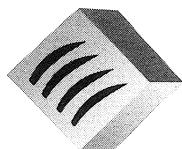


**JEWISH COMMUNITY FOUNDATION
OF GREATER KANSAS CITY**

YEARS ENDED DECEMBER 31, 2018 AND 2017



HOUSE PARK DOBRATZ & WIEBLER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

YEARS ENDED DECEMBER 31, 2018 AND 2017

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HOUSE PARK DOBRATZ & WIEBLER, P.C.
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Independent Auditors' Report

To the Board of Trustees
Jewish Community Foundation of Greater Kansas City
Overland Park, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of Jewish Community Foundation of Greater Kansas City (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jewish Community Foundation of Greater Kansas City as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

House Park Dobratz & Wiebler, P.C.

Kansas City, Missouri
June 19, 2019

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY
STATEMENTS OF FINANCIAL POSITION - DECEMBER 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 13,501,586	\$ 10,027,589
Receivables	282,165	494,269
Prepaid expenses	32,177	4,301
Investments (Note 2)	230,186,801	252,512,574
Cash surrender value of life insurance (Note 4)	1,249,783	1,291,851
Furniture, fixtures and equipment, less accumulated depreciation of \$336,347 and \$326,626 in 2018 and 2017, respectively	<u>30,541</u>	<u>36,826</u>
	<u>\$ 245,283,053</u>	<u>\$ 264,367,410</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Grants payable	\$ 51,919	\$ 17,879
Accrued expenses	458	2,821
Liabilities under split interest agreements (Note 6)	1,341,346	1,668,336
Agency depository funds	63,486,834	66,797,913
Due to unaffiliated beneficiaries (Note 6)	<u>26,070,751</u>	<u>27,801,287</u>
Total liabilities	<u>90,951,308</u>	<u>96,288,236</u>
Contingency (Note 9)		
Net assets:		
Without donor restriction	134,423,883	146,892,728
With donor restriction (Note 3)	<u>19,907,862</u>	<u>21,186,446</u>
	<u>154,331,745</u>	<u>168,079,174</u>
	<u>\$ 245,283,053</u>	<u>\$ 264,367,410</u>

See notes to financial statements.

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

YEAR ENDED DECEMBER 31, 2018

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>Total</u>
Revenues:			
Contributions	\$ 12,572,016	\$ 936,008	\$ 13,508,024
Interest and dividend income (net of expenses of \$550,892)	1,978,132	15,866	1,993,998
Net realized and unrealized losses on investments (Note 2)	(9,568,950)	(1,270,661)	(10,839,611)
Decrease in cash surrender value of life insurance	(47,319)	(10,425)	(57,744)
Increase in value of split interest agreements (Note 6)		198,994	198,994
Administrative fees (Note 5)	467,271		467,271
Other income	56,993		56,993
Net assets released from donor restrictions (Note 3)	1,655,549	(1,655,549)	
Transfers between net asset groups (Note 3)	(507,183)	507,183	
	<u>6,606,509</u>	<u>(1,278,584)</u>	<u>5,327,925</u>
Expenses:			
Program services	18,092,717		18,092,717
Management and general	801,755		801,755
Fundraising	180,882		180,882
	<u>19,075,354</u>		<u>19,075,354</u>
Change in net assets	(12,468,845)	(1,278,584)	(13,747,429)
Net assets, beginning of year	<u>146,892,728</u>	<u>21,186,446</u>	<u>168,079,174</u>
Net assets, end of year	<u>\$ 134,423,883</u>	<u>\$ 19,907,862</u>	<u>\$ 154,331,745</u>

See notes to financial statements.

