

REPORT ON EXAMINATION
OF THE

**CENTER FOR PRACTICAL BIOETHICS, INC.
KANSAS CITY, MISSOURI**

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022

McBRIDE, LOCK & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS
KANSAS CITY

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McBRIDE, LOCK & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 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.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Center for Practical Bioethics, Inc. and to meet our other ethical responsibilities in accordance with the 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 audit opinion.

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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center for Practical Bioethics, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted 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 in 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 generally accepted 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 Center for Practical Bioethics, Inc.'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 Center for Practical Bioethics, Inc.'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.

Report on Summarized Comparative Information

We have previously audited the Center for Practical Bioethics, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 17, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, 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 8, 2023

Center For Practical Bioethics, Inc.
STATEMENT OF FINANCIAL POSITION
December 31, 2022

<u>Assets</u>	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	
			2022	2021
CURRENT ASSETS:				
Cash and Cash Equivalents	\$ (112,868)	\$ 392,626	\$ 279,758	\$ 404,178
Investments (NOTE 4)	-	746,531	746,531	888,684
Accounts Receivable	130,435	-	130,435	64,971
Grants Receivable	57,432	36,741	94,173	92,847
Pledge Receivable (NOTE 3)	19,775	2,500	22,275	22,827
Prepaid Expenses	20,229	-	20,229	38,661
Inventory	15,500	-	15,500	6,481
Total Current Assets	<u>\$ 130,503</u>	<u>\$ 1,178,398</u>	<u>\$ 1,308,901</u>	<u>\$ 1,518,649</u>
PROPERTY AND EQUIPMENT:				
Furniture, Computers and Equipment	\$ 82,057	\$ -	\$ 82,057	\$ 83,015
Accumulated Depreciation and Amortization	<u>(60,533)</u>	<u>-</u>	<u>(60,533)</u>	<u>(48,585)</u>
Total Property and Equipment	<u>\$ 21,524</u>	<u>\$ -</u>	<u>\$ 21,524</u>	<u>\$ 34,430</u>
OTHER ASSETS:				
Investments - Endowment (NOTE 4)	\$ 1,000	\$ 2,118,509	\$ 2,119,509	\$ 2,681,518
Pledges Receivable (NOTE 3)	-	-	-	701
Deferred Compensation	233,384	-	233,384	227,543
Operating Lease Right-of-Use Asset	72,459	-	72,459	-
Beneficial Interest in Perpetual Trust (NOTE 7)	<u>-</u>	<u>2,942,477</u>	<u>2,942,477</u>	<u>3,666,519</u>
Total Other Assets	<u>\$ 306,843</u>	<u>\$ 5,060,986</u>	<u>\$ 5,367,829</u>	<u>\$ 6,576,281</u>
TOTAL ASSETS	<u>\$ 458,870</u>	<u>\$ 6,239,384</u>	<u>\$ 6,698,254</u>	<u>\$ 8,129,360</u>
<u>Liabilities</u>				
CURRENT LIABILITIES:				
Accounts Payable	\$ 52,819	\$ -	\$ 52,819	\$ 42,744
Accrued Expenses	75,045	-	75,045	110,744
Deferred Revenue	48,487	-	48,487	69,456
Operating Lease Right-of-Use Liability	59,449	-	59,449	-
Line of Credit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>\$ 235,800</u>	<u>\$ -</u>	<u>\$ 235,800</u>	<u>\$ 222,944</u>
LONG-TERM LIABILITIES:				
457(b) Deferred Compensation Liability	\$ 233,384	\$ -	\$ 233,384	\$ 227,178
Operating Lease Right-of-Use Liability	<u>10,038</u>	<u>-</u>	<u>10,038</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 243,422</u>	<u>\$ -</u>	<u>\$ 243,422</u>	<u>\$ 227,178</u>
Total Liabilities	<u>\$ 479,222</u>	<u>\$ -</u>	<u>\$ 479,222</u>	<u>\$ 450,122</u>
<u>Net Assets</u>				
NET ASSETS WITHOUT DONOR RESTRICTIONS:				
Undesignated	\$ (108,190)	\$ -	\$ (108,190)	\$ (23,505)
Board-Designated (NOTE 8)	<u>87,838</u>	<u>-</u>	<u>87,838</u>	<u>87,838</u>
Total Net Assets Without Donor Restrictions	<u>\$ (20,352)</u>	<u>\$ -</u>	<u>\$ (20,352)</u>	<u>\$ 64,333</u>
NET ASSETS WITH DONOR RESTRICTIONS (NOTE 7):				
Net assets with temporary restrictions	\$ -	\$ 1,270,031	\$ 1,270,031	\$ 1,921,510
Net assets with perpetual restrictions	<u>-</u>	<u>4,969,353</u>	<u>4,969,353</u>	<u>5,693,395</u>
Total Net Assets With Donor Restrictions	<u>\$ -</u>	<u>\$ 6,239,384</u>	<u>\$ 6,239,384</u>	<u>\$ 7,614,905</u>
Total Net Assets	<u>\$ (20,352)</u>	<u>\$ 6,239,384</u>	<u>\$ 6,219,032</u>	<u>\$ 7,679,238</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 458,870</u>	<u>\$ 6,239,384</u>	<u>\$ 6,698,254</u>	<u>\$ 8,129,360</u>

