Cornerstones of Care and Affiliates

Consolidated Financial Report
December 31, 2016

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Contents

Independent Auditor's Report

Board of Directors
Cornerstones of Care and Affiliates

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Cornerstones of Care and Affiliates (the Organization), which comprise the consolidated statement of financial position as of December 31, 2016, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cornerstones of Care and Affiliates as of December 31, 2016, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matter
The consolidated financial statements of the Organization as of and for the year ended December 31, 2015, were audited by other auditors, whose report dated May 18, 2016, expressed an unmodified opinion on those statements.

Other Information
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as of and for the year ended December 31, 2016, as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information as of and for the year ended December 31, 2016, has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information as of and for the year ended December 31, 2016, is fairly stated in all material respects in relation to the consolidated financial statements as a whole. The supplementary information as of and for the year ended December 31, 2015, was audited by other auditors, whose report dated May 18, 2016, expressed an unmodified opinion on such information in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards* for the year ended December 31, 2016, we have also issued our report dated September 15, 2017, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. For the year ended December 31, 2015, other auditors have issued their report dated May 18, 2016. The purpose of those reports 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 the Organization's internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

RSM US LLP

Kansas City, Missouri
September 15, 2017

Cornerstones of Care and Affiliates

Consolidated Statements of Financial Position
December 31, 2016 and 2015

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	**$ 2,039,443**	$ 6,894,033
Accounts receivable, less allowance for doubtful accounts of $1,204,270 and $434,277 at December 31, 2016 and 2015, respectively	**4,766,009**	3,911,517
Contributions receivable	**399,382**	283,191
Contributions receivable—use of property	**10,940**	9,871
Other receivables	**326,033**	369,952
Prepaid expenses	**253,315**	236,086
Total current assets	**7,795,122**	11,704,650
Investments (Notes 2 and 3)	**18,820,957**	18,481,166
Contributions receivable—use of property	**2,096,653**	2,107,593
Security deposits	**113,691**	89,847
Property and equipment, less accumulated depreciation (Note 4)	**14,675,830**	15,249,364
Total assets	**$ 43,502,253**	$ 47,632,620
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	**$ 1,710,952**	$ 2,790,319
Accrued compensation expense	**2,167,818**	1,989,258
Deferred revenue	**526,521**	485,157
Lines of credit	**570,075**	200,000
Current portion of notes payable	**904,502**	588,846
Current portion of pension plan obligation	**51,284**	54,712
Total current liabilities	**5,931,152**	6,108,292
Annuity agreements	**25,132**	45,970
Notes payable, less current portion	**-**	1,030,320
Pension plan obligation, less current portion	**128,250**	126,691
Total liabilities	**6,084,534**	7,311,273
Net assets:		
Unrestricted:		
Undesignated	**23,715,271**	25,896,385
Board designated	**243,681**	638,146
Board designated—quasi-endowment (Note 18)	**6,464,346**	6,285,253
Total unrestricted	**30,423,298**	32,819,784
Temporarily restricted (Note 19)	**4,400,702**	4,908,969
Permanently restricted (Note 19)	**2,593,719**	2,592,594
Total net assets	**37,417,719**	40,321,347
Total liabilities and net assets	**$ 43,502,253**	$ 47,632,620

See notes to consolidated financial statements.

Cornerstones of Care and Affiliates

Consolidated Statements of Activities
Years Ended December 31, 2016 and 2015

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and other support:				
Program fees:				
Government agencies	$ 33,302,101	$ -	$ -	$ 33,302,101
Other program fees	8,004,678	-	-	8,004,678
Total program fees	41,306,779	-	-	41,306,779
Other support and revenue:				
Grants from government agencies	801,044	-	-	801,044
Contributions and bequests	1,053,945	1,364,128	1,000	2,419,073
In-kind contributions	81,073	-	-	81,073
United Way	616,623	-	-	616,623
Special events	1,559,858	-	-	1,559,858
Less direct costs	(465,756)	-	-	(465,756)
Investment income (loss)	766,876	370,196	125	1,137,197
Miscellaneous	304,149	-	-	304,149
Total other support and revenue	4,717,812	1,734,324	1,125	6,453,261
Net assets released from restrictions	2,242,591	(2,242,591)	-	-
Total revenue and other support, net	48,267,182	(508,267)	1,125	47,760,040
Expenses:				
Program services	42,615,431	-	-	42,615,431
Supporting services:				
Administrative	6,538,912	-	-	6,538,912
Development	1,509,325	-	-	1,509,325
Total supporting services	8,048,237	-	-	8,048,237
Total expenses	50,663,668	-	-	50,663,668
Change in net assets	(2,396,486)	(508,267)	1,125	(2,903,628)
Net assets, beginning of year	32,819,784	4,908,969	2,592,594	40,321,347
Net assets, end of year	$ 30,423,298	$ 4,400,702	$ 2,593,719	$ 37,417,719

See notes to consolidated financial statements.

2015			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 39,799,767	$ -	$ -	$ 39,799,767
7,501,511	-	-	7,501,511
47,301,278	-	-	47,301,278
394,078	-	-	394,078
1,086,012	1,695,135	83,146	2,864,293
125,521	-	-	125,521
729,689	-	-	729,689
1,435,070	-	-	1,435,070
(405,512)	-	-	(405,512)
(70,104)	32,877	416	(36,811)
401,453	1,188	-	402,641
3,696,207	1,729,200	83,562	5,508,969
2,220,819	(2,220,819)	-	-
53,218,304	(491,619)	83,562	52,810,247
43,872,830	-	-	43,872,830
7,970,461	-	-	7,970,461
1,494,806	-	-	1,494,806
9,465,267	-	-	9,465,267
53,338,097	-	-	53,338,097
(119,793)	(491,619)	83,562	(527,850)
32,939,577	5,400,588	2,509,032	40,849,197
$ 32,819,784	$ 4,908,969	$ 2,592,594	$ 40,321,347

Cornerstones of Care and Affiliates

Consolidated Statements of Functional Expenses
Years Ended December 31, 2016 and 2015

	2016				
	Program	Supporting Services			Total
	Services	Administrative	Development	Total	Expenses
Salaries and related expenses:					
Salaries	$ 23,818,807	$ 3,315,540	$ 997,653	$ 4,313,193	$ 28,132,000
Employee benefits	2,603,068	298,773	84,064	382,837	2,985,905
Retirement	151,689	115,558	7,523	123,081	274,770
Payroll taxes	1,692,237	227,955	71,543	299,498	1,991,735
Other	49,358	287,702	3,565	291,267	340,625
Total salaries and related expenses	28,315,159	4,245,528	1,164,348	5,409,876	33,725,035
Other expenses:					
Professional fees	3,465,944	1,119,868	36,534	1,156,402	4,622,346
Food service	704,366	7,427	2,590	10,017	714,383
Supplies	508,068	51,928	9,659	61,587	569,655
Postage and printing	67,451	13,828	13,776	27,604	95,055
Telephone	51,101	656	355	1,011	52,112
Occupancy	1,368,014	307,583	24,410	331,993	1,700,007
Equipment rental and maintenance	1,397,312	75,482	3,812	79,294	1,476,606
Marketing	6,657	79,384	646,482	725,866	732,523
Local transportation	492,393	39,796	6,599	46,395	538,788
Conference and meetings	83,011	35,425	1,545	36,970	119,981
Assistance to individuals	4,281,066	303	289	592	4,281,658
Investment expense	-	75,141	-	75,141	75,141
Interest expense	69,162	11,569	736	12,305	81,467
Dues and subscriptions	15,883	36,847	1,895	38,742	54,625
Bank charges	10,937	48,136	(65)	48,071	59,008
Bad-debt expense	750,803	103	-	103	750,906
Professional liability insurance	296,519	131,500	4,961	136,461	432,980
In kind	6,396	39,788	34,889	74,677	81,073
Loss on disposal of fixed assets	-	1,245	-	1,245	1,245
Miscellaneous	21,362	61,414	10	61,424	82,786
Total other expenses	13,596,445	2,137,423	788,477	2,925,900	16,522,345
Total expenses before depreciation	41,911,604	6,382,951	1,952,825	8,335,776	50,247,380
Depreciation	703,827	155,961	22,256	178,217	882,044
Total gross expenses	42,615,431	6,538,912	1,975,081	8,513,993	51,129,424
Less: direct costs of special events	-	-	(465,756)	(465,756)	(465,756)
Total net expenses	$ 42,615,431	$ 6,538,912	$ 1,509,325	$ 8,048,237	$ 50,663,668

See notes to consolidated financial statements.

