The Family Conservancy, Inc.

Financial Report
December 31, 2022

Contents

Independent Auditor's Report

Board of Directors
The Family Conservancy, Inc.

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of The Family Conservancy, Inc. (the Agency), which comprise the statements of financial position as of December 31, 2022 and 2021, the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as of December 31, 2022 and 2021, 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.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter
As discussed in Note 1 of the financial statements, the Agency adopted Accounting Standards Codification (ASC) 842, Leases, on January 1, 2022 using a modified retrospective approach. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued a report dated June 30, 2023, on our consideration of the Agency's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

RSM US LLP

Kansas City, Missouri
June 30, 2023

The Family Conservancy, Inc.

Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	$ 1,769,006	$ 2,159,682
Receivables:		
Professional services, net of allowance; 2022—$14,750; 2021—$25,372	135,188	71,034
Child and adult care food program	116,372	90,039
Interest and dividends	-	29
Grant and other receivables	2,684,874	2,337,497
Prepaid expenses	158,786	154,259
Total current assets	4,864,226	4,812,540
Investments:		
Endowments	1,867,478	2,219,050
Board-designated	2,179,045	2,546,853
Property and Equipment:		
Land	71,290	71,290
Building and improvements	599,090	599,090
Furniture and equipment	137,856	137,856
Construction in progress	1,050,333	313,348
	1,858,569	1,121,584
Less accumulated depreciation	671,838	639,678
Total property and equipment	1,186,731	481,906
Right-of-use operating lease asset	734,028	-
Overfunded defined benefit pension plan obligation	611,287	83,706
Total assets	$ 11,442,795	$ 10,144,055
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 863,492	$ 581,134
Accrued expenses	536,016	542,193
Current maturities of operating lease liability	287,448	-
Deferred revenue	118,640	31,865
Total current liabilities	1,805,596	1,155,192
Long-term operating lease liability	446,580	-
Total liabilities	2,252,176	1,155,192
Net assets:		
Without donor restrictions:		
Board-designated endowment	2,179,045	2,546,853
Undesignated	3,416,524	2,607,371
	5,595,569	5,154,224
With donor restrictions	3,595,050	3,834,639
Total net assets	9,190,619	8,988,863
Total liabilities and net assets	$ 11,442,795	$ 10,144,055

See notes to financial statements.

The Family Conservancy, Inc.

Statement of Activities
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:			
Public support:			
Allocation by United Way	$ 558,544	$ 300,000	$ 858,544
Grants from governmental agencies	10,256,420	-	10,256,420
Grants from trusts and foundations	1,217,709	1,557,359	2,775,068
Fundraising	183,545	-	183,545
Other contributions	233,131	-	233,131
Total public support	12,449,349	1,857,359	14,306,708
Revenue:			
Program service fees	438,737	-	438,737
Investment losses, net	(371,742)	(294,337)	(666,079)
Other revenues	10,362	-	10,362
Total revenue	77,357	(294,337)	(216,980)
Net assets released from restrictions	1,802,611	(1,802,611)	-
Total revenues, gains and other support	14,329,317	(239,589)	14,089,728
Expenses:			
Program services:			
Counseling	2,848,838	-	2,848,838
Healthy Parents Healthy Kids	175,481	-	175,481
Marriage Enrichment	35,351	-	35,351
Children's Services	8,425,886	-	8,425,886
Child and Adult Care Food Program	1,188,676	-	1,188,676
Total program services	12,674,232	-	12,674,232
Supporting services:			
Development	652,573	-	652,573
General and administrative	738,109	-	738,109
Total supporting services	1,390,682	-	1,390,682
Total expenses	14,064,914	-	14,064,914
Change in net assets before change in defined benefit pension plan gains	264,403	(239,589)	24,814
Change in defined benefit pension plan gains	176,942	-	176,942
Change in net assets	441,345	(239,589)	201,756
Net assets, beginning of year	5,154,224	3,834,639	8,988,863
Net assets, end of year	$ 5,595,569	$ 3,595,050	$ 9,190,619

See notes to financial statements.