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

YEAR ENDED DECEMBER 31, 2017

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>Total</u>
Revenues:			
Contributions	\$ 9,980,946	\$ 1,819,729	\$ 11,800,675
Interest and dividend income (net of expenses of \$478,978)	1,994,972	(2,065)	1,992,907
Net realized and unrealized gains on investments (Note 2)	13,841,150	2,402,951	16,244,101
Decrease in cash surrender value of life insurance	(34,667)	(5,762)	(40,429)
Increase in value of split interest agreements (Note 6)		41,382	41,382
Administrative fees (Note 5)	448,458		448,458
Other income	5,997		5,997
Net assets released from donor restrictions (Note 3)	882,145	(882,145)	
Transfers between net asset groups (Note 3)	<u>1,344,217</u>	<u>(1,344,217)</u>	
	<u>28,463,218</u>	<u>2,029,873</u>	<u>30,493,091</u>
Expenses:			
Program services	15,624,719		15,624,719
Management and general	797,217		797,217
Fundraising	<u>184,441</u>		<u>184,441</u>
	<u>16,606,377</u>		<u>16,606,377</u>
Change in net assets	11,856,841	2,029,873	13,886,714
Net assets, beginning of year	<u>135,035,887</u>	<u>19,156,573</u>	<u>154,192,460</u>
Net assets, end of year	<u>\$ 146,892,728</u>	<u>\$ 21,186,446</u>	<u>\$ 168,079,174</u>

See notes to financial statements.

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2018

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Grants:				
Jewish Federation of Greater Kansas City	\$ 2,018,003			\$ 2,018,003
Local Jewish organizations	7,361,113			7,361,113
National Jewish organization	790,847			790,847
Secular organization	<u>7,450,486</u>			<u>7,450,486</u>
Total grants	17,620,449			17,620,449
Personnel and related expenses (Note 8)	383,774	\$ 565,540	\$ 141,823	1,091,137
Data processing		55,243		55,243
Depreciation		9,720		9,720
Donor cultivation	3,791			3,791
Federation accounting and administrative services (Note 5)		7,836		7,836
Foreign taxes		29		29
Insurance		18,816		18,816
Life insurance premiums	13,837			13,837
Marketing	29,562		20,794	50,356
Meetings, conferences and travel		19,743		19,743
Occupancy (Note 5)		58,066		58,066
Office supplies		12,816		12,816
Other	41,304	13,680		54,984
Printing and postage		3,484	18,265	21,749
Professional fees	<u> </u>	<u>36,782</u>	<u> </u>	<u>36,782</u>
	<u>\$ 18,092,717</u>	<u>\$ 801,755</u>	<u>\$ 180,882</u>	<u>\$ 19,075,354</u>

See notes to financial statements.

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2017

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Grants:				
Jewish Federation of Greater Kansas City	\$ 2,322,118			\$ 2,322,118
Local Jewish organizations	5,258,442			5,258,442
National Jewish organization	1,050,710			1,050,710
Secular organization	<u>6,595,846</u>			<u>6,595,846</u>
Total grants	15,227,116			15,227,116
Personnel and related expenses (Note 8)	359,453	\$ 528,323	\$ 133,118	1,020,894
Data processing		76,334		76,334
Depreciation		8,248		8,248
Donor cultivation	4,858			4,858
Federation accounting and administrative services (Note 5)		11,256		11,256
Foreign taxes		6		6
Insurance		21,485		21,485
Life insurance premiums	8,649			8,649
Marketing	17,127		29,373	46,500
Meetings, conferences and travel		19,059		19,059
Occupancy (Note 5)		55,877		55,877
Office supplies		19,869		19,869
Other	7,516		4,336	11,852
Printing and postage		4,786	17,614	22,400
Professional fees	<u> </u>	<u>51,974</u>	<u> </u>	<u>51,974</u>
	<u>\$ 15,624,719</u>	<u>\$ 797,217</u>	<u>\$ 184,441</u>	<u>\$ 16,606,377</u>

See notes to financial statements.

