The Family Conservancy, Inc.

Independent Auditor's Reports and Financial Statements

December 31, 2019 and 2018

BKD LLP

CPAs & Advisors

The Family Conservancy, Inc.

December 31, 2019 and 2018

Contents

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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., (Agency) which comprise the statements of financial position as of December 31, 2019 and 2018, 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, 2019 and 2018, 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 Matters

As described in Note 2 to the financial statements, in 2019, The Family Conservancy, Inc. adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) and ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

BKD, LLP

Kansas City, Missouri
July 17, 2020

The Family Conservancy, Inc.

Statements of Financial Position

December 31, 2019 and 2018

Assets

	2019	2018
Current Assets		
Cash and cash equivalents	$ 1,930,867	$ 1,761,808
Receivables		
Professional services, net of allowance; 2018 - $4,110	88,418	18,615
Child and adult care food program	76,449	75,681
Interest and dividends	4,034	1,288
Grant and other receivables	2,392,392	1,320,584
Prepaid expenses	35,778	53,042
Total current assets	4,527,938	3,231,018
Investments		
Endowments	1,830,346	1,618,290
Board-designated	2,058,499	1,737,964
	3,888,845	3,356,254
Property and Equipment, At Cost		
Land	21,000	21,000
Building and improvements	599,090	599,090
Furniture and equipment	137,856	95,541
	757,946	715,631
Less accumulated depreciation	567,837	535,558
	190,109	180,073
Total assets	$ 8,606,892	$ 6,767,345

Liabilities and Net Assets

	2019	2018
Current Liabilities		
Accounts payable	$ 711,140	$ 309,590
Accrued expenses	494,537	482,101
Deferred revenue	31,741	30,996
Total current liabilities	1,237,418	822,687
Accrued Pension Costs	1,216,018	1,326,082
Total liabilities	2,453,436	2,148,769
Net Assets		
Without donor restrictions	2,156,751	1,471,714
With donor restrictions	3,996,705	3,146,862
Total net assets	6,153,456	4,618,576
Total liabilities and net assets	$ 8,606,892	$ 6,767,345

The Family Conservancy, Inc.

Statement of Activities

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Public Support			
Allocation by United Ways	$ 1,175,985	$ 288,629	$ 1,464,614
Grants from governmental agencies	6,598,211	-	6,598,211
Grants from trusts and foundations	2,309,524	1,797,208	4,106,732
Fundraising	229,409	-	229,409
In-kind contributions	336,989	-	336,989
Other contributions	225,334	-	225,334
Total public support	10,875,452	2,085,837	12,961,289
Revenue			
Program service fees	368,205	-	368,205
Investment return, net	55,862	39,391	95,253
Gain on sale of investments, net	28,304	8,208	36,512
Other revenues	4,305	-	4,305
Total revenue	456,676	47,599	504,275
Net Assets Released from Restrictions	1,491,980	(1,491,980)	-
Total public support and revenue	12,824,108	641,456	13,465,564
Unrealized Gains on Investments, Net	248,379	208,387	456,766
Total revenues, gains and other support	13,072,487	849,843	13,922,330

The Family Conservancy, Inc.

Statement of Activities (Continued)

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Expenses			
Program Services			
Counseling	$ 2,069,100		$ 2,069,100
Healthy Parents Healthy Kids	152,752		152,752
Marriage Enrichment	31,190		31,190
Children's Services	7,483,611		7,483,611
Student Assistance Program	103,906		103,906
Child and Adult Care Food Program	992,176		992,176
Total program services	10,832,735		10,832,735
Supporting Services			
Development	600,620		600,620
General and administrative	872,201		872,201
Total supporting services	1,472,821		1,472,821
Total expenses	12,305,556		12,305,556
Change in Net Assets Before Change in Defined Benefit Pension Plan Losses	766,931	$ 849,843	1,616,774
Change in Defined Benefit Pension Plan Losses	(81,894)	-	(81,894)
Change in Net Assets	685,037	849,843	1,534,880
Net Assets, Beginning of Year	1,471,714	3,146,862	4,618,576
Net Assets, End of Year	$ 2,156,751	$ 3,996,705	$ 6,153,456

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.

