REPORT ON EXAMINATION
OF THE

CENTER FOR PRACTICAL BIOETHICS, INC.
KANSAS CITY, MISSOURI

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

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McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Center for Practical Bioethics, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. 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 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 Center for Practical Bioethics, Inc. as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Center for Practical Bioethics, Inc. 2011 financial statements, and our report dated July 11, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McBride, Lock & Associates

McBride, Lock & Associates
Kansas City, Missouri
May 21, 2013

Exhibit A

Center For Practical Bioethics, Inc.
STATEMENT OF FINANCIAL POSITION
December 31, 2012

Assets	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2012	Total 2011 (Restated)
CURRENT ASSETS					
Cash and Cash Equivalents	$ (38,765)	$ 295,342	$ -	$ 256,577	$ 576,391
Accounts Receivable	12,927	-	-	12,927	3,376
Grants Receivable	-	25,000	-	25,000	1,000
Pledge Receivable (NOTE 2)	6,000	60,187	6,500	72,687	36,000
Prepaid Expenses	19,875	-	-	19,875	19,072
Total Current Assets	$ 37	$ 380,529	$ 6,500	$ 387,066	$ 635,839
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	(32,561)	-	-	(32,561)	(32,340)
Total Property and Equipment	$ -	$ -	$ -	$ -	$ 221
OTHER ASSETS					
Investments - Restricted (NOTE 3)	$ -	$ -	$ 3,595,669	$ 3,595,669	$ 3,382,837
Interfund Receivable (NOTE 10)	-	-	293,000	293,000	293,000
Pledges Receivable (NOTE 2)	9,000	-	3,132	12,132	7,633
Deferred Compensation	114,309	-	-	114,309	94,117
Total Other Assets	$ 123,309	$ -	$ 3,891,801	$ 4,015,110	$ 3,777,587
TOTAL ASSETS	$ 123,346	$ 380,529	$ 3,898,301	$ 4,402,176	$ 4,413,647
Liabilities					
CURRENT LIABILITIES					
Accounts Payable	$ 27,152	$ -	$ -	$ 27,152	$ 14,905
Accrued Expenses	51,810	-	-	51,810	33,740
Interfund Payable (NOTE 10)	293,000	-	-	293,000	293,000
Line of Credit (NOTE 11)	55,000	-	-	55,000	-
Deferred Revenue	50,762	-	-	50,762	24,050
Total Current Liabilities	$ 477,724	$ -	$ -	$ 477,724	$ 365,695
LONG-TERM LIABILITIES					
457(b) Deferred Compensation Liability	$ 113,251	$ -	$ -	$ 113,251	$ 90,282
Total Liabilities	$ 590,975	$ -	$ -	$ 590,975	$ 455,977
Net Assets					
Unrestricted					
Operating	$ (554,867)	$ -	$ -	$ (554,867)	$ (314,014)
Board Designated (NOTE 9)	87,238	-	-	87,238	87,238
Total Unrestricted	$ (467,629)	$ -	$ -	$ (467,629)	$ (226,776)
Temporarily Restricted (NOTE 8)	$ -	$ 380,529	$ -	$ 380,529	$ 459,324
Permanently Restricted (NOTE 6)	-	-	3,898,301	3,898,301	3,725,122
Total Net Assets	$ (467,629)	$ 380,529	$ 3,898,301	$ 3,811,201	$ 3,957,670
TOTAL LIABILITIES & NET ASSETS	$ 123,346	$ 380,529	$ 3,898,301	$ 4,402,176	$ 4,413,647