2015				
Program	Supporting Services			Total
Services	Administrative	Development	Total	Expenses
$ 24,736,166	$ 3,538,732	$ 958,690	$ 4,497,422	$ 29,233,588
2,998,267	359,157	89,791	448,948	3,447,215
154,766	111,741	8,858	120,599	275,365
1,789,222	255,756	63,385	319,141	2,108,363
153,740	248,347	9,588	257,935	411,675
29,832,161	4,513,733	1,130,312	5,644,045	35,476,206
3,561,690	1,304,517	39,525	1,344,042	4,905,732
915,008	13,408	2,525	15,933	930,941
668,842	51,509	7,068	58,577	727,419
66,505	9,461	14,634	24,095	90,600
42,569	229	66	295	42,864
1,335,025	485,356	23,314	508,670	1,843,695
388,339	700,069	16,786	716,855	1,105,194
3,548	127,134	539,143	666,277	669,825
618,970	42,972	4,821	47,793	666,763
71,942	20,247	1,510	21,757	93,699
4,962,352	617	965	1,582	4,963,934
-	75,277	-	75,277	75,277
102,139	26,745	871	27,616	129,755
15,803	77,024	6,653	83,677	99,480
14,047	51,337	1,500	52,837	66,884
455,133	-	-	-	455,133
311,432	121,569	6,229	127,798	439,230
45,324	-	80,197	80,197	125,521
-	2,454	-	2,454	2,454
8,835	59,628	1,247	60,875	69,710
13,587,503	3,169,553	747,054	3,916,607	17,504,110
43,419,664	7,683,286	1,877,366	9,560,652	52,980,316
453,166	287,175	22,952	310,127	763,293
43,872,830	7,970,461	1,900,318	9,870,779	53,743,609
-	-	(405,512)	(405,512)	(405,512)
$ 43,872,830	$ 7,970,461	$ 1,494,806	$ 9,465,267	$ 53,338,097

Cornerstones of Care and Affiliates

Consolidated Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	**$ (2,903,628)**	$ (527,850)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	**882,044**	763,293
Investment income restricted for reinvestment	**-**	(416)
Realized gains on investments	**(162,623)**	(274,663)
Change in unrealized gains	**(597,338)**	842,108
Loss on disposition of fixed asset	**1,245**	2,454
Decrease (increase) in operating assets:		
Accounts receivable	**(854,492)**	857,437
Other receivables	**43,919**	634,818
Prepaid expenses	**(17,229)**	288,435
Contributions receivable	**(106,320)**	585,561
Security deposits	**(23,844)**	337
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	**(1,079,367)**	802,817
Accrued compensation expense	**178,560**	(104,175)
Deferred revenues	**41,364**	(526,917)
Pension plan obligation	**(1,869)**	(37,619)
Annuity agreements	**(20,838)**	(1,351)
Total adjustments	**(1,716,788)**	3,832,119
Net cash (used in) provided by operating activities	**(4,620,416)**	3,304,269
Cash flows from investing activities:		
Purchases of investments	**(10,093,133)**	(7,646,938)
Proceeds from the sale of investments	**10,513,303**	7,273,761
Purchases of property and equipment	**(309,755)**	(1,993,614)
Investment income restricted for reinvestment	**-**	416
Net cash provided by (used in) investing activities	**110,415**	(2,366,375)
Cash flows from financing activities:		
Issuance of new debt	**370,075**	-
Debt repayments	**(714,664)**	(579,425)
Net cash used in financing activities	**(344,589)**	(579,425)
Net (decrease) increase in cash and cash equivalents	**(4,854,590)**	358,469
Cash and cash equivalents, beginning of year	**6,894,033**	6,535,564
Cash and cash equivalents, end of year	**$ 2,039,443**	$ 6,894,033

See notes to consolidated financial statements.

Note 1. Summary of Significant Accounting Policies

Nature of activities: Cornerstones of Care (Cornerstones) is a family of agencies dedicated to strengthening children and families, and the communities in which they live. Cornerstones' agencies and programs (Gillis, Marillac, Ozanam, Spofford, and Healthy Families Programs) (collectively, the Organization) provide a comprehensive continuum of prevention and treatment services. Cornerstones helps its agencies better serve the community by leveraging expertise from across the family of agencies, providing financial security by reducing costs and creating efficiencies, and building an infrastructure to provide a comprehensive continuum of care. United, Cornerstones' agencies improve the lives of at-risk children and families, ultimately reducing the effects of adverse childhood experiences, decreasing the incidence of violence and incarceration, increasing the ability for independent living, and providing children and families with hope and a strong foundation for success.

Cornerstones, Spofford, Ozanam, Ozanam Foundation, Women's Christian Association of Kansas City, Missouri (WCA) and Gillis Charities, Inc., entered into an integration agreement in 1997. As a result, WCA transferred a portion of its net assets to a new corporation named Gillis Center, Inc. and terminated its association with this new entity. In 1998, Cornerstones entered into an integration agreement with Marillac Center, Inc. and Healthy Families Counseling and Support (formerly Spofford Ozanam Services). As a result of the integration agreements, Cornerstones became the sole member of the following nonprofit corporations: Gillis Center, Inc., Ozanam, Spofford, Marillac Center, Inc. and Healthy Families Counseling and Support. Healthy Families Counseling and Support was dissolved effective December 31, 2011. Under the integration plans, Gillis Center, Inc., Ozanam, Spofford, and Marillac Center each have three representatives on the Cornerstones Board of Directors. Cornerstones has the authority to approve or disapprove the nominees of the Board of Directors of Gillis Center, Inc., Ozanam, Spofford, and Marillac Center, Inc. Effective in 2014, the Cornerstones of Care Board may also include up to three at-large members.

Also under the integration agreements, Ozanam, Marillac Center, Inc., and Spofford have the authority to appoint the Board of Directors of Ozanam Foundation, Marillac Foundation, and Spofford Foundation, respectively. Ozanam Thriftmart was organized to support and conduct activities for the benefit of Ozanam.

Gillis Center, Inc. (Gillis) opened in 1870 and is the oldest child- and family-serving agency in Kansas City. Each year, Gillis provides therapeutic residential treatment to over 100 boys and girls ages seven to 18 years, emergency shelter for over 80 boys and girls ages birth to 18 years, and alternative education day-treatment programming to over 115 boys and girls ages birth to 18 years on their campus at 8150 Wornall. Gillis also provides treatment foster care and a broad range of therapy services throughout the Kansas City area, including the Northland and Johnson County, Kansas. These services are provided in the community or in the home to over 1,400 children and families who have experienced abuse, neglect and mental illness.

Spofford is a 100 year-old community benefit organization that provides family-focused intensive residential treatment programs, psychiatric evaluation programs, and community- and school-based mental health interventions for young children residing in the states of Missouri and Kansas. Campus-based services include a 40-bed psychiatric residential treatment program for boys and girls between four and 12 years of age. The REACH to TEACH school-based services were initiated in 2005 with four schools and in 2016 served more than 3,521 children from 22 schools. Spofford's community-based programs include Parent Aide services and the Family Resiliency Initiative. Parent Aide helps parents who have had their children removed from their homes and placed in foster care. It provides parents with comprehensive information and resources so that families can be reunited.

Note 1. Summary of Significant Accounting Policies (Continued)

The Family Resiliency Initiative provides in-home mental health treatment to very young children and their families who live in impoverished communities and are negatively impacted by risk factors such as abuse, community violence, substance abuse and mental health disorders.

