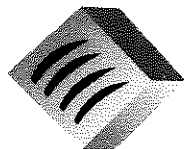


**JEWISH COMMUNITY FOUNDATION
OF GREATER KANSAS CITY**

YEARS ENDED DECEMBER 31, 2017 AND 2016



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

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

YEARS ENDED DECEMBER 31, 2017 AND 2016

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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, 2017 and 2016, and the related statements of activities, changes in net assets, 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, 2017 and 2016, 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 13, 2018

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

STATEMENTS OF FINANCIAL POSITION - DECEMBER 31, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 10,027,589	\$ 11,091,046
Receivables	494,269	1,288,738
Prepaid expenses	4,301	23,141
Investments (Note 2)	252,512,574	226,514,115
Cash surrender value of life insurance (Note 4)	1,291,851	1,281,285
Furniture, fixtures and equipment, less accumulated depreciation of \$326,626 and \$321,046 in 2017 and 2016, respectively	<u>36,826</u>	<u>22,964</u>
	<u>\$ 264,367,410</u>	<u>\$ 240,221,289</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Grants payable	\$ 17,879	\$ 33,293
Accrued expenses	2,821	3,533
Liabilities under split interest agreements (Note 6)	1,668,336	449,958
Agency depository funds	66,797,913	60,387,883
Due to unaffiliated beneficiaries (Note 6)	<u>27,801,287</u>	<u>25,154,162</u>
Total liabilities	<u>96,288,236</u>	<u>86,028,829</u>
Contingency (Note 11)		
Net assets:		
Unrestricted:		
Available for general activities (Note 7)	8,754,534	7,766,871
Philanthropic	68,450,689	61,971,793
Supporting foundations	<u>69,687,505</u>	<u>65,297,223</u>
	<u>146,892,728</u>	<u>135,035,887</u>
Restricted:		
Temporarily restricted (Note 3):		
Philanthropic	5,906,938	5,590,594
Split interest agreements	<u>873,796</u>	<u>433,674</u>
	6,780,734	6,024,268
Permanently restricted (Note 7)	<u>14,405,712</u>	<u>13,132,305</u>
	<u>21,186,446</u>	<u>19,156,573</u>
Total net assets	<u>168,079,174</u>	<u>154,192,460</u>
	<u>\$ 264,367,410</u>	<u>\$ 240,221,289</u>

See notes to financial statements.

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues, gains and other support:				
Contributions	\$ 9,980,946	\$ 1,699,337	\$ 120,392	\$ 11,800,675
Interest and dividend income (net of expenses of \$478,977)	1,994,972	7,806	(9,871)	1,992,907
Net realized and unrealized gains on investments (Note 2)	13,841,150	485,168	1,917,783	16,244,101
Decrease in cash surrender value of life insurance	(34,667)	(4,913)	(849)	(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	882,145	(338,480)	(543,665)	
Transfers between net asset groups (Note 7)	<u>1,344,217</u>	<u>(1,133,834)</u>	<u>(210,383)</u>	
 Total revenues, gains and other support	 <u>28,463,218</u>	 <u>756,466</u>	 <u>1,273,407</u>	 <u>30,493,091</u>
Grants and expenses:				
Grants:				
Jewish Federation of Greater Kansas City	2,322,118			2,322,118
Local Jewish organizations	5,258,442			5,258,442
National Jewish organizations	1,050,710			1,050,710
Secular organizations	<u>6,595,846</u>			<u>6,595,846</u>
	15,227,116			15,227,116
Life insurance expense (Note 4)	8,649			8,649
Operating expenses (Notes 5 and 8)	<u>1,370,612</u>			<u>1,370,612</u>
Total grants and expenses	<u>16,606,377</u>			<u>16,606,377</u>
Change in net assets	<u>\$ 11,856,841</u>	<u>\$ 756,466</u>	<u>\$ 1,273,407</u>	<u>\$ 13,886,714</u>

See notes to financial statements.