Statements of Cash Flows

Years Ended December 31, 2019 and 2018

	2019	2018
Operating Activities		
Change in net assets	$ 1,534,880	$ (28,992)
Items not requiring (providing) operating activities cash flows		
Net unrealized and realized (gains) losses on investments	(493,278)	278,656
Depreciation	38,241	36,101
Change in defined benefit pension plan gains and losses	81,894	114,737
Changes in		
Receivables	(1,145,125)	1,286,635
Prepaid expenses	17,264	18,364
Accounts payable	401,550	(293,482)
Accrued expenses	12,436	25,160
Deferred revenue	745	30,360
Accrued pension costs	(191,958)	(270,893)
Net cash provided by operating activities	256,649	1,196,646
Investing Activities		
Purchase of property and equipment	(48,277)	(3,250)
Purchase of investments	(92,570)	(1,223,340)
Proceeds from disposition of investments	53,257	1,168,797
Net cash used in investing activities	(87,590)	(57,793)
Increase in Cash and Cash Equivalents	169,059	1,138,853
Cash and Cash Equivalents, Beginning of Year	1,761,808	622,955
Cash and Cash Equivalents, End of Year	$ 1,930,867	$ 1,761,808

The Family Conservancy, Inc.

Statement of Functional Expenses

Year Ended December 31, 2019

	Total	Counseling	Healthy Parents Healthy Kids
Expenses			
Salaries	$ 4,315,769	$ 1,201,219	$ 81,589
Employee benefits	984,647	301,860	19,990
Payroll taxes	315,002	88,120	6,041
Unemployment	6,672	1,880	125
Professional fees	3,622,228	41,823	4,208
Legal and accounting fees	99,548	25,453	2,748
Technology and internet	151,825	32,925	1,715
Supplies	614,508	111,700	15,919
Printing and copying	8,625	781	-
Telephone	59,594	16,734	1,078
Postage	3,953	444	3
Occupancy and utilities	418,716	114,346	7,564
Equipment rental and maintenance	48,912	14,210	699
Travel	160,309	54,704	1,264
Continuing education and conferences	93,202	19,915	500
Specific/financial assistance	53,618	716	926
Provider payments	841,112	-	-
Agency dues and licenses	39,999	15,224	233
Promotion	6,257	1,898	2
Insurance	42,254	12,398	644
Depreciation	38,241	2,893	-
In-kind expenses	336,991	7,016	7,504
Other	41,689	956	-
Bad debts	1,885	1,885	-
Total Expenses	$ 12,305,556	$ 2,069,100	$ 152,752

Marriage Enrichment	Children's Services	Student Assistance Program	Child and Adult Care Food Program	Development	General and Administrative
$ -	$ 1,975,040	$ 40,259	$ 79,577	$ 298,966	$ 639,119
-	551,399	11,343	28,323	75,449	(3,717)
-	142,441	2,853	5,895	22,128	47,524
-	2,990	62	121	457	1,037
-	3,511,810	253	858	14,327	48,949
-	48,760	461	2,715	4,918	14,493
-	77,874	845	9,591	22,640	6,235
-	415,198	2,230	1,259	40,808	27,394
-	4,282	-	438	3,095	29
-	34,474	1,584	644	1,227	3,853
-	844	9	1,236	901	516
-	232,503	1,867	12,170	20,297	29,969
-	25,241	396	1,145	2,237	4,984
-	87,401	4,077	4,386	4,266	4,211
-	66,076	585	-	2,005	4,121
-	18,941	32,440	-	595	-
-	-	-	841,112	-	-
-	13,610	1,785	484	5,939	2,724
-	2,776	1	219	743	618
-	21,615	343	1,052	1,948	4,254
-	4,406	-	-	-	30,942
-	245,066	2,450	-	74,955	-
31,190	864	63	951	2,719	4,946
-	-	-	-	-	-
$ 31,190	$ 7,483,611	$ 103,906	$ 992,176	$ 600,620	$ 872,201

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

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, 2019 and 2018, cash equivalents consisted primarily of money market accounts.

At December 31, 2019, the Agency's cash accounts exceeded federally insured limits by approximately $1,758,000.