The Family Conservancy, Inc.

Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:			
Public support:			
Allocation by United Way	$ 516,192	$ 295,679	$ 811,871
Grants from governmental agencies	9,541,846	70,252	9,612,098
Grants from trusts and foundations	1,116,232	1,741,586	2,857,818
Fundraising	197,784	-	197,784
In-kind contributions	3,429	-	3,429
Other contributions	264,277	-	264,277
Total public support	11,639,760	2,107,517	13,747,277
Revenue:			
Program service fees	380,921	-	380,921
Investment return, net	224,126	234,191	458,317
Other revenues	1,133	-	1,133
Total revenue	606,180	234,191	840,371
Net assets released from restrictions	2,484,674	(2,484,674)	-
Total revenues, gains and other support	14,730,614	(142,966)	14,587,648
Expenses:			
Program services:			
Counseling	2,773,441	-	2,773,441
Healthy Parents Healthy Kids	150,865	-	150,865
Marriage Enrichment	33,160	-	33,160
Children's Services	8,204,235	-	8,204,235
Student Assistance Program	19,520	-	19,520
Child and Adult Care Food Program	1,046,664	-	1,046,664
Total program services	12,227,885	-	12,227,885
Supporting services:			
Development	724,672	-	724,672
General and administrative	741,251	-	741,251
Total supporting services	1,465,923	-	1,465,923
Total expenses	13,693,808	-	13,693,808
Change in net assets before change in defined benefit pension plan gains	1,036,806	(142,966)	893,840
Change in defined benefit pension plan gains	627,224	-	627,224
Change in net assets	1,664,030	(142,966)	1,521,064
Net assets, beginning of year	3,490,194	3,977,605	7,467,799
Net assets, end of year	$ 5,154,224	$ 3,834,639	$ 8,988,863

See notes to financial statements.

The Family Conservancy, Inc.

Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ 201,756	$ 1,521,064
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Net unrealized and realized losses (gains) on investments	779,022	(343,311)
Depreciation	32,160	34,283
Change in defined benefit pension plan gains	(176,942)	(627,224)
Changes in:		
Receivables	(437,835)	475,740
Prepaid expenses	(4,527)	(104,474)
Right-of-use assets	284,300	-
Accounts payable	282,358	(399,702)
Accrued expenses	(6,177)	12,862
Operating lease liability	(284,300)	-
Deferred revenue	86,775	(29,603)
Defined benefit pension obligation	(350,639)	(411,724)
Net cash provided by operating activities	405,951	127,911
Cash flows from investing activities:		
Purchase of property and equipment	(736,985)	(363,638)
Purchase of investments	(59,642)	(89,251)
Net cash used in investing activities	(796,627)	(452,889)
Decrease in cash and cash equivalents	(390,676)	(324,978)
Cash and cash equivalents, beginning of year	2,159,682	2,484,660
Cash and cash equivalents, end of year	$ 1,769,006	$ 2,159,682
Supplemental disclosure of noncash investing and financing activities:		
Record assets and lease liabilities for adoption of ASC 842:		
Right-of-use assets	$ 1,018,328	-
Operating lease liabilities	$ 1,018,328	-
Supplemental disclosure of cash flow information:		
Cash payments for operating leases	$ 294,335	-

See notes to financial statements.

The Family Conservancy, Inc.