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, 2012

Revenue	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2012	Total 2011
Contributions, grants, and other support	$ 435,588	$ 187,517	$ 2,074	$ 625,179	$ 1,164,332
Fundraising	281,423	85,187	-	366,610	314,804
Membership Dues	120,390	-	-	120,390	119,743
Communications	6,041	-	-	6,041	4,071
Investment Income	2,375	-	114,538	116,913	99,234
Other Income	7,084	-	-	7,084	1,292
Net assets released from restrictions	539,829	(351,499)	(188,330)	-	-
Total Revenue	$ 1,392,730	$ (78,795)	$ (71,718)	$ 1,242,217	$ 1,703,476
Expenses					
Program expenses					
Education and Consulting	$ 1,216,764	$ -	$ -	$ 1,216,764	$ 1,416,365
Support services expenses					
Management and general	$ 235,595	$ -	$ -	$ 235,595	$ 221,356
Fundraising	177,175	-	-	177,175	195,999
Total support services expenses	$ 412,770	$ -	$ -	$ 412,770	$ 417,355
Total Expenses	$ 1,629,534	$ -	$ -	$ 1,629,534	$ 1,833,720
Change in Net Assets from Operations	$ (236,804)	$ (78,795)	$ (71,718)	$ (387,317)	$ (130,244)
Other Revenue (Expense):					
Realized Investment Gains (Losses)	$ 238	$ -	$ 78,704	$ 78,942	$ 108,292
Unrealized Investment Gains (Losses)	5,414	-	189,688	195,102	(176,908)
Interest Expense	(9,681)	-	-	(9,681)	(9,954)
Investment Expense	(20)	-	(23,495)	(23,515)	(23,311)
Total Other Revenue (Expenses)	$ (4,049)	$ -	$ 244,897	$ 240,848	$ (101,881)
Change in Net Assets	$ (240,853)	$ (78,795)	$ 173,179	$ (146,469)	$ (232,125)
Net Assets, beginning of the year (NOTE 9)	(226,776)	459,324	3,725,122	3,957,670	4,189,795
Net Assets, end of year	$ (467,629)	$ 380,529	$ 3,898,301	$ 3,811,201	$ 3,957,670

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, 2012

	Program Services	Support Services		Total	
	Education and Consulting	Management and General	Fundraising	2012	2011
Personnel Expenses					
Salaries & Wages - Management	$ 272,659	$ 52,631	$ 92,274	$ 417,564	$ 335,318
Salaries & Wages - Other	272,685	98,132	15,554	386,371	593,412
Health Insurance	76,650	21,190	15,156	112,996	106,791
Payroll Taxes	39,684	10,971	7,846	58,501	63,870
Retirement Expense	12,862	3,556	2,543	18,961	16,997
Deferred Comp Plan Expense	15,581	4,308	3,081	22,970	14,943
Health Reimbursement Acct	1,581	437	312	2,330	-
Disability Expense	(220)	(61)	(44)	(325)	1,559
Paid Time Off Liability Expense	7,095	1,982	1,357	10,434	-
Workers Compensation	1,932	534	382	2,848	3,750
Key-man Insurance	3,353	-	838	4,191	4,191
Payroll Processing Fees	1,137	314	225	1,676	2,041
Employment Development	271	75	54	400	196
Search Expense	9,768	2,700	1,931	14,399	18,026
Other Employee Expense	-	-	-	-	296
Total Personnel Expenses	$ 715,038	$ 196,769	$ 141,509	$ 1,053,316	$ 1,161,390
Occupancy Expenses					
Rent	$ 52,995	$ 6,624	$ 6,624	$ 66,243	$ 64,342
Parking	1,228	153	153	1,534	1,817
Insurance-Property & Casualty	2,635	728	521	3,884	3,705
Other Occupancy Expense	1,298	162	162	1,622	2,486
Total Occupancy Expenses	$ 58,156	$ 7,667	$ 7,460	$ 73,283	$ 72,350
Operating Expenses					
Consulting Fees	$ 153,547	$ -	$ -	$ 153,547	$ 284,954
Audit Fees	6,241	1,725	1,234	9,200	9,000
Professional/Filing Fees	21,908	2,739	2,739	27,386	6,279
Community Relations	2,293	634	453	3,380	349
Bank/Credit Card Charges	2,668	334	334	3,336	6,505
Finance/Late Charges	-	-	-	-	25
Office Expense & Supplies	5,368	1,484	1,059	7,911	17,316
Printing Expense	97,900	3,940	6,938	108,778	50,972
Books & Subscriptions	11,588	-	-	11,588	162
Dues & Memberships	1,095	130	93	1,318	945
Postage & Shipping Exp	3,915	791	670	5,376	6,972
Telephone Expense	7,597	2,100	1,502	11,199	11,883
Equipment Lease Expense	12,902	717	717	14,336	14,125
Equipment Maintenance	2,011	112	112	2,235	3,497
Equipment-Computer Expense	3,790	211	211	4,212	6,268
Insurance - D&O Liability	1,560	432	309	2,301	2,244
Insurance - Professional Liability	3,621	1,002	717	5,340	5,340
Conference/Mtg Expense	76,066	12,329	8,936	97,331	113,880
Travel Expense	28,573	2,223	1,998	32,794	31,794
Depreciation Expense	150	41	30	221	710
Bad Debt Expense	-	-	-	-	9,750
Other Operating Expense	777	215	154	1,146	17,010
Total Operating Expenses	$ 443,570	$ 31,159	$ 28,206	$ 502,935	$ 599,980
Total Program and Support Expenses	$ 1,216,764	$ 235,595	$ 177,175	$ 1,629,534	$ 1,833,720