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

Center For Practical Bioethics, Inc.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022

	Net Assets		Total	
	Without Donor Restrictions	With Donor Restrictions	2022	2021
<u>Revenue</u>				
Contributions, Grants, and Other Support	\$ 207,557	\$ 460,072	\$ 667,629	\$ 851,032
Fundraising	174,296	-	174,296	218,385
Earned Income	451,691	-	451,691	391,647
Membership Dues	15,260	-	15,260	15,285
Communications	11,419	-	11,419	13,549
Other Income	5,440	-	5,440	3,513
In-Kind Contributions	12,810	-	12,810	27,872
Net Assets Released From Restrictions	613,612	(613,612)	-	-
Total Revenue	\$ 1,492,085	\$ (153,540)	\$ 1,338,545	\$ 1,521,283
<u>Expenses</u>				
Program Expenses:				
Education and Consulting	\$ 1,106,580	\$ -	\$ 1,106,580	\$ 1,066,554
Support Services Expenses:				
Management and general	\$ 274,747	\$ -	\$ 274,747	\$ 271,852
Fundraising	198,330	-	198,330	176,534
Total Support Services Expenses	\$ 473,077	\$ -	\$ 473,077	\$ 448,386
Total Expenses	\$ 1,579,657	\$ -	\$ 1,579,657	\$ 1,514,940
Change in Net Assets from Operations	\$ (87,572)	\$ (153,540)	\$ (241,112)	\$ 6,343
Other Revenue (Expense):				
Investment Return, net	\$ (85)	\$ (497,939)	\$ (498,024)	\$ 485,102
Change in Value of Beneficial Interest	-	(724,042)	(724,042)	226,978
Total Other Revenue (Expenses)	\$ (85)	\$ (1,221,981)	\$ (1,222,066)	\$ 712,080
Change in Net Assets	\$ (87,657)	\$ (1,375,521)	\$ (1,463,178)	\$ 718,423
Net Assets, beginning of the year (restated)	67,305	7,614,905	7,682,210	6,960,815
Net Assets, end of year	\$ (20,352)	\$ 6,239,384	\$ 6,219,032	\$ 7,679,238

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

Center For Practical Bioethics, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022

