JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

REQUIRED COMMUNICATIONS AND MANAGEMENT LETTER

YEAR ENDED DECEMBER 31, 2020

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

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June 16, 2021

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

We have audited the financial statements of Jewish Community Foundation of Greater Kansas City (the Foundation) for the year ended December 31, 2020, and have issued our report thereon dated June 16, 2021. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our three-year engagement letter dated June 3, 2020. Professional standards require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Foundation are described in Note 1 to the financial statements. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

> Management's estimate of the fair value of investments is based on the quoted values of the shares as reported by the investment custodians. We evaluated the key factors and

assumptions used to develop the fair values of these investments in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Note 2 to the financial statements addresses the investments held by the Foundation.
- Note 10 to the financial statements discusses COVID-19.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no material misstatements detected as a result of audit procedures, either individually or in the aggregate, to the financial statements taken as a whole and we did not propose any adjustments.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 16, 2021.

Management Consultations with Other Independent Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Internal Control

In planning and performing our audit of the financial statements of the Foundation as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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This information is intended solely for the use of the Board of Trustees and management of Jewish Community Foundation of Greater Kansas City and is not intended to be, and should not be, used by anyone other than these specified parties.

House Park Dobratz & Wiebler, P.C.

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

YEARS ENDED DECEMBER 31, 2020 AND 2019

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

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

YEARS ENDED DECEMBER 31, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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 16, 2021

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

ASSETS

	2020	2019
Cash and cash equivalents	$ 11,788,903	$ 12,570,134
Receivables	369,240	297,433
Prepaid expenses	31,231	31,184
Investments (Note 2)	257,061,071	252,272,696
Cash surrender value of life insurance (Note 4)	1,116,790	1,202,854
Furniture, fixtures and equipment, less accumulated depreciation of $334,875 and $325,159 in 2020 and 2019, respectively	36,244	27,534
	$ 270,403,479	$ 266,401,835

LIABILITIES AND NET ASSETS

	2020	2019
Liabilities		
Grants payable	$ 11,564	$ 15,514
Accrued expenses	3,422	17,371
Liabilities under split interest agreements (Note 6)	1,417,087	1,400,722
Agency depository funds	63,869,640	70,056,863
Due to unaffiliated beneficiaries (Note 6)	31,329,390	28,857,443
Total liabilities	96,631,103	100,347,913
Contingency (Note 10)		
Net assets:		
Without donor restriction	140,638,416	144,506,635
With donor restriction (Note 3)	33,133,960	21,547,287
Total net assets	173,772,376	166,053,922
	$ 270,403,479	$ 266,401,835

See notes to financial statements.

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

YEAR ENDED DECEMBER 31, 2020

	Without donor restriction	With donor restriction	Total
Support and revenues:			
Contributions	$ 8,802,886	$ 289,600	$ 9,092,486
Interest and dividend income (net of expenses of $528,150)	968,918	(46,479)	922,439
Net realized and unrealized gains on investments (Note 2)	12,558,600	3,395,737	15,954,337
Decrease in cash surrender value value of life insurance	(6,160)	(36,605)	(42,765)
Increase in value of split interest agreements (Note 6)		98,821	98,821
Administrative fees (Note 5)	431,200		431,200
Net assets released from donor restrictions (Note 3)	2,620,042	(2,620,042)	
Transfers between net asset groups (Note 3)	(10,505,641)	10,505,641	
Total support and revenues	14,869,845	11,586,673	26,456,518
Expenses:			
Program services	17,697,247		17,697,247
Management and general	856,607		856,607
Fundraising	184,210		184,210
Total expenses	18,738,064		18,738,064
Change in net assets	(3,868,219)	11,586,673	7,718,454
Net assets, beginning of year	144,506,635	21,547,287	166,053,922
Net assets, end of year	$ 140,638,416	$ 33,133,960	$ 173,772,376

