The Family Conservancy, Inc.

Independent Auditor's Reports and Financial Statements

December 31, 2018 and 2017

BKD LLP
CPAs & Advisors

The Family Conservancy, Inc.

December 31, 2018 and 2017

Contents

BKD
CPAs & Advisors

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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, 2018 and 2017, 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, 2018 and 2017, 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.

Emphasis of a Matter

As described in *Note 2* to the financial statements, in 2018, The Family Conservancy, Inc. adopted ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities.* Our opinion is not modified with respect to this matter.

BKD, LLP

Kansas City, Missouri
July 23, 2019

The Family Conservancy, Inc.

Statements of Financial Position

December 31, 2018 and 2017

Assets

	2018	2017
Current Assets		
Cash and cash equivalents	$ 1,761,808	$ 622,955
Receivables		
Professional services, net of allowance; 2018 - $4,110, 2017 - $6,100	18,615	25,653
Child and adult care food program	75,681	78,281
Interest and dividends	1,288	1,808
Grant and other receivables	1,320,584	2,597,061
Prepaid expenses	53,042	71,406
Total current assets	3,231,018	3,397,164
Investments		
Endowments	1,618,290	1,717,031
Board-designated	1,737,964	1,863,336
	3,356,254	3,580,367
Property and Equipment, At Cost		
Land	21,000	21,000
Building and improvements	599,090	595,840
Furniture and equipment	95,541	129,160
	715,631	746,000
Less accumulated depreciation	535,558	533,076
	180,073	212,924
Total assets	$ 6,767,345	$ 7,190,455

Liabilities and Net Assets

	2018	2017
Current Liabilities		
Accounts payable	$ 309,590	$ 603,072
Accrued expenses	482,101	456,941
Deferred revenue	30,996	636
Total current liabilities	822,687	1,060,649
Accrued Pension Costs	1,326,082	1,482,238
Total liabilities	2,148,769	2,542,887
Net Assets		
Without donor restrictions	1,471,714	1,244,480
With donor restrictions	3,146,862	3,403,088
Total net assets	4,618,576	4,647,568
Total liabilities and net assets	$ 6,767,345	$ 7,190,455

The Family Conservancy, Inc.

Statement of Activities

Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Public Support			
Allocation by United Ways	$ 1,331,068		$ 1,331,068
Grants from governmental agencies	7,405,162		7,405,162
Grants from trusts and foundations	957,959	$ 1,454,425	2,412,384
Fundraising	180,016	-	180,016
In-kind contributions	106,820	-	106,820
Other contributions	132,072	-	132,072
Total public support	10,113,097	1,454,425	11,567,522
Revenue			
Program service fees, net of fee adjustments of $66,232	400,687	-	400,687
Investment return, net	23,223	34,218	57,441
Gain on sale of investments, net	48,285	34,928	83,213
Other revenues	11,494	-	11,494
Total revenue	483,689	69,146	552,835
Net Assets Released from Restrictions	1,624,467	(1,624,467)	-
Total public support and revenue	12,221,253	(100,896)	12,120,357
Unrealized Losses on Investments, Net	(206,539)	(155,330)	(361,869)
Total revenues, gains and other support	12,014,714	(256,226)	11,758,488

The Family Conservancy, Inc.
Statement of Activities (Continued)
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Expenses			
Program Services			
Counseling	$ 1,722,038		$ 1,722,038
Healthy Parents Healthy Kids	125,515		125,515
Children's Services	7,245,396		7,245,396
Student Assistance Program	105,826		105,826
Child and Adult Care Food Program	1,035,974		1,035,974
Total program services	10,234,749		10,234,749
Supporting Services			
Development	610,616		610,616
General and administrative	827,378		827,378
Total supporting services	1,437,994		1,437,994
Total expenses	11,672,743		11,672,743
Change in Net Assets Before Change in Defined Benefit Pension Plan Losses	341,971	$ (256,226)	85,745
Change in Defined Benefit Pension Plan Losses	(114,737)	-	(114,737)
Change in Net Assets	227,234	(256,226)	(28,992)
Net Assets, Beginning of Year	1,244,480	3,403,088	4,647,568
Net Assets, End of Year	$ 1,471,714	$ 3,146,862	$ 4,618,576

The Family Conservancy, Inc.

