

REPORT ON EXAMINATION
OF THE

CENTER FOR PRACTICAL BIOETHICS, INC.
KANSAS CITY, MISSOURI

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

McBRIDE, LOCK & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS
KANSAS CITY

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CERTIFIED PUBLIC ACCOUNTANTS

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Center for Practical Bioethics, Inc.

We have audited the accompanying statement of financial position of the Center for Practical Bioethics, Inc. (a nonprofit organization) as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Center for Practical Bioethics, Inc.'s 2010 financial statements and, in our report dated July 21, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center for Practical Bioethics, Inc., as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



McBride, Lock & Associates
Kansas City, Missouri
July 11, 2012

Center For Practical Bioethics, Inc.
STATEMENT OF FINANCIAL POSITION
December 31, 2011

<u>Assets</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				2011	2010
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 29,829	\$ 459,324	\$ -	\$ 489,153	\$ 368,783
Accounts Receivable	3,376	-	-	3,376	39,450
Grants Receivable (NOTE 2)	1,000	-	-	1,000	177,548
Pledge Receivable (NOTE 3)	-	-	36,000	36,000	5,101
Prepaid Expenses	19,072	-	-	19,072	5,642
Total Current Assets	<u>\$ 53,277</u>	<u>\$ 459,324</u>	<u>\$ 36,000</u>	<u>\$ 548,601</u>	<u>\$ 596,524</u>
PROPERTY AND EQUIPMENT					
Furniture and Equipment	\$ 16,176	\$ -	\$ -	\$ 16,176	\$ 16,176
Computer Hardware and Software	14,420	-	-	14,420	14,420
Leasehold Improvements	1,965	-	-	1,965	1,965
Accumulated Depreciation and Amortization	(32,340)	-	-	(32,340)	(31,630)
Total Property and Equipment	<u>\$ 221</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 221</u>	<u>\$ 931</u>
OTHER ASSETS					
Cash - Restricted	\$ -	\$ -	\$ 87,238	\$ 87,238	\$ 100,601
Investments - Restricted (NOTE 4)	-	-	3,382,837	3,382,837	2,635,380
Accounts Receivable	-	-	-	-	2,133
Interfund Receivable (NOTE 9)	-	-	293,000	293,000	293,000
Pledges Receivable (NOTE 3)	-	-	7,633	7,633	972,657
Deferred Compensation	94,117	-	-	94,117	79,045
Total Other Assets	<u>\$ 94,117</u>	<u>\$ -</u>	<u>\$ 3,770,708</u>	<u>\$ 3,864,825</u>	<u>\$ 4,082,816</u>
TOTAL ASSETS	<u>\$ 147,615</u>	<u>\$ 459,324</u>	<u>\$ 3,806,708</u>	<u>\$ 4,413,647</u>	<u>\$ 4,680,271</u>
Liabilities					
CURRENT LIABILITIES					
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ 27,144
Accounts Payable	14,905	-	-	14,905	25,360
Accrued Expenses	33,740	-	-	33,740	51,633
Interfund Payable (NOTE 9)	293,000	-	-	293,000	293,000
Deferred Revenue	24,050	-	-	24,050	18,000
Total Current Liabilities	<u>\$ 365,695</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 365,695</u>	<u>\$ 415,137</u>
LONG-TERM LIABILITIES					
457(b) Deferred Compensation Liability	\$ 90,282	\$ -	\$ -	\$ 90,282	\$ 75,339
Total Liabilities	<u>\$ 455,977</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 455,977</u>	<u>\$ 490,476</u>
Net Assets					
Unrestricted	\$ (308,362)	\$ -	\$ -	\$ (308,362)	\$ (360,307)
Temporarily Restricted (NOTE 8)	-	459,324	-	459,324	546,331
Permanently Restricted (NOTE 7)	-	-	3,806,708	3,806,708	4,003,771
Total Net Assets	<u>\$ (308,362)</u>	<u>\$ 459,324</u>	<u>\$ 3,806,708</u>	<u>\$ 3,957,670</u>	<u>\$ 4,189,795</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 147,615</u>	<u>\$ 459,324</u>	<u>\$ 3,806,708</u>	<u>\$ 4,413,647</u>	<u>\$ 4,680,271</u>

The accompanying notes to the financial statements are an integral part of this statement.