Statement of Functional Expenses
Year Ended December 31, 2022

	Counseling	Healthy Parents Healthy Kids	Marriage Enrichment	Children's Services	Child and Adult Care Food Program	Development	General and Administrative	Total
Expenses:								
Salaries	$ 1,631,164	$ 84,147	$ -	$ 2,139,847	$ 80,048	$ 383,275	$ 767,865	$ 5,086,346
Employee benefits	358,418	18,071	-	618,072	28,159	80,674	(252,382)	851,012
Payroll taxes	121,964	6,370	-	156,719	6,066	28,497	56,548	376,164
Professional fees	112,567	1,303	-	4,442,986	497	61,057	108,076	4,726,486
Legal and accounting fees	22,652	1,569	-	23,454	835	3,836	21,636	73,982
Technology and internet	75,234	1,802	-	74,654	15,215	13,204	8,127	188,236
Supplies	126,543	47,453	-	296,146	1,435	31,290	22,602	525,469
Printing and copying	10,791	395	-	28,343	532	9,726	3,704	53,491
Telephone	38,695	899	-	53,454	752	3,307	8,210	105,317
Postage	372	7	-	2,184	1,700	963	1,348	6,574
Occupancy and utilities	134,502	5,931	-	171,465	12,697	23,812	44,047	392,454
Travel	61,998	296	-	36,319	2,996	165	3,922	105,696
Continuing education and conferences	50,880	154	-	125,455	-	1,189	4,821	182,499
Specific/financial assistance	57,107	5,196	-	210,928	-	2,780	2,585	278,596
Provider payments	-	-	-	-	1,035,324	-	-	1,035,324
Agency dues and licenses	8,841	203	-	14,353	423	3,446	3,071	30,337
Promotion	16,124	666	-	7,535	277	1,500	2,154	28,256
Insurance	20,028	760	-	21,965	1,041	3,051	6,678	53,523
Depreciation and amortization	650	-	-	-	-	-	31,510	32,160
Other	268	259	35,351	2,007	679	801	(106,413)	(67,048)
Bad debts	40	-	-	-	-	-	-	40
Total expenses	$ 2,848,838	$ 175,481	$ 35,351	$ 8,425,886	$ 1,188,676	$ 652,573	$ 738,109	$ 14,064,914

See notes to financial statements.

The Family Conservancy, Inc.

Statement of Functional Expenses
Year Ended December 31, 2021

	Counseling	Healthy Parents Healthy Kids	Marriage Enrichment	Children's Services	Student Assistance Program	Child and Adult Care Food Program	Development	General and Administrative	Total
Expenses:									
Salaries	$ 1,530,475	$ 82,655	$ -	$ 1,929,237	$ 1,193	$ 78,873	$ 372,863	$ 703,352	$ 4,698,648
Employee benefits	430,465	23,660	-	584,673	261	29,276	86,493	(293,950)	860,878
Payroll taxes	109,368	5,779	-	139,046	89	5,726	27,224	50,389	337,621
Unemployment	3,429	186	-	4,314	4	175	817	1,537	10,462
Professional fees	81,841	691	-	4,699,989	5	510	123,353	104,488	5,010,877
Legal and accounting fees	27,604	2,680	-	30,905	13	1,826	4,632	27,304	94,964
Technology and internet	69,162	2,241	-	70,002	540	12,823	13,468	6,594	174,830
Supplies	217,883	20,545	-	348,472	-	582	40,539	23,891	651,912
Printing and copying	17,335	1,200	-	32,076	191	1,454	4,191	5,199	61,646
Telephone	26,298	563	-	39,623	238	568	1,762	4,621	73,673
Postage	250	5	-	1,138	2	1,310	564	591	3,860
Occupancy and utilities	137,120	6,761	-	183,328	976	12,697	23,194	42,190	406,266
Equipment rental and maintenance	-	-	-	-	-	-	-	-	-
Travel	29,461	-	-	10,391	-	3,621	134	674	44,281
Continuing education and conferences	37,745	1,302	-	81,216	7	-	6,135	1,135	127,540
Specific/financial assistance	9,030	1,606	-	7,021	15,666	-	5,569	196	39,088
Provider payments	-	-	-	-	-	894,712	-	-	894,712
Agency dues and licenses	7,016	213	-	14,538	135	443	1,253	3,716	27,314
Promotion	15,261	-	-	4,783	-	-	1,441	2,179	23,664
Insurance	19,018	778	-	21,128	200	1,096	2,670	5,757	50,647
Depreciation	1,609	-	-	1,164	-	-	-	31,510	34,283
In-kind expenses	-	-	-	-	-	-	3,419	-	3,419
Other	415	-	33,160	1,191	-	972	4,951	19,878	60,567
Bad debts	2,656	-	-	-	-	-	-	-	2,656
Total expenses	$ 2,773,441	$ 150,865	$ 33,160	$ 8,204,235	$ 19,520	$ 1,046,664	$ 724,672	$ 741,251	$ 13,693,808

See notes to financial statements.