	Program Services		Support Services		Total	
	Education and	Management	Management	Fundraising	2022	2021
	Consulting	and General				
<u>Personnel Expenses</u>						
Salaries & Wages - Management	\$ 53,705	\$ 41,771	\$ 23,869	\$ 119,345	\$ 130,798	
Salaries & Wages - Other	588,049	103,567	63,226	754,842	628,049	
Health Insurance	61,302	13,766	8,313	83,381	93,807	
Payroll Taxes	51,745	11,719	7,023	70,487	59,526	
Retirement Expense	17,048	3,861	2,313	23,222	18,536	
Deferred Compensation Plan Expense	17,550	13,650	7,800	39,000	46,378	
Health Reimbursement	-	1,763	-	1,763	1,937	
Workers Compensation	2,957	670	401	4,028	2,342	
Key-man Insurance	2,689	-	-	2,689	3,586	
Payroll Processing Fees	3,208	726	436	4,370	2,240	
Search Expense	70,530	-	-	70,530	-	
Other Employee Expense	10,000	-	-	10,000	15,000	
Total Personnel Expenses	<u>\$ 878,783</u>	<u>\$ 191,493</u>	<u>\$ 113,381</u>	<u>\$ 1,183,657</u>	<u>\$ 1,002,199</u>	
<u>Occupancy Expenses</u>						
Rent	\$ 44,362	\$ 10,046	\$ 6,020	\$ 60,428	\$ 53,885	
Parking	46	11	6	63	107	
Other Occupancy Expense	980	222	133	1,335	1,068	
Insurance-Property & Casualty	4,154	941	564	5,659	5,036	
Repairs & Maintenance	22	5	3	30	31	
Total Occupancy Expenses	<u>\$ 49,564</u>	<u>\$ 11,225</u>	<u>\$ 6,726</u>	<u>\$ 67,515</u>	<u>\$ 60,127</u>	
<u>Operating Expenses</u>						
Consulting Fees	\$ 129,518	\$ 22,147	\$ 18,337	\$ 170,002	\$ 261,065	
Audit Fees	11,968	2,710	1,624	16,302	11,000	
Professional/Filing Fees	5,775	7,157	-	12,932	6,631	
Community Relations	1,090	-	-	1,090	500	
Bank/Credit Card Charges	681	40	947	1,668	4,040	
Office Expense & Supplies	1,062	1,128	5,721	7,911	2,640	
Printing Expense	9,723	1,222	26,866	37,811	46,079	
Books & Subscriptions	1,379	15,057	170	16,606	17,348	
Dues & Memberships	1,247	168	70	1,485	1,324	
Postage & Shipping Expense	1,068	311	2,055	3,434	3,046	
Telephone Expense	480	5,701	96	6,277	5,975	
Equipment Lease Expense	5,813	1,316	789	7,918	8,904	
Equipment Maintenance	775	176	105	1,056	1,246	
Insurance - D&O Liability	861	195	117	1,173	1,564	
Insurance - Professional Liability	2,796	633	379	3,808	3,857	
Conference/Meeting Expense	(1,850)	1,999	20,338	20,487	44,006	
Travel Expense	4,133	77	609	4,819	1,737	
Depreciation Expense	1,283	11,623	-	12,906	4,777	
Interest Expense	-	-	-	-	1,107	
Other Operating Expense	431	369	-	800	25,378	
Total Operating Expenses	<u>\$ 178,233</u>	<u>\$ 72,029</u>	<u>\$ 78,223</u>	<u>\$ 328,485</u>	<u>\$ 452,224</u>	
Total Program and Support Expenses	<u>\$ 1,106,580</u>	<u>\$ 274,747</u>	<u>\$ 198,330</u>	<u>\$ 1,579,657</u>	<u>\$ 1,514,550</u>	

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

Center For Practical Bioethics, Inc.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2022

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,463,178)	\$ 718,423
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and Amortization	12,906	4,777
Net realized/unrealized (gains) losses on investments	543,344	(430,429)
Change in Value of Beneficial Interest	724,042	(226,979)
Lease Standard Cumulative Effect Adjustment	2,972	-
Changes in operating assets and liabilities:		
Accounts Receivable	(65,464)	80,309
Grants Receivable	(1,326)	(87,847)
Pledges Receivable	1,253	(800)
Prepaid Expenses	18,432	(4,637)
Inventory	(9,019)	2,218
Deferred Compensation	(5,841)	(51,116)
Operating Lease Right-of-Use Asset	(72,459)	-
Accounts Payable	10,075	16,831
Accrued Expenses	(35,699)	(1,294)
Deferred Revenue	(20,969)	25,755
Accrued Deferred Compensation	6,206	51,103
Operating Lease Right-of-Use Liability	69,487	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (285,238)	\$ 96,314
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Computer Hardware and Software	\$ -	\$ (34,401)
Net (Purchases)/Maturities of Investments	160,818	98,149
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	\$ 160,818	\$ 63,748
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings from/(Payments to) Line of Credit	\$ -	\$ (35,000)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ -	\$ (35,000)
NET INCREASE (DECREASE) IN CASH	\$ (124,420)	\$ 125,062
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	404,178	279,116
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 279,758	\$ 404,178
SUPPLEMENTAL DISCLOSURES:		
Cash Paid For Interest	\$ -	\$ 225