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 $609,048 and $519,369 at December 31, 2019 and 2018, respectively (see *Note 10*).

Accounts and Grants Receivable

The Agency reports accounts receivable for professional services (primarily counseling) rendered at the outstanding amount of consideration to which the Agency expects to be entitled 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.

Grants receivable primarily consists of amounts billed to federal, state and local agencies based on amounts defined in the contract or grant agreement. Grants receivable are typically paid by the granting agency in their normal course of business (usually within 60 days).

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, 2019 and 2018.

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

Contributions are provided to the Agency either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the Agency overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.* the donor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

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 statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Government Grants

Support funded by grants is recognized as the Agency meets the conditions prescribed by the grant agreement, 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.

In-kind Contributions

In addition to receiving cash contributions, the Agency received in-kind contributions from various donors. It is the policy of the Agency to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by the same amount. For the years ended December 31, 2019 and 2018, $336,989 and $106,820, respectively, was received in in-kind contributions.

Revenue Recognition

Revenue is recognized when control of the promised goods or services is transferred to the Agency's customers, in an amount that reflects the consideration that it expects to be entitled to in exchange for those goods or services. The amount and timing of revenue recognition varies based on the nature of goods or services provided and the terms and conditions of the customer contract. See *Note 4* for additional information about the Agency's revenue.

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 17, 2020, which is the date the financial statements were available to be issued.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Agency. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

There has been significant volatility in the investment markets both nationally and globally since December 31, 2019, resulting in an overall market decline in certain market segments which has resulted in a substantial decline in the value of our investment portfolio.

The Agency was approved to receive a loan on April 22, 2020 for $1,058,300 as part of the Paycheck Protection Program (PPP), set up by the United States Small Business Administration as allocated in the CARES Act. A portion of this loan is eligible to be forgiven. The actual amount of loan forgiveness will depend, in part, on the total amount of payroll costs over the eight-week period following the date of the loan.

Note 2: Change in Accounting Principles

Revenue Recognition

On January 1, 2019, the Agency adopted the Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606), (ASU 2014-09) using a modified retrospective method of adoption to all contracts with clients not yet complete at January 1, 2019.

The core guidance in Topic 606 is to recognize revenue to depict the transfer of promised goods or services to patients in amounts that reflect the consideration to which the Agency expects to be entitled in exchange for those goods or services.

The amount to which the Agency expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing goods or services.

Adoption of ASU 2014-09 did not result in a change to the timing of revenue recognition; however, resulted in changes in presentation of financial statements and related disclosures in the notes to the financial statements.

Clarifying Contributions Received and Contributions Made

On January 1, 2019, the Agency adopted the Financial Accounting Standards Board Accounting Standards Update ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, using a modified prospective method of adoption to agreements that were not complete as of or entered into after the effective date.

The core guidance in ASU 2018-08 is to provide guidance around the determination of distinguishing contributions vs. exchange transactions. In addition, the standard clarified the requirements for determining whether a contribution is conditional.

Adoption of ASU 2018-08 resulted in changes in presentation of financial statements and related disclosures in the notes to the financial statements. These changes impacted the classification of certain federal and state grants historically considered to be exchange transactions.

Under the clarified guidance, it was determined commensurate value was not exchanged under these agreements; therefore, these grants are considered conditional contributions and revenue is recognized once the condition is met, which is generally as the qualifying expenses are incurred. As revenue continues to be recognized based on expenses incurred, there was not a material change in the recognition of revenue.

Note 3: Conditional Gifts

The Agency has received the following conditional promises to give at December 31, 2019 that are not recognized in the financial statements:

	2019
Conditional upon incurrence of allowable qualifying expenses	$ 3,366,035
Conditional upon specific individuals serviced	1,626,177
Conditional upon program review	200,000
	$ 5,192,212

Note 4: Revenue from Contracts with Customers

Program Service Fees

Program service fees represents fees for services and is reported at the amount that reflects the consideration to which the Agency expects to be entitled in exchange for providing services. These amounts are due from individuals, third-party insurers and other agencies. Revenue is recognized as the performance obligation is satisfied, which is over time as the services are provided as the customer simultaneously receives and consumes the benefit. The Agency determines the transaction price based on standard charges for services provided, reduced by discounts provided in accordance with the Agency's policy and implicit price concessions provided to clients. The Agency determines its estimates of discounts and implicit price concessions based on contractual agreements, its discount policies and historical experience. These contracts are generally short-term in nature and revenue is recognized based on the output of hours of service provided in relation to total hours. The Agency believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the outputs needed to satisfy the obligation. Billing varies by contract either at the time of service or in advance, prior to providing the service. The Agency has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the service provided and payers that have different reimbursement and payment methodologies.