Marillac Center, Inc. is a comprehensive children's mental health center located on a 17-acre campus in Overland Park, Kansas. Founded in 1897 as the Kansas City Orphan Boys Home, Marillac is an organization that has continually evolved to meet the needs of the Kansas City area's at-risk youth. Today, more than 1,700 children (up to age 17) and their families are served each year at Marillac through a broad range of compassionate, trauma-informed behavioral health services. Marillac's programs for youth with special emotional and behavioral challenges include a Psychiatric Residential Treatment Facility (PRTF) and a growing outpatient mental health clinic. Available treatment services include psychiatric and medical evaluation; 24-hour nursing care; individual, group and family therapy; expressive therapies (such as art, music and recreation therapies); substance-abuse assessment and treatment; medication and laboratory services; and case management/discharge planning. In 2011, Marillac entered into a collaborative agreement with the University of Kansas School of Medicine (KUMC). In 2015, this relationship expanded into a comprehensive affiliation agreement between the Cornerstones of Care family of agencies and the University of Kansas Hospital Authority, as further described in Note 8. The first clinical integration initiative in the partnership was the transition of the children's psychiatric hospital, previously operated by Marillac, to become the University of Kansas Hospital—Marillac Campus. The inpatient hospital is now operated as part of the University of Kansas Hospital at the Marillac campus and with the support of the Marillac leadership team.

Since 1948, Ozanam has provided a variety of prevention and treatment programs to adolescents and young adults. Started as a boys' home, Ozanam has grown into a multiple-program community benefit agency providing both campus- and community-based services that are accredited through the Council on Accreditation. Campus-based services include a 76-bed psychiatric residential treatment program for boys and girls between 12 and 18 years of age, as well as a fully academically accredited educational day treatment program serving 60 adolescents from the community who require special education services in a therapeutic setting. Community-based programming includes services offered through both Ozanam Pathways and Ozanam BIST (Behavioral Intervention Support Team). Ozanam Pathways provides transitional living services in the Kansas City metro area, as well as in Wichita, Kansas. Ozanam Pathways serves approximately 90 young adults exiting the foster care system at any given time. Through a combination of group-home programming, and both clustered- and scattered-site apartments, young adults receive services focusing on education, vocation and obtaining permanent housing. Ozanam Pathways also includes a mentoring program that provides mentoring services to youth in foster care settings. The Ozanam BIST program is an education-based training and consultation program that better equips teachers to manage classroom behaviors towards a goal of having more time for instruction. Utilizing offices in Kansas City and Lincoln, Nebraska, BIST services are provided to over 300 schools in Missouri, Kansas, Nebraska, Illinois and Colorado.

Healthy Families Programs are a group of programs operated directly by Cornerstones. Healthy Families Programs provide foster care case management, foster care nurse case management, a resource development program for foster and adoptive families, a home visitation program, a relationship education program and additional support programs for foster youth.

Ozanam Foundation and Ozanam Thriftmart, Marillac Foundation and Spofford Foundation were formed to conduct and support activities for the benefit of Ozanam, Marillac Center, Inc. and Spofford, respectively.

Note 1. Summary of Significant Accounting Policies (Continued)

The Organization is supported primarily through contributions, grants and government agencies. Approximately 71 percent and 76 percent of the Organization's support for the years ended December 31, 2016 and 2015, respectively, came from government agencies.

Principles of consolidation: The accounts of Gillis Center, Inc., Ozanam, Ozanam Foundation, Ozanam Thriftmart, Spofford, Spofford Foundation, Marillac Center, Inc., Marillac Foundation and Cornerstones of Care are included in the consolidation as the organizations meet the criteria for consolidation under *FASB Accounting Standards Codification* (ASC) Topic 958-810, Consolidation of Not-for-Profit Organizations. Under this standard, the presentation of combined or consolidated financial statements is required when certain elements of control and economic interest, as defined in the statement, exist between nonprofit organizations. Although the organizations operate as separate legal entities, consolidated financial statements have been presented to comply with accounting principles generally accepted in the United States of America. Balances and significant transactions between the organizations, if any, have been eliminated in the consolidation.

Basis of accounting: The policy of the Organization is to prepare its consolidated financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recognized when earned, and expenses and purchases are recognized when an obligation is incurred.

Financial statement presentation: Financial statement presentation follows the recommendations of ASC Topic 958-205, Financial Statements of Not-for-Profit Organizations. Under this standard, the consolidated Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets: Unrestricted net assets include all assets that are neither temporarily or permanently restricted. Unrestricted net assets may include Board-designated funds that are not restricted by the donor. Earnings on investments are reported as increases in unrestricted net assets unless their use is limited by donor stipulation or by laws.

Temporarily restricted net assets: Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met, trust activity, deferred gifts and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted.

Permanently restricted net assets: Permanently restricted net assets include contributed net assets that require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

Contributions: The Organization utilizes ASC Topic 958-605, Not-for Profit Entities Revenue Recognition. This standard requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions.

Contributions with donor restrictions are reported as increases in unrestricted net assets if the restrictions are met within the same reporting period that the contribution was received.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Note 1. Summary of Significant Accounting Policies (Continued)

Contributed materials and services: The Organization records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying consolidated financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

Volunteers: Many individuals volunteer their time and perform a variety of tasks that assist the Organization with operations. The value of volunteer services has not been recorded in the consolidated financial statements because those services do not meet the criteria for recognition.

Bequests: Bequests to the Organization from trusts and estates are recorded as income in the year the assets are received due to the uncertainty of the actual amounts to be received at the time the bequests are made.

Cash and cash equivalents: For the purposes of the consolidated statements of cash flows, the Organization considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents.

Accounts receivable: The Organization uses the allowance method to account for uncollectible accounts receivable.

Investments: The Organization has adopted ASC Topic 958-320, Not-for Profit Entities Investments - Debt and Equity Securities. ASC 958-320 establishes standards of reporting at fair value certain investments, debt and equity securities, held by nonprofit organizations.

Therefore, investments in equity securities that have a readily determinable fair value and all investments in debt securities are stated at fair value, with gains and losses included in the consolidated statements of activities. Investment income is accounted for as unrestricted, temporarily restricted or permanently restricted support depending on the classification of the source investment.

Property and equipment and depreciation: Property and equipment are recorded at cost for all purchases over $2,500. Donated property and equipment are recorded at their fair value on the date of the donation. Depreciation is computed under the straight-line method using the following estimated useful lives:

Property and Equipment	Useful Lives
Land and improvements	10-50 years
Buildings and improvements	5-45 years
Leasehold improvements	5-30 years
Furniture and equipment	2-20 years
Automobiles	5 years

Major renewals and betterments are capitalized. Maintenance, repairs and minor renewals are expensed. When property and equipment are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any resulting gains or losses are included in income.

Note 1. Summary of Significant Accounting Policies (Continued)

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions over the life of the assets that are placed in service.

Income taxes: Each of the legal entities included in the Organization is organized as a separate nonprofit corporation and qualifies as tax exempt under section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, each of the legal entities qualifies for the charitable contribution deductions under section 170(b)(1)(A) and has been classified as an organization other than a private foundation. Accordingly, no provision has been made for income taxes in these consolidated financial statements.

The Organization has adopted the provisions of ASC Topic 740-10, Accounting for Uncertain Tax Positions. Uncertain tax positions, if any, are recorded as a liability if a tax position taken does not meet the more-likely-than-not standard that the position will be sustained upon examination by the taxing authorities. There is no liability for uncertain tax positions recorded at December 31, 2016 or 2015.

Use of estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities.

Compensated absences: Employees of the Organization are entitled to personal time off, depending on job classification, length of service, and other factors. Accordingly, a liability for accrued compensated absences has been included as part of the accrued compensation expense line item in the consolidated financial statements. The amounts included in the consolidated financial statements for this liability at December 31, 2016 and 2015, were $1,315,508 and $1,279,201, respectively.

Advertising: Advertising costs of the Organization (if any) are expensed as incurred.

Note 2. Fair Value Measurements

The Organization has adopted ASC Topic 820-10, Fair Value Measurements, which provides a framework for measuring fair value under generally accepted accounting principles. ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis. As defined in ASC 820-10, 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. In determining fair value, the Organization uses various methods including market, income and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Valuations are for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations are for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3: Valuations are for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market-exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the years ended December 31, 2016 and 2015, the application of valuation techniques applied to similar assets has been consistent. The fair value of mutual funds, common stocks, exchange-traded funds and U.S. treasury and agency securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. The fair value of bonds is based on valuations obtained from third-party pricing services for identical or similar assets.

