REPORT ON EXAMINATION
OF THE

CENTER FOR PRACTICAL BIOETHICS, INC.
KANSAS CITY, MISSOURI

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

TABLE OF CONTENTS

SUITE 900
1111 MAIN STREET
KANSAS CITY, MO 64105
TELEPHONE: (816) 221-4559
FACSIMILE: (816) 221-4563
EMAIL: ADMIN@MCBRIDELOCK.COM
CERTIFIED PUBLIC ACCOUNTANTS

MCBRIDE, LOCK & ASSOCIATES, LLC

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, 2015, 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, 2015, 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. 2014 financial statements, and our report dated April 30, 2015, 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, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McBride, Lock & Associates, LLC

McBride, Lock & Associates, LLC
Kansas City, Missouri
June 7, 2016

Exhibit A

Center For Practical Bioethics, Inc.
STATEMENT OF FINANCIAL POSITION
December 31, 2015

Assets	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015	Total 2014 (Restated)
CURRENT ASSETS					
Cash and Cash Equivalents	$ (60,092)	$ 179,869	$ -	$ 119,777	$ 149,683
Accounts Receivable	25,333	-	-	25,333	29,268
Grants Receivable	12,557	32,673	-	45,230	165,500
Pledge Receivable (NOTE 2)	50,000	-	-	50,000	90,500
Prepaid Expenses	43,259	-		43,259	47,049
Inventory	10,925	-	-	10,925	-
Total Current Assets	$ 81,982	$ 212,542	$ -	$ 294,524	$ 482,000
PROPERTY AND EQUIPMENT					
Furniture, Computers and Equipment	$ 58,580	$ -	$ -	$ 58,580	$ 58,580
Leasehold Improvements	1,965	-	-	1,965	1,965
Accumulated Depreciation and Amortization	(32,727)	-	-	(32,727)	(21,189)
Total Property and Equipment	$ 27,818	$ -	$ -	$ 27,818	$ 39,356
OTHER ASSETS					
Investments - Restricted (NOTE 3)	$ 21,522	$ 1,273,398	$ 2,026,677	$ 3,321,597	$ 3,789,672
Pledges Receivable (NOTE 2)	57,440	-	-	57,440	96,039
Deferred Compensation	208,420	-	-	208,420	183,663
Total Other Assets	$ 287,382	$ 1,273,398	$ 2,026,677	$ 3,587,457	$ 4,069,374
TOTAL ASSETS	$ 397,182	$ 1,485,940	$ 2,026,677	$ 3,909,799	$ 4,590,730
Liabilities					
CURRENT LIABILITIES					
Accounts Payable	$ 93,908	$ -	$ -	$ 93,908	$ 72,611
Accrued Expenses	63,505	-	-	63,505	58,148
Deferred Revenue	83,166	-	-	83,166	102,183
Total Current Liabilities	$ 240,579	$ -	$ -	$ 240,579	$ 232,942
LONG-TERM LIABILITIES					
457(b) Deferred Compensation Liability	$ 208,351	$ -	$ -	$ 208,351	$ 183,597
Total Liabilities	$ 448,930	$ -	$ -	$ 448,930	$ 416,539
Net Assets					
Unrestricted					
Operating	$ (139,586)	$ -	$ -	$ (139,586)	$ (58,136)
Board Designated (NOTE 9)	87,838	-	-	87,838	87,838
Total Unrestricted	$ (51,748)	$ -	$ -	$ (51,748)	$ 29,702
Temporarily Restricted (NOTE 8)	$ -	$ 1,485,940	$ -	$ 1,485,940	$ 2,118,312
Permanently Restricted (NOTE 6)	-	-	2,026,677	2,026,677	2,026,177
Total Net Assets	$ (51,748)	$ 1,485,940	$ 2,026,677	$ 3,460,869	$ 4,174,191
TOTAL LIABILITIES & NET ASSETS	$ 397,182	$ 1,485,940	$ 2,026,677	$ 3,909,799	$ 4,590,730