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of operations: The Family Conservancy, Inc. (the 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.

Basis of Presentation: The financial statements of the Agency have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) applicable to not-for-profit organizations.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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: The Agency considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts, are not considered to be cash and cash equivalents.

At December 31, 2022 and 2021, cash equivalents consisted primarily of money market accounts. At December 31, 2022, the Agency's cash accounts exceeded federally insured limits by approximately $1,854,507.

Investments and net investment return: The Agency measures securities, other than investments that qualify for the equity method of accounting, 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 as 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 (the Foundations). 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 $633,329 and $746,156 at December 31, 2022 and 2021, respectively (see Note 9).

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

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 receivables 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 receivables 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 if purchased and fair value as of the contribution date if contributed, less accumulated depreciation and amortization. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset, which is generally three to 10 years for furniture and equipment. Assets under leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Leases: In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. ASC 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in ASC 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The Agency adopted ASC 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Agency has applied ASC 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Agency's historical accounting treatment under ASC 840, Leases.

The Agency elected the package of practical expedients under the transition guidance within ASC 842, in which the Agency does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases or (3) the initial direct costs for any existing leases. The Agency has not elected to adopt the hindsight practical expedient and, therefore, will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2022.

The Agency determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Agency obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Agency also considers whether its service arrangements include the right to control the use of an asset.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

The Agency made an accounting policy election available under ASC 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of ASC 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Agency made an accounting policy election available to nonpublic companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of ASC 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Agency has made an accounting policy election to account for lease and nonlease components in its contracts as a single lease component for its real estate and equipment asset classes. The nonlease components typically represent additional services transferred to the Agency, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Adoption of ASC 842 resulted in the recording of additional ROU assets and lease liabilities related to the Agency’s operating leases of approximately $1,018,328 and $(1,018,328), respectively, at January 1, 2022. The adoption of the new lease standard did not materially impact net earnings or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

ASC 842 includes a number of reassessment and remeasurement requirements for leases based on triggering events or conditions. The Agency reviewed the reassessment and remeasurement requirements and did not identify any events or conditions during the year ended December 31, 2022, that required reassessment or remeasurement. In addition, there were no impairment indicators identified during the year ended December 31, 2022, that required an impairment test for the Agency’s right-of-use assets.

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, 2022 and 2021.

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 those resources be maintained in perpetuity.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

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. Management believe any such adjustments would not be material to the financial statements.

In-kind contributions: In addition to receiving cash contributions, the Agency receives 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, 2022 and 2021, $0 and $3,429, respectively, was received in in-kind contributions.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

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 3 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. The Agency follows the accounting standard to evaluate uncertain tax positions. Management has determined that the Organization was not required to record a liability related to uncertain tax positions as of December 31, 2022 or 2021.

Subsequent events: Subsequent events have been evaluated through June 30, 2023, which is the date the financial statements were available to be issued.

Note 2. Conditional Grants and Contributions

The Agency receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of the Agency are prepared on the accrual basis, all earned portions of the grants not yet received as of December 31, 2022, have been recorded as receivables. Following are the grant commitments that extend beyond December 31, 2022:

Conditional upon incurrence of allowable qualifying expenses	$ 3,792,104
Conditional upon specific individuals serviced	970,145
	$ 4,762,249

Note 3. Revenue from Contracts with Customers

Program service fees: Program service fees represent 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.

Note 3. Revenue from Contract with Customers (Continued)

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, 2022 and 2021, from contracts with agencies was $8,750 and $13,750, respectively, and is included in the grants and trusts from 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.