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

YEAR ENDED DECEMBER 31, 2019

	Without donor restriction	With donor restriction	Total
Support and revenues:			
Contributions	$ 11,450,397	$ 385,835	$ 11,836,232
Interest and dividend income (net of expenses of $517,338)	2,201,946	41,866	2,243,812
Net realized and unrealized gains on investments (Note 2)	18,519,019	2,781,257	21,300,276
Decrease in cash surrender value value of life insurance	(53,153)	(16,563)	(69,716)
Increase in value of split interest agreements (Note 6)		114,699	114,699
Administrative fees (Note 5)	456,382		456,382
Other income	109,158		109,158
Net assets released from donor restrictions (Note 3)	1,306,401	(1,306,401)	
Transfers between net asset groups (Note 3)	361,268	(361,268)	
Total support and revenues	34,351,418	1,639,425	35,990,843
Expenses:			
Program services	23,219,937		23,219,937
Management and general	866,176		866,176
Fundraising	182,553		182,553
Total expenses	24,268,666		24,268,666
Change in net assets	10,082,752	1,639,425	11,722,177
Net assets, beginning of year	134,423,883	19,907,862	154,331,745
Net assets, end of year	$ 144,506,635	$ 21,547,287	$ 166,053,922

See notes to financial statements.

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Program Services	Management and general	Fundraising	Total
Grants:				
Jewish Federation of Greater Kansas City	$ 2,050,913			$ 2,050,913
Local Jewish organizations	7,583,105			7,583,105
National Jewish organizations	1,063,716			1,063,716
Secular organizations	6,528,777			6,528,777
Total grants	17,226,511			17,226,511
Personnel and related expenses (Note 8)	425,020	$ 628,740	$ 155,892	1,209,652
Communications and marketing			24,738	24,738
Depreciation		9,716		9,716
Development	29,854			29,854
Dues and subscriptions		1,524		1,524
Federation accounting and administrative services (Note 5)		16,680		16,680
Insurance		20,562		20,562
Life insurance premiums	15,862			15,862
Meetings		7,410		7,410
Mileage		10,602		10,602
Occupancy (Note 5)		33,316		33,316
Office expenses		12,015	3,580	15,595
Professional fees		34,326		34,326
Technology		74,499		74,499
Telephone		3,833		3,833
Training and conferences		3,384		3,384
	$ 17,697,247	$ 856,607	$ 184,210	$ 18,738,064

See notes to financial statements.

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Program Services	Management and general	Fundraising	Total
Grants:				
Jewish Federation of Greater Kansas City	$ 2,389,348			$ 2,389,348
Local Jewish organizations	11,482,764			11,482,764
National Jewish organizations	1,151,936			1,151,936
Secular organizations	7,681,745			7,681,745
Total grants	22,705,793			22,705,793
Personnel and related expenses (Note 8)	406,405	$ 599,261	$ 147,340	1,153,006
Communications and marketing			31,733	31,733
Depreciation		10,101		10,101
Development	93,902			93,902
Dues and subscriptions		926		926
Federation accounting and administrative services (Note 5)		17,796		17,796
Insurance		19,483		19,483
Life insurance premiums	13,837			13,837
Meetings		15,147		15,147
Mileage		2,090		2,090
Occupancy (Note 5)		69,578		69,578
Office expenses		9,903	3,480	13,383
Professional fees		34,529		34,529
Technology		75,724		75,724
Telephone		4,285		4,285
Training and conferences		7,353		7,353
	$ 23,219,937	$ 866,176	$ 182,553	$ 24,268,666

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 7,718,454	$ 11,722,177
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	9,716	10,101
Realized (gains) losses on investments	3,842,995	(7,450,701)
Unrealized gains on investments	(19,797,332)	(13,849,575)
Changes in operating assets and liabilities:		
Receivables	(71,807)	(15,268)
Prepaid expenses	(47)	993
Grants payable	(3,950)	(36,405)
Accrued expenses	(13,949)	16,913
Liabilities under split interest agreements	(448,527)	(148,665)
Agency depository funds	(17,122,835)	1,777,559
Due to unaffiliated beneficiaries	(3,507,898)	395,988
Net cash used by operating activities	(29,395,180)	(7,576,883)
Cash flows from investing activities:		
Decrease in cash surrender value of life insurance	86,064	46,929
Purchase of property and equipment	(18,426)	(7,094)
Net proceeds from investments	28,546,311	6,605,596
Net cash provided by investing activities	28,613,949	6,645,431
Net change in cash and cash equivalents	(781,231)	(931,452)
Cash and cash equivalents, beginning of year	12,570,134	13,501,586
Cash and cash equivalents, end of year	$ 11,788,903	$ 12,570,134
Supplemental disclosure of cash flow information:		
Net unrealized gains allocated to assets held under split interest agreements, assets held in agency depository funds and assets held for unaffiliated beneficiaries	($ 17,380,349)	($ 7,391,215)

See notes to financial statements.