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	(\$ 13,747,429)	\$ 13,886,714
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	9,720	8,248
Realized gains on investments	(1,865,821)	(3,821,246)
Unrealized (gains) losses on investments	12,705,432	(12,422,855)
Changes in assets and liabilities:		
Receivables	212,104	794,469
Prepaid expenses	(27,876)	18,840
Grants payable	34,040	(15,414)
Accrued expenses	(2,363)	(712)
Liabilities under split interest agreements	(317,355)	1,213,386
Agency depository funds	(306,510)	(762,606)
Due to unaffiliated beneficiaries	(643)	(720,054)
Net cash used by operating activities	<u>(3,306,701)</u>	<u>(1,821,230)</u>
Cash flows from investing activities:		
Decrease (increase) in cash surrender value of life insurance	42,068	(10,566)
Purchase of property and equipment	(3,435)	(22,110)
Proceeds from investments, net	<u>6,742,065</u>	<u>790,449</u>
Net cash provided by investing activities	<u>6,780,698</u>	<u>757,773</u>
Change in cash and cash equivalents	3,473,997	(1,063,457)
Cash and cash equivalents, beginning of year	<u>10,027,589</u>	<u>11,091,046</u>
Cash and cash equivalents, end of year	<u>\$ 13,501,586</u>	<u>\$ 10,027,589</u>
<i>Supplemental disclosures of cash flow information:</i>		
Net unrealized (gains) losses allocated to assets held under split interest agreements, assets held in agency depository funds and assets held for unaffiliated beneficiaries	<u>\$ 4,744,097</u>	<u>(\$ 10,544,807)</u>

See notes to financial statements.

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

1. Organization and summary of significant accounting policies:

Organization:

The Jewish Community Foundation of Greater Kansas City (Foundation) was established in 1959 to serve as the central endowment fund for the Kansas City Jewish community. Substantially all of the Foundation's revenue and support is generated from within the Greater Kansas City area.

Basis of accounting:

The accompanying financial statements include the activities of the Foundation and its supporting foundations.

The financial transactions related to assets over which the Foundation has ultimate variance power are recorded in and reported by the following net asset groups:

Net assets without donor restriction:

Net assets without donor restriction represent resources over which the Foundation Trustees have discretionary control and are used to carry out operations of the Foundation in accordance with its by-laws.

- The philanthropic unrestricted funds are named funds whose living donors make grant recommendations to the Foundation. However, the Foundation Trustees have ultimate decision-making authority.
- Supporting foundations are separately incorporated entities, directed by separate boards but controlled by the Foundation, whose primary purpose is to support the Foundation.

Net assets with donor restriction:

Net assets with donor restriction represent resources available for use currently or in the future, but expendable only for purposes specified by the donor or within a donor-designated time period. These assets include philanthropic funds, endowment funds and split interest agreements.

- The Foundation administers various split interest agreements, including charitable remainder trusts and charitable gift annuity agreements. These agreements provide for the payment of distributions to the donor over the agreement's term, usually the donor (or donors') lifetime(s). At the end of the term, the remaining assets are available for the Foundation's general use and/or for distribution to other charitable organizations, as specified in the agreement.

Assets held under split interest agreements are recorded at fair value in the Foundation's statement of financial position. On an annual basis, the Foundation revalues the liabilities under the agreements based on actuarial assumptions. The present value of the estimated future payments is calculated using the applicable discount rate and mortality tables.

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2018 AND 2017

1. Organization and summary of significant accounting policies (continued):

Basis of accounting (continued):

Net assets with donor restriction (continued):

Certain of these agreements provide for a portion of the remainder interest to be transferred to the Foundation for specified restricted use at the end of the trust or annuity period. The portion of the assets attributable to the future interest of the Foundation is recorded as a contribution with donor restriction in the period the trust or annuity account is established, and thereafter the income and expenses related to these assets are reported in the statement of activities. The activities related to the remaining assets, attributable to others, are reflected as a direct increase or decrease to the liability due to unaffiliated beneficiaries.

Liabilities due to agencies and unaffiliated beneficiaries:

The Foundation provides asset management services under agreements with charitable, religious and other not-for-profit organizations. Net assets held under these agreements, and the related activities, are reported as agency depository funds liability in the statement of financial position.

Certain restricted funds were established by donors who designated the use of all or a portion of the assets held in the funds for the benefit of specified unaffiliated beneficiaries. Net assets held under these agreements, and the related activities, are reported as due to unaffiliated beneficiaries in the statement of financial position.