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues, gains and other support:				
Contributions	\$ 36,197,401	\$ 2,481,540	\$ 735,557	\$ 39,414,498
Interest and dividend income (net of expenses of \$332,426)	949,960	22,972	28,765	1,001,697
Net realized and unrealized gains on investments (Note 2)	6,054,293	238,617	899,809	7,192,719
Decrease in cash surrender value of life insurance	(36,394)	(3,323)		(39,717)
Increase in value of split interest agreements (Note 6)		14,439		14,439
Administrative fees (Note 5)	354,720			354,720
Net assets released from donor restrictions	1,198,697	(702,464)	(496,233)	
Transfers between net asset groups (Note 7)	<u>952,608</u>	<u>(911,476)</u>	<u>(41,132)</u>	
 Total revenues, gains and other support	 <u>45,671,285</u>	 <u>1,140,305</u>	 <u>1,126,766</u>	 <u>47,938,356</u>
Grants and expenses:				
Grants:				
Jewish Federation of Greater Kansas City	1,804,589			1,804,589
Local Jewish organizations	6,890,105			6,890,105
National Jewish organizations	751,498			751,498
Secular organizations	<u>6,034,706</u>			<u>6,034,706</u>
	15,480,898			15,480,898
 Life insurance expense (Note 4)	 11,732			 11,732
 Operating expenses (Notes 5 and 8)	 <u>1,310,192</u>			 <u>1,310,192</u>
 Total grants and expenses	 <u>16,802,822</u>			 <u>16,802,822</u>
 Change in net assets	 <u>\$ 28,868,463</u>	 <u>\$ 1,140,305</u>	 <u>\$ 1,126,766</u>	 <u>\$ 31,135,534</u>

See notes to financial statements.

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

STATEMENTS OF CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Balances, December 31, 2015	\$ 88,828,075	\$ 4,883,963	\$ 12,005,539	\$ 105,717,577
Merger of Jewish Heritage Foundation and Menorah Legacy Foundation (Note 10)	17,339,349			17,339,349
Change in net assets	<u>28,868,463</u>	<u>1,140,305</u>	<u>1,126,766</u>	<u>31,135,534</u>
Balances, December 31, 2016	135,035,887	6,024,268	13,132,305	154,192,460
Change in net assets	<u>11,856,841</u>	<u>756,466</u>	<u>1,273,407</u>	<u>13,886,714</u>
Balances, December 31, 2017	<u>\$146,892,728</u>	<u>\$ 6,780,734</u>	<u>\$ 14,405,712</u>	<u>\$ 168,079,174</u>

See notes to financial statements.

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 13,886,714	\$ 31,135,534
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	8,248	13,248
Realized (gains) losses on investments	(3,821,246)	1,428,276
Unrealized gains on investments	(12,422,855)	(8,620,995)
Changes in assets and liabilities:		
Receivables	794,469	(1,040,032)
Prepaid expenses	18,840	31,672
Grants payable	(15,414)	(11,366)
Accrued expenses	(712)	3,533
Liabilities under split interest agreements	1,213,386	(81,826)
Agency depository funds	(762,606)	(4,307,860)
Due to unaffiliated beneficiaries	(720,054)	(2,100,405)
Net cash provided (used) by operating activities	<u>(1,821,230)</u>	<u>16,449,779</u>
Cash flows from investing activities:		
Decrease (increase) in cash surrender value of life insurance	(10,566)	5,758
Purchase of property and equipment	(22,110)	(1,478)
Sales (purchases) of investments, net	790,449	(15,162,272)
Net cash provided (used) by investing activities	<u>757,773</u>	<u>(15,157,992)</u>
Change in cash and cash equivalents	(1,063,457)	1,291,787
Cash and cash equivalents, beginning of year	<u>11,091,046</u>	<u>9,799,259</u>
Cash and cash equivalents, end of year	<u>\$ 10,027,589</u>	<u>\$ 11,091,046</u>
<i>Supplemental disclosures of cash flow information:</i>		
Net unrealized gains allocated to assets held under split interest agreements, assets held in agency depository funds and assets held for unaffiliated beneficiaries	<u>(\$ 10,544,807)</u>	<u>(\$ 9,760,434)</u>
<i>Supplemental disclosures of non-cash flow information:</i>		
In April 2016, the following assets were contributed as part of the merger between the Jewish Heritage Foundation and Menorah Legacy Foundation:		
Prepaid expenses		\$ 50,684
Investments		17,061,733
Cash surrender value of life insurance		219,558
Property and equipment, net		<u>7,374</u>
		<u>\$ 17,339,349</u>

See notes to financial statements.

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

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:

Unrestricted net assets:

The unrestricted net assets 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.

Temporarily restricted net assets:

Temporarily restricted net assets 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 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, 2017 AND 2016

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

Basis of accounting (continued):

Temporarily restricted net assets (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 temporarily restricted contribution 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.

Permanently restricted net assets:

Permanently restricted net assets are those contributions whose use by the Foundation is limited by donor-imposed stipulations that the corpus be held in perpetuity. The earnings from each of these net assets are available for use for either unrestricted or temporarily restricted purposes as specified by the donor.

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, 2017 and 2016. The Foundation is no longer subject to audits by the IRS for years prior to 2014. Management is not aware of any violation of its tax status as an organization exempt from income taxes.

