate accounts - equity funds	2,857,494	-	2,857,494	-
Pooled separate accounts - fixed income funds	2,107,037	-	2,107,037	-
Total	<u>\$ 5,716,298</u>	<u>\$ -</u>	<u>\$ 4,964,531</u>	<u>\$ 751,767</u>

The following is a reconciliation of the beginning and ending balances of fair value measurements using significant unobservable (Level 3) inputs:

	2016	2015
<b>Guaranteed Investment Contract</b>		
Balance at beginning of year	\$ 751,767	\$ 856,712
Actual return on plan assets		
Relating to assets still held at the reporting date	1,490	8,578
Purchases	263,656	262,656
Sales	(397,622)	(376,179)
Balance at end of year	<u>\$ 619,291</u>	<u>\$ 751,767</u>

# The Family Conservancy, Inc.

## Notes to Financial Statements

December 31, 2016 and 2015

Plan assets are held by Mutual of America Life Insurance Company, which invests the plan assets in accordance with the provisions of the plan agreement. The plan agreement permits investment in common stocks, corporate bonds and debentures, U.S. Government securities, certain insurance contracts, real estate and other specified investments, based on certain target allocation percentages.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of December 31:

2017	\$	447,000
2018		457,000
2019		450,000
2020		440,000
2021		461,000
2022-2026		2,222,000

### Note 8: Line of Credit

The Agency has a \$650,000 revolving bank line of credit that is due on demand. At December 31, 2016 and 2015, there were no borrowings against this line. The line is collateralized by securities and other investment property. Interest is payable monthly at LIBOR plus 2.75%.

### Note 9: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

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

# The Family Conservancy, Inc.

## Notes to Financial Statements

December 31, 2016 and 2015

### Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2016</b>				
Money market funds	\$ 193,293	\$ 193,293	\$ -	\$ -
Equity mutual funds	1,028,468	1,028,468	-	-
Fixed income mutual funds	737,253	737,253	-	-
Hedge mutual funds	170,639	170,639	-	-
Real estate investment trusts	82,971	82,971	-	-
Commodity mutual funds	43,390	43,390	-	-
Beneficial interest in assets held by others	940,132	-	940,132	-
	<u>\$ 3,196,146</u>	<u>\$ 2,256,014</u>	<u>\$ 940,132</u>	<u>\$ -</u>
<b>December 31, 2015</b>				
Money market funds	\$ 154,835	\$ 154,835	\$ -	\$ -
Equity mutual funds	1,031,194	1,031,194	-	-
Fixed income mutual funds	683,322	683,322	-	-
Hedge mutual funds	186,923	186,923	-	-
Real estate investment trusts	87,799	87,799	-	-
Commodity mutual funds	36,361	36,361	-	-
Beneficial interest in assets held by others	883,440	-	883,440	-
	<u>\$ 3,063,874</u>	<u>\$ 2,180,434</u>	<u>\$ 883,440</u>	<u>\$ -</u>

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2016.

# The Family Conservancy, Inc.

## Notes to Financial Statements

December 31, 2016 and 2015

### ***Investments and Beneficial Interests in Assets Held by Others***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Agency did not have securities classified as Level 3.

### **Note 10: Related Party Transactions**

The Agency is one of three permanent members of The Children's Campus of Kansas City, Inc. (the Campus). In 2009, the Agency entered into a lease agreement with the Campus for a term of 15 years commencing on April 1, 2010 with monthly lease payments of \$17,220. In addition, the Agency pays a portion of the Campus' operating costs and taxes.

### **Note 11: Significant Estimates and Concentrations**

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

#### ***Investments***

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

#### ***Allowance for Uncollectible Accounts***

Significant estimates relating to the allowance for uncollectible accounts are described in *Note 1*.

#### ***Pension Benefit Obligation***

The Agency has a noncontributory defined benefit pension plan whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date based on the projected unit credit cost method. It is reasonably possible that events could occur that would change the estimated amount of this liability materially in the near term.

# **The Family Conservancy, Inc.**

## **Notes to Financial Statements**

**December 31, 2016 and 2015**

### ***Revenues***

For the years ended December 31, 2016 and 2015, government grant revenues accounted for 81% and 87%, respectively, of the Agency's total public support and revenues.

### ***Functional Allocation of Expenses***

Significant estimates relating to the allocation of expenses on a functional basis are described in *Note 1*.