Statement of cash flows:

For purposes of the statement of cash flows, the Foundation considers all cash in banks and money market accounts over which the Foundation has variance power to be cash equivalents.

Income taxes:

The Foundation is exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code. The Foundation's accounting policy is to provide liabilities for uncertain income tax provisions when a liability is probable and estimable. The Foundation has no uncertain income tax positions for the years ended December 31, 2018 and 2017. The Foundation is no longer subject to audits by the IRS for years prior to 2015. Management is not aware of any violation of its tax status as an organization exempt from income taxes.

Investments and concentrations of credit risk:

Financial instruments which potentially subject the Foundation to significant concentrations of credit risk consist principally of cash and investments. The Foundation maintains its bank accounts at institutions where accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash equivalents of \$11,848,813 at December 31, 2018 are invested in money market funds which are not insured by the FDIC, but are secured by Government bonds.

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2018 AND 2017

1. Organization and summary of significant accounting policies (continued):

Investments and concentrations of credit risk (continued):

Investments are presented at fair value as determined by methodologies relevant to each asset class with any related gain or loss reported in the statement of activities. Marketable securities are stated at fair value based on quoted market prices. Real estate is valued based on periodic appraisals. Notes receivable are recorded at amortized cost which approximates fair value.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported as net assets in the statements of financial position.

Certain assets are pooled for investment purposes. Related investment income, net of investment expenses, and net realized and unrealized gains and losses are allocated to each component fund based on a ratio of the individual weighted average fund balance to total weighted average fund balance.

Furniture, fixtures and equipment and depreciation:

Purchased property and equipment are stated at cost. Donations of property and equipment are recorded as contributions at their estimated fair value as of the date of the donation.

Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets of three to ten years.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Reclassification:

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Subsequent events:

Subsequent events have been evaluated through June 19, 2019, which is the date the financial statements were available to be issued.

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2018 AND 2017

1. Organization and summary of significant accounting policies (continued):

New accounting standard implemented:

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This standard update improves existing standards for financial statement presentation by not-for-profit organizations under Accounting Standards Codification 958. The standard update is effective for reporting periods beginning after December 15, 2017. The Foundation adopted this standard update retrospectively during the year ended December 31, 2018. The adoption of this standard resulted in the change in terminology and classification of net assets from three classes (unrestricted, temporarily restricted, and permanently restricted) to two classes (without donor restriction, and with donor restriction) and the addition of a statement of functional expense to report the Foundation's expenses by function and natural classification.

2. Investments:

	<u>Cost</u>	<u>Fair value</u>	<u>Excess of fair value (cost)</u>
December 31, 2018:			
Cash and cash equivalents	\$ 8,152,864	\$ 8,152,864	
Equities	168,623,601	182,003,030	
Fixed income	29,584,084	28,986,938	
Hedge funds	6,123,887	7,098,484	
Private equity	25,910	76,182	
Real estate	3,024,457	3,024,457	
Notes receivable	<u>844,846</u>	<u>844,846</u>	
Balance, end of year	<u>\$ 216,379,649</u>	<u>\$ 230,186,801</u>	\$ 13,807,152
Balance, beginning of year	<u>\$ 221,255,893</u>	<u>\$ 252,512,574</u>	<u>31,256,681</u>
Unrealized losses for the year			(17,449,529)
Less unrealized losses allocated to assets related to:			
Split interest agreements			9,635
Agency depository funds			3,004,569
Due to unaffiliated beneficiaries			<u>1,729,893</u>
Net unrealized losses for the year			(12,705,432)
Realized gains for the year			<u>1,865,821</u>
Net realized and unrealized losses on investments			<u>(\$ 10,839,611)</u>