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 AND 2016

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

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 \$7,798,593 at December 31, 2017 are invested in money market funds which are not insured by the FDIC, but are secured by Government bonds.

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 periodical 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.

Subsequent events:

Subsequent events have been evaluated through June 13, 2018, 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, 2017 AND 2016

2. Investments:

	<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	144,611,246	173,707,911	
Fixed income	56,481,320	57,835,635	
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>3,869,150</u>
Net realized and unrealized gains on investments			<u>\$ 16,292,005</u>

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 AND 2016

2. Investments (continued):

	<u>Cost</u>	<u>Fair value</u>	<u>Excess of fair value (cost)</u>
December 31, 2016:			
Cash and cash equivalents	\$ 8,329,009	\$ 8,329,009	
Equities	154,718,861	162,678,401	
Fixed income	39,189,235	38,997,702	
Hedge funds	10,328,581	10,821,055	
Private equity	62,270	90,808	
Real estate	4,624,458	4,624,458	
Notes receivable	<u>972,682</u>	<u>972,682</u>	
Balance, end of year	<u>\$ 218,225,096</u>	<u>\$ 226,514,115</u>	\$ 8,289,019
Balance, beginning of year	<u>\$ 187,429,367</u>	<u>\$ 177,336,957</u>	(10,092,410)
Unrealized gains for the year			18,381,429
Less unrealized gains allocated to assets related to:			
Split interest agreements			(76,823)
Agency depository funds			(6,628,049)
Due to unaffiliated beneficiaries			<u>(3,055,562)</u>
			<u>(9,760,434)</u>
Net unrealized gains for the year			8,620,995
Realized losses for the year			<u>(1,428,276)</u>
Net realized and unrealized gains on investments			<u>\$ 7,192,719</u>

Included in investments at December 31, 2017 and 2016 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, 2017, scheduled annual principal payments to be received on notes receivable are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2018	\$ 65,831
2019	69,891
2020	74,202
2021	78,778
2022	83,637
Thereafter	<u>538,337</u>
	<u>\$ 910,676</u>

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 AND 2016

2. Investments (continued):

The following tabular presentation shows investments held on behalf of others as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Agency depository funds	\$ 66,795,791	\$ 60,237,824
Funds for benefit of unaffiliated beneficiaries	27,441,204	24,852,292
Charitable remainder trusts	68,888	64,057
Charitable gift annuities	<u>531,694</u>	<u>525,619</u>
	<u>\$ 94,837,577</u>	<u>\$ 85,679,792</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, 2017:				
Cash and cash equivalents	\$ 7,848,292			\$ 7,848,292
Equities	173,707,911			173,707,911
Fixed income	41,508,508	\$ 16,327,127		57,835,635
Hedge funds				9,095,184
Private equity			\$ 90,419	90,419
Real estate			3,024,457	3,024,457
Notes receivable			<u>910,676</u>	<u>910,676</u>
	<u>\$ 223,064,711</u>	<u>\$ 16,327,127</u>	<u>\$ 4,025,552</u>	<u>\$ 252,512,574</u>

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 AND 2016

2. Investments (continued):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2016:				
Cash and cash equivalents	\$ 8,329,009			\$ 8,329,009
Equities	162,678,401			162,678,401
Fixed income	18,706,263	\$ 20,291,439		38,997,702
Hedge funds				10,821,055
Private equity			\$ 90,808	90,808
Real estate			4,624,458	4,624,458
Notes receivable			972,682	972,682
	<u>\$ 189,713,673</u>	<u>\$ 20,291,439</u>	<u>\$ 5,687,948</u>	<u>\$226,514,115</u>

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

	<u>Level 3 investments</u>
Balance, December 31, 2015	\$ 4,724,326
Gifts of real estate	2,075,000
Sales of private equity investments	(1,044,186)
Unrealized loss	(8,788)
Payments received on notes receivable	(58,404)
Balance, December 31, 2016	5,687,948
Gifts of real estate	475,000
Sales of real estate investments	(2,075,000)
Unrealized loss	(390)
Payments received on notes receivable	(62,006)
Balance, December 31, 2017	<u>\$ 4,025,552</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 statement of financial position.

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 AND 2016

3. Temporarily restricted net assets:

Temporarily restricted net assets totaling \$6,780,734 and \$6,024,268 as of December 31, 2017 and 2016, respectively, are available for grants to local and national Jewish organizations as well as secular organizations. Those organizations use the funds principally for educational, medical and research needs, general health and welfare programs and other charitable needs.

