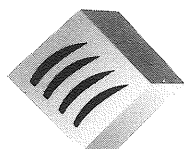


**JEWISH COMMUNITY FOUNDATION
OF GREATER KANSAS CITY**
YEARS ENDED DECEMBER 31, 2016 AND 2015



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

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY
YEARS ENDED DECEMBER 31, 2016 AND 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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 14, 2017

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY
STATEMENTS OF FINANCIAL POSITION - DECEMBER 31, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 11,091,046	\$ 9,799,259
Receivables	1,288,738	248,706
Prepaid expenses	23,141	4,129
Investments (Note 2)	226,514,115	177,336,957
Cash surrender value of life insurance (Note 4)	1,281,285	1,067,485
Furniture, fixtures and equipment, less accumulated depreciation of \$321,046 and \$305,074 in 2016 and 2015, respectively	<u>22,964</u>	<u>27,360</u>
	<u>\$ 240,221,289</u>	<u>\$ 188,483,896</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Grants payable	\$ 33,293	\$ 44,659
Accrued expenses	3,533	
Liabilities under split interest agreements (Note 6)	449,958	454,961
Agency depository funds	60,387,883	58,067,694
Due to unaffiliated beneficiaries (Note 6)	<u>25,154,162</u>	<u>24,199,005</u>
Total liabilities	<u>86,028,829</u>	<u>82,766,319</u>
Net assets:		
Unrestricted:		
Available for general activities (Note 7)	7,766,871	7,685,120
Philanthropic	61,971,793	35,952,582
Supporting foundations	<u>65,297,223</u>	<u>45,190,373</u>
	<u>135,035,887</u>	<u>88,828,075</u>
Restricted:		
Temporarily restricted (Note 3):		
Philanthropic	5,590,594	4,485,008
Split interest agreements	<u>433,674</u>	<u>398,955</u>
	<u>6,024,268</u>	<u>4,883,963</u>
Permanently restricted (Note 7)	<u>13,132,305</u>	<u>12,005,539</u>
	<u>19,156,573</u>	<u>16,889,502</u>
Total net assets	<u>154,192,460</u>	<u>105,717,577</u>
	<u>\$ 240,221,289</u>	<u>\$ 188,483,896</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

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues, gains and other support:				
Contributions	\$ 8,275,813	\$ 119,249	\$ 8,500,018	\$ 16,895,080
Interest and dividend income (net of expenses of \$323,415)	1,655,959	29,557	126,507	1,812,023
Net realized and unrealized losses on investments (Note 2)	(3,813,069)	(182,405)	(395,029)	(4,390,503)
Increase in cash surrender value of life insurance	12,445	5,527		17,972
Increase in value of split interest agreements (Note 6)		25,152		25,152
Administrative fees (Note 5)	330,677			330,677
Net assets released from donor restrictions	418,974	(298,781)	(120,193)	
Transfers between net asset groups (Note 7)	<u>11,453</u>	<u>60,739</u>	<u>(72,192)</u>	
Total revenues, gains and other support	<u>6,892,252</u>	<u>(240,962)</u>	<u>8,039,111</u>	<u>14,690,401</u>
Grants and expenses:				
Grants:				
Jewish Federation of Greater Kansas City	1,332,377			1,332,377
Local Jewish organizations	3,924,453			3,924,453
National Jewish organizations	622,413			622,413
Secular organizations	<u>6,229,491</u>			<u>6,229,491</u>
	12,108,734			12,108,734
Life insurance expense (Note 4)	12,625			12,625
Operating expenses (Notes 5 and 8)	<u>1,163,075</u>			<u>1,163,075</u>
Total grants and expenses	<u>13,284,434</u>			<u>13,284,434</u>
Change in net assets	<u>(\$ 6,392,182)</u>	<u>(\$ 240,962)</u>	<u>\$ 8,039,111</u>	<u>\$ 1,405,967</u>

See notes to financial statements.

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

STATEMENTS OF CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Balances, December 31, 2014	\$ 95,220,257	\$ 5,124,925	\$ 3,966,428	\$ 104,311,610
Change in net assets	(6,392,182)	(240,962)	8,039,111	1,405,967
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	<u>\$135,035,887</u>	<u>\$ 6,024,268</u>	<u>\$ 13,132,305</u>	<u>\$ 154,192,460</u>

See notes to financial statements.