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2018 AND 2017

2. Investments (continued):

	<u>Cost</u>	<u>Fair value</u>	<u>Excess of fair value (cost)</u>
December 31, 2017:			
Cash and cash equivalents	\$ 7,848,292	\$ 7,848,292	
Equities	164,030,228	194,369,761	
Fixed income	37,062,338	37,173,785	
Hedge funds	8,330,813	9,095,184	
Private equity	49,089	90,419	
Real estate	3,024,457	3,024,457	
Notes receivable	<u>910,676</u>	<u>910,676</u>	
Balance, end of year	<u>\$ 221,255,893</u>	<u>\$ 252,512,574</u>	\$ 31,256,681
Balance, beginning of year	<u>\$ 218,225,096</u>	<u>\$ 226,514,115</u>	<u>8,289,019</u>
Unrealized gains for the year			22,967,662
Less unrealized gains allocated to assets related to:			
Split interest agreements			(4,992)
Agency depository funds			(7,172,636)
Due to unaffiliated beneficiaries			<u>(3,367,179)</u>
Net unrealized gains for the year			12,422,855
Realized gains for the year			<u>3,821,246</u>
Net realized and unrealized gains on investments			<u>\$ 16,244,101</u>

Included in investments at December 31, 2018 and 2017 are three notes receivable secured by real estate. The notes are to be paid in monthly amounts, including interest at 6%, through 2027 for two of the notes and 2030 for the third note. As of December 31, 2018, scheduled annual principal payments to be received on notes receivable are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2019	\$ 69,891
2020	74,202
2021	78,778
2022	83,637
2023	88,796
Thereafter	<u>449,542</u>
	<u>\$ 844,846</u>

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2018 AND 2017

2. Investments (continued):

The following tabular presentation shows investments held on behalf of others as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Agency depository funds	\$ 63,515,627	\$ 66,795,791
Funds for benefit of unaffiliated beneficiaries	25,783,392	27,441,204
Charitable remainder trusts	59,253	68,888
Charitable gift annuities	<u>201,439</u>	<u>531,694</u>
	<u>\$ 89,559,711</u>	<u>\$ 94,837,577</u>

The Foundation values investments at fair value. Fair value is defined as the price that would be received from selling an asset in an orderly transaction between market participants at the measurement date and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs including quoted prices in active markets for similar assets and Level 3 inputs consist of unobservable inputs that are supported by little or no market activity and have the lowest priority.

The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

The following is a summary of the inputs used in valuing the Foundation's investments carried at fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2018:				
Cash and cash equivalents	\$ 8,152,863			\$ 8,152,863
Equities	66,173,513	\$ 115,829,517		182,003,030
Fixed income	28,488,508	498,430		28,986,938
Hedge funds*				7,098,484
Private equity			\$ 76,182	76,182
Real estate			3,024,458	3,024,458
Notes receivable			<u>844,846</u>	<u>844,846</u>
	<u>\$ 102,814,884</u>	<u>\$ 116,327,947</u>	<u>\$ 3,945,486</u>	<u>\$ 230,186,801</u>

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2018 AND 2017

2. Investments (continued):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2017:				
Cash and cash equivalents	\$ 7,848,292			\$ 7,848,292
Equities	72,592,674	\$ 121,777,087		194,369,761
Fixed income	36,792,503	381,281		37,173,784
Hedge funds*				9,095,184
Private equity			\$ 90,419	90,419
Real estate			3,024,458	3,024,458
Notes receivable			910,676	910,676
	<u>\$ 117,233,469</u>	<u>\$ 122,158,368</u>	<u>\$ 4,025,553</u>	<u>\$ 252,512,574</u>

The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value:

Balance, December 31, 2016	\$ 3,138,491
Purchases	475,000
Unrealized gains	474,068
Payments on notes receivable	(62,006)
Balance, December 31, 2017	4,025,553
Unrealized losses	(14,236)
Payments on notes receivable	(65,831)
Balance, December 31, 2018	<u>\$ 3,945,486</u>

* Investments in the hedge funds are reported based on net asset value (NAV) as reported by the investment managers and have not been classified in the fair value hierarchy in accordance with ASC Subtopic 820-10. The fair value amounts presented in the above tables are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2018 AND 2017

3. Net assets with donor restrictions, releases and transfers:

Net assets with donor restrictions totaled \$19,907,862, including endowment funds of \$13,208,571 as of December 31, 2018 and \$21,186,446, including endowment funds of \$14,405,712 as of December 31, 2017. Net assets with donor restrictions are available for grants to local and national Jewish organizations as well as secular organizations. The organizations use the funds principally for educational, medical and research needs, general health and welfare programs and other charitable needs. Net assets of \$1,655,549 and \$882,145 were released from donor restriction in 2018 and 2017, respectively.