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, 2017:				
Available for general activities	14	\$ 2,750,000	\$ 632,357	\$ 2,267
Unrestricted philanthropic	6	1,661,124	137,450	2,074
Temporarily restricted	6	3,470,000	380,016	2,301
Permanently restricted	<u>1</u>	<u>100,000</u>	<u>2,278</u>	<u>2,007</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>
December 31, 2016:				
Available for general activities	14	\$ 2,750,000	\$ 651,765	\$ 2,267
Unrestricted philanthropic	6	1,661,124	136,920	5,157
Temporarily restricted	6	3,470,000	384,929	2,301
Permanently restricted	<u>1</u>	<u>100,000</u>	<u>1,428</u>	<u>2,007</u>
Included in Foundation activities	27	7,981,124	1,175,042	11,732
Due to unaffiliated beneficiaries	<u>10</u>	<u>3,612,531</u>	<u>106,243</u>	<u>33,885</u>
	<u>37</u>	<u>\$ 11,593,655</u>	<u>\$ 1,281,285</u>	<u>\$ 45,617</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, 2017 AND 2016

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 \$89,157 and \$69,387 in 2017 and 2016, respectively, and the related Campus fees of \$53,210 and \$41,881 in 2017 and 2016, 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 \$11,256 and \$15,531 for 2017 and 2016, respectively.

The Foundation rents office space from the Campus on a month-to-month basis. Related rent expense was \$55,877 and \$57,190 in 2017 and 2016, 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 2017 and 2016.

7. Endowment funds:

The Foundation's permanently restricted net assets 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 permanently restricted portion of the fund. Based on its interpretation of applicable state law (UPMIFA) regarding management of endowment funds, the Foundation classifies as permanently restricted net assets the fair value of each fund as of the previous year-end, plus the unspent accounting income for the year.

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 AND 2016

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 reductions in unrestricted funds. As of December 31, 2017 and 2016, there were no such declines.

Endowment net assets composition by type of fund:

	<u>Permanently restricted</u>
December 31, 2017:	
Donor-restricted endowment funds	<u>\$ 14,405,712</u>
December 31, 2016:	
Donor-restricted endowment funds	<u>\$ 13,132,305</u>

Changes in endowment net assets are as follows:

	<u>Permanently restricted</u>
Balance December 31, 2015	\$ 12,005,539
Contributions	735,557
Interest and dividend income, net of expenses	28,765
Net realized and unrealized gains	899,809
Grants	(496,233)
Transfers to unrestricted net assets	<u>(41,132)</u>
Balance December 31, 2016	13,132,305
Contributions	120,392
Interest and dividend income, net of expenses	(9,871)
Grants	1,917,783
Decrease in cash surrender value of life insurance	(849)
Transfers to unrestricted net assets	<u>(754,048)</u>
Balance December 31, 2017	<u>\$ 14,405,712</u>

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 AND 2016

8. Operating expenses:

	<u>2017</u>	<u>2016</u>
Personnel and related expenses (Note 9)	\$ 1,020,894	\$ 918,289
Data processing	76,334	60,464
Depreciation	8,248	13,248
Donor cultivation	4,858	4,917
Federation accounting and administrative services (Note 5)	11,256	15,531
Foreign taxes	268	567
Gift annuity distributions	59,001	54,754
Insurance	21,542	22,482
Marketing	46,500	33,739
Meetings, conferences and travel	19,059	17,144
Occupancy (Note 5)	55,877	57,190
Office supplies	19,869	18,204
Other	44,761	55,744
Printing and postage	22,400	24,690
Professional fees	53,255	90,771
Real estate and excise taxes	4,551	4,428
	<u>1,468,673</u>	<u>1,392,162</u>
Less expenses allocated to agency depository funds and assets held for unaffiliated beneficiaries	<u>98,061</u>	<u>81,970</u>
	<u>\$ 1,370,612</u>	<u>\$ 1,310,192</u>

9. 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 2017 or 2016. Employer safe-harbor contributions to retirement plans totaled \$33,830 and \$29,242 for 2017 and 2016, respectively.

10. Merger:

In April, 2016, the Jewish Heritage Foundation, a supporting foundation of the Foundation, merged with the Menorah Legacy Foundation. The succeeding entity, the Menorah Heritage Foundation, continues to operate as a supporting foundation of the Foundation and is included in the Foundation's financial statements. In accordance with GAAP, the assets of the former Menorah Legacy Foundation were recorded as an increase in net assets as of the date of the merger. The effect of the merger on the Foundation's financial statements was to increase the following assets:

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 AND 2016

10. Merger (continued):

Prepaid expenses	\$	50,684
Investments		17,061,733
Cash surrender value of life insurance		219,558
Property and equipment, net		<u>7,374</u>
	\$	<u>17,339,349</u>

11. 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.