The Family Conservancy, Inc.

Independent Auditor's Reports and Financial Statements

December 31, 2017 and 2016

BKD LLP
CPAs & Advisors

The Family Conservancy, Inc.

December 31, 2017 and 2016

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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, 2017 and 2016, 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.

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, 2017 and 2016, 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 18, 2018

The Family Conservancy, Inc.

Statements of Financial Position

December 31, 2017 and 2016

Assets

	2017	2016
Current Assets		
Cash and cash equivalents	$ 622,955	$ 368,479
Receivables		
Professional services, net of allowance; 2017 - $6,100, 2016 - $1,746	25,653	9,192
Child and adult care food program	78,281	86,384
Interest and dividends	1,808	419
Grant and other receivables	2,597,061	2,464,697
Prepaid expenses	71,406	132,845
Total current assets	3,397,164	3,062,016
Investments		
Endowments	1,717,031	1,535,711
Board-designated	1,863,336	1,660,435
	3,580,367	3,196,146
Property and Equipment, At Cost		
Land	21,000	21,000
Building and improvements	595,840	595,840
Furniture and equipment	129,160	133,786
	746,000	750,626
Less accumulated depreciation	533,076	499,242
	212,924	251,384
Total assets	$ 7,190,455	$ 6,509,546

Liabilities and Net Assets

	2017	2016
Current Liabilities		
Accounts payable	$ 603,072	$ 611,382
Accrued expenses	456,941	462,388
Deferred revenue	636	636
Total current liabilities	1,060,649	1,074,406
Accrued Pension Costs	1,482,238	1,719,844
Total liabilities	2,542,887	2,794,250
Net Assets		
Unrestricted	1,067,081	530,786
Temporarily restricted	1,809,547	1,575,916
Permanently restricted	1,770,940	1,608,594
Total net assets	4,647,568	3,715,296
Total liabilities and net assets	$ 7,190,455	$ 6,509,546

The Family Conservancy, Inc.

Statement of Activities

Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Public Support				
Allocation by United Ways	$ 1,132,708			$ 1,132,708
Grants from governmental agencies	10,994,875	$ 491,350		11,486,225
Grants from trusts and foundations	155,944	933,185		1,089,129
Fundraising	127,730	-		127,730
In-kind contributions	87,453	-		87,453
Other contributions	94,821	-		94,821
Total public support	12,593,531	1,424,535		14,018,066
Revenue				
Program service fees, net of fee adjustments of $57,387	416,292	-		416,292
Investment income	73,755	-		73,755
Gain on sale of investments, net	76,292	-		76,292
Other revenues	5,524	-		5,524
Total revenue	571,863	-		571,863
Net Assets Released from Restrictions	1,190,904	(1,190,904)		-
Total public support and revenue	14,356,298	233,631		14,589,929
Unrealized Gains on Investments, Net	97,541	-	$ 162,346	259,887
Total revenues, gains and other support	$ 14,453,839	$ 233,631	$ 162,346	$ 14,849,816

The Family Conservancy, Inc.

Statement of Activities (Continued)

Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses				
Program Services				
Counseling	$ 1,637,394			$ 1,637,394
Family Asset Building Program	9,094			9,094
Healthy Parents Healthy Kids	124,742			124,742
Marriage Enrichment	6,792			6,792
Children's Services	9,468,863			9,468,863
Student Assistance Program	108,146			108,146
Child and Adult Care Food Program	1,065,275			1,065,275
Total program services	12,420,306			12,420,306
Supporting Services				
Development	533,763			533,763
General and administrative	986,395			986,395
Total supporting services	1,520,158			1,520,158
Total expenses	13,940,464			13,940,464
Change in Net Assets Before Change in Defined Benefit Pension Plan Gains and Losses	513,375	$ 233,631	$ 162,346	909,352
Change in Defined Benefit Pension Plan Gains and Losses	22,920	-	-	22,920
Change in Net Assets	536,295	233,631	162,346	932,272
Net Assets, Beginning of Year	530,786	1,575,916	1,608,594	3,715,296
Net Assets, End of Year	$ 1,067,081	$ 1,809,547	$ 1,770,940	$ 4,647,568

The Family Conservancy, Inc.