Note 4. Net Assets

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

	2022	2021
Subject to expenditure for specified purpose:		
Children's Services	$ 1,003,940	$ 1,140,911
Healthy Parents Healthy Kids	73,504	71,266
Counseling	515,566	250,212
Student Assistance Program	94,508	94,508
Other	40,054	58,692
	1,727,572	1,615,589
Endowment:		
Subject to NFP endowment spending policy and appropriation:		
The Living Center for Growth in Marriage	832,871	1,002,245
Family Achievement Night	119,803	140,808
Student Assistance Program	64,278	75,552
General endowment	850,526	1,000,445
	1,867,478	2,219,050
	$ 3,595,050	$ 3,834,639

Note 4. Net Assets (Continued)

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.

	2022	2021
Satisfaction or purpose restrictions:		
Counseling	$ 235,531	$ 769,656
Children's Services	1,425,378	1,537,563
Healthy Parents Healthy Kids	75,012	88,593
Student Assistance Program	-	20,374
Other	15,857	19,429
	1,751,778	2,435,615
Restricted purpose appropriation:		
The Living Center for Growth in Marriage	43,062	41,569
Family Achievement Night	1,266	893
Student Assistance Program	679	480
General endowment	5,826	6,117
	50,833	49,059
	$ 1,802,611	$ 2,484,674

Note 5. 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

Note 5. Endowment (Continued)

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 U.S. 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, 2022 and 2021, was:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 2,179,045	$ -	$ 2,179,045
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	-	1,539,392	1,539,392
Total endowment funds	$ 2,179,045	$ 1,867,478	$ 4,046,523

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 2,546,853	$ -	$ 2,546,853
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	-	1,890,964	1,890,964
Total endowment funds	$ 2,546,853	$ 2,219,050	$ 4,765,903

Note 5. Endowment (Continued)

Changes in endowment net assets for the years ended December 31, 2022 and 2021, were:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 2,546,853	$ 2,219,050	$ 4,765,903
Investment losses, net	(332,213)	(294,336)	(626,549)
Contributions	-	-	-
Appropriation of endowment assets for expenditure	(35,595)	(57,236)	(92,831)
Endowment net assets, end of year	$ 2,179,045	$ 1,867,478	$ 4,046,523

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 2,300,784	$ 2,032,557	$ 4,333,341
Investment return, net	260,419	235,551	495,970
Contributions	3,835	-	3,835
Appropriation of endowment assets for expenditure	(18,185)	(49,058)	(67,243)
Endowment net assets, end of year	$ 2,546,853	$ 2,219,050	$ 4,765,903

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% 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% 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% of the moving average market value annually as determined above. This is consistent with the Agency's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 5. Endowment (Continued)

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:

- The original value of initial and subsequent gift amounts donated to the fund.
- 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, 2022 and 2021, no funds with deficiencies were reported in net assets with donor restrictions.

Note 6. 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:

	2022	2021
Cash and cash equivalents	$ 1,769,006	$ 2,159,682
Accounts, grants and interest receivable	2,936,434	2,498,599
	$ 4,705,440	$ 4,658,281

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% 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, 2022 and 2021, the value of the board-directed investments was $2,179,045 and $2,546,853, respectively.

Note 7. Leases

The Agency leases real estate and equipment under operating lease agreements that have initial terms ranging from five to 15 years. In addition, certain leases contain termination options, where the rights to terminate are held by either the Agency, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Agency will exercise that option. The Agency considers a number of factors when evaluating whether the options in its lease contracts are reasonably certain of exercise, such as the length of time before option exercise, expected value of the leased asset at the end of the initial term, importance of the lease to overall operations, lessor relationship, costs to negotiate a new lease and any contractual or economic penalties. The Agency’s operating leases generally do not contain any material restrictive covenants or residual value guarantees.