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, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015	Total 2014
Revenue					
Contributions, grants, and other support	$ 123,828	$ 331,901	$ 500	$ 456,229	$ 815,855
Fundraising	351,272	(35,000)	-	316,272	306,724
Earned Income	220,178	-	-	220,178	266,686
Membership Dues	95,150	-	-	95,150	104,450
Communications	21,187	-	-	21,187	35,739
Investment Income	1,421	93,829	-	95,250	103,500
Other Income	9,390	-	-	9,390	16,293
Net assets released from restrictions	857,709	(857,709)	-	-	-
Total Revenue	$ 1,680,135	$ (466,979)	$ 500	$ 1,213,656	$ 1,649,247
Expenses					
Program expenses					
Education and Consulting	$ 1,252,744	$ -	$ -	$ 1,252,744	$ 1,221,579
Support services expenses					
Management and general	$ 219,224	$ -	$ -	$ 219,224	$ 384,163
Fundraising	290,458	-	-	290,458	154,220
Total support services expenses	$ 509,682	$ -	$ -	$ 509,682	$ 538,383
Total Expenses	$ 1,762,426	$ -	$ -	$ 1,762,426	$ 1,759,962
Change in Net Assets from Operations	$ (82,291)	$ (466,979)	$ 500	$ (548,770)	$ (110,715)
Other Revenue (Expense):					
Realized Investment Gains/(Losses)	$ 11,152	$ 136,088	$ -	$ 147,240	$ 225,409
Unrealized Investment Gains/(Losses)	(9,959)	(276,966)	-	(286,925)	(89,053)
Investment Expense	(352)	(24,515)	-	(24,867)	(27,455)
Total Other Revenue (Expenses)	$ 841	$ (165,393)	$ -	$ (164,552)	$ 108,901
Change in Net Assets	$ (81,450)	$ (632,372)	$ 500	$ (713,322)	$ (1,814)
Net Assets, beginning of the year (restated - Note 8)	29,702	2,118,312	2,026,177	4,174,191	4,176,005
Net Assets, end of year	$ (51,748)	$ 1,485,940	$ 2,026,677	$ 3,460,869	$ 4,174,191

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

Exhibit C

Center For Practical Bioethics, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015

	Program Services	Support Services		Total	
	Education and Consulting	Management and General	Fundraising	2015	2014
Personnel Expenses					
Salaries & Wages - Management	$ 120,277	$ 48,705	$ 94,439	$ 263,421	$ 259,868
Salaries & Wages - Other	563,450	87,316	20,503	671,269	614,309
Health Insurance	93,588	18,619	15,733	127,940	117,600
Payroll Taxes	48,785	9,705	8,201	66,691	63,368
Retirement Expense	15,218	427	3,579	19,224	18,422
Deferred Compensation Plan Expense	19,353	955	4,446	24,754	31,169
Health Reimbursement	1,756	349	295	2,400	-
Disability Expense	(1)	-	-	(1)	209
Workers Compensation	2,948	586	496	4,030	3,551
Key-man Insurance	5,332	-	-	5,332	4,191
Payroll Processing Fees	1,021	194	172	1,387	1,488
Employment Development	132	11	23	166	143
Other Employee Expense	12,000	-	-	12,000	12,000
Total Personnel Expenses	$ 883,859	$ 166,867	$ 147,887	$ 1,198,613	$ 1,126,318
Occupancy Expenses					
Rent	$ 52,954	$ 10,535	$ 8,902	$ 72,391	$ 70,266
Parking	218	43	37	298	1,149
Insurance-Property & Casualty	2,975	592	500	4,067	3,984
Repairs & Maintenance	8,346	1,660	1,403	11,409	6,495
Total Occupancy Expenses	$ 64,493	$ 12,830	$ 10,842	$ 88,165	$ 81,894
Operating Expenses					
Consulting Fees	$ 125,008	$ 15,994	$ 61,712	$ 202,714	$ 242,678
Audit Fees	-	10,000	-	10,000	9,400
Professional/Filing Fees	182	394	561	1,137	4,736
Community Relations	100	-	-	100	700
Bank/Credit Card Charges	922	1,854	1,033	3,809	3,186
Office Expense & Supplies	2,956	385	899	4,240	4,793
Printing Expense	34,037	1,125	12,125	47,287	78,342
Books & Subscriptions	6,366	572	1,359	8,297	7,355
Dues & Memberships	653	168	401	1,222	2,208
Postage & Shipping Expense	3,493	326	1,998	5,817	6,315
Telephone Expense	6,372	1,268	1,071	8,711	8,835
Equipment Lease Expense	10,837	2,156	1,822	14,815	14,543
Equipment Maintenance	2,107	419	354	2,880	3,489
Equipment-Computer Expense	4,511	897	758	6,166	6,359
Insurance - D&O Liability	1,295	258	218	1,771	2,178
Insurance - Professional Liability	2,968	590	499	4,057	5,080
Conference/Meeting Expense	60,473	227	44,665	105,365	104,818
Travel Expense	28,623	179	213	29,015	40,992
Depreciation Expense	8,308	1,846	1,384	11,538	6,114
Other Operating Expense	5,181	869	657	6,707	(371)
Total Operating Expenses	$ 304,392	$ 39,527	$ 131,729	$ 475,648	$ 551,750
Total Program and Support Expenses	$ 1,252,744	$ 219,224	$ 290,458	$ 1,762,426	$ 1,759,962