Note 2. Fair Value Measurements (Continued)

Fair value on a recurring basis: The tables below present the balances of assets measured at fair value on a recurring basis as of December 31, 2016 and 2015:

	2016			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 9,378,069	$ -	$ -	$ 9,378,069
Common stocks	5,066,668	-	-	5,066,668
Exchange-traded funds	284,233	-	-	284,233
Government and agency bonds	-	1,087,632	-	1,087,632
Corporate bonds	-	1,563,713	-	1,563,713
Municipal bonds	-	20,968	-	20,968
Money-market funds	1,419,674	-	-	1,419,674
	$ 16,148,644	$ 2,672,313	$ -	$ 18,820,957

	2015			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 13,717,565	$ -	$ -	$ 13,717,565
Exchange-traded funds	2,830,225	-	-	2,830,225
U.S. Treasury and agency	3,414	-	-	3,414
Corporate bonds	-	1,892,878	-	1,892,878
Tax-exempt bonds	-	37,084	-	37,084
	$ 16,551,204	$ 1,929,962	$ -	$ 18,481,166

Note 3. Investments

Investments at December 31, 2016 and 2015, consist of the following:

	2016		
	Cost	Unrealized Gain (Loss)	Fair Value
Mutual funds	$ 9,210,602	$ 167,467	$ 9,378,069
Common stocks	4,371,363	695,305	5,066,668
Exchange-traded funds	226,639	57,594	284,233
Government and agency bonds	1,102,251	(14,619)	1,087,632
Corporate bonds	1,571,093	(7,380)	1,563,713
Municipal bonds	19,134	1,834	20,968
Money-market funds	1,419,652	22	1,419,674
	$ 17,920,734	$ 900,223	$ 18,820,957

Note 3. Investments (Continued)

	2015		
	Cost	Unrealized Gain (Loss)	Fair Value
Mutual funds	$ 14,319,578	$ (602,013)	$ 13,717,565
Exchange-traded funds	2,619,250	210,975	2,830,225
U.S. Treasury and agency	3,414	-	3,414
Corporate bonds	1,960,434	(67,556)	1,892,878
Tax-exempt bonds	32,691	4,393	37,084
	$ 18,935,367	$ (454,201)	$ 18,481,166

Investment income for the years ended December 31, 2016 and 2015, consists of the following:

	2016	2015
Interest and dividend income	$ 377,236	$ 530,634
Net realized gains	162,623	274,663
Net unrealized gains (losses)	597,338	(842,108)
Total investment income (loss)	$ 1,137,197	$ (36,811)

Note 4. Property and Equipment

Property and equipment for the years ended December 31, 2016 and 2015, consist of the following:

	2016	2015
Land and land improvements	$ 3,215,996	$ 3,193,594
Building and improvements	16,689,164	16,543,000
Leasehold improvements	1,312,338	1,241,081
Furniture and equipment	4,648,381	4,708,821
Automobiles	486,666	477,668
Software	1,425,000	1,425,000
Total	27,777,545	27,589,164
Accumulated depreciation	(13,101,715)	(12,339,800)
Net property and equipment	$ 14,675,830	$ 15,249,364

Depreciation expense for the years ended December 31, 2016 and 2015, was approximately $882,000 and $763,000, respectively.

Note 5. Contributions Receivable

At December 31, 2016 and 2015, unconditional contributions receivable was $399,382 and $283,191, respectively. All of these amounts were due in less than one year. Management believes that these amounts are fully collectible.

Note 6. Contribution Receivable—Use of Property

Effective January 3, 1997, Gillis entered into a below-market lease agreement with The Women's Christian Association of Kansas City, Missouri (the Landlord) to lease the buildings and grounds that it occupies for a five-year term with nine five-year renewal periods at the option of the Organization. Alterations, additions, improvements to the buildings, maintenance and repairs are the responsibility of Gillis. Utilities and property and casualty insurance are shared with the Landlord at agreed-upon rates.

Rent under the lease is $1 per year, and the Landlord shall not terminate the lease and shall not increase the rent as long as Gillis meets its responsibility under the lease. While the base annual rent is $1, the fair market annual rent was estimated in an appraisal valuation to be $228,099 per year. A discount rate was used in determining the present value of the contribution at the inception of the lease, with the discount being amortized over a 50-year period as management has estimated the property will be used for all available lease periods. However, in accordance with ASC Topic 958-605-55-24, the amount recorded as a contribution was limited to the fair value of the property.

The contribution of the future use of the property has been recognized in the consolidated financial statements as temporarily restricted net assets, with a release from temporarily restricted to unrestricted made each year to reflect the use of the property.

The contribution receivable for the use of the property at December 31, 2016 and 2015, is classified as follows:

	2016	2015
Contribution receivable	$ 2,107,593	$ 2,117,464
Less: current portion	10,940	9,871
Contribution receivable, noncurrent	$ 2,096,653	$ 2,107,593

The contribution receivable for the use of the property at December 31, 2016 and 2015, is calculated as follows:

	2016	2015
Undiscounted value of below-market rent	$ 11,404,960	$ 11,404,960
Discount to present value at 3.35%	(9,209,276)	(9,209,276)
Discounted value of below-market rent	2,195,684	2,195,684
To-date amortization	(88,091)	(78,220)
Contribution receivable	$ 2,107,593	$ 2,117,464

Note 6. Contribution Receivable—Use of Property (Continued)

The expected time expirations on restrictions for the use of the property are as follows:

Years ending December 31:	
2017	$ 10,940
2018	12,125
2019	13,438
2020	14,894
2021 and thereafter	2,056,196
	$ 2,107,593

Note 7. Leases

The Organization leases equipment and office space under various operating leases through March 2020. Future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 2016, are as follows:

Years ending December 31:	
2017	$ 230,148
2018	119,089
2019	32,464
2020	898
	$ 382,599

Equipment rental expense was approximately $64,400 and $89,000 for the years ended December 31, 2016 and 2015, respectively. In addition, building rent expense under operating leases with a term in excess of one month that did not extend beyond a year was approximately $432,000 and $409,000 for the years ended December 31, 2016 and 2015, respectively.

Ozanam, in operation of its Pathways program, leases several residential apartments under operating leases with terms of one year or less. Total rental expenses associated with these leases were approximately $394,000 and $405,000 for the years ended December 31, 2016 and 2015, respectively.

Note 8. Affiliation Agreement With the University of Kansas Hospital Authority

In June 2015, Cornerstones of Care and the University of Kansas Hospital Authority (the Authority) entered into a comprehensive affiliation agreement to focus on enhanced clinical integration of medical and behavioral health services, research and development in the prevention and treatment of adverse childhood experiences, and advocacy. The first clinical integration initiative in the partnership was the transition of the children's psychiatric hospital, previously operated by Marillac, to become the University of Kansas Hospital—Marillac Campus. The inpatient hospital is now operated as part of the University of Kansas Hospital at the Marillac campus and with the support of the Marillac leadership team.

Note 8. Affiliation Agreement With the University of Kansas Hospital Authority (Continued)

As part of the hospital transition, Marillac entered into a purchased services agreement with the Authority. In connection with the purchased services agreement, Marillac will provide certain administrative and support services to the Authority as defined in the agreement. The term of the agreement is five years, with two additional five-year automatic renewal terms unless either party provides notice of termination at least 180 days prior to the end of the current term. Revenues recognized in connection with this agreement during the years ended December 31, 2016 and 2015, were $2,503,507 and $1,337,175, respectively, and are included in other program fees on the consolidated statements of activities. In connection with this agreement, the Authority and Marillac also entered into a hospital space and support services lease. Under the terms of the lease, 20,462 of rentable square feet is leased to the Authority, along with the right to utilize common areas. Annually, rent for the lease is $1,163,023. The lease also includes provisions for adjustment to the rental amounts each year to reflect changes in the fair market value of rental costs. The initial lease term is five years, with two renewal options of additional five-year terms unless either party notifies the other at least six months prior to the end of the current lease term. Rental income recognized in connection with this lease agreement during the years ended December 31, 2016 and 2015, was $1,167,822 and $613,507, respectively, and is included in other program fees on the consolidated statements of activities.