Center For Practical Bioethics, Inc.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

<u>Revenue</u>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2011	2010
Contributions, grants, and other support	\$ 512,735	\$ 650,072	\$ 1,525	\$ 1,164,332	\$ 1,471,056
Fundraising	314,804	-	-	314,804	365,926
Membership Dues	119,743	-	-	119,743	148,990
Communications	4,071	-	-	4,071	5,044
Investment Income	700	-	98,534	99,234	62,557
Other Income	1,292	-	-	1,292	10,135
Net assets released from restrictions	942,591	(737,079)	(205,512)	-	-
Total Revenue	\$ 1,895,936	\$ (87,007)	\$ (105,453)	\$ 1,703,476	\$ 2,063,708
 <u>Expenses</u>					
Program expenses					
Education and Consulting	\$ 1,416,365	\$ -	\$ -	\$ 1,416,365	\$ 1,481,855
Support services expenses					
Management and general	221,356	-	-	221,356	244,505
Fundraising	195,999	-	-	195,999	168,221
Total support services expenses	\$ 417,355	\$ -	\$ -	\$ 417,355	\$ 412,726
Total Expenses	\$ 1,833,720	\$ -	\$ -	\$ 1,833,720	\$ 1,894,581
Change in Net Assets from Operations	\$ 62,216	\$ (87,007)	\$ (105,453)	\$ (130,244)	\$ 169,127
 Other Revenue (Expense):					
Realized Investment Gains (Losses)	\$ -	\$ -	\$ 108,292	\$ 108,292	\$ (13,410)
Unrealized Investment Gains (Losses)	(17)	-	(176,891)	(176,908)	216,490
Interest Expense	(9,954)	-	-	(9,954)	(9,354)
Investment Expense	(300)	-	(23,011)	(23,311)	(18,756)
Total Other Revenue (Expenses)	\$ (10,271)	\$ -	\$ (91,610)	\$ (101,881)	\$ 174,970
Change in Net Assets	\$ 51,945	\$ (87,007)	\$ (197,063)	\$ (232,125)	\$ 344,097
Net Assets, beginning of the year	(360,307)	546,331	4,003,771	4,189,795	3,845,698
Net Assets, end of year	\$ (308,362)	\$ 459,324	\$ 3,806,708	\$ 3,957,670	\$ 4,189,795

The accompanying notes to the financial statements are an integral part of this statement.

Center For Practical Bioethics, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2011

	Program Services			Support Services	
	Education and	Management		Total	
	Consulting	and General	Fundraising	2011	2010
<u>Personnel Expenses</u>					
Salaries & Wages - Management	\$ 202,470	\$ 43,004	\$ 89,844	\$ 335,318	\$ 305,427
Salaries & Wages - Other	514,888	69,100	9,424	593,412	781,232
Health Insurance	82,487	12,890	11,414	106,791	108,468
Contracted Services/Temporary Help	-	-	-	-	18,249
Payroll Taxes	49,333	7,710	6,827	63,870	75,504
Retirement Expense	13,122	2,057	1,818	16,997	19,192
Deferred Comp Plan Expense	11,536	1,808	1,599	14,943	16,309
Health Reimbursement Acct	-	-	-	-	487
Disability Expense	1,204	188	167	1,559	52
Workers Compensation	2,896	453	401	3,750	3,714
Key-man Insurance	3,237	506	448	4,191	4,191
Payroll Processing Fees	1,577	246	218	2,041	2,127
Employment Development	151	24	21	196	1,793
Search Expense	13,923	2,176	1,927	18,026	134
Other Employee Expense	229	35	32	296	42,577
Total Personnel Expenses	\$ 897,053	\$ 140,197	\$ 124,140	\$ 1,161,390	\$ 1,379,456
<u>Occupancy Expenses</u>					
Rent	\$ 49,698	\$ 7,767	\$ 6,877	\$ 64,342	\$ 57,383
Parking	1,404	219	194	1,817	2,481
Insurance-Property & Casualty	2,862	447	396	3,705	3,850
Other Occupancy Expense	1,920	300	266	2,486	1,085
Total Occupancy Expenses	\$ 55,884	\$ 8,733	\$ 7,733	\$ 72,350	\$ 64,799
<u>Operating Expenses</u>					
Consulting Fees	\$ 220,101	\$ 34,396	\$ 30,457	\$ 284,954	\$ 102,833
Audit Fees	6,952	1,086	962	9,000	8,800
Professional/Filing Fees	4,850	758	671	6,279	2,790
Community Relations	270	42	37	349	100
Bank/Credit Card Charges	5,025	785	695	6,505	2,907
Finance/Late Charges	19	3	3	25	143
Office Expense & Supplies	13,375	2,090	1,851	17,316	21,748
Printing Expense	39,371	6,153	5,448	50,972	48,409
Books & Subscriptions	125	20	17	162	4,153
Dues & Memberships	730	114	101	945	1,610
Postage & Shipping Exp	5,386	842	744	6,972	11,988
Telephone Expense	9,179	1,434	1,270	11,883	11,285
Equipment Lease Expense	10,910	1,705	1,510	14,125	9,997
Equipment Maintenance	2,701	422	374	3,497	46,816
Equipment-Computer Expense	4,841	757	670	6,268	2,889
Insurance - D&O Liability	1,733	271	240	2,244	2,063
Insurance - Professional Liability	4,125	645	570	5,340	5,342
Conference/Mtg Expense	87,962	13,746	12,172	113,880	106,155
Travel Expense	24,558	3,838	3,398	31,794	51,087
Depreciation Expense	549	86	75	710	1,439
Scholarship Expense	-	-	-	-	999
Bad Debt Expense	7,527	1,180	1,043	9,750	3,400
Other Operating Expense	13,139	2,053	1,818	17,010	3,373
Total Operating Expenses	\$ 463,428	\$ 72,426	\$ 64,126	\$ 599,980	\$ 450,326
Total Program and Support Expenses	\$ 1,416,365	\$ 221,356	\$ 195,999	\$ 1,833,720	\$ 1,894,581