Statement of Activities

Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	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 return, net	73,755	-	73,755
Gain on sale of investments, net	44,230	32,062	76,292
Other revenues	5,524	-	5,524
Total revenue	539,801	32,062	571,863
Net Assets Released from Restrictions	1,180,662	(1,180,662)	-
Total public support and revenue	14,313,994	275,935	14,589,929
Unrealized Gains on Investments, Net	97,541	162,346	259,887
Total revenues, gains and other support	14,411,535	438,281	14,849,816

The Family Conservancy, Inc.
Statement of Activities (Continued)
Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	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	471,071	$ 438,281	909,352
Change in Defined Benefit Pension Plan Gains	22,920	-	22,920
Change in Net Assets	493,991	438,281	932,272
Net Assets, Beginning of Year, as Previously Reported	530,786	3,184,510	3,715,296
Adoption of ASU 2016-14	219,703	(219,703)	-
Net Assets, Beginning of Year, Adjusted	750,489	2,964,807	3,715,296
Net Assets, End of Year	$ 1,244,480	$ 3,403,088	$ 4,647,568

The Family Conservancy, Inc.

Statements of Cash Flows

Years Ended December 31, 2018 and 2017

	2018	2017
Operating Activities		
Change in net assets	$ (28,992)	$ 932,272
Items not requiring (providing) operating activities cash flows		
Net unrealized and realized (gains) losses on investments	278,656	(336,179)
Depreciation and amortization	36,101	38,460
Change in defined benefit pension plan gains and losses	114,737	(22,920)
Changes in		
Receivables	1,286,635	(142,111)
Prepaid expenses	18,364	61,439
Accounts payable	(293,482)	(8,310)
Accrued expenses	25,160	(5,447)
Deferred revenue	30,360	-
Accrued pension costs	(270,893)	(214,686)
Net cash provided by operating activities	1,196,646	302,518
Investing Activities		
Purchase of property and equipment	(3,250)	-
Purchase of investments	(1,223,340)	(1,852,470)
Proceeds from disposition of investments	1,168,797	1,804,428
Net cash used in investing activities	(57,793)	(48,042)
Increase in Cash and Cash Equivalents	1,138,853	254,476
Cash and Cash Equivalents, Beginning of Year	622,955	368,479
Cash and Cash Equivalents, End of Year	$ 1,761,808	$ 622,955

The Family Conservancy, Inc.

Statement of Functional Expenses

Year Ended December 31, 2018

	Total	Counseling	Healthy Parents Healthy Kids
Expenses			
Salaries	$ 4,085,332	$ 1,005,439	$ 74,108
Employee benefits	864,648	274,783	21,185
Payroll taxes	293,621	71,952	4,848
Unemployment	22,884	5,387	409
Professional fees	3,982,145	40,280	4,496
Legal and accounting fees	86,245	19,053	1,953
Technology and internet	112,848	27,361	1,303
Equipment and furniture	125	-	-
Supplies	240,459	50,566	6,668
Printing and copying	11,678	576	-
Telephone	55,209	13,961	1,541
Postage	5,263	494	14
Occupancy and utilities	400,496	90,400	5,283
Equipment rental and maintenance	51,205	16,765	589
Travel	137,218	35,814	811
Continuing education and conferences	147,220	32,798	285
Specific/financial assistance	42,756	235	625
Provider payments	873,408	-	-
Agency dues and licenses	47,606	16,394	212
Promotion	10,136	2,823	-
Insurance	38,467	10,264	507
Depreciation	36,101	2,568	-
In-kind expenses	106,820	1,309	678
Other	18,643	606	-
Bad debts	2,210	2,210	-
Total Expenses	$ 11,672,743	$ 1,722,038	$ 125,515

Children's Services	Student Assistance Program	Child and Adult Care Food Program	Development	General and Administrative
$ 1,930,485	$ 44,901	$ 86,170	$ 288,365	$ 655,864
537,211	12,443	29,592	63,551	(74,117)
138,977	3,113	6,367	21,401	46,963
11,198	206	455	1,560	3,669
3,874,488	557	462	45,939	15,923
20,253	598	1,749	3,714	38,925
59,143	928	8,881	5,030	10,202
125	-	-	-	-
109,345	1,004	1,057	54,749	17,070
5,164	-	709	5,159	70
33,021	1,262	612	1,200	3,612
1,744	9	1,274	1,218	510
230,248	1,300	16,577	21,330	35,358
24,680	411	943	2,317	5,500
79,977	4,234	4,277	3,735	8,370
101,532	975	-	4,453	7,177
7,341	31,745	-	2,810	-
-	-	873,408	-	-
16,554	1,751	565	8,572	3,558
2,020	-	-	1,432	3,861
20,150	351	964	1,884	4,347
5,928	-	-	-	27,605
34,477	-	900	69,456	-
1,335	38	1,012	2,741	12,911
-	-	-	-	-
$ 7,245,396	$ 105,826	$ 1,035,974	$ 610,616	$ 827,378

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

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

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, 2018 and 2017, cash equivalents consisted primarily of money market accounts.