Revenue from Contracts with Agencies

The Agency has entered into contracts with agencies to provide various services with payments based on either a fixed fee or cost reimbursement. At contract inception, the Agency assesses the services promised in the contracts with customers to identify the performance obligations in the arrangement. Generally, all contracts are considered a single performance obligation because the Agency provides a highly-integrated service resulting in a combined output. Revenue is recognized for the single performance obligation over time due to the Agency's right to payment for work performed to date. The transaction price is the contractually defined amount that includes adjustment for variable consideration such as reimbursable costs or penalties. The contracts generally provide for the right to invoice the customer as work progresses. Revenue for performance obligations satisfied over time is recognized ratably over the period based on the cost-to-cost measure. Revenue recognized during the year ended December 31, 2019 from contracts with agencies was $685,016, with $37,750 included in the grants from governmental agencies on the statement of activities and $647,266 included in the grants from trusts and foundations on the statement of activities. The Agency has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the service provided and the payers that have different payment methodologies.

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Note 5: Net Assets

Net Assets With Donor Restrictions

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

	2019	2018
Subject to expenditure for specified purpose		
Children's Services	$ 1,514,320	$ 1,044,806
Healthy Parents Healthy Kids	68,882	47,675
Counseling	490,218	317,847
Student Assistance Program	88,313	76,701
Other	4,626	16,543
	2,166,359	1,503,572
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	864,172	775,246
Family Achievement Night	106,526	99,640
Student Assistance Program	57,193	53,489
General Endowment	802,455	689,915
	1,830,346	1,618,290
	$ 3,996,705	$ 3,146,862

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.

	2019	2018
Satisfaction or purpose restrictions		
Counseling	$ 312,819	$ 389,672
Children's Services	1,013,706	1,081,891
Healthy Parents Healthy Kids	44,270	26,318
Student Assistance Program	40,340	64,973
Other	36,915	49,075
	1,448,050	1,611,929
Restricted-purpose appropriations		
The Living Center for Growth in Marriage	38,345	7,110
Blue Carpet Event	426	409
Student Assistance Program	229	220
General Endowment	4,930	4,799
	43,930	12,538
	$ 1,491,980	$ 1,624,467

Note 6: Endowment

The Agency's governing body is subject to the *State of Kansas Prudent Management of Institutional Funds Act* (SPMIFA). As a result, the Agency 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 being reclassified as net assets without donor restrictions.

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 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 composition of net assets by type of endowment fund at December 31, 2019 and 2018, was:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2019			
Board-designated endowment funds	$ 2,058,499	$ -	$ 2,058,499
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	-	1,502,260	1,502,260
Total endowment funds	$ 2,058,499	$ 1,830,346	$ 3,888,845
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

Changes in endowment net assets for the years ended December 31, 2019 and 2018 were:

	2019 Without Donor Restrictions	2019 With Donor Restrictions	2019 Total
Endowment net assets, beginning of year	$ 1,737,964	$ 1,618,290	$ 3,356,254
Investment return, net	324,799	255,986	580,785
Contributions	10,790	-	10,790
Appropriation of endowment assets for expenditure	(15,054)	(43,930)	(58,984)
Endowment net assets, end of year	$ 2,058,499	$ 1,830,346	$ 3,888,845

	2018 Without Donor Restrictions	2018 With Donor Restrictions	2018 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

Investment and Spending Policies

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 a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Agency has a 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.

Underwater Endowments

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.

At December 31, 2019 and 2018, no funds with deficiencies were reported in net assets with donor restrictions.