In addition, in June 2015, Marillac entered into an agreement with the Kansas University Psychiatry Foundation where Marillac will provide certain psychiatric services on the Marillac campus in connection with the agreements noted above. This agreement is for an initial term of one year and will renew automatically each year unless either party has given 90 days' notice. Under the terms of the agreement, Marillac is reimbursed at certain agreed-upon rates for physician services provided. Revenues recognized in connection with this agreement for the years ended December 31, 2016 and 2015, were $151,345 and $147,828, respectively, and are included in other program fees on the consolidated statements of activities.

Note 9. Retirement Plans

Gillis previously participated in a defined benefit plan sponsored by WCA. Effective for 2013, an agreement was reached between Gillis and WCA to split the obligation, 70 percent for Gillis and 30 percent for WCA moving forward, regardless of the mix of Gillis and WCA employees remaining under the plan. Subsequent to this change, in addition to the allocation of the liability, expenses incurred in connection with the plan have been allocated 70 percent to Gillis and 30 percent to WCA to reflect this new agreement. The plan was frozen in 1996 when Gillis established its separate 401(k) plan. For the years through December 31, 2003, Gillis was not required to make any additional contributions to the plan. Subsequently, Gillis has made contributions to the plan to reduce its share of the unfunded balance with the intent to fully fund its share of plan obligations in accordance with the Pension Protection Plan Act of 2006. Information regarding the plan as of December 31, 2016 and 2015, is summarized as follows:

	2016	2015
Projected benefit obligation	$ (504,127)	$ (568,016)
Plan assets at fair value	247,650	308,869
Funded status	$ (256,477)	$ (259,147)
Gillis Center, Inc.'s share at 70%	$ (179,534)	$ (181,403)

Note 9. Retirement Plans (Continued)

Gillis contributions to the plan for the years ended December 31, 2016 and 2015, were $81,620 and $80,993, respectively. Benefits paid from the plan for the years ended December 31, 2016 and 2015, that were attributable to Gillis were approximately $79,000 and $84,000, respectively. The following benefits attributable to Gillis are expected to be paid:

Years ending December 31:		
2017	$	13,300
2018		9,100
2019		51,800
2020		38,500
2021		18,200
2022–2025		34,300
	$	165,200

The actuarial assumptions used for the 2016 and 2015 valuations included (a) 6.14 percent and 5.00 percent, respectively, investment rate of return and (b) projected salary increases of 0 percent for both valuations. The actuarial value of plan assets was determined by calculating the average value of assets on the valuation date and the two previous valuation dates. This method is used to minimize the effect of fluctuations in the pension fund balances.

In 2004, subsequent to establishing their own 401(k) plan in 1996, Gillis joined the existing plan that was implemented in 2000 by Spofford, Marillac, Healthy Families Counseling and Support and Cornerstones of Care.

Marillac Center, Inc. has a 403(b) retirement plan. The plan does not require Marillac Center, Inc. to make matching contributions. During 2001, the plan was closed to new participants. Existing participants may continue to make contributions to the plan.

Ozanam had a 403(b) salary deferral plan covering substantially all of their employees. Under this plan, Ozanam was to contribute 50 percent of the employees' deferral up to 6 percent of the employees' compensation. This plan was terminated during 2012. During 2004, Ozanam joined the plan that was implemented in 2000 by Spofford, Marillac, Healthy Families Counseling and Support and Cornerstones of Care.

During 2000, Spofford, Marillac, Healthy Families Counseling and Support and Cornerstones of Care implemented a defined contribution retirement plan open to all employees with at least 90 days or more of service. Prior to 2010, the entities contributed 50 percent of the contributions deferred by the employees, up to 6 percent of the employees' compensation. The entities were also able to make discretionary contributions to the plan. Contributions from the entities were discontinued in 2010. An employer match was reinstated in 2012 at 50 percent of the first 2 percent of employee contributions to the plan, and increased in 2013 to 30 percent of the first 10 percent of employee contributions to the plan.

Note 10. Lines of Credit

Cornerstones of Care has a $200,000 revolving line of credit with a bank that requires monthly interest payments at the bank's prime rate. The line is collateralized by a security interest in all assets of Cornerstones of Care. There was no balance on this line of credit as of December 31, 2016 and 2015.

Note 10. Lines of Credit (Continued)

In December 2016, in conjunction with renewing the 2011 Note Payable, Cornerstones of Care obtained a $4.5 million line of credit with a bank that requires monthly interest payments at the one-month LIBOR plus 2 percent. The line is secured by an investment account and matures December 1, 2017. The balance on the line of credit was $370,075 as of December 31, 2016.

Gillis has a $400,000 revolving line of credit with a bank that requires monthly interest payments at the bank's prime rate minus 0.25 percent adjusted daily with a floor of 4 percent. The line is collateralized by a security interest in accounts receivable. The balance on the line of credit was $200,000 as of both December 31, 2016 and 2015.

In 2015, Spofford obtained a line of credit for $150,000 with an interest rate of 4 percent, secured by an investment account. There was no balance on this line of credit as of December 31, 2016 and 2015. This line of credit expired in September 2016.

Marillac has a revolving line of credit for $500,000 with an interest rate of 4 percent, secured by accounts receivable of the borrower. There was no balance on this line of credit as of December 31, 2016 and 2015.

Note 11. Notes Payable

For the years ended December 31, 2016 and 2015, notes payable consisted of the following:

	2016	2015
On April 27, 2011, Cornerstones signed a note payable to a bank in the amount of $700,000 for the purpose of providing funds to purchase and renovate a new office building. The note was secured by the Cornerstones investment portfolio and had a fixed interest rate of 4.28%. The note was fully repaid in 2016.	$ -	$ 410,903
On April 4, 2007, Marillac signed a note payable to a bank in the amount of $1,866,399 to be used as working capital. The note is secured by real estate owned by Marillac. Various provisions of the note were amended in 2011, including a requirement that Marillac Foundation guarantee the debt. Marillac is required to maintain a debt service coverage ratio covenant, as defined in the agreement, of 1:1.0. Marillac is required to make principal and interest payments in monthly installments totaling $16,854 beginning May 15, 2007, and ending March 1, 2017. The remaining principal balance of $881,588 is due on May 15, 2017. This note has a fixed interest rate of 6.97%.	904,502	1,037,468
On July 30, 2014, Marillac signed a note payable to a bank in the amount of $231,449 to refinance an existing note. The note was guaranteed by Cornerstones of Care and had a fixed interest rate of 4.48%. The note was fully repaid in 2016.	-	170,795
	904,502	1,619,166
Less current portion	904,502	588,846
Long-term debt, less current maturities	$ -	$ 1,030,320

Note 11. Notes Payable (Continued)

Estimated maturities on notes payable are as follows:

Year ending December 31:		
2017	$	904,502

Note 12. Split Interest Agreements

Ozanam is the recipient of various unrestricted and restricted charitable gift annuities. The assets are recognized at fair value when received and the annuity payment liabilities are recorded at the present value of future cash flows expected to be paid, based on the donors' life expectancies and discount rates, which range from 8 percent to 11.5 percent. All annuity agreements as of December 31, 2016 and 2015, require scheduled payments to the donors, which terminate upon the donors' death. Ozanam has a cumulative liability for annuities of $25,132 and $45,970 as of December 31, 2016 and 2015.

Note 13. Required Cash Flow Disclosures

During the years ended December 31, 2016 and 2015, the Organizations paid $93,768 and $129,755 in interest. The Organizations paid no income taxes for either year.

Note 14. Equalization Transfer

Cornerstones of Care and certain other related affiliates, namely Ozanam, Marillac, Gillis and Spofford, adopted an equalization policy (the Policy) in 2001. The Policy was revised effective January 1, 2010. The revision provides for the equalization adjustment to be generally limited to the change in net assets derived from operations for the period as defined by the Policy for each entity. As such, entities generally experiencing an increase in operating net assets agreed to provide support for entities generally experiencing a decrease in operating net assets for the period.

For the year ended December 31, 2015, the following amounts were received (contributed) by each organization:

Cornerstones of Care	$	(100,624)
Marillac		(540)
Spofford		104,870
Ozanam		(34)
Gillis		(3,672)

For the year ended December 31, 2016, there were no equalization transfers.