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the year ended December 31, 2022:

Operating lease costs	$	294,335

The following tables summarize the annual operating lease obligations, respectively, by year:

Years ending December 31:		
2023	$	294,335
2024		292,435
2025		110,210
2026		49,132
Total lease payments		746,112
Less imputed interest		(12,084)
Total present value of lease liabilities	$	734,028

The ROU assets for the operating leases is net of $284,300 of accumulated amortization at December 31, 2022. On the operating leases, the average remaining lease term at December 31, 2022, is three years and the weighted-average discount rate is 1.21%.

Rent expense under operating leases for the year ended December 31, 2021, was $388,766.

Note 8. 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% of compensation to the plan and matches 100% of the employee contributions up to 2% of compensation. Expense under this plan was approximately $259,000 and $273,000 for 2022 and 2021, 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 $290,000 to the plan in 2023. Effective July 31, 2007, the Agency froze the defined benefit pension plan.

Note 8. Pension Plans (Continued)

The Agency uses a December 31 measurement date for the plan. Significant balances, costs and assumptions are:

	2022	2021
Benefit obligation	$ 6,416,894	$ 8,434,457
Fair value of plan assets	7,028,181	8,518,163
Funded status	$ 611,287	$ 83,706

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

	2022	2021
Net loss	$ 2,218,512	$ 2,394,454

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

	2022	2021
Accumulated benefit obligation	$ (6,416,894)	$ (8,434,457)
Accrued pension cost recognized in the statements of financial position as noncurrent liabilities	-	-
Accrued pension asset recognized in the statements of financial position as noncurrent asset	611,287	83,706

Other significant balances and costs are:

	2022	2021
Net periodic benefit costs	$ (205,184)	$ (120,814)
Employer contributions	145,455	290,910
Benefits paid	411,307	422,179

The estimated net loss that will be amortized from without donor restriction into net periodic benefit cost over the next fiscal year is $165,095. The following amounts have been recognized in the change in net assets:

	2022	2021
Amounts arising during the period:		
Net loss	$ 11,847	$ 420,332
Amounts reclassified as component of net periodic benefit cost of the period:		
Net loss	165,095	206,892

Note 8. Pension Plans (Continued)

Weighted-average assumptions used to determine benefit obligations:

	2022	2021
Discount rate	4.95%	2.60%
Rate of compensation increase*	0.00%	0.00%
Mortality table	MP-2021	MP-2021

Weighted-average assumptions used to determine benefit costs:

	2022	2021
Discount rate	2.65%	2.20%
Expected return on plan assets	7.00%	6.75%
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 2022 and 2021 are as follows:

	2022	2021
Equity securities	55%	52%
Fixed income and other	45%	48%

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.

Note 8. Pension Plans (Continued)

The fair values of the Agency's pension plan assets at December 31, 2022 and 2021, by asset class are as follows:

	December 31, 2022			
		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)
Guaranteed investment contract	$ -	$ -	$ -	$ -
Pooled separate accounts–equity funds	3,842,521	-	3,842,521	-
Pooled separate accounts–fixed income funds	3,185,660	-	3,185,660	-
Total	$ 7,028,181	$ -	$ 7,028,181	$ -

	December 31, 2021			
		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)
Guaranteed investment contract	$ 771,608	$ -	$ -	$ 771,608
Pooled separate accounts–equity funds	4,456,089	-	4,456,089	-
Pooled separate accounts–fixed income funds	3,290,466	-	3,290,466	-
Total	$ 8,518,163	$ -	$ 7,746,555	$ 771,608

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

	2022	2021
Guaranteed investment contract:		
Balance at beginning of year	$ 771,608	$ 967,071
Actual return on plan assets:		
Relating to assets still held at the reporting date	3,263	(1,225)
Sales	(306,797)	(412,413)
Transfers	(468,074)	218,175
Balance at end of year	$ -	$ 771,608

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.