The Foundation made transfers between assets with donor restriction and assets without donor restriction of \$507,183 and \$1,344,217 in 2018 and 2017, respectively, including transfers of \$252,479 to endowment funds in 2018 and transfers of \$210,383 from endowment funds in 2017.

4. Life insurance policies:

	Number of <u>policies</u>	Face <u>value</u>	Cash surrender <u>value</u>	Insurance premium <u>expense</u>
December 31, 2018:				
Available for general activities	14	\$ 2,650,000	\$ 583,088	\$ 2,267
Philanthropic	6	1,661,124	139,400	2,074
With donor restriction	<u>7</u>	<u>3,570,000</u>	<u>371,871</u>	<u>4,309</u>
Included in Foundation activities	27	7,881,124	1,094,359	8,650
Due to unaffiliated beneficiaries	<u>11</u>	<u>4,112,531</u>	<u>155,424</u>	<u>38,990</u>
	<u>38</u>	<u>\$ 11,993,655</u>	<u>\$ 1,249,783</u>	<u>\$ 47,640</u>
December 31, 2017:				
Available for general activities	14	\$ 2,750,000	\$ 632,357	\$ 2,267
Philanthropic	6	1,661,124	137,450	2,074
With donor restriction	<u>7</u>	<u>3,570,000</u>	<u>382,294</u>	<u>4,308</u>
Included in Foundation activities	27	7,981,124	1,152,101	8,649
Due to unaffiliated beneficiaries	<u>10</u>	<u>3,612,531</u>	<u>139,750</u>	<u>33,844</u>
	<u>37</u>	<u>\$ 11,593,655</u>	<u>\$ 1,291,851</u>	<u>\$ 42,493</u>

Cash surrender value of life insurance is stated at estimated fair value as reported by the respective insurance company.

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2018 AND 2017

5. Related party transactions:

The Foundation provides custodial and endowment-building services and access to pooled investment accounts to the Jewish Federation of Greater Kansas City (the Federation) and Jewish Community Campus of Greater Kansas City (the Campus). The related Federation fees of \$89,685 and \$89,157 in 2018 and 2017, respectively, and the related Campus fees of \$57,566 and \$53,210 in 2018 and 2017, respectively, are included in administrative fee revenue in the accompanying financial statements.

The Federation provides accounting and administrative services to the Foundation. Expenses for these services totaled \$7,836 and \$11,256 for 2018 and 2017, respectively.

The Foundation rents office space from the Campus on a month-to-month basis. Related rent expense was \$58,066 and \$55,877 in 2018 and 2017, respectively.

6. Split interest agreements:

The Foundation has entered into various charitable gift annuity and charitable remainder trust agreements with donors. The Foundation is obligated to make payments to the annuitants and trust beneficiaries for the remainder of their lives. Assets received are recorded at fair value and a liability is recorded equal to the present value of the estimated future obligations based on mortality rates derived from ordinary life annuity tables. The difference between the fair value of the assets received and the obligation recorded is recognized as either a liability to unaffiliated beneficiaries to the extent that other entities are named as remainder beneficiaries or as contribution income to the extent that the Foundation is named as remainder beneficiary. The various deferred gift obligations have imputed interest rates of between 5.0% and 9.0%. The statements of activities reflect the Foundation's allocated portion of the change in value of split interest agreements for 2018 and 2017.