Note 15. Concentration of Credit Risk

The Organization maintains cash in bank deposit accounts and money market accounts at financial institutions. Accounts at bank institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Investments at the financial institution are insured by the Securities Investor Protection Corporation (SIPC) up to $500,000 ($250,000 for cash balances). As of December 31, 2016 and 2015, $2,318,917 and $4,520,650, respectively, of the cash balance was uninsured.

Note 15. Concentration of Credit Risk (Continued)

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Organization establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information. The Organization does not require collateral or other security to support accounts receivable.

The Organization has investments in equity and debt securities that are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with these assets, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the consolidated statements of financial position and the consolidated statements of activities.

Note 16. Endowment Funds

Permanently restricted net assets at December 31, 2016 and 2015, consist of endowment funds established to support the Organization. Contributions to the endowment funds are subject to donor restrictions that stipulate the original principal of the gift are to be held and invested by the Organization indefinitely and income from the funds are to be expended for general purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Missouri adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in 2009. The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment funds, (2) the original value of subsequent gifts to the permanent endowment funds and (3) accumulations to the permanent endowment funds made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization and (7) the Organization’s investment policies.

The Organization invests the endowment funds in a similar manner as Board-designated funds. The Organization seeks to build endowment assets through additional contributions. The Organization generally distributes the endowment fund’s investment income in accordance with the Board’s spending policy. The current spending policy is not expected to allow the Organization’s endowment fund to grow as a result of investment returns except those restricted by the donor. Management believes this is consistent with the Organization’s objectives to provide income for its program, preserve endowment assets without subjecting them to substantial risk, and provide additional real growth through new gifts.

Note 16. Endowment Funds (Continued)

The composition of endowment net assets and the changes in net assets of the endowment funds as of December 31, 2016 and 2015, are as follows:

	Temporarily Restricted	Permanently Restricted
Endowment net assets, January 1, 2015	$ 332,026	$ 2,509,032
Contributions	-	83,146
Investment income	92,856	416
Investment fees	(7,949)	-
Net depreciation	(115,970)	-
Amounts appropriated for expenditure	(112,629)	-
Endowment net assets, December 31, 2015	188,334	2,592,594
Contributions	-	1,000
Investment income	55,479	-
Investment fees	(7,726)	-
Net appreciation	157,178	125
Amounts appropriated for expenditure	(109,163)	-
Endowment net assets, December 31, 2016	$ 284,102	$ 2,593,719

Note 17. Board-Designated Net Assets

Board-designated net assets as of December 31, 2016 and 2015, consist of amounts designated for the following purposes:

	2016	2015
Ozanam—Emergency reserve	$ 149,309	$ 300,000
Ozanam—Foundation development	94,372	338,146
Total board-designated net assets	$ 243,681	$ 638,146

Note 18. Board-Designated Quasi-Endowment Net Assets

The Gillis board-designated quasi-endowment is held in trust under a trust agreement entered into in 1985 before Gillis separated its affiliation with Women's Christian Association in 1997. The members of the Executive Committee of Gillis are ex officio trustees of the trust.

The Board has a longstanding practice of managing these net assets as a quasi-endowment. Their practice is to spend, each year, 4.5 percent of the rolling five-year average quasi-endowment balance, for general support of the Gillis mission. The practice is confirmed each year in the budgeting process.

During 2011, the Ozanam Foundation Board passed a motion to classify all unrestricted net assets of the foundation as a board-designated quasi-endowment. The Board will manage these assets by spending 4.5 percent of the rolling five-year average quasi-endowment balance. The practice is confirmed each year in the budgeting process.

Note 18. Board-Designated Quasi-Endowment Net Assets (Continued)

Composition of and changes in the board-designated net assets for the years ended December 31, 2016 and 2015, were as follows:

	Gillis	Ozanam Foundation	Total
Board-designated quasi-endowment,			
January 1, 2015	$ 2,022,518	$ 4,492,474	$ 6,514,992
Contributions	100,610	60,994	161,604
Investment income	51,422	142,482	193,904
Net appreciation (depreciation)	(72,258)	(155,176)	(227,434)
Amounts appropriated for expenditure	(123,234)	(234,579)	(357,813)
Board-designated quasi-endowment,			
December 31, 2015	1,979,058	4,306,195	6,285,253
Contributions	660	311,515	312,175
Investment income	116,426	-	116,426
Net appreciation (depreciation)	(20,118)	-	(20,118)
Amounts appropriated for expenditure	(229,390)	-	(229,390)
Board-designated quasi-endowment,			
December 31, 2016	$ 1,846,636	$ 4,617,710	$ 6,464,346

Note 19. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets as of December 31, 2016 and 2015, are available for the following:

	2016	2015
Cornerstones of Care program services	$ 244,449	$ 162,940
Support of Gillis	2,457,210	2,891,854
Support of Ozanam	1,460,131	1,421,710
Support of Marillac	43,545	25,861
Support of Spofford	195,367	406,604
	$ 4,400,702	$ 4,908,969

Temporarily restricted net assets were released during the years ended December 31, 2016 and 2015, for the following purposes:

	2016	2015
Cornerstones of Care	$ 340,546	$ 457,251
Support of Gillis	582,185	540,703
Support of Ozanam	1,012,359	457,926
Support of Marillac	15,605	119,473
Support of Spofford	291,896	645,466
	$ 2,242,591	$ 2,220,819

Note 19. Temporarily and Permanently Restricted Net Assets (Continued)

Permanently restricted net assets for the years ended December 31, 2016 and 2015, are permanent endowments restricted by donors as follows:

	2016	2015
Support of Gillis	$ 211,878	$ 211,878
Support of Ozanam	2,214,398	2,213,398
Support of Spofford	167,443	167,318
	$ 2,593,719	$ 2,592,594

Note 20. Missouri Alliance for Children and Families, LLC

Cornerstones has an interest in the Missouri Alliance for Children and Families, LLC (Missouri Alliance). The initial investment by Cornerstones has been used for losses incurred by Missouri Alliance. Cornerstones is not responsible for any obligation of Missouri Alliance unless guaranteed by Cornerstones of Care. The operating agreement provides that Missouri Alliance has the ability to initiate a capital call. In the event of a capital call, Cornerstones would have the option to participate or not participate in the additional investment.

As of December 31, 2016 and 2015, Cornerstones and affiliates had receivables reported from Missouri Alliance amounting to $118,299 and $219,380, respectively.

Note 21. Subsequent Events

The Organizations evaluated subsequent events through September 15, 2017, the date the consolidated financial statements were available to be issued.

The Cornerstones of Care family (Gillis, Healthy Families Programs, Marillac, Ozanam and Spofford) has a long legacy of serving children and families in Kansas City and beyond. Cumulatively, the Organization has been changing lives for more than 400 years. On January 1, 2017, the family of agencies fully united and merged into a single, higher-impact organization as Cornerstones of Care. Management believes that in coming together, Cornerstones of Care will improve the safety and health of even more children and families. As one organization, Cornerstones of Care will advocate for those served with an amplified, single voice, ultimately strengthening prevention, treatment and support services in communities. As one organization, Cornerstones of Care will invest in expanding trauma-informed interventions to ensure more children, families and communities have the resources and support they need to be safe and healthy. As one organization, Cornerstones of Care will create new, innovative solutions that meet the evolving health needs of our communities.

As a result of the merger, Cornerstones of Care succeeded to and assumed the rights and obligations of Gillis, Marillac, Ozanam, and Spofford under all business agreements. Ozanam Foundation, Spofford Foundation and Marillac Foundation have also merged into one foundation, the Cornerstones of Care Foundation.