Note 7: Liquidity and Availability

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

	2019	2018
Cash and cash equivalents	$ 1,930,867	$ 1,761,808
Accounts and interest receivable	2,561,293	1,416,168
	$ 4,492,160	$ 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, 2019, the value of the board directed investments was $2,058,499.

Note 8: 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 $366,862 and $371,450 for the years ended December 31, 2019 and 2018, respectively.

Future minimum lease payments under operating leases at December 31, 2019 are as follows:

2020	$ 367,439
2021	362,535
2022	335,608
2023	335,608
2024	335,608
Later years	83,902
Total minimum lease payments	$ 1,820,700

Note 9: 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 $239,000 and $249,000 for 2019 and 2018, 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 2020. 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:

	2019	2018
Benefit obligation	$ 8,193,379	$ 7,422,894
Fair value of plan assets	6,977,361	6,096,812
Funded status	$ (1,216,018)	$ (1,326,082)

Amounts recognized in change in without donor restriction not yet recognized as components of net periodic benefit cost consist of:

	2019	2018
Net loss	$ 2,975,156	$ 2,893,262

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

	2019	2018
Accumulated benefit obligation	$ (8,193,379)	$ (7,422,894)
Accrued pension cost recognized in the statements of financial position as noncurrent liabilities	(1,216,018)	(1,326,082)

Other significant balances and costs are:

	2019	2018
Net periodic benefit costs	$ 98,952	$ 18,017
Employer contributions	290,910	288,910
Benefits paid	429,976	434,974

The estimated net loss that will be amortized from without donor restriction into net periodic benefit cost over the next fiscal year is $216,883. The following amounts have been recognized in the change in net assets:

	2019	2018
Amounts arising during the period		
Net loss	$ 280,506	$ 289,949
Amounts reclassified as component of net periodic benefit cost of the period		
Net loss	198,612	175,212

Weighted-average assumptions used to determine benefit obligations:

	2019	2018
Discount rate	3.00%	4.00%
Rate of compensation increase	0.00%	0.00%
Mortality table	MP-2019	MP-2018

Weighted-average assumptions used to determine benefit costs:

	2019	2018
Discount rate	4.00%	3.45%
Expected return on plan assets	6.75%	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 2019 and 2018 are as follows:

	2019	2018
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, 2019 and 2018, 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, 2019				
Guaranteed investment contract	$ 45	$ -	$ -	$ 45
Pooled separate accounts - equity funds	3,741,092	-	3,741,092	-
Pooled separate accounts - fixed income funds	3,236,224	-	3,236,224	-
Total	$ 6,977,361	$ -	$ 6,977,316	$ 45
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

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

	2019	2018
Guaranteed Investment Contract		
Balance at beginning of year	$ 44	$ 745,432
Actual return on plan assets		
Relating to assets still held at the reporting date	-	4,288
Purchases	-	216,183
Sales	(801)	(319,544)
Transfers	802	(646,315)
Balance at end of year	$ 45	$ 44

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:

2020	$ 471,000
2021	490,000
2022	475,000
2023	471,000
2024	466,000
2025-2029	2,243,000

Note 10: 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

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Recurring Measurements

The following tables present the fair value measurements of assets 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, 2019				
Money market funds	$ 171,408	$ 171,408	$ -	$ -
Equity mutual funds	1,588,420	1,588,420	-	-
Fixed income mutual funds	1,008,049	1,008,049	-	-
Hedge mutual funds	384,952	384,952	-	-
Commodity mutual funds	126,968	126,968	-	-
Beneficial interests in assets held by others	609,048	-	609,048	-
	$ 3,888,845	$ 3,279,797	$ 609,048	$ -
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 interests in assets held by others	519,369	-	519,369	-
	$ 3,356,254	$ 2,804,215	$ 552,039	$ -

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, 2019.

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 11: Line of Credit

The Agency has a private client line agreement in the amount of $650,000. At December 31, 2019 and 2018, 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 4.55 percent and 5.12 percent on December 31, 2019 and 2018, respectively, and is payable monthly.

Note 12: 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 13: 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, 2019 and 2018, government grant revenues accounted for 52 percent and 61 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*.