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, 2015

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (713,322)	$ (1,814)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and Amortization	11,538	6,114
Permanently restricted contributions	(500)	(321)
Changes in operating assets and liabilities:		
Accounts Receivable	3,935	29,777
Grants Receivable	120,270	(160,500)
Pledges Receivable	79,099	57,410
Prepaid Expenses	3,790	(13,428)
Inventory	(10,925)	-
Deferred Compensation	(24,757)	(31,171)
Accounts Payable	21,297	31,635
Accrued Expenses	5,357	11,681
Deferred Revenue	(19,017)	53,266
Accrued Deferred Compensation	24,754	31,170
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (498,481)	$ 13,819
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Computer Hardware and Software	$ -	$ (45,470)
Net Purchases of Investments	468,075	50,289
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	$ 468,075	$ 4,819
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Permanently Restricted Contributions	$ 500	$ 321
Line of Credit	-	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	$ 500	$ 321
NET INCREASE (DECREASE) IN CASH	$ (29,906)	$ 18,959
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	149,683	130,724
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 119,777	$ 149,683
NON-CASH ACTIVITIES:		
Contribution of Software	$ -	$ 18,330
SUPPLEMENTAL DISCLOSURES:		
Cash Paid For Interest	$ -	$ -

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, 2015.

Inventories

Inventories, representing booklets and forms, are stated at the lower of cost or market value determined by the first-in, first-out method.

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.

As required by FASB ASC No. 740, *Income Taxes,* the Center evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to the Center's continued qualification as a tax-exempt organization and whether there is unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; no disclosures of uncertain tax positions are required. The Center is no longer subject to United States federal or state examinations by tax authorities for the years before 2012. During 2015, the Center did not recognize any interest or penalties associated with any positions.

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. Cash flows are discounted using the Treasury Bond yield rate on the date of the pledge that corresponds to the length of the pledge (i.e. rate on 3 year bond is used for a 3 year pledge). Collection of receivables at December 31, 2015 is expected as follows:

Due in less than one year	$	50,000
Due in one to five years		61,580
Total Pledges Receivable		111,580
Less Discount to Present Value		(4,140)
Net Pledges Receivable	$	107,440

NOTE 3 – INVESTMENTS

Investments consisted of the following as of December 31, 2015:

Money Market Funds	$	175,105
Equities		1,491,399
Fixed Income		1,655,093
Total Investments	$	3,321,597

NOTE 4 – FAIR VALUE MEASUREMENTS

Assets and liabilities measured at fair value are categorized into one of three different levels depending on the observability of the inputs employed in their measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are market-observable inputs for measuring the asset or liability other than quoted prices included within Level 1. Level 3 inputs are unobservable inputs for measuring the asset or liability reflecting significant modifications to observable related market data or the Center's assumptions about pricing by market participants.