Statement of Activities

Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Public Support				
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
Total public support	13,940,598	1,361,699		15,302,297
Revenue				
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)
Total revenue	345,386	-		345,386
Net Assets Released from Restrictions	908,115	(908,115)		-
Total public support and revenue	15,194,099	453,584		15,647,683
Unrealized Gains on Investments, Net	75,744	-	$ 47,701	123,445
Total revenues, gains and other support	$ 15,269,843	$ 453,584	$ 47,701	$ 15,771,128

The Family Conservancy, Inc.

Statement of Activities (Continued)

Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses				
Program Services				
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	1,392,916			1,392,916
Total program services	13,431,532			13,431,532
Supporting Services				
Development	484,862			484,862
General and administrative	1,032,050			1,032,050
Total supporting services	1,516,912			1,516,912
Total expenses	14,948,444			14,948,444
Change in Net Assets Before Change in Defined Benefit Pension Plan Gains and Losses	321,399	$ 453,584	$ 47,701	822,684
Change in Defined Benefit Pension Plan Gains and Losses	(15,060)	-	-	(15,060)
Change in Net Assets	306,339	453,584	47,701	807,624
Net Assets, Beginning of Year	224,447	1,122,332	1,560,893	2,907,672
Net Assets, End of Year	$ 530,786	$ 1,575,916	$ 1,608,594	$ 3,715,296

The Family Conservancy, Inc.

Statements of Cash Flows

Years Ended December 31, 2017 and 2016

	2017	2016
Operating Activities		
Change in net assets	$ 932,272	$ 807,624
Items not requiring (providing) operating activities cash flows		
Net unrealized and realized gains on investments	(336,179)	(112,345)
Depreciation and amortization	38,460	37,085
Change in defined benefit pension plan gains and losses	(22,920)	15,060
Changes in		
Receivables	(142,111)	(625,168)
Prepaid expenses	61,439	(84,666)
Accounts payable	(8,310)	4,853
Accrued expenses	(5,447)	189,938
Deferred revenue	-	(17,664)
Accrued pension costs	(214,686)	(171,327)
Net cash provided by operating activities	302,518	43,390
Investing Activities		
Purchase of property and equipment	-	(22,357)
Purchase of investments	(1,852,470)	(1,455,652)
Proceeds from disposition of investments	1,804,428	1,435,725
Net cash used in investing activities	(48,042)	(42,284)
Increase in Cash and Cash Equivalents	254,476	1,106
Cash and Cash Equivalents, Beginning of Year	368,479	367,373
Cash and Cash Equivalents, End of Year	$ 622,955	$ 368,479

The Family Conservancy, Inc.

Statement of Functional Expenses

Year Ended December 31, 2017

	Total	Counseling	Family Asset Building Program	Healthy Parents Healthy Kids
Expenses				
Salaries	$ 4,276,121	$ 967,036	$ 6,246	$ 68,752
Employee benefits	962,220	259,991	2,246	19,669
Payroll taxes	313,501	70,554	464	4,533
Unemployment	16,584	3,848	47	261
Professional fees	5,750,169	38,604	21	2,182
Legal and accounting fees	98,379	19,730	10	1,800
Technology and internet	117,040	27,466	-	1,627
Supplies	291,124	32,361	-	15,884
Printing and copying	13,024	826	-	38
Telephone	64,856	21,237	-	1,103
Postage	7,685	547	10	13
Occupancy and utilities	431,871	85,774	-	1,904
Equipment rental and maintenance	47,727	15,355	-	706
Travel	192,901	39,120	-	1,140
Continuing education and conferences	156,953	16,682	-	750
Specific/financial assistance	39,702	530	-	641
Provider payments	885,791	-	-	-
Agency dues and licenses	50,675	17,677	-	308
Promotion	11,858	774	-	-
Insurance	41,098	10,635	-	626
Depreciation	38,460	3,290	-	-
In-kind expenses	87,453	2,052	-	2,805
Other	42,643	676	50	-
Bad debts	2,629	2,629	-	-
Total Expenses	$ 13,940,464	$ 1,637,394	$ 9,094	$ 124,742