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

CENTER FOR PRACTICAL BIOETHICS, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – 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.

Net Assets With Donor Restrictions – 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 – Contributions, grants and other support are recognized when cash, securities or other assets are received, when an unconditional promise to give is made, or when a notification of a beneficial interest is received. Conditional contributions are those that include a barrier to entitlement and a right of return and are recognized as the conditions are met. Contributions are recorded as Net Assets Without Donor Restrictions or Net Assets With Donor Restrictions when recognized depending on the presence or absence of donor imposed restrictions. At December 31, 2022, there are no contributions that have not been recognized in the Statement of Activities because the condition(s) on which they depend have not yet been met.

Fundraising – Sponsorships and attendance fees received in connection with the Center’s Annual Event are considered to be exchange transactions to the extent of the fair market value of benefits received by attendees and are recognized when the event is held. The amount received in excess of the value of the benefits received is treated as a contribution.

Earned Income – Revenues from the performance of professional educational and consulting services are recognized when the performance obligation of providing the services are met. These contracts are typically paid in advance or on a monthly basis.

Memberships revenue – Annual dues are assessed yearly based on the organizational or individual member’s anniversary date. The dues are considered to be exchange transactions to the extent of the fair market value of benefits received by members and are recognized over the membership period. The amount received in excess of the value of benefits received is treated as a contribution. Amounts received in advance are deferred to the applicable period.

Communications – Revenue from sales of Caring Conversations and Transportable Physician Orders for Patient Preferences (TPOPP/POLST) materials is recognized when the performance obligation of transferring the product to the customer is met. Payments are typically received prior to shipping the materials to the customer.

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. An allowance for uncollectible pledges of \$898 was recognized as of December 31, 2022 based on the present value of the long-term pledges receivable.

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. Investment return is reported in the Statement of Activities and consists of interest and dividend income, and realized and unrealized gains and losses, net of external and direct internal investment expenses.

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. Depreciation expense was \$12,906 for the year ended December 31, 2022.

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 2019. During 2022, 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 financial statements report certain categories of expenses that are attributed to more than one program or supporting function. The costs of supporting the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Certain costs have been allocated among the program, management and general, and fundraising categories based on the percentage of salaries and wages expenses charged to each function.

The Center incurs costs related to the Annual Event and newsletters and other mailings that are considered to be both programmatic and fundraising in nature. Costs related to the Annual Event entertainment, including audio/visual costs, were split between program and fundraising because the talks are recorded and posted on the Center's website for educational purposes.

Advertising

Advertising costs are expensed as incurred.

Donated Services and In-Kind Contributions

The Center's policy is to recognize contributed professional services at the fair value of the services received if the services create or enhance nonfinancial assets or require specialized skills and are provided by individuals possessing those skills. Services provided by volunteers are not recognized in the financial statements because they do not meet the criteria for recognition under generally accepted accounting principles. Contributed goods are recorded at fair value on the date of donation. The Center received \$12,810 of in-kind contributions during 2022 that were recognized in the financial statements.

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.

Change in Net Assets from Operations

The Center's change in net assets from operations includes revenues and expenses directly related to carrying out the organization's mission. Income, gains, and losses from investments are considered non-operating.