Supplementary Information

Cornerstones of Care and Affiliates

Consolidating Statement of Financial Position
December 31, 2016

	Cornerstones of Care	Gillis Center, Inc.	Ozanam	Ozanam Foundation
Assets				
Current assets:				
Cash and cash equivalents	$ 741,707	$ 141,323	$ 133,619	$ -
Accounts receivable, less allowance for doubtful accounts, $1,204,270 at December 31, 2016	918,443	1,242,361	1,782,397	-
Contributions receivable	187,207	51,190	160,985	-
Contributions receivable—use of property	-	10,940	-	-
Other receivables	172,301	41,866	22,999	-
Prepaid expenses	90,681	32,653	81,316	-
Due from related agencies	1,898,762	389,619	572,579	-
Total current assets	4,009,101	1,909,952	2,753,895	-
Investments	4,475,196	2,066,716	1,408,626	7,516,226
Contribution receivable—use of property	-	2,096,653	-	-
Security deposits	-	28,509	15,075	-
Property and equipment, less accumulated depreciation	2,581,012	588,102	3,549,490	-
Total assets	$ 11,065,309	$ 6,689,932	$ 7,727,086	$ 7,516,226
Liabilities and Net Assets				
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses	$ 1,440,834	$ 647,398	$ 725,985	$ -
Accrued compensation expense	929,525	318,417	521,471	-
Deferred revenue	-	8,819	367,116	-
Due to related agency	717,594	243,283	229,717	30,704
Lines of credit	370,075	200,000	-	-
Current portion of notes payable	-	-	-	-
Current portion of pension plan obligation	-	51,284	-	-
Total current liabilities	3,458,028	1,469,201	1,844,289	30,704
Annuity agreements	-	-	25,132	-
Notes payable, less current portion	-	-	-	-
Pension plan obligation, less current portion	-	128,250	-	-
Total liabilities	3,458,028	1,597,451	1,869,421	30,704
Net assets:				
Unrestricted:				
Undesignated	7,362,832	576,757	4,807,267	-
Board designated	-	-	149,309	94,372
Board designated—quasi-endowment	-	1,846,636	-	4,617,710
Total unrestricted	7,362,832	2,423,393	4,956,576	4,712,082
Temporarily restricted	244,449	2,457,210	901,089	559,042
Permanently restricted	-	211,878	-	2,214,398
Total net assets	7,607,281	5,092,481	5,857,665	7,485,522
Total liabilities and net assets	$ 11,065,309	$ 6,689,932	$ 7,727,086	$ 7,516,226

Ozanam Thriftmart	Spofford	Spofford Foundation	Marillac Center, Inc.	Marillac Foundation	Eliminations	Consolidated Totals
$ 129,314	$ 360,943	$ -	$ 532,537	$ -	$ -	$ 2,039,443
-	439,813	-	400,334	-	(17,339)	4,766,009
-	-	-	-	-	-	399,382
-	-	-	-	-	-	10,940
-	32,330	-	56,537	-	-	326,033
-	22,684	-	25,981	-	-	253,315
11,771	154,298	305	31,566	-	(3,058,900)	-
141,085	1,010,068	305	1,046,955	-	(3,076,239)	7,795,122
-	121,427	3,162,509	-	70,257	-	18,820,957
-	-	-	-	-	-	2,096,653
-	-	-	70,107	-	-	113,691
-	1,051,749	-	6,905,477	-	-	14,675,830
$ 141,085	$ 2,183,244	$ 3,162,814	$ 8,022,539	$ 70,257	$ (3,076,239)	$ 43,502,253
$ -	$ 118,619	$ -	$ 408,823	$ -	$ (1,630,707)	$ 1,710,952
-	197,982	-	200,423	-	-	2,167,818
-	53,667	-	96,919	-	-	526,521
-	75,603	-	141,518	7,113	(1,445,532)	-
-	-	-	-	-	-	570,075
-	-	-	904,502	-	-	904,502
-	-	-	-	-	-	51,284
-	445,871	-	1,752,185	7,113	(3,076,239)	5,931,152
-	-	-	-	-	-	25,132
-	-	-	-	-	-	-
-	-	-	-	-	-	128,250
-	445,871	-	1,752,185	7,113	(3,076,239)	6,084,534
141,085	1,590,887	2,946,490	6,226,809	63,144	-	23,715,271
-	-	-	-	-	-	243,681
-	-	-	-	-	-	6,464,346
141,085	1,590,887	2,946,490	6,226,809	63,144	-	30,423,298
-	146,486	48,881	43,545	-	-	4,400,702
-	-	167,443	-	-	-	2,593,719
141,085	1,737,373	3,162,814	6,270,354	63,144	-	37,417,719
$ 141,085	$ 2,183,244	$ 3,162,814	$ 8,022,539	$ 70,257	$ (3,076,239)	$ 43,502,253

Cornerstones of Care and Affiliates

Consolidating Statement of Financial Position
December 31, 2015

	Cornerstones of Care	Gillis Center, Inc.	Ozanam	Ozanam Foundation
Assets				
Current assets:				
Cash and cash equivalents	$ 3,831,447	$ 731,536	$ 626,121	$ -
Accounts receivable, less allowance for doubtful accounts, $434,277 at December 31, 2015	489,373	907,233	1,170,659	-
Contributions receivable	76,700	98,616	20,875	-
Contributions receivable—use of property	-	9,871	-	-
Other receivables	55,446	25,845	57,445	-
Prepaid expenses	58,431	36,281	80,489	-
Due from related agencies	1,144,223	48,895	220,303	-
Total current assets	5,655,620	1,858,277	2,175,892	-
Investments	3,843,405	2,199,123	1,466,394	7,323,281
Contribution receivable—use of property	-	2,107,593	-	-
Security deposits	-	-	15,150	-
Property and equipment, less accumulated depreciation	2,799,879	642,068	3,632,917	-
Total assets	$ 12,298,904	$ 6,807,061	$ 7,290,353	$ 7,323,281
Liabilities and Net Assets				
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses	$ 2,421,889	$ 164,108	$ 317,251	$ -
Accrued compensation expense	676,425	281,724	456,614	-
Deferred revenue	-	-	307,033	-
Due to related agency	921,544	86,153	204,887	14,070
Lines of credit	-	200,000	-	-
Current portion of notes payable	410,903	-	-	-
Current portion of pension plan obligation	-	54,712	-	-
Total current liabilities	4,430,761	786,697	1,285,785	14,070
Annuity agreements	-	-	45,970	-
Notes payable, less current portion	-	-	-	-
Pension plan obligation, less current portion	-	126,691	-	-
Total liabilities	4,430,761	913,388	1,331,755	14,070
Net assets:				
Unrestricted:				
Undesignated	7,705,203	810,883	4,688,360	-
Board designated	-	-	300,000	338,146
Board designated—quasi-endowment	-	1,979,058	-	4,306,195
Total unrestricted	7,705,203	2,789,941	4,988,360	4,644,341
Temporarily restricted	162,940	2,891,854	970,238	451,472
Permanently restricted	-	211,878	-	2,213,398
Total net assets	7,868,143	5,893,673	5,958,598	7,309,211
Total liabilities and net assets	$ 12,298,904	$ 6,807,061	$ 7,290,353	$ 7,323,281

Ozanam Thriftmart	Spofford	Spofford Foundation	Marillac Center, Inc.	Marillac Foundation	Eliminations	Consolidated Totals
$ 114,197	$ 592,287	$ -	$ 998,445	$ -	$ -	$ 6,894,033
-	408,647	-	1,143,694	-	(208,089)	3,911,517
-	87,000	-	-	-	-	283,191
-	-	-	-	-	-	9,871
-	77,568	-	153,648	-	-	369,952
-	21,840	-	39,045	-	-	236,086
5,885	257,190	-	52,503	-	(1,728,999)	-
120,082	1,444,532	-	2,387,335	-	(1,937,088)	11,704,650
-	467,169	3,117,169	-	64,625	-	18,481,166
-	-	-	-	-	-	2,107,593
-	-	-	74,697	-	-	89,847
-	1,101,965	-	7,072,535	-	-	15,249,364
$ 120,082	$ 3,013,666	$ 3,117,169	$ 9,534,567	$ 64,625	$ (1,937,088)	$ 47,632,620
$ -	$ 78,494	$ -	$ 251,571	$ -	$ (442,994)	$ 2,790,319
-	253,377	-	321,118	-	-	1,989,258
-	81,205	-	96,919	-	-	485,157
-	39,690	112,000	111,446	4,304	(1,494,094)	-
-	-	-	-	-	-	200,000
-	-	-	177,943	-	-	588,846
-	-	-	-	-	-	54,712
-	452,766	112,000	958,997	4,304	(1,937,088)	6,108,292
-	-	-	-	-	-	45,970
-	-	-	1,030,320	-	-	1,030,320
-	-	-	-	-	-	126,691
-	452,766	112,000	1,989,317	4,304	(1,937,088)	7,311,273
120,082	2,197,317	2,794,830	7,519,389	60,321	-	25,896,385
-	-	-	-	-	-	638,146
-	-	-	-	-	-	6,285,253
120,082	2,197,317	2,794,830	7,519,389	60,321	-	32,819,784
-	363,583	43,021	25,861	-	-	4,908,969
-	-	167,318	-	-	-	2,592,594
120,082	2,560,900	3,005,169	7,545,250	60,321	-	40,321,347
$ 120,082	$ 3,013,666	$ 3,117,169	$ 9,534,567	$ 64,625	$ (1,937,088)	$ 47,632,620