Note 8. Pension Plans (Continued)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of December 31:

2023	$ 492,000
2024	489,000
2025	478,000
2026	493,000
2027	485,000
2028-2032	2,301,000

Note 9. Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Recurring measurements: The following table presents 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		
2022	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 62,195	$ 62,195	$ -	$ -
Equity mutual funds	1,658,935	1,658,935	-	-
Fixed income mutual funds	1,164,099	1,164,099	-	-
Hedge mutual funds	400,406	400,406	-	-
Commodity mutual funds	127,559	127,559	-	-
Beneficial interests in assets held by others	633,329	-	633,329	-
	$ 4,046,523	$ 3,413,194	$ 633,329	$ -

Note 9. Disclosures About Fair Value of Assets and Liabilities (Continued)

		Fair Value Measurements Using		
2021	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 128,300	$ 128,300	$ -	$ -
Equity mutual funds	2,180,371	2,180,371	-	-
Fixed income mutual funds	1,104,269	1,104,269	-	-
Hedge mutual funds	460,542	460,542	-	-
Commodity mutual funds	146,265	146,265	-	-
Beneficial interests in assets held by others	746,156	-	746,156	-
	$ 4,765,903	$ 4,019,747	$ 746,156	$ -

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, 2022.

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 10. Line of Credit

The Agency has a private client line agreement in the amount of $650,000. At December 31, 2022 and 2021, there were 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 7.50% and 3.25% on December 31, 2022 and 2021, respectively, and is payable monthly.

Note 11. Paycheck Protection Program Loan

On March 27, 2020, Former President Trump signed into law the Coronavirus Aid, Relief and Economic Security Act (CARES Act). On April 22, 2020, the Agency received funding in the amount of $1,058,300 pursuant to the Paycheck Protection Program (PPP). The Agency elected to account for the PPP funds as a conditional grant in accordance with FASB ASC Topic 958. Under Topic 958, revenue is recognized when conditions are met, which include incurring eligible expenditures and meeting full-time equivalent and salary reduction requirements. The Agency recognized $0 and $805,550, respectively, of the PPP funds within the grants from governmental agencies line item in the statement of activities for the years ended December 31, 2022 and 2021, respectively, of which included interest forgiven of $3,070 in 2021. During 2021, the full amount of the loan was forgiven. PPP funds are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue.

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 $17,926. In addition, the Agency pays a portion of the Campus’ operating costs and taxes.

Note 13. Significant Estimates and Concentrations

U.S. GAAP requires 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.

Operating lease liabilities: Significant estimates relating to the present value of operating lease liabilities 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.

Functional allocation of expenses: Significant estimates relating to the allocation of expenses on a functional basis are described in Note 1.

The Family Conservancy, Inc.

Compliance Report
December 31, 2022

Contents

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Directors
The Family Conservancy, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*, the financial statements of The Family Conservancy (the Agency),which comprise the Agency's statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued out report thereon dated June 30, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing audit 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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Kansas City, Missouri
June 30, 2023

RSM

RSM US LLP

Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance

Independent Auditor's Report

Board of Directors
The Family Conservancy, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Family Conservancy's (the Agency) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended December 31, 2022. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Agency's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Agency's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Agency's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Agency's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Agency's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Agency's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Agency as of and for the year ended December 31, 2022, and have issued our report thereon dated June 30, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Kansas City, Missouri
June 30, 2023