New Accounting Pronouncements

The Center has adopted the requirements of ASU 2016-02, *Leases*. This guidance requires the rights and obligations of new and existing leases to be recognized as assets and liabilities on the Statement of Financial Position and new disclosures to better inform financial statement users of the amounts, timing and uncertainty of cash flows arising from leases. As a result of this standard, an Operating Lease Right-of-Use Asset and Liability has been recognized on the Statement of Financial Position and additional disclosures required by the standard have been added. The standard has been applied at the period of adoption using a modified retrospective approach, with a cumulative effect adjustment at the beginning of the period of adoption. Beginning Net Assets Without Donor Restrictions at January 1, 2022 have been increased by \$2,972 as a result of the adoption of the standard.

The Center has adopted the requirements of FASB ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This guidance requires not-for-profit organizations to present contributed nonfinancial assets as a separate line item in the Statement of Activities, apart from contributions of cash and other financial assets, along with expanded disclosure requirements. The standard has been applied retrospectively to the 2021 summarized comparative amounts on the Statement of Activities by reclassifying \$12,500 from Contributions, Grants and Other Support and \$15,372 from Fundraising to In-Kind Contributions. No adjustments to beginning net assets were required. Disclosures related to ASU 2020-07 have been included as required.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The Center for Practical Bioethics' permanent endowment fund consists of a donor-restricted endowment and funds appropriated subject to Center spending policy. Income from donor-restricted funds are restricted for specific purposes, and therefore, not immediately available for general expenditure. The Center appropriates for distribution each year for programs and administration from the endowment fund for which a spending policy has been adopted (Rosemary Flanigan Chair in Bioethics) in accordance with the Investment and Spending Policy a targeted amount of 5% with the option of up to 7% with Board approval. For other funds (i.e. Foley, Biblo and Memorial) spending levels are approved through the budgeting and Board review process. The organization considers contributions restricted for programs which are ongoing, major, and central to its operations to be available to meet cash needs for general expenditures.

As part of the Center's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, cash in excess of its daily needs over \$35,000 is swept into an investment account. The Center has a committed line of credit up to \$300,000, which could be drawn upon.

The following reflects the Center's financial assets as of the Statement of Financial Position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the Statement of Financial Position date. Amounts not available include amounts set aside for board-designated reserves as needed for providing future programs and services.

Total Current Assets	\$ 1,308,901
Less:	
Prepaid Expenses	(20,229)
Inventory	<u>(15,500)</u>
Current Financial Assets	\$ 1,273,172
Less Those Unavailable for General Expenditures Within One Year:	
Restricted by donor with time or purpose restrictions	(1,178,398)
Board-designated funds	<u>(87,838)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,936</u>

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable represent donors' promises to pay contributions to the Center and are measured at the present value of estimated future cash flows. 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, 2022 is expected as follows:

Due in less than one year	\$23,173
Due in one to five years	<u>-</u>
Total Pledges Receivable	23,173
Less Discount to Present Value	<u>(898)</u>
Net Pledges Receivable	<u>\$22,275</u>

NOTE 4 – INVESTMENTS

Investments consisted of the following as of December 31, 2022:

Money Market Funds	\$ 145,668
Equities	1,826,005
Fixed Income Funds	<u>894,367</u>
Total Investments	<u>\$ 2,866,040</u>
Investments	\$ 746,531
Investments - Endowment	<u>2,119,509</u>
Total Investments	<u>\$ 2,866,040</u>

NOTE 5 – 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.

Equities and fixed income funds comprise mutual funds with readily determinable fair values based on daily redemption values. Money market funds are measured at cost, which approximates fair value. The beneficial interest is measured at fair value based on the fair value of fund investments reported by the community foundation.