7. Endowment funds:

The Foundation's donor restricted endowment funds consist of sixteen individual funds established for a variety of purposes. The Foundation's policy allows the spending of up to 4.5% of a fund's three-year average fair value at year-end, absent explicit donor stipulations to the contrary. In those years where the dollars granted would decline from the previous year, the rate can rise to as much as 5.25%. Additionally, the Foundation's policy is to add any unspent accounting income (as defined) from a fund at the end of each year to the endowment portion of the fund. Based on its interpretation of applicable state law (UPMIFA) regarding management of endowment funds, the Foundation classifies as donor restricted endowment funds the fair value of each fund as of the previous year-end, plus the unspent accounting income for the year.

JEWSH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2018 AND 2017

7. Endowment funds (continued):

The Foundation has investment and expenditure policies that consider the purpose of the donor-restricted fund, general economic conditions, and expected investment returns. The Foundation's return objective is to pursue long-term growth while seeking to minimize principal fluctuations and meet ongoing spending policy objectives. The Foundation's investment goal is to maximize total return while carefully weighing the risks involved. To help achieve return objectives, the Foundation has formed an Investment Committee for oversight of investments. The Foundation also utilizes the services of a paid investment advisor who has day-to-day responsibility and discretion for investing Foundation assets.

From time to time, the fair value of net assets associated with individual donor-restricted endowment funds may decline due to investment losses. In accordance with GAAP, such declines must be disclosed for the relevant reporting period. As of December 31, 2018 and 2017, there were no such declines.

Endowment net assets composition by type of fund:

December 31, 2018:	
Donor-restricted endowment funds	<u>\$ 13,208,571</u>
December 31, 2017:	
Donor-restricted endowment funds	<u>\$ 14,405,712</u>

Changes in endowment net assets are as follows:

Balance December 31, 2016	\$ 13,132,305
Contributions	120,392
Interest and dividend income, net of expenses	(9,871)
Net realized and unrealized gains and losses	1,917,783
Decrease in cash surrender value of life insurance	(849)
Grants	(543,665)
Transfers to net assets without donor restriction	(210,383)
Balance December 31, 2017	14,405,712
Contributions	24,528
Interest and dividend income, net of expenses	(58,104)
Net realized and unrealized gains and losses	(997,743)
Increase in cash surrender value of life insurance	1,928
Grants	(420,229)
Transfers from net assets without donor restriction	<u>252,479</u>
Balance December 31, 2018	<u>\$ 13,208,571</u>

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2018 AND 2017

8. Retirement plan:

The Foundation sponsors a 401(k) plan (the Plan). The Plan provides for safe-harbor contributions of employee deferrals, up to 4% of eligible employees' compensation. Additionally, the Foundation may make annual nonelective contributions. No such contributions were made in 2018 or 2017. Employer safe-harbor contributions to retirement plans totaled \$34,757 and \$33,830 for 2018 and 2017, respectively.

9. Contingency:

The Foundation has been named as a party to two lawsuits arising from the same event. The Foundation intends to vigorously defend the suits and does not expect the outcome to have a materially adverse effect on its financial statements.

10. Liquidity:

The Jewish Community Foundation has \$133,105,000 in financial assets held within unrestricted funds. Except for \$76,182 held in a private equity investment, these assets are available for expenditure within one year of the balance sheet date. Further, except for private equity, the investments generally are available within three months.

The following reflects the Foundation's financial assets as of December 31, 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions.

Cash and cash equivalents	\$ 4,736,000
Gifts receivable	200,000
Investments	<u>128,169,000</u>
Financial assets, December 31, 2018	<u>\$ 133,105,000</u>

The Foundation maintains sufficient cash reserves to meet weekly granting requirements and operating expenses. Cash not needed for the week is typically invested in a U.S. Government based money market account. When further cash is needed, a formal request is made to the investment manager to liquidate part of the portfolio.

The Foundation's assets are available to fund the following anticipated operating expenses for the next year.

Grants (three-year average)	\$ 16,110,000
Other program expenses	220,000
Management and general expenses	1,075,000
Fundraising expenses	<u>160,000</u>
	<u>\$ 17,565,000</u>