The accompanying notes to the financial statements are an integral part of this statement.

Center For Practical Bioethics, Inc.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2011

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (232,125)	\$ 344,097
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad Debt Expense	9,750	3,400
Depreciation and Amortization	710	1,439
Permanently restricted contributions	(1,525)	(51,133)
Restricted Cash included in Endowment Fund	13,363	1,090,518
Changes in operating assets and liabilities:		
Accounts Receivable	38,207	(28,950)
Grants Receivable	176,548	(102,548)
Pledges Receivable	924,375	(1,314)
Prepaid Expenses	(13,430)	3,507
Deferred Compensation	(15,072)	(16,435)
Accounts Payable	(10,455)	(6,904)
Accrued Expenses	(17,893)	2,168
Deferred Revenue	6,050	16,250
Accrued Deferred Compensation	14,943	16,310
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 893,446	\$ 1,270,405
 CASH FLOWS FROM INVESTING ACTIVITIES		
Net Purchases of Investments	(747,457)	(1,323,363)
NET CASH USED IN INVESTING ACTIVITIES	\$ (747,457)	\$ (1,323,363)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Permanently Restricted Contributions	1,525	51,133
NET CASH PROVIDED BY FINANCING ACTIVITIES	\$ 1,525	\$ 51,133
NET INCREASE (DECREASE) IN CASH	\$ 147,514	\$ (1,825)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	341,639	343,464
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 489,153	\$ 341,639

The accompanying notes to the financial statements are an integral part of this statement.

CENTER FOR PRACTICAL BIOETHICS, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Center for Practical Bioethics, Inc., (the “Center”) was incorporated in July 1984 as a Kansas not-for-profit corporation. The Center exists to raise and respond to ethical issues in health and healthcare to help patients, families, and health care providers find practical solutions to ethical problems. The guiding principles of the Center are as follows:

- To lead and promote the leadership of others
- To think critically and listen actively
- To address ethical issues unfettered by special interests
- To collaborate with others who share our values
- To work diligently toward our mission

Net Assets

The Center reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted – The portion of expendable funds that is available for support of the Center’s operations.

Temporarily restricted and permanently restricted – Funds that are subject to donor restrictions. These funds require either that the principal be invested in perpetuity or the income only be used by the Center or are temporarily restricted by the donor’s intent as to usage.

Revenue Recognition

Contributions – Pledges are recorded as unrestricted, temporarily restricted, or permanently restricted support in the period in which they are pledged.

Fundraising – Sponsorships and attendance fees received are recorded in the period in which the event occurs.

Memberships revenue – Annual dues are assessed yearly based on the organizational or individual member’s anniversary date and are considered earned when received.

Accounts, Grants, and Pledges Receivable

The majority of the Center’s receivables are due from revenues earned from consulting agreements and from contributions. Receivables are due at the donor’s discretion. Accounts outstanding beyond the donor agreement are considered past due. The Center writes off

receivables when they become uncollectible. No allowance for doubtful accounts was considered necessary at December 31, 2011.

Investments

Investments are stated at fair value based on quoted market prices, with unrealized gains and losses included in the accompanying statements of activities.