See Notes to Financial Statements

Marriage Enrichment	Children's Services	Student Assistance Program	Child and Adult Care Food Program	Development	General and Administrative
$ -	$ 2,134,459	$ 38,900	$ 89,093	$ 270,323	$ 701,312
-	598,781	11,377	29,089	63,222	(22,155)
-	156,923	2,767	6,669	20,354	51,237
-	8,118	134	353	1,038	2,785
-	5,660,006	311	656	22,702	25,687
-	17,769	701	10,159	3,364	44,846
-	60,910	990	9,353	4,865	11,829
-	185,382	1,516	2,304	33,979	19,698
-	5,751	53	844	5,237	275
-	35,733	806	708	1,190	4,079
-	3,510	9	1,475	1,016	1,105
-	258,279	2,617	20,103	22,419	40,775
-	22,235	420	1,242	2,087	5,682
-	130,194	3,865	4,361	2,666	11,555
-	124,516	600	-	1,107	13,298
-	5,365	33,060	-	106	-
-	-	-	885,791	-	-
-	17,137	1,305	435	9,757	4,056
-	981	114	-	2,000	7,989
-	21,071	424	1,025	1,981	5,336
-	7,565	-	-	-	27,605
-	13,270	7,560	729	61,037	-
6,792	908	617	886	3,313	29,401
-	-	-	-	-	-
$ 6,792	$ 9,468,863	$ 108,146	$ 1,065,275	$ 533,763	$ 986,395

The Family Conservancy, Inc.

Statement of Functional Expenses

Year Ended December 31, 2016

	Total	Counseling	Family Asset Building Program	Healthy Parents Healthy Kids
Expenses				
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	-	-
Total Expenses	$ 14,948,444	$ 1,611,291	$ 221,212	$ 110,509

Marriage Enrichment	Family Nutrition	Children's Services	Student Assistance Program	Child and Adult Care Food Program	Development	General and Administrative
$ -	$ 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
-	-	-	-	-	-	-
$ 8,615	$ 12,304	$ 9,982,455	$ 92,230	$ 1,392,916	$ 484,862	$ 1,032,050

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

At December 31, 2017 and 2016, cash equivalents consisted primarily of money market accounts.

At December 31, 2017, the Agency's cash accounts exceeded federally insured limits by approximately $497,000.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and 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.

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 $552,555 and $940,132 at December 31, 2017 and 2016, respectively (see *Note 3*).

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.

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, 2017, have been recorded as receivables. Following are the significant grant commitments that extend beyond December 31, 2017:

Grant	Term	Grant Amount	Earned as of December 31, 2017	Funding Available
Federal Head Start	11/01/17-06/30/18	$ 3,604,714	$ 1,488,086	$ 2,116,628
Federal Head Start	03/01/17-08/31/18	694,003	565,096	128,907
Missouri Early Head Start	07/01/17-06/30/18	826,500	408,248	418,252
Kansas Early Head Start	08/01/17-07/31/18	2,254,229	1,023,060	1,231,169

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.

Subsequent Events

Subsequent events have been evaluated through July 18, 2018, which is the date the financial statements were available to be issued.