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, 2022:

	Fair Value			
	December 31	Level 1	Level 2	Level 3
Assets:				
Investments				
Money Market Funds	\$ 145,668	\$ -	\$ 145,668	\$ -
Equities	1,826,005	1,826,005	-	-
Fixed Income Funds	894,367	894,367	-	-
Total Investments	<u>\$ 2,866,040</u>	<u>\$ 2,720,372</u>	<u>\$ 145,668</u>	<u>\$ -</u>
Beneficial Interest in Trust	\$ 2,942,477	\$ -	\$ -	\$ 2,942,477
Deferred Compensation				
Money Market Funds	\$ 65,553	\$ -	\$ 65,553	\$ -
Equities	160,610	160,610	-	-
Fixed Income Funds	7,221	7,221	-	-
Total Deferred Compensation	<u>\$ 233,384</u>	<u>\$ 167,831</u>	<u>\$ 65,553</u>	<u>\$ -</u>
Liabilities:				
Deferred Compensation				
Money Market Funds	\$ 65,553	\$ -	\$ 65,553	\$ -
Equities	160,610	160,610	-	-
Fixed Income Funds	7,221	7,221	-	-
Total Deferred Compensation	<u>\$ 233,384</u>	<u>\$ 167,831</u>	<u>\$ 65,553</u>	<u>\$ -</u>

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2022:

	Beneficial Interest in Perpetual Trust
Balance at December 31, 2021	\$ 3,666,519
Investment return, net	(521,402)
Distributions	<u>(202,640)</u>
Balance at December 31, 2022	<u>\$ 2,942,477</u>

NOTE 6 – 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%. In 2023, the Center will match 50% of employee contributions up to 6% of compensation. 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, 2022 was \$23,222.

During the year ended December 31, 2006, the Center adopted a 457(b) deferred compensation plan for a key employee. The employee and the employer can make discretionary contributions. Total deferred compensation expense for the year ended December 31, 2022 was \$39,000.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets were restricted for the following purposes as of December 31, 2022:

Subject to expenditure for specified purpose:	
Francis Family Foundation - Operating Reserve	\$ 50,000
Francis Endowed Chair	103,387
Latino Advanced Care Planning	98,482
Ethical AI	180,000
Endowments:	
Subject to appropriation and expenditure when a specified event occurs:	
Kathleen M. Foley Chair in Pain and Palliative Care	745,529
Subject to Center spending policy and appropriation:	
Rosemary Flanigan Chair in Clinical Ethics	2,119,509
Not subject to spending policy or appropriation:	
Beneficial Interest in John B. Francis Fund	<u>2,942,477</u>
Total Net Assets With Donor Restrictions	<u>\$ 6,239,384</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by donors as follows for the year ended December 31, 2022:

Satisfaction of purpose restrictions:	
Kathleen M. Foley Chair in Pain and Palliative Care	\$ 60,000
Arts and Bioethics	500
Deliberative Democracy	5,000
Kemper Foundation	10,000
Ethical.AI	187,500
Restricted-purpose spending rate distributions and appropriations:	
Rosemary Flanigan Chair in Clinical Ethics	147,225
John B. Francis Fund	<u>203,387</u>
Total Net Assets Released From Restrictions	<u>\$ 613,612</u>

Kathleen M. Foley Fund 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 awarded in a grant to provide funding for the Kathleen M.

Foley Chair in Pain and Palliative Care. The grant 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 grant was provided to support the work of the Center in the area of Pain and Palliative Care. An investment account was established by the Center's Board of Directors, pursuant to a grant for the purposes of establishing the Chair. The funds remain under the management and control of the organization and its Board of Directors. During 2019, the Center decided to no longer consider this Fund as a quasi-endowment.

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.

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, the Francis Family Foundation decided to retain control for at least an additional five years through December 31, 2020. The transfer of authority took place in March 2023, giving the Center advisory privileges over the Fund.

A beneficial interest in the trust has been recognized in the Statement of Financial Position at the fair value of the underlying trust assets. Distributions and changes in fair value are recognized in the Statement of Activities.

NOTE 8 – BOARD-DESIGNATED NET ASSETS WITHOUT DONOR RESTRICTIONS

Board-designated funds include the Robert L. Biblo Fund and Memorial Fund. Robert L. Biblo was on the Center's Board of Directors until his death in 1994, and this fund was established at the Center in his honor. The Memorial Fund 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, 2022:

Robert L. Biblo Fund	\$ 80,000
Memorial Fund	<u>7,838</u>
Total Board-Designated Net Assets	<u>\$ 87,838</u>

NOTE 9 – LINE OF CREDIT

On September 17, 2016, 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. At December 31, 2022, the Center had no outstanding borrowings on this line of credit, which has a maturity date of September 17, 2023.