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

Exhibit D

Center For Practical Bioethics, Inc.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2012

	2012	2011 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (146,469)	$ (232,125)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad Debt Expense	-	9,750
Depreciation and Amortization	221	710
Permanently restricted contributions	(2,311)	(1,525)
Changes in operating assets and liabilities:		
Accounts Receivable	(9,551)	38,207
Grants Receivable	(24,000)	176,548
Pledges Receivable	(41,186)	924,375
Prepaid Expenses	(803)	(13,430)
Deferred Compensation	(20,192)	(15,072)
Accounts Payable	12,247	(10,455)
Accrued Expenses	18,070	(17,893)
Deferred Revenue	26,712	6,050
Accrued Deferred Compensation	22,969	14,943
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (164,293)	$ 880,083
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Purchases of Investments	$ (212,832)	$ (747,457)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Permanently Restricted Contributions	$ 2,311	$ 1,525
Line of Credit	55,000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	$ 57,311	$ 1,525
NET INCREASE (DECREASE) IN CASH	$ (319,814)	$ 134,151
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	576,391	442,240
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 256,577	$ 576,391
SUPPLEMENTAL DISCLOSURES		
Cash Paid For Interest	$ 9,681	$ 9,954

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

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 be unfettered by special interests
- To listen actively, think critically, and act wisely
- To lead and promote the leadership of others
- To collaborate with those who commit to civil discourse
- 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. Additionally, the Center's Board has designated certain funds that have been donated in honor or memory of an individual.

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, 2012.

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 – 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, 2012 is expected as follows:

Due in less than one year	$	72,687
Due in one to five years		12,500
Total Pledges Receivable		85,187
Less Discount to Present Value		(368)
Net Pledges Receivable	$	84,819

NOTE 3 – INVESTMENTS

Investments consisted of the following as of December 31, 2012:

Money Market Funds	$	171,489
Equities		2,237,179
Fixed Income		1,115,874
Exchange Traded Funds		71,127
Total Investments	$	3,595,669

NOTE 4 – 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, 2012:

	Fair Value December 31	Level 1	Level 2	Level 3
Assets:				
Investments				
Money Market Funds	$ 171,489	$ 171,489	$ -	$ -
Equities	2,237,179	2,237,179	-	-
Fixed Income	1,115,874	1,115,874	-	-
Exchange Traded Funds	71,127	71,127	-	-
Total Investments	$ 3,595,669	$ 3,595,669	$ -	$ -
Deferred Compensation				
Money Market Funds	$ 37,920	$ 37,920	$ -	$ -
Mutual Funds	75,331	75,331	-	-
Fixed Income	1,058	1,058	-	-
Total Deferred Compensation	$ 114,309	$ 114,309	$ -	$ -
Liabilities:				
Line of Credit	$ 55,000	$ 55,000	$ -	$ -
Deferred Compensation				
Money Market Funds	37,920	37,920	-	-
Mutual Funds	75,331	75,331	-	-
Total Deferred Compensation	$ 113,251	$ 113,251	$ -	$ -

NOTE 5 – 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, 2012 was $18,961.

During the year ended December 31, 2006, the Center adopted a 457(b) deferred compensation plan for a key employee. In 2012, the plan was expanded to include a second key employee. The employees and the employer can make discretionary contributions. Total deferred compensation expense for the year ended December 31, 2012 was $22,970.