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 31,135,534	\$ 1,405,967
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	13,248	18,508
Realized (gains) losses on investments	1,428,276	(4,554,484)
Unrealized losses (gains) on investments	(8,620,995)	8,944,987
Donated cash value of life insurance policy		(7,606)
Changes in assets and liabilities:		
Receivables	(1,040,032)	95,872
Prepaid expenses	31,672	7,911
Grants payable	(11,366)	(9,820)
Accrued expenses	3,533	(2,601)
Liabilities under split interest agreements	(81,826)	32,610
Agency depository funds	(4,307,860)	2,859,533
Due to unaffiliated beneficiaries	(2,100,405)	503,220
Net cash provided by operating activities	<u>16,449,779</u>	<u>9,294,097</u>
Cash flows from investing activities:		
Decrease (increase) in cash surrender value of life insurance	5,758	(23,868)
Purchase of property and equipment	(1,478)	(1,680)
Purchases of investments, net	(15,162,272)	(10,617,737)
Net cash used by investing activities	<u>(15,157,992)</u>	<u>(10,643,285)</u>
Change in cash and cash equivalents	1,291,787	(1,349,188)
Cash and cash equivalents, beginning of year	<u>9,799,259</u>	<u>11,148,447</u>
Cash and cash equivalents, end of year	<u>\$ 11,091,046</u>	<u>\$ 9,799,259</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	(\$ 9,760,434)	\$ 7,178,985
<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, 2016 AND 2015

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, 2016 AND 2015

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, 2016 and 2015. The Foundation is no longer subject to audits by the IRS for years prior to 2013. 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, 2016 AND 2015

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 \$9,288,793 at December 31, 2016 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 14, 2017, 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, 2016 AND 2015

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

Recent accounting pronouncement:

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2015-07, *Disclosures for Investment in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*. This standard update removes the requirement to include investments in the fair value hierarchy for which fair value is measured using the net asset value per share practical expedient under Accounting Standards Codification 820. The standard update requires retrospective application and is effective for reporting periods beginning after December 15, 2016, with early adoption permitted. The Foundation elected to early adopt this standard update for the year ended December 31, 2016. Accordingly, the financial statement disclosures were adjusted for both years presented. The adoption of this new standard update did not have a material impact on the Foundation's financial statements.

2. Investments:

	<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>

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2016 AND 2015

2. Investments (continued):

			Excess of fair value (cost)
December 31, 2015:			
Cash and cash equivalents	\$ 15,372,762	\$ 15,372,762	
Equities	110,463,751	104,846,747	
Fixed income	39,173,272	37,825,309	
Commodity and real estate funds	13,261,938	9,607,892	
Hedge funds	4,516,847	4,959,921	
Private equity	1,060,253	1,143,782	
Real estate	2,549,458	2,549,458	
Notes receivable	<u>1,031,086</u>	<u>1,031,086</u>	
Balance, end of year	<u>\$ 187,429,367</u>	<u>\$ 177,336,957</u>	(\$ 10,092,410)
Balance, beginning of year	<u>\$ 172,257,146</u>	<u>\$ 178,288,708</u>	<u>6,031,562</u>
Unrealized losses for the year			(16,123,972)
Less unrealized losses allocated to assets related to:			
Split interest agreements			65,192
Agency depository funds			4,804,555
Due to unaffiliated beneficiaries			<u>2,309,238</u>
			<u>7,178,985</u>
Net unrealized losses for the year			(8,944,987)
Realized gains for the year			<u>4,554,484</u>
Net realized and unrealized losses on investments			(<u>\$ 4,390,503</u>)

Included in investments at December 31, 2016 and 2015 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, 2016, scheduled annual principal payments to be received on notes receivable are as follows:

Year ending December 31,	Amount
2017	\$ 62,006
2018	65,831
2019	69,891
2020	74,202
2021	78,778
Thereafter	<u>621,974</u>
	<u>\$ 972,682</u>

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2016 AND 2015

2. Investments (continued):

The following tabular presentation shows investments held on behalf of others as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Agency depository funds	\$ 60,237,824	\$ 57,633,431
Funds for benefit of unaffiliated beneficiaries	24,852,292	23,879,562
Charitable remainder trusts	64,057	63,595
Charitable gift annuities	<u>525,619</u>	<u>515,143</u>
	<u>\$ 85,679,792</u>	<u>\$ 82,091,731</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.