NOTE 10 – OPERATING LEASES

The Center leases its office space under an operating lease with a term of 36 months through January 31, 2024. The Center leased a copier through Konica Minolta with a 60 month term through October 2022. The agreement was not renewed and was replaced by a 60 month lease of a Canon copier through June 2027. Any renewal options in the leases are included in the determination of the right-of-use asset and lease liabilities when the options are reasonably certain to be exercised.

The weighted-average discount rate is based on the discount rate implicit in the lease. The Center has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The risk-free rate option has been applied to the office and copier leases.

The Center has elected the practical expedient to not separate lease and non-lease components for the office lease. The office lease contains a variable non-lease component for common area maintenance, which is determined by the lessor on an annual basis.

The following provides information regarding total lease cost and cash flows from leasing transactions:

Operating lease cost	\$ 62,648
Variable lease cost	<u>1,335</u>
Total lease cost	<u>\$ 63,983</u>
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 62,648
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 13,649
Weighted-average remaining lease term (years) - operating leases	1.70
Weighted-average discount rate - operating leases	0.82%

Future minimum lease payments under operating leases are as follows:

Year Ending December 31,	Amount
2023	\$ 59,794
2024	7,742
2025	2,998
2026	2,998
2027	<u>1,499</u>
Total lease payments	\$ 75,031
Less interest	<u>(5,544)</u>
Present value of lease liabilities	<u>\$ 69,487</u>

NOTE 11 – MAJOR CONCENTRATIONS

The Center maintains its cash balances within two accounts at a financial institution in Kansas City, Missouri. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Center has a repurchase agreement for balances in excess of insurance coverage. At December 31, 2022, the Center's cash balances were adequately secured.

The Center invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments securities, it is at least reasonably possible that changes could materially affect the amounts reported in the accompanying statements of financial position. The Board of Directors and management of the Center have established policies to provide prudent oversight of the investments.

NOTE 12 – ENDOWMENT

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.

The Center considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

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 7% 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.

Endowment net assets consist of \$2,119,509 in Net Assets With Donor Restrictions, including \$92,633 which is temporarily restricted and \$2,026,876 which is perpetually restricted.

Changes in endowment net assets as of December 31, 2022 are as follows:

	Net Assets With Donor Restrictions		Total
	Temporary	Perpetual	
Endowment net assets, beginning of year	\$ 654,642	\$ 2,026,876	\$ 2,681,518
Contributions	-	-	-
Investment Income	48,298	-	48,298
Net Appreciation	(463,084)	-	(463,084)
Amounts appropriated for expenditure	(147,223)	-	(147,223)
Endowment net assets, end of year	<u>\$ 92,633</u>	<u>\$ 2,026,876</u>	<u>\$ 2,119,509</u>

NOTE 13 – REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table reflects changes in receivables and deferred revenue (contract liabilities) arising from contracts with customers:

	Beginning Balance	Increases	Decreases	Ending Balance
Receivables	\$ 20,620	\$ 39,050	\$ (18,910)	\$ 40,760
Deferred Revenue	56,858	49,389	(57,758)	48,489

NOTE 14 – CONTRIBUTED NON-FINANCIAL ASSETS

The Center receives non-financial asset contributions. These assets are recognized at fair value based on the market value of the item(s) being donated and are presented in the financial statements as “In-Kind Contributions”. Contributed non-financial assets consisted of professional consulting services received related to the Ethical AI program and were not monetized. No in-kind contributions were restricted.

NOTE 15 – PRIOR YEAR SUMMARIZED INFORMATION

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the financial statements for the year ended December 31, 2021, from which the summarized information was derived.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated and noted no subsequent events through June 8, 2023, the date which the financial statements were available for issue.

On March 1, 2023, the Center received notification that the Francis Family Foundation is completing the transfer of advisory privileges over the John B. Francis Chair in Bioethics Fund to the Center. The effect of this transfer on the Center’s 2023 financial statements is being evaluated.