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, 2015:

	Fair Value December 31	Level 1	Level 2	Level 3
Assets:				
Investments				
Money Market Funds	$ 175,105	$ 175,105	$ -	$ -
Equities	1,491,399	1,491,399	-	-
Fixed Income	1,655,093	1,655,093	-	-
Total Investments	$ 3,321,597	$ 3,321,597	$ -	$ -
Deferred Compensation				
Cash & Equivalents	$ 81,647	$ 81,647		
Equities	95,554	95,554	-	-
Fixed Income	31,219	31,219	-	-
Total Deferred Compensation	$ 208,420	$ 208,420	$ -	$ -
Liabilities:				
Deferred Compensation				
Cash & Equivalents	$ 81,647	$ 81,647		
Equities	95,554	95,554		
Fixed Income	31,150	31,150	-	-
Total Deferred Compensation	$ 208,351	$ 208,351	$ -	$ -

NOTE 5 – RETIREMENT PLANS

The Center sponsors a 403(b) defined contribution pension plan that covers all full-time 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, 2015 was $19,224.

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, 2015 was $24,754.

NOTE 6 – PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purposes as of December 31, 2015:

Rosemary Flanigan Chair in Clinical Ethics	$ 2,026,677

Rosemary Flanigan Chair in Clinical Ethics

In 2006, the Center for Practical Bioethics began fundraising to establish an endowed chair in honor of Sister 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 2013, more than $2 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.

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 original agreement called for the Francis Family Foundation to have oversight responsibility of the fund for a period of 10 years after its inception. The transfer to the Center was scheduled to take place in June 2015. However, on the tenth anniversary date of the Fund, the Francis Family Foundation decided to retain control for at least an additional five years through December 31, 2020. At that time, the Foundation will consider transferring control to the Center.

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Net assets were temporarily restricted for the following purposes as of December 31, 2015:

Kathleen M. Foley Chair in Pain and Palliative Care	$ 1,301,846
Rosemary Flanigan Chair in Clinical Ethics	24,197
Francis Family Foundation - Operating Reserve	50,000
PAINS	76,746
TPOPP	33,151
Total Temporarily Restricted Net Assets	$ 1,485,940

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 endowment 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. The annual proceeds of this endowed fund support the work of the Center in the area of Pain and Palliative Care.

The Foley Chair endowment has been reclassified from a permanently restricted asset to a temporarily restricted asset on the financial statements presented in this report. Reclassification was made based on communications with the grantor related to their original intention regarding the donation of the funds.

NOTE 9 – BOARD DESIGNATED UNRESTRICTED NET ASSETS

Board designated endowments include the Robert L. Biblo Endowment and 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, 2015:

Robert L. Biblo Endowment	$	80,000
General Endowment		7,838
Total Board Designated Net Assets	$	87,838

NOTE 10 – LINE OF CREDIT

On September 17, 2015, the Center renewed 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%. The Center must make interest payments on any outstanding principal balance on a monthly basis. On December 31, 2015, the Center had no borrowings against this line of credit.

NOTE 11 – 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 $72,391 for the year ended December 31, 2015.

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

Year Ending December 31,	Amount
2016	74,567
2017	6,229

NOTE 12 – 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, 2015, 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 13 – 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 Center's endowment assets over the long term. The Center 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.

Of the endowment net asset composition of $3,374,242, $21,522 is included in the Unrestricted Fund, $1,326,043 is included in the Temporarily Restricted Fund and $2,026,677 is included in the Permanently Restricted Fund. The amount includes $3,321,597 invested into endowment funds and $52,645 withdrawn and held in cash but not yet appropriated for expenditure.

Changes in endowment net assets as of December 31, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	$ -	$ 1,763,495	$ 2,026,177	$3,789,672
Contributions	-	-	500	500
Investment Income	-	93,829	-	93,829
Net Appreciation	-	(165,393)	-	(165,393)
Amounts appropriated for expenditure	21,522	(365,888)	-	(344,366)
Endowment net assets, end of year	$ 21,522	$ 1,326,043	$ 2,026,677	$3,374,242

NOTE 14 – 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, 2014, from which the summarized information was derived.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated and noted no subsequent events through June 7, 2016, the date which the financial statements were available for issue.