Property and Equipment

The Center capitalizes all acquisitions of property and equipment in excess of \$1,000, which are recorded at cost, or fair value if donated. Property and equipment are depreciated using the straight-line method over the estimated useful life of the assets.

Income Taxes

The Center is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

Cash Equivalents

The Center considers unrestricted cash, money market accounts, and highly liquid investments purchased with maturities of less than three months to be a cash equivalent.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and services benefited. The allocation rate corresponds to the functional allocation of salaries and wages.

Advertising

Advertising costs are expensed as incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – GRANTS RECEIVABLE

Grants receivable at December 31, 2011:

Disaster Ethics	\$	1,000
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NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable represent donors' promises to pay contributions to the Center and are measured at the present value of estimated future cash flows using a discount rate of 3.3 percent. Collection of receivables at December 31, 2011 is expected as follows:

Due in less than one year	\$	36,000
Due in one to five years		8,000
Total Pledges Receivable		<u>44,000</u>
Less Discount to Present Value		<u>(367)</u>
Net Pledges Receivable	\$	<u>43,633</u>

NOTE 4 – INVESTMENTS

Investments consisted of the following as of December 31, 2011:

Money Market Funds	\$	91,542
Equities		2,074,068
Fixed Income		1,169,611
Exchange Traded Funds		34,502
Deposits in Transit		<u>13,114</u>
Total Investments	\$	<u>3,382,837</u>

NOTE 5 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Center chooses its valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Center measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

The following table presents the assets and liabilities recognized in the accompanying statement of financial position that are measured at fair value on a recurring basis and the level within the fair value hierarchy in which those fair value measurements fall at December 31, 2011:

	Fair Value			
	December 31	Level 1	Level 2	Level 3
Assets:				
Investments				
Money Market Funds	\$ 104,656	\$ 104,656	\$ -	\$ -
Equities	2,074,068	2,074,068	-	-
Fixed Income	1,169,611	1,169,611	-	-
Exchange Traded Funds	34,502	34,502	-	-
Total Investments	<u>\$ 3,382,837</u>	<u>\$ 3,382,837</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred Compensation				
Money Market Funds	\$ 22,919	\$ 22,919	\$ -	\$ -
Mutual Funds	67,363	67,363	-	-
Fixed Income	3,835	3,835	-	-
Total Deferred Compensation	<u>\$ 94,117</u>	<u>\$ 94,117</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities:				
Deferred Compensation				
Money Market Funds	\$ 22,919	\$ 22,919	\$ -	\$ -
Mutual Funds	67,363	67,363	-	-
Total Deferred Compensation	<u>\$ 90,282</u>	<u>\$ 90,282</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 6 – RETIREMENT PLANS

The Center sponsors a 403(b) defined contribution pension plan that covers all employees. The Center matches 25% of employee contributions up to 5% of the employee's annual salary, for a total potential contribution from the Center of 1.25%. Employer contributions are vested over five years of service. In addition, management may authorize a discretionary matching contribution in the amount of 1.75% of gross salaries. Total expense under this plan for the year ended December 31, 2011 was \$16,997.

During the year ended December 31, 2006, the Center adopted a 457(b) deferred compensation plan for a key employee. The employee and the employer can make discretionary contributions. Total deferred compensation expense for the year ended December 31, 2011 was \$14,943.

NOTE 7 – PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purposes as of December 31, 2011:

Rosemary Flanigan Ethics Chair	\$ 2,243,523
Foley Chair Endowment	1,481,599
Robert L. Biblo endowment	80,000
General Endowment	1,586
Total Permanently Restricted Net Assets	<u>\$ 3,806,708</u>

Foley Chair

During the year ended December 31, 2008, the Center entered into an agreement with Purdue Pharma L.P. whereby \$1,500,000 was contributed to provide funding for an endowed chair. The trust was funded in the amount of \$500,000 at the time of contractual signing by the Center, which occurred during the year ended December 31, 2008 and another payment was made in Fiscal Year 2009. The remaining balance of \$500,000 was paid during Fiscal Year 2011.

Francis Chair

During the year ended December 31, 2005, the John B. Francis Chair in Bioethics Fund was established with the Greater Kansas City Community Foundation by the Francis Family Foundation for the benefit of the Center. The principal amount pledged to the Fund was \$3,000,000, with the Center receiving annual distributions outlined by the terms of the agreement. The Francis Family Foundation has oversight responsibility of the fund for a period of 10 years after its inception. On the tenth anniversary date of the Fund, the Francis Family Foundation will transfer oversight responsibility to the Center provided conditions in the agreement are met.