The Family Conservancy, Inc

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying/ Grant Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture/Kansas State Board of Education/ Child & Adult Care Food Program	10.558	P0174	$ -	$ 1,216,912
U.S. Department of Justice/Kansas Governor's Grant Program Victims of Crime Act/Victims Assistance Program	16.575	22-VOCA-65	-	149,474
U.S. Department of Justice/Kansas Governor's Grant Program Victims of Crime Act/Victims Assistance Program	16.575	23-VOCA-63	-	42,326
Total, ALN #16.575			-	191,800
U.S. Department of Health and Human Services/Administration for Children and Families/Head Start Cluster	93.600	07HP000247-03	-	1,308,085
U.S. Department of Health and Human Services/Administration for Children and Families/Head Start Cluster	93.600	07HP000247-04	-	858,104
U.S. Department of Health and Human Services/Administration for Children and Families/Head Start Cluster	93.600	07CH11109-03	205,351	710,822
U.S. Department of Health and Human Services/Administration for Children and Families/Head Start Cluster	93.600	07CH11109-04	505,508	2,152,568
U.S. Department of Health and Human Services/Administration for Children and Families/Head Start Cluster	93.600	07HE001161-01	-	22,727
Total, ALN #93.600			710,859	5,052,306
U.S. Department of Health and Human Services/Kansas Children's Cabinet and Trust Fund/Community-Based Child Abuse Prevention Grant	93.590	G-2201KSBCAP	-	16,302
U.S. Department of Health and Human Services/Kansas Department of Social & Rehabilitation Services/Community-Based Child Abuse Prevention Grant	93.590	1699 CBCAP FFY2021	-	89,555
Total, ALN #93.590			-	105,857
U.S. Department of Health and Human Services/Child Care Aware of Kansas/Community Engagement/CCDF Cluster	93.575	44283	-	9,035
U.S. Department of Health and Human Services/Child Care Aware of Kansas/Community Engagement/CCDF Cluster	93.575	46499	-	48,919
U.S. Department of Health and Human Services/Child Care Aware of Kansas/Community Engagement/CCDF Cluster	93.575	40499	-	16,389
U.S. Department of Health and Human Services/Child Care Aware of Kansas/Community Engagement/CCDF Cluster	93.575	51743	-	83,376
U.S. Department of Health and Human Services/Child Care Aware of Kansas/Community Engagement/CCDF Cluster	93.575	52141	-	51,617
U.S. Department of Health and Human Services/Child Care Aware of Kansas/Community Engagement/CCDF Cluster	93.575	N/A	-	184,211
U.S. Department of Health and Human Services/Child Care Aware of Kansas/Child Care Grants Program/CCDF Cluster	93.575	N/A	-	9,800
Total, ALN #93.575			-	403,347
Corporation for National and Community Service/Mentor Kansas—Kansas Volunteer Commission/State Commission Support Grant	94.003	19CAHKS001	-	3,376
U.S. Department of Health and Human Services/Kansas Department of Education/Every Student Succeeds Act/Preschool Development Grant	93.434	90TP0078	-	28,369
Total expenditures of federal awards			$ 710,859	$ 7,001,967

See notes to schedule of expenditures of federal awards.

The Family Conservancy, Inc.

Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of The Family Conservancy, Inc. (the Agency) under programs of the federal government for the year ended December 31, 2022. All federal awards received directly from federal agencies, as well as those awards that are passed through other government agencies, are included in the Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net position or cash flows of the Agency.

Note 2. Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3. Indirect Cost Rate

The Agency has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

I. SUMMARY OF AUDITOR'S RESULTS

A. Financial Statements

1. Type of report the auditor issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: Unmodified

2. Internal control over financial reporting:

   - Material weakness(es) identified? ____ Yes _X__ No
   - Significant deficiency(ies) identified? ____ Yes _X__ None reported

3. Noncompliance material to financial statements noted? ____ Yes _X__ No

B. Federal Awards

1. Internal control over major federal programs:

   - Material weakness(es) identified? ____ Yes _X__ No
   - Significant deficiency(ies) identified? ____ Yes _X__ None reported

2. Type of auditor's report issued on compliance for major federal programs: Unmodified

   - Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? ____ Yes _X__ No

3. Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
93.600	Head Start Cluster
10.558	Child & Adult Care Food Program

Dollar threshold used to distinguish between Type A and Type B program: $750,000

Auditee qualified as low-risk auditee: _X__ Yes ___ No

II. FINANCIAL STATEMENT FINDINGS

A. Internal Control

No matters were reported.

B. Compliance Findings

No matters were reported.

(Continued)

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

A. Internal Controls in Administering Federal Awards

No matters were reported.

B. Instances of Noncompliance

No matters were reported.