NOTE 6 – PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purposes as of December 31, 2012:

Rosemary Flanigan Chair in Clinical Ethics	$ 2,338,522
Kathleen M. Foley Chair in Pain and Palliative Care	1,559,779
Total Permanently Restricted Net Assets	$ 3,898,301

Rosemary Flanigan Chair in Clinical Ethics

In 2006, the Center for Practical Bioethics began fundraising to establish its second endowed chair in honor of Rosemary Flanigan, PhD., philosopher, teacher, bioethicist and Center staff member from 1992 until her retirement in 2010. Prior to becoming a staff member, Dr. Flanigan served on the Center Board of Directors and chaired the board in 1990/91. Between 2006 and 2012, more than $2.3 million was raised from over 200 donors with gifts ranging from $5 to $1.3 million. The annual proceeds of this endowed fund support a staff member of the Center with expertise in philosophy and clinical ethics who is named the holder of the Rosemary Flanigan Chair.

Kathleen M. Foley Chair in Pain and Palliative Care

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 the Kathleen M. Foley Chair in Pain and Palliative Care. 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.

NOTE 7 – JOHN B. FRANCIS CHAIR IN BIOETHICS

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, 2012:

John B Francis Chair	$	195,938
Francis Family Foundation - Operating Reserve		50,000
TPOPP		19,754
PAINS		5,939
PAAINS Communication		23,711
2013 Annual Dinner		85,187
Total Temporarily Restricted Net Assets	$	380,529

NOTE 9 – BOARD DESIGNATED UNRESTRICTED NET ASSETS

Board designated endowments include the Robert L. Biblo Endowment and the General Endowment. Robert L. Biblo was on the Center's Board of Directors until his death in 1994, and this endowment was established at the Center in his honor. The General Endowment is funded by undesignated donations made in honor or memory of someone. Net assets were voluntarily segregated by the Center's Board for the following purposes as of December 31, 2012:

Robert L. Biblo Endowment	$	80,000
General Endowment		7,238
Total Board Designated Net Assets	$	87,238

NOTE 10 – 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, 2012, the line of credit was drawn to $293,000.

NOTE 11 – LINE OF CREDIT

On September 17, 2012, the Center entered into a one year promissory note with Country Club Bank for a line of credit up to $300,000. The note has a variable interest rate based on the Wall Street Journal U.S. Prime Rate, with a minimum rate of 5%. On December 31, 2012, the Center borrowed $55,000 against this line of credit. The Center must make interest payments on any outstanding principal balance on a monthly basis. The Center paid the balance in February 2013.

NOTE 12 – 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 $66,243 for the year ended December 31, 2012.

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

Year Ending December 31,	Amount
2013	$ 68,230
2014	70,266
2015	72,391
2016	74,567
2017	6,229

NOTE 13 – 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 a repurchase agreement for balances in excess of insurance coverage. At December 31, 2012 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 14 – ENDOWMENTS

The Center's endowment consists of 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 $3,898,301 is included entirely in the Permanently Restricted Fund.

Changes in endowment net assets as of December 31, 2012 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	$ -	$ 3,725,122	$ 3,725,122
Contributions	-	2,074	2,074
Investment Income	-	114,538	114,538
Net Appreciation	-	244,897	244,897
Amounts appropriated for expenditure	-	(188,330)	(188,330)
Endowment net assets, end of the year	$ -	$ 3,898,301	$ 3,898,301

NOTE 15 – 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, 2011, from which the summarized information was derived.

NOTE 16 – RESTATEMENT OF BOARD DESIGNATED NET ASSETS

The Center has determined that the Robert L. Biblo and General endowments should be classified as board-designated unrestricted net assets, rather than permanently restricted net assets, due to the lack of donor imposed restrictions on the use of the funds. The summarized period information included in these financial statements has been restated to reflect this reclassification. These changes had the effect of increasing "Cash and Cash Equivalents" by $87,238 and decreasing "Cash – Restricted" by $87,238 at December 31, 2011 on the Statement of Financial Position. Unrestricted beginning net assets were increased by $81,586 and Permanently Restricted beginning net assets were decreased by $81,586 on the Statement of Financial Position and the Statement of Activities.

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated and noted no subsequent events through May 21, 2013, the date which the financial statements were available for issue.

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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, 2012, 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 our auditing procedures 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

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

McBride, Lock & Associates
Kansas City, Missouri
May 21, 2013