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:

<u>Net assets without donor restriction:</u>

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.

<u>Net assets with donor restriction:</u>

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.

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.

Cash equivalents:

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, 2020 and 2019. The Foundation is no longer subject to audits by the IRS for years prior to 2017. 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 $11,022,491 at December 31, 2020 are invested in money market funds which are not insured by the FDIC, but are secured by Government bonds.

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 16, 2021, which is the date the financial statements were available to be issued.

2. Investments:

	Cost	Fair value	Excess of fair value (cost)
December 31, 2020:			
Cash and cash equivalents	$ 12,858,240	$ 12,858,240	
Equities	123,951,819	194,274,192	
Fixed income	36,762,380	37,360,200	
Hedge funds	7,878,195	9,134,912	
Private equity	59,603	108,316	
Real estate	2,549,458	2,549,458	
Notes receivable	775,753	775,753	
Balance, end of year	$ 184,835,448	$ 257,061,071	$ 72,225,623
Balance, beginning of year	$ 217,224,754	$ 252,272,696	35,047,942
Unrealized gains for the year			37,177,681
Less unrealized gains allocated to assets related to:			
Split interest agreements			(464,892)
Agency depository funds			(10,935,612)
Due to unaffiliated beneficiaries			(5,979,845)
Net unrealized gains for the year			19,797,332
Realized losses for the year			(3,842,995)
Net realized and unrealized gains on investments			$ 15,954,337

2. Investments (continued):

	Cost	Fair value	Excess of fair value (cost)
December 31, 2019:			
Cash and cash equivalents	$ 8,794,463	$ 8,794,463	
Equities	158,427,218	191,115,825	
Fixed income	37,936,150	38,653,142	
Hedge funds	8,731,933	10,321,617	
Private equity	10,577	63,236	
Real estate	2,549,458	2,549,458	
Notes receivable	774,955	774,955	
Balance, end of year	$ 217,224,754	$ 252,272,696	$ 35,047,942
Balance, beginning of year	$ 216,379,649	$ 230,186,801	13,807,152
Unrealized gains for the year			21,240,790
Less unrealized gains allocated to assets related to:			
Split interest agreements			(208,041)
Agency depository funds			(4,792,470)
Due to unaffiliated beneficiaries			(2,390,704)
Net unrealized gains for the year			13,849,575
Realized gains for the year			7,450,701
Net realized and unrealized gains on investments			$ 21,300,276

Included in investments at December 31, 2020 and 2019 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, 2020, scheduled annual principal payments to be received on notes receivable are as follows:

Year ending December 31,	Amount
2021	$ 78,778
2022	83,637
2023	88,796
2024	94,272
2025	100,087
Thereafter	330,183
	$ 775,753

2. Investments (continued):

The following tabular presentation shows investments held on behalf of others as of December 31, 2020 and 2019:

	2020	2019
Agency depository funds	$ 63,498,970	$ 69,981,780
Funds for benefit of unaffiliated beneficiaries	31,036,054	28,566,451
Charitable remainder trusts	68,201	64,578
Charitable gift annuities	234,921	221,787
	$ 94,838,146	$ 98,834,596

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:

	Level 1	Level 2	Level 3	Total
December 31, 2020:				
Cash and cash equivalents	$ 12,858,240			$ 12,858,240
Equities	51,531,976	$ 142,742,216		194,274,192
Fixed income	36,812,935	547,265		37,360,200
Hedge funds*				9,134,912
Private equity			$ 108,316	108,316
Real estate			2,549,458	2,549,458
Notes receivable			775,753	775,753
	$ 101,203,151	$ 143,289,481	$ 3,433,527	$ 257,061,071

2. Investments (continued):

	Level 1	Level 2	Level 3	Total
December 31, 2019:				
Cash and cash equivalents	$ 8,794,463			$ 8,794,463
Equities	57,366,896	$ 133,748,929		191,115,825
Fixed income	38,079,424	573,718		38,653,142
Hedge funds*				10,321,617
Private equity			$ 63,236	63,236
Real estate			2,549,458	2,549,458
Notes receivable			774,955	774,955
	$ 104,240,783	$ 134,322,647	$ 3,387,649	$ 252,272,696

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

Balance, December 31, 2018	$ 3,945,486
Sales	(366,490)
Realized losses	(123,842)
Unrealized gains	2,386
Payments on notes receivable	(69,891)
Balance, December 31, 2019	3,387,649
Notes issued	75,000
Purchases	59,603
Unrealized losses	(14,523)
Payments on notes receivable	(74,202)
Balance, December 31, 2020	$ 3,433,527

* 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.