At December 31, 2018, the Agency's cash accounts exceeded federally insured limits by approximately $1,620,000.

Investments and Net 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 on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions 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 $519,369 and $552,555 at December 31, 2018 and 2017, respectively (see *Note 8*).

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.

Long-lived Asset Impairment

The Agency evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2018 and 2017.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment. Net assets with donor restrictions are subject to donor- or certain grantor- imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 revenue and net assets without donor restrictions.

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, 2018, have been recorded as receivables. Following are the significant grant commitments that extend beyond December 31, 2018:

Grant	Term	Grant Amount	Earned as of December 31, 2018	Funding Available
Kansas Early Head Start	08/01/18-07/31/19	$ 2,334,008	$ 901,820	$ 1,432,188

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. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the programs based on labor dollars incurred by the program.

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 23, 2019, which is the date the financial statements were available to be issued.

Note 2: Change in Accounting Principle

In 2018, the Agency adopted ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes is as follows:

Statement of Financial Position

- The statement of financial position distinguishes between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.

Statement of Activities

- Expenses are reported by both nature and function in one location.
- Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.
- The statement of activities and changes in net assets was updated to present amounts utilizing the placed-in-service approach for recognizing releases of restrictions on donations of long-lived assets or gifts of cash or other assets to purchase long-lived assets.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.
- Amounts and purposes of Governing Board designations and appropriations as of the end of the period are disclosed.

This change had no impact on previously reported total change in net assets.

As part of the adoption of ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, the financial statements have been adjusted for the change to placed-in-service approach for recognizing releases of restrictions on donations of long-lived assets or gifts of cash or other assets to purchase long-lived assets and the presentation of underwater donor-restricted endowment funds.

Note 3: Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31 are restricted for the following purposes or periods:

	2018	2017
Subject to expenditure for specified purpose		
Children's Services	$ 1,044,806	$ 1,161,808
Healthy Parents Healthy Kids	47,675	24,745
Counseling	317,847	357,575
Student Assistance Program	76,701	91,685
Other	16,543	50,244
	1,503,572	1,686,057
Subject to the passage of time		
Contribution that is not restricted by the donor but which is unavailable for expenditure until due	25,000	-
Endowments		
Subject to NFP endowment spending policy and appropriation		
The Living Center for Growth in Marriage	775,246	825,212
Family Achievement Night	99,640	101,751
Student Assistance Program	53,489	54,675
General Endowment	689,915	735,393
	1,618,290	1,717,031
	$ 3,146,862	$ 3,403,088

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.

	2018	2017
Satisfaction or purpose restrictions		
Counseling	$ 389,672	$ 344,490
Children's Services	1,081,891	715,487
Healthy Parents Healthy Kids	26,318	22,936
Family Asset Building Program	-	17,191
Student Assistance Program	64,973	56,224
Other	49,075	11,246
	1,611,929	1,167,574
Restricted-purpose appropriations		
The Living Center for Growth in Marriage	7,110	6,792
Family Achievement Night	409	894
Student Assistance Program	220	480
General Endowment	4,799	4,922
	12,538	13,088
	$ 1,624,467	$ 1,180,662

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) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The governing body of the Agency has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Agency considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Agency has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, 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:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2018			
Board-designated endowment funds	$ 1,737,964	$ -	$ 1,737,964
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	328,086	328,086
Accumulated investment gains	-	1,290,204	1,290,204
Total endowment funds	$ 1,737,964	$ 1,618,290	$ 3,356,254
December 31, 2017			
Board-designated endowment funds	$ 1,863,336	$ -	$ 1,863,336
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	328,086	328,086
Accumulated investment gains	-	1,388,945	1,388,945
Total endowment funds	$ 1,863,336	$ 1,717,031	$ 3,580,367

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

	2018 Without Donor Restrictions	2018 With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 1,863,336	$ 1,717,031	$ 3,580,367
Investment return, net	(113,141)	(86,184)	(199,325)
Appropriation of endowment assets for expenditure	(12,231)	(12,557)	(24,788)
Endowment net assets, end of year	$ 1,737,964	$ 1,618,290	$ 3,356,254

	2017 Without Donor Restrictions	2017 With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 1,660,435	$ 1,535,711	$ 3,196,146
Investment return, net	215,526	194,408	409,934
Contributions	5,420	-	5,420
Appropriation of endowment assets for expenditure	(18,045)	(13,088)	(31,133)
Endowment net assets, end of year	$ 1,863,336	$ 1,717,031	$ 3,580,367

See *Note 2* for the discussion of the changes in the presentation of the endowments as a result of the adoption of ASU 2016-14.

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. At December 31, 2018 and 2017, funds with original gift values of $328,086, fair values of $1,618,290 and $1,717,031, and deficiencies of $0, respectively, were reported in net assets with donor restrictions.