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Net assets were temporarily restricted for the following purposes as of December 31, 2011:

John B Francis Chair	\$ 84,333
Francis Family Foundation - Operating Reserve	50,000
CC Revision	9,790
PAINS Action Initiative	73,201
PAAINS Communication	<u>242,000</u>
Total Temporarily Restricted Net Assets	<u>\$ 459,324</u>

NOTE 9 – INTERFUND RECEIVABLE/PAYABLE

The Center has a promissory note with the Flanigan Endowment, which was agreed to by the donor, with a face amount of \$300,000. The agreement will be reviewed annually on or about March 17 by the Finance Committee and Board of Directors. The note has an interest rate of "Wall Street Prime." Accrued interest on the unpaid balance is due on or before the 15th day of the month following the last day of the month for which it is calculated. At December 31, 2011, the line of credit was drawn to \$293,000.

NOTE 10 – OPERATING LEASES

The Center leases its office space under operating leases. The office lease will expire January 31, 2017. Rent expense related to this operating lease was \$64,342 for the year ended December 31, 2011.

Future minimum lease payments under the office lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2012	\$ 66,243
2013	68,230
2014	70,266
2015	72,391
2016	74,567
2017	6,229

NOTE 11 – MAJOR CONCENTRATIONS

The Center maintains its cash balances within two accounts at a financial institution in Kansas City, Missouri. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Center has pledged securities for balances in excess of insurance coverage. At December 31, 2011 the Center's cash balances were adequately secured.

The Center 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 investments securities, it is at least reasonably possible that changes could materially affect the amounts reported in the accompanying statements of financial position. The Board of Directors and management of the Center have established policies to provide prudent oversight of the investments.

NOTE 12 – ENDOWMENTS

The Center's endowment consists of three funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by the accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has determined that, absent explicit donor stipulations to the contrary, the Uniform Prudent Management of Institutional Funds Act (2006) (UPMIFA) statutes as adopted in Kansas and Missouri allow the Center to appropriate for expenditure or to accumulate so much of an endowment fund as the Center determines is prudent for the uses, benefits, purposes and duration for which the endowment funds were established, and to make such determinations to appropriate or accumulate fund assets in good faith pursuant to investment and spending policies implemented in the context of the perpetual nature of an endowment which are designed to maintain the value of the fund over time and to permit annual expenditure amounts that are prudent, after considering the following factors: (1) the duration and preservation of the endowment fund; (2) the purposes of the Center and the fund; (3) general economic conditions; (4) the possible effect of inflation or deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the Center; and (7) the investment and spending policy of the Center.

Investment Return Objectives, Risk Parameters and Strategies

The Center has adopted investment and spending policies for the purpose of attempting to provide a reasonably predictable stream of funding to programs supported by endowment funds while also attempting to maintain the purchasing power of the Corporation's endowment assets over the long term. The corporation shall seek an achievable return of 7% (net of investment fees) taking into account both capital appreciation (realized and unrealized) and current yield (interest and dividends) calculated as a moving three (3) year average of the fair market value of the funds.

Spending Policy

The Center has a policy of appropriating for distribution each year for programs and administration an amount up to but not to exceed 6% of a moving three (3) year average of the fair market value of the endowment funds determined quarterly. This is consistent with the Center's objectives to appropriate for expenditure or to accumulate so much of an endowment fund for the uses, benefits, purposes and duration for which the endowment funds were established.

The endowment net asset composition of \$3,725,122 is included entirely in the Permanently Restricted Fund.

Changes in endowment net assets as of December 31, 2011 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ -	\$ 3,917,033	\$ 3,917,033
Contributions	-	1,275	1,275
Investment Income	-	98,534	98,534
Net Depreciation	-	(68,599)	(68,599)
Amounts appropriated for expenditure	-	(223,121)	(223,121)
Endowment net assets, end of the year	<u>\$ -</u>	<u>\$ 3,725,122</u>	<u>\$ 3,725,122</u>

NOTE 13 – PRIOR YEAR SUMMARIZED INFORMATION

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the financial statements for the year ended December 31, 2010, from which the summarized information was derived.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated and noted no subsequent events through July 11, 2012, the date which the financial statements were available for issue.

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS

To the Board of Directors of
Center for Practical Bioethics, Inc.

In planning and performing our audit of the financial statements of the Center for Practical Bioethics, Inc. (the "Organization") as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.



McBride, Lock & Associates
Kansas City, Missouri
July 11, 2012