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, 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			<u>972,682</u>	<u>972,682</u>
	<u>\$ 189,713,673</u>	<u>\$ 20,291,439</u>	<u>\$ 5,687,948</u>	<u>\$ 226,514,115</u>

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2016 AND 2015

2. Investments (continued):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2015:				
Cash and cash equivalents	\$ 15,372,762			\$ 15,372,762
Equities	104,846,747			104,846,747
Fixed income	12,584,979	\$ 25,240,330		37,825,309
Commodity and real estate funds	9,607,892			9,607,892
Hedge funds				4,959,921
Private equity			\$ 1,143,782	1,143,782
Real estate			2,549,458	2,549,458
Notes receivable			1,031,086	1,031,086
	<u>\$ 142,412,380</u>	<u>\$ 25,240,330</u>	<u>\$ 4,724,326</u>	<u>\$ 177,336,957</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, 2014	\$ 4,788,980
Unrealized loss	(9,643)
Payments received on notes receivable	(55,011)
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	<u>\$ 5,687,948</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, 2016 AND 2015

2. Investments (continued):

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.

3. Temporarily restricted net assets:

Temporarily restricted net assets totaling \$6,024,268 and \$4,883,963 as of December 31, 2016 and 2015, 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, 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>
December 31, 2015:				
Available for general activities	4	\$ 2,200,000	\$ 442,160	\$ 2,267
Unrestricted philanthropic	7	1,661,124	151,003	6,050
Temporarily restricted	6	3,470,000	388,250	2,301
Permanently restricted	<u>1</u>	<u>100,000</u>	<u>--</u>	<u>2,007</u>
Included in Foundation activities	18	7,431,124	981,413	12,625
Due to unaffiliated beneficiaries	<u>10</u>	<u>3,612,531</u>	<u>86,072</u>	<u>33,267</u>
	<u>28</u>	<u>\$ 11,043,655</u>	<u>\$ 1,067,485</u>	<u>\$ 45,892</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, 2016 AND 2015

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 \$69,387 and \$61,652 in 2016 and 2015, respectively, and the related Campus fees of \$41,881 and \$37,080 in 2016 and 2015, 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 \$15,531 and \$17,308 for 2016 and 2015, respectively.

The Foundation rents office space from the Campus on a month-to-month basis. Related rent expense was \$57,190 and \$49,802 in 2016 and 2015, 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 2016 and 2015.

7. Endowment funds:

The Foundation's permanently restricted net assets consist of fifteen 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. In the case of accounting losses no reduction is made to permanently restricted net assets.

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2016 AND 2015

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 accounting principles generally accepted in the United States of America, such declines must be disclosed for the relevant reporting period as reductions in unrestricted funds. As of December 31, 2016 and 2015, there were no such declines.

Endowment net assets composition by type of fund:

	Permanently restricted
December 31, 2016:	
Donor-restricted endowment funds	<u>\$ 13,132,305</u>
December 31, 2015:	
Donor-restricted endowment funds	<u>\$ 12,005,539</u>

Changes in endowment net assets are as follows:

	Permanently restricted
Balance December 31, 2014	3,966,428
Contributions	8,500,018
Interest and dividend income, net of expenses	126,507
Net realized and unrealized losses	(395,029)
Grants	(120,193)
Transfers to unrestricted net assets	(72,192)
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	(41,132)
Balance December 31, 2016	<u>\$ 13,132,305</u>

JEWISH COMMUNITY FOUNDATION OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2016 AND 2015

8. Operating expenses:

	<u>2016</u>	<u>2015</u>
Personnel and related expenses (Note 9)	\$ 918,289	\$ 818,110
Data processing	60,464	44,432
Depreciation	13,248	18,508
Donor cultivation	4,917	5,241
Federation accounting and administrative services (Note 5)	15,531	17,308
Foreign taxes	567	921
Gift annuity distributions	54,754	71,029
Insurance	22,482	18,526
Marketing	33,739	34,846
Meetings, conferences and travel	17,144	16,021
Occupancy (Note 5)	57,190	49,802
Office supplies	18,204	14,295
Other	55,744	60,687
Printing and postage	24,690	25,293
Professional fees	90,771	61,164
Real estate and excise taxes	4,428	4,244
	<u>1,392,162</u>	<u>1,260,427</u>
Less expenses allocated to agency depository funds and assets held for unaffiliated beneficiaries	<u>81,970</u>	<u>97,352</u>
	<u>\$ 1,310,192</u>	<u>\$ 1,163,075</u>

9. Retirement plan:

The Foundation sponsors a 401(k) plan (the Plan). The Plan provides for employer matching 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 2016 or 2015. Employer matching contributions to retirement plans totaled \$29,242 and \$26,983 for 2016 and 2015, 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, 2016 AND 2015

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>