Note 2: Net Assets

Temporarily Restricted Net Assets

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

	2017	2016
Family Asset Building Program	$ -	$ 47,336
Children's Services	1,280,090	1,036,532
Healthy Parents Healthy Kids	24,745	24,087
Counseling	362,783	360,484
Student Assistance Program	91,685	93,848
Other	50,244	13,629
	$ 1,809,547	$ 1,575,916

Permanently Restricted Net Assets

Permanently restricted net assets at December 31 are restricted to:

	2017	2016
Investments to be held in perpetuity		
The Living Center for Growth in Marriage (interest and dividend income to be used for related program)	$ 825,212	$ 736,679
Family Achievement Night (interest and dividend income to be used for related program)	101,751	89,940
Student Assistance Program (interest and dividend income to be used for related program)	54,675	48,328
General Endowment (interest and dividend income is unrestricted)	789,302	733,647
	$ 1,770,940	$ 1,608,594

Net Assets Released from Restrictions

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:

	2017	2016
Counseling	$ 346,044	$ 6,128
Children's Services	737,263	710,738
Healthy Parents Healthy Kids	22,936	21,121
Family Asset Building Program	17,191	80,095
Student Assistance Program	56,224	44,361
Family Nutrition	-	12,548
Other	11,246	33,124
	$ 1,190,904	$ 908,115

Note 3: Investments and Investment Return

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

Board Designated

	2017	2016
Cash and cash equivalents	$ 64,596	$ 45,309
Equity mutual funds	716,606	405,391
Hedge mutual funds	142,345	67,731
Fixed income mutual funds	514,480	290,857
Real estate investment trusts	-	32,439
Commodity mutual funds	29,180	16,844
Beneficial interest in assets held by others	396,129	801,864
	$ 1,863,336	$ 1,660,435

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

	2017	2016
Fixed income securities	40%	40%
Equity securities	60%	60%
	100%	100%

Endowments

	2017	2016
The Living Center for Growth in Marriage		
Cash and cash equivalents	$ 93,148	$ 81,579
Equity mutual funds	395,767	323,922
Hedge mutual funds	72,678	53,029
Fixed income mutual funds	248,819	237,379
Real estate investment trusts	-	26,657
Commodity mutual funds	14,800	14,113
	825,212	736,679
General Endowment		
Cash and cash equivalents	76,514	66,405
Equity mutual funds	347,804	299,155
Hedge mutual funds	65,671	49,879
Fixed income mutual funds	231,687	209,017
Real estate investment trusts	-	23,875
Commodity mutual funds	13,717	12,433
	735,393	660,764
Family Achievement Night		
Beneficial interest in assets held by others	101,751	89,940
Student Assistance Program		
Beneficial interest in assets held by others	54,675	48,328
Total endowment investments	$ 1,717,031	$ 1,535,711

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

Total investment return is comprised of the following:

	2017	2016
Investment income	$ 73,755	$ 63,746
Net realized and unrealized gains on investments reported at fair value	336,179	112,345
	$ 409,934	$ 176,091

Note 4: 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 composition of net assets by type of endowment fund at December 31 was:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
December 31, 2017				
Donor-restricted endowment funds	$ (53,909)	$ -	$ 1,770,940	$ 1,717,031
Board-designated endowment funds	1,863,336	-	-	1,863,336
Total endowment funds	$ 1,809,427	$ -	$ 1,770,940	$ 3,580,367
December 31, 2016				
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	$ 1,587,552	$ -	$ 1,608,594	$ 3,196,146

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

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 1,587,552	$ -	$ 1,608,594	$ 3,196,146
Investment return				
Investment income	73,755	-	-	73,755
Net appreciation	173,833	-	162,346	336,179
Total investment return	247,588	-	162,346	409,934
Contributions	5,420	-	-	5,420
Investment expenses	(31,133)	-	-	(31,133)
Endowment net assets, end of year	$ 1,809,427	$ -	$ 1,770,940	$ 3,580,367

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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	115,094	-	47,701	162,795
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	$ 1,587,552	$ -	$ 1,608,594	$ 3,196,146

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

	2017	2016
Permanently restricted net assets - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or SPMIFA	$ 1,770,940	$ 1,608,594

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 $53,909 and $72,883 at December 31, 2017 and 2016, 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 percent 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 percent 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 percent 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.

Note 5: 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 $407,472 and $402,251 for the years ended December 31, 2017 and 2016, respectively.