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

Net assets with donor restrictions totaled $33,133,960, including endowment funds of $15,759,719 as of December 31, 2020 and $21,547,287, including endowment funds of $14,522,354 as of December 31, 2019. 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 $2,620,042 and $1,306,401 were released from donor restriction in 2020 and 2019, respectively.

The Foundation made transfers between assets with donor restriction and assets without donor restriction of $10,505,641 and $361,268 in 2020 and 2019, respectively, including transfers of $45,673 from endowment funds in 2020 and transfers of $253,224 to endowment funds in 2019.

4. Life insurance policies:

	Number of policies	Face value	Cash surrender value	Insurance premium expense
December 31, 2020:				
Available for general activities	10	$ 2,650,000	$ 454,939	$ 4,292
Philanthropic	5	1,411,124	141,197	2,074
With donor restriction	7	3,570,000	331,196	4,308
Included in Foundation activities	22	7,631,124	927,332	10,674
Due to unaffiliated beneficiaries	11	4,112,531	189,458	48,497
	33	$ 11,743,655	$ 1,116,790	$ 59,171
December 31, 2019:				
Available for general activities	12	$ 2,600,000	$ 528,744	$ 2,267
Philanthropic	6	1,061,124	140,592	2,074
With donor restriction	7	3,570,000	355,307	4,309
Included in Foundation activities	25	7,231,124	1,024,643	8,650
Due to unaffiliated beneficiaries	11	4,112,531	178,211	29,602
	36	$ 11,343,655	$ 1,202,854	$ 38,252

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

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 $88,990 and $88,047 in 2020 and 2019, respectively, and the related Campus fees of $56,147 and $56,155 in 2020 and 2019, 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 $16,680 and $17,796 for 2020 and 2019, respectively.

The Foundation rents office space from the Campus on a month-to-month basis. Related rent expense was $30,971 and $59,341 in 2020 and 2019, 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 2020 and 2019.

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.

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 fall below the level the donor required the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, such underwater endowments must be disclosed for the relevant reporting period. As of December 31, 2020 and 2019, there were no such underwater endowments.

Endowment net assets composition by type of fund:

December 31, 2020:	
Donor-restricted endowment funds	$ 15,759,719
December 31, 2019:	
Donor-restricted endowment funds	$ 14,522,354

Changes in endowment net assets are as follows:

Balance December 31, 2018	$ 13,208,571
Contributions	8,233
Interest and dividend income, net of expenses	(53,709)
Net realized and unrealized gains and losses	2,148,926
Increase in cash surrender value of life insurance	1,996
Grants	(538,439)
Transfers to net assets without donor restriction	(253,224)
Balance December 31, 2019	14,522,354
Contributions	1,000
Interest and dividend income, net of expenses	(92,249)
Net realized and unrealized gains and losses	1,905,744
Increase in cash surrender value of life insurance	2,055
Grants	(533,512)
Transfers to net assets without donor restriction	(45,673)
Balance December 31, 2020	$ 15,759,719

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 2020 or 2019. Employer safe-harbor contributions to retirement plans totaled $42,966 and $42,579 for 2020 and 2019, respectively.

9. Liquidity:

The Foundation has $139,910,999 in financial assets held within unrestricted funds. Except for $48,713 held in a private equity investment, these assets are available for expenditure within one year of the statement of financial position 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, 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions.

Cash and cash equivalents	$ 10,023,319
Gifts receivable	369,240
Investments	128,725,501
Financial assets, December 31, 2020	$ 139,118,060

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)	$ 19,184,000
Other program expenses	463,000
Management and general expenses	908,000
Fundraising expenses	195,000
	$ 20,750,000

10. Contingency:

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As of the date of the independent auditors' report, we cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact our financial position, results of operations, and cash flows in 2021.