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: Liquidity and Availability

The Agency's financial assets available within one year of the balance sheet date for general expenditure are as follows:

	2018
Cash and cash equivalents	$ 1,761,808
Accounts and interest receivable	1,416,168
	$ 3,177,976

The Agency's endowment funds consist of donor-restricted endowments, quasi-endowments and board designated investments. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. The quasi-endowment investments have a spending rate of 4 percent, and appropriations from the quasi-endowment could be available within the next 12 months. To the extent that earnings available for spending on current operations for any year are not used during that year, they are to be added to the corpus and not carried over for spending in a subsequent year.

As part of the Agency's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Agency invests cash in excess of daily requirements in short-term investments which are considered to be cash equivalents. To help manage unanticipated liquidity needs, the Agency has committed lines of credit in the amount of $650,000, which it could draw upon. Additionally, although the Agency does not intend to spend from its board directed investments other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board directed investments could be made available if necessary. As of December 31, 2018, the value of the board directed investments was $1,737,964.

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 $371,450 and $407,472 for the years ended December 31, 2018 and 2017, respectively.

Future minimum lease payments under operating leases at December 31, 2018 are as follows:

2019	$ 366,862
2020	367,439
2021	362,535
2022	335,608
2023	335,608
Later years	419,510
Total minimum lease payments	$ 2,187,562

Note 7: 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 $249,000 and $262,000 for 2018 and 2017, 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 2019. 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:

	2018	2017
Benefit obligation	$ 7,422,894	$ 7,986,327
Fair value of plan assets	6,096,812	6,504,089
Funded status	$ (1,326,082)	$ (1,482,238)

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

	2018	2017
Net loss	$ 2,893,262	$ 2,778,525

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

	2018	2017
Accumulated benefit obligation	$ (7,422,894)	$ (7,986,327)
Accrued pension cost recognized in the statements of financial position as noncurrent liabilities	(1,326,082)	(1,482,238)

Other significant balances and costs are:

	2018	2017
Net periodic benefit costs	$ 18,017	$ 69,411
Employer contributions	288,910	284,097
Benefits paid	434,974	455,956

The estimated net loss that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year is $198,612.

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

	2018	2017
Amounts arising during the period		
Net loss	$ 289,949	$ 140,694
Amounts reclassified as component of net periodic benefit cost of the period		
Net loss	175,212	163,614

Weighted-average assumptions used to determine benefit obligations:

	2018	2017
Discount rate	4.00%	3.45%
Rate of compensation increase	0.00%	0.00%
Mortality table	MP-2018	MP-2017

Weighted-average assumptions used to determine benefit costs:

	2018	2017
Discount rate	3.45%	3.90%
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 2018 and 2017 are as follows:

	2018	2017
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, 2018 and 2017, 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, 2018				
Guaranteed investment contract	$ 44	$ -	$ -	$ 44
Pooled separate accounts - equity funds	2,904,898	-	2,904,898	-
Pooled separate accounts - fixed income funds	3,191,870	-	3,191,870	-
Total	$ 6,096,812	$ -	$ 6,096,768	$ 44
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

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

	2018	2017
Guaranteed Investment Contract		
Balance at beginning of year	$ 745,432	$ 619,291
Actual return on plan assets		
Relating to assets still held at the reporting date	4,288	6,000
Purchases	216,183	284,097
Sales	(319,544)	(455,956)
Transfers	(646,315)	292,000
Balance at end of year	$ 44	$ 745,432

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:

2019	$ 472,000
2020	461,000
2021	481,000
2022	466,000
2023	463,000
2024-2028	2,240,000

Note 8: 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, 2018				
Money market funds	$ 269,679	$ 269,679	$ -	$ -
Equity mutual funds	1,227,508	1,194,838	32,670	-
Fixed income mutual funds	904,336	904,336	-	-
Hedge mutual funds	336,314	336,314	-	-
Commodity mutual funds	99,048	99,048	-	-
Beneficial interest in assets held by others	519,369	-	519,369	-
	$ 3,356,254	$ 2,804,215	$ 552,039	$ -
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	-	-
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	$ -

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, 2018.

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 9: Line of Credit

The Agency has a private client line agreement in the amount of $650,000. At December 31, 2018 and 2017, there was no borrowings against this line. The line is collateralized by the Agency's cash and security accounts held with the institution. Interest varies with the bank's prime rate, which was 5.12 percent and 4.19 percent on at December 31, 2018 and 2017, respectively, and is payable monthly.

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 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 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.

Revenues

For the years ended December 31, 2018 and 2017, government grant revenues accounted for 61 percent and 79 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*.