Cornerstones of Care and Affiliates

Consolidating Statement of Activities
Year Ended December 31, 2016

	Cornerstones of Care	Gillis Center, Inc.	Ozanam	Ozanam Foundation
Revenue and other support:				
Program fees:				
Government agencies	$ 12,819,387	$ 6,885,791	$ 7,649,326	$ -
Other program fees	8,433,754	1,043,806	2,661,591	-
Total program fees	21,253,141	7,929,597	10,310,917	-
Other support and revenue:				
Grants from government agencies	405,683	139,188	107,558	-
Contributions and bequests	897,102	903,671	1,121,175	233,205
In-kind contributions	5,680	17,551	20,531	-
United Way	103,336	184,175	175,496	-
Special events	49,413	235,103	547,257	-
Less direct costs	(44,799)	(106,043)	(103,474)	-
Investment income	228,530	117,890	65,454	533,083
Miscellaneous	40,142	12,431	27,316	-
Total other support and revenue	1,685,087	1,503,966	1,961,313	766,288
Total revenue and other support	22,938,228	9,433,563	12,272,230	766,288
Expenses:				
Program services	17,817,168	8,093,500	10,516,524	285,372
Supporting services:				
Administrative	4,470,137	1,832,191	1,386,105	280,044
Development	911,785	309,064	470,534	24,561
Total supporting services	5,381,922	2,141,255	1,856,639	304,605
Total expenses	23,199,090	10,234,755	12,373,163	589,977
Change in net assets	(260,862)	(801,192)	(100,933)	176,311
Net assets, beginning of year	7,868,143	5,893,673	5,958,598	7,309,211
Net assets, end of year	$ 7,607,281	$ 5,092,481	$ 5,857,665	$ 7,485,522

Ozanam Thriftmart	Spofford	Spofford Foundation	Marillac Center, Inc.	Marillac Foundation	Eliminations	Consolidated Totals
$ -	$ 2,380,036	$ -	$ 3,567,561	$ -	$ -	$ 33,302,101
-	1,148,752	-	4,437,833	-	(9,721,058)	8,004,678
-	3,528,788	-	8,005,394	-	(9,721,058)	41,306,779
-	40,509	-	108,106	-	-	801,044
-	327,888	125,841	76,832	625	(1,267,266)	2,419,073
-	28,033	-	9,278	-	-	81,073
-	125,606	-	28,010	-	-	616,623
-	480,265	-	247,820	-	-	1,559,858
-	(140,245)	-	(71,195)	-	-	(465,756)
-	9,598	171,529	5,088	6,025	-	1,137,197
21,003	36,903	-	179,574	-	(13,220)	304,149
21,003	908,557	297,370	583,513	6,650	(1,280,486)	6,453,261
21,003	4,437,345	297,370	8,588,907	6,650	(11,001,544)	47,760,040
-	4,168,017	-	7,175,147	-	(5,440,297)	42,615,431
-	780,838	139,323	2,365,987	3,827	(4,719,540)	6,538,912
-	312,017	402	322,669	-	(841,707)	1,509,325
-	1,092,855	139,725	2,688,656	3,827	(5,561,247)	8,048,237
-	5,260,872	139,725	9,863,803	3,827	(11,001,544)	50,663,668
21,003	(823,527)	157,645	(1,274,896)	2,823	-	(2,903,628)
120,082	2,560,900	3,005,169	7,545,250	60,321	-	40,321,347
$ 141,085	$ 1,737,373	$ 3,162,814	$ 6,270,354	$ 63,144	$ -	$ 37,417,719

Cornerstones of Care and Affiliates

Consolidating Statement of Activities
Year Ended December 31, 2015

	Cornerstones of Care	Gillis Center, Inc.	Ozanam	Ozanam Foundation
Revenue and other support:				
Program fees:				
Government agencies	$ 16,608,552	$ 6,124,768	$ 7,980,711	$ -
Other program fees	5,257,046	1,324,699	2,415,850	-
Total program fees	21,865,598	7,449,467	10,396,561	-
Other support and revenue:				
Grants from government agencies	-	134,009	102,778	-
Contributions and bequests	451,625	1,134,984	856,924	136,399
In-kind contributions	49,295	11,515	12,580	-
United Way	94,165	177,118	174,932	-
Special events	2,000	289,164	641,547	-
Less direct costs	(6,000)	(139,625)	(103,994)	-
Investment income (loss)	284	(19,153)	12,359	(38,006)
Miscellaneous	25,996	4,583	14,206	9,865
Total other support and revenue	617,365	1,592,595	1,711,332	108,258
Total revenue and other support	22,482,963	9,042,062	12,107,893	108,258
Expenses:				
Program services	16,521,053	7,398,058	10,541,987	328,934
Supporting services:				
Administrative	5,108,562	1,328,814	1,206,434	22,909
Development	216,984	286,446	443,517	-
Total supporting services	5,325,546	1,615,260	1,649,951	22,909
Total expenses	21,846,599	9,013,318	12,191,938	351,843
Change in net assets, prior to equalization transfer	636,364	28,744	(84,045)	(243,585)
Equalization transfer	(100,624)	(3,672)	(34)	-
Change in net assets	535,740	25,072	(84,079)	(243,585)
Net assets, beginning of year	7,332,403	5,868,601	6,042,677	7,552,796
Net assets, end of year	$ 7,868,143	$ 5,893,673	$ 5,958,598	$ 7,309,211

Ozanam Thriftmart	Spofford	Spofford Foundation	Marillac Center, Inc.	Marillac Foundation	Eliminations	Consolidated Totals
$ -	$ 2,605,383	$ -	$ 6,480,353	$ -	$ -	$ 39,799,767
-	1,461,637	-	4,650,070	-	(7,607,791)	7,501,511
-	4,067,020	-	11,130,423	-	(7,607,791)	47,301,278
-	53,863	-	103,428	-	-	394,078
-	980,929	37,371	(61,366)	225	(672,798)	2,864,293
-	45,324	-	6,807	-	-	125,521
-	121,641	-	161,833	-	-	729,689
-	383,751	-	118,608	-	-	1,435,070
-	(116,830)	-	(39,063)	-	-	(405,512)
-	2,859	5,367	3,158	(3,679)	-	(36,811)
58,807	54,066	-	235,118	-	-	402,641
58,807	1,525,603	42,738	528,523	(3,454)	(672,798)	5,508,969
58,807	5,592,623	42,738	11,658,946	(3,454)	(8,280,589)	52,810,247
23,000	4,870,950	341,055	9,726,673	2,809	(5,881,689)	43,872,830
448	751,026	19,348	1,912,884	810	(2,380,774)	7,970,461
-	290,898	-	275,087	-	(18,126)	1,494,806
448	1,041,924	19,348	2,187,971	810	(2,398,900)	9,465,267
23,448	5,912,874	360,403	11,914,644	3,619	(8,280,589)	53,338,097
35,359	(320,251)	(317,665)	(255,698)	(7,073)	-	(527,850)
-	104,870	-	(540)	-	-	-
35,359	(215,381)	(317,665)	(256,238)	(7,073)	-	(527,850)
84,723	2,776,281	3,322,834	7,801,488	67,394	-	40,849,197
$ 120,082	$ 2,560,900	$ 3,005,169	$ 7,545,250	$ 60,321	$ -	$ 40,321,347

RSM