Future minimum lease payments under operating leases at December 31, 2017 are as follows:

2018	$ 366,285
2019	366,862
2020	367,439
2021	362,535
2022	335,608
Later years	755,118
Total minimum lease payments	$ 2,553,847

Note 6: Pension Plans

Defined Contribution Plan

The Agency implemented a defined contribution pension plan on August 1, 2007 covering substantially all employees. The plan allows for employee contributions, subject to certain IRS contribution limits. The Agency contributes 5 percent of compensation to the plan and matches 100 percent of the employee contributions up to 2 percent of compensation. Expense under this plan was approximately $262,000 and $257,000 for 2017 and 2016, 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 $291,000 to the plan in 2018. Effective July 31, 2007, the Agency froze the defined benefit pension plan.

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

	2017	2016
Benefit obligation	$ 7,986,327	$ 7,677,237
Fair value of plan assets	6,504,089	5,957,393
Funded status	$ (1,482,238)	$ (1,719,844)

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

	2017	2016
Net loss	$ 2,778,525	$ 2,801,445

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

	2017	2016
Accumulated benefit obligation	$ (7,986,327)	$ (7,677,237)
Accrued pension cost recognized in the statements of financial position as noncurrent liabilities	(1,482,238)	(1,719,844)

Other significant balances and costs are:

	2017	2016
Net periodic benefit costs	$ 69,411	$ 92,329
Employer contributions	284,097	263,656
Benefits paid	455,956	402,733

The estimated net loss that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year is $175,212.

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

	2017	2016
Amounts arising during the period		
Net loss	$ 140,694	$ 172,203
Amounts reclassified as component of net periodic benefit cost of the period		
Net loss	163,614	157,143

Weighted-average assumptions used to determine benefit obligations:

	2017	2016
Discount rate	3.45%	3.90%
Rate of compensation increase	0.00%	0.00%
Mortality table	MP-2017	MP-2016

Weighted-average assumptions used to determine benefit costs:

	2017	2016
Discount rate	3.90%	4.10%
Expected return on plan assets	7.00%	7.00%
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 2017 and 2016 are as follows:

	2017	2016
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.

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, 2017 and 2016, by asset class are as follows:

		Fair Value Measurements Using		
Asset Category	**Total Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
December 31, 2017				
Guaranteed investment contract	$ 745,432	$ -	$ -	$ 745,432
Pooled separate accounts - equity funds	3,495,624	-	3,495,624	-
Pooled separate accounts - fixed income funds	2,263,033	-	2,263,033	-
Total	$ 6,504,089	$ -	$ 5,758,657	$ 745,432
December 31, 2016				
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	$ 5,957,393	$ -	$ 5,338,102	$ 619,291

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

	2017	2016
Guaranteed Investment Contract		
Balance at beginning of year	$ 619,291	$ 751,767
Actual return on plan assets		
Relating to assets still held at the reporting date	6,000	1,490
Purchases	284,097	263,656
Sales	(455,956)	(397,622)
Transfers	292,000	-
Balance at end of year	$ 745,432	$ 619,291

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:

2018	$ 467,000
2019	459,000
2020	448,000
2021	469,000
2022	455,000
2023-2027	2,223,000

Note 7: 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

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 Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2017				
Money market funds	$ 234,258	$ 234,258	$ -	$ -
Equity mutual funds	1,460,177	1,427,507	32,670	-
Fixed income mutual funds	994,986	994,986	-	-
Hedge mutual funds	280,694	280,694	-	-
Real estate investment trusts	-	-	-	-
Commodity mutual funds	57,697	57,697	-	-
Beneficial interest in assets held by others	552,555	-	552,555	-
	$ 3,580,367	$ 2,995,142	$ 585,225	$ -
December 31, 2016				
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	-
	$ 3,196,146	$ 2,256,014	$ 940,132	$ -

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, 2017.

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 8: 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 as a lessee 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 9: 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.

Revenues

For the years ended December 31, 2017 and 2016, government grant revenues accounted for 79 percent and 81 percent, 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*.