
***JEWISH FEDERATION
OF GREATER KANSAS CITY
FINANCIAL STATEMENTS
DECEMBER 31, 2019***

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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

Independent Auditors' Report

Board of Directors
Jewish Federation of Greater
Kansas City
Overland Park, Kansas

Report On The Financial Statements

We have audited the accompanying financial statements of the Jewish Federation of Greater Kansas City, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the 15 month period ended December 31, 2019, 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 audit. We conducted our audit 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 from 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 auditors' 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 the Jewish Federation of Greater Kansas City as of December 31, 2019, and the changes in its net assets and cash flows for the 15 month period ended December 31, 2019, in accordance with accounting principles generally accepted in the United States of America.

RubinBrown LLP

October 15, 2020

JEWISH FEDERATION OF GREATER KANSAS CITY

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2019

Assets

Current Assets

Cash	\$ 4,670,324
Campaign promises to give, net of allowance	1,073,382
Other promises to give, net of allowance	386,667
Accounts and notes receivable, net of allowance of \$20,068 in 2019	42,581
Prepaid expenses and other assets	293,775
Total Current Assets	<u>6,466,729</u>

Property And Equipment, Net

36,808

Other Assets

Investments	21,484,811
Campaign promises to give, net	241,250
Other promises to give, net	157,966
Total Other Assets	<u>21,884,027</u>

Total Assets

\$ 28,387,564

Liabilities And Net Assets

Current Liabilities

Agency allocations	\$ 2,331,859
Accounts payable	524,312
Deferred revenue	6,500
Total Current Liabilities	<u>2,862,671</u>

Net Assets

Without donor restrictions:	
Undesignated	2,393,327
Board-designated	2,025,791
	<u>4,419,118</u>
With donor restrictions	21,105,775
Total Net Assets	<u>25,524,893</u>

Total Liabilities And Net Assets

\$ 28,387,564

JEWISH FEDERATION OF GREATER KANSAS CITY

STATEMENT OF ACTIVITIES For The 15 Month Period Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains And Other Support			
Annual campaign	\$ 7,452,946	\$ —	\$ 7,452,946
Special events, net of expenses of \$168,925	386,317	—	386,317
Contributions	42,437	347,146	389,583
Grants	30,800	449,634	480,434
Program service fees	163,911	10,993	174,904
Administrative fee revenue	70,092	—	70,092
Investment income	796,615	220,273	1,016,888
Net assets released from program restrictions	2,351,053	(2,351,053)	—
Total Revenues, Gains And Other Support	11,294,171	(1,475,528)	9,971,164
Expenses			
Grants and allocations:			
To agencies by the Jewish Federation Board:			
Grant to Jewish Community Relations Bureau, Inc. (Note 14)	1,773,293	—	1,773,293
Jewish Federations of North America	2,157,292	—	2,157,292
Local Jewish organizations	2,052,371	—	2,052,371
National Jewish organizations	49,407	—	49,407
Other grants and allocations	1,006,205	—	1,006,205
Total grants and allocations	7,038,568	—	7,038,568
Other program services:			
Community relations	163,918	—	163,918
Leadership development and community programs	1,573,877	—	1,573,877
Total other program services	1,737,795	—	1,737,795
Supporting services:			
Management and general	731,908	—	731,908
Fundraising	886,702	—	886,702
Total supporting services	1,618,610	—	1,618,610
Total program and supporting services	3,356,405	—	3,356,405
Total Expenses	10,394,973	—	10,394,973
Change In Net Assets	899,198	(1,323,007)	(423,809)
Net Assets - Beginning Of Period	3,519,920	22,428,782	25,948,702
Net Assets - End Of Period	\$ 4,419,118	\$ 21,105,775	\$ 25,524,893

JEWISH FEDERATION OF GREATER KANSAS CITY

STATEMENT OF FUNCTIONAL EXPENSES For The 15 Month Period Ended December 31, 2019

	Grants and Allocations	Community Relations	Leadership Development And Community Programs	Total Program Expenses	Management And General	Fundraising	Total Expenses
Salaries and wages	\$ —	\$ 76,797	\$ 850,902	\$ 927,699	\$ 495,102	\$ 503,028	\$ 1,925,829
Employee benefits and taxes	—	13,917	138,416	152,333	91,480	81,409	325,222
Total salaries and related expenses	—	90,714	989,318	1,080,032	586,582	584,437	2,251,051
Grants and allocations	7,038,568	—	—	7,038,568	—	—	7,038,568
Depreciation	—	442	19,834	20,276	11,384	10,835	42,495
Dues and subscriptions	—	739	45,971	46,710	661	873	48,244
Occupancy expenses and insurance	—	10,456	117,291	127,747	42,086	46,123	215,956
Maintenance and technology expense	—	661	53,299	53,960	21,222	71,916	147,098
Meetings	—	7,451	77,855	85,306	3,932	46,924	136,162
Miscellaneous	—	3,905	12,898	16,803	1,187	9,472	27,462
Missions	—	—	120,976	120,976	—	—	120,976
Postage and deliveries	—	505	767	1,272	71	2,003	3,346
Printing and marketing	—	1,664	12,286	13,950	414	12,355	26,719
Professional fees	—	34,310	79,842	114,152	49,790	54,935	218,877
Special event indirect costs	—	—	—	—	—	26,847	26,847
Supplies	—	942	15,431	16,373	5,662	6,960	28,995
Telephone	—	505	8,928	9,433	2,100	2,638	14,171
Training and conferences	—	11,624	19,181	30,805	6,817	10,384	48,006
	7,038,568	73,204	584,559	7,696,331	145,326	302,265	8,143,922
Total Expenses	\$ 7,038,568	\$ 163,918	\$ 1,573,877	\$ 8,776,363	\$ 731,908	\$ 886,702	\$ 10,394,973

JEWISH FEDERATION OF GREATER KANSAS CITY

STATEMENT OF CASH FLOWS For The 15 Month Period Ended December 31, 2019

Cash Flows From Operating Activities	
Decrease in net assets	\$ (423,809)
Adjustments to reconcile decrease in net assets to net cash from operating activities	
Depreciation	42,495
Net unrealized and realized gains on investment transactions	(206,758)
Beneficial interest in future earnings of perpetual trust	(804,616)
Contributions restricted for long-term endowment	(52,669)
Grant to Jewish Community Relations Bureau, Inc. (Note 14)	1,587,326
Changes in assets and liabilities:	
Accounts and notes receivable	38,943
Promises to give	1,592,402
Prepaid expenses and other assets	(125,853)
Accounts payable	258,641
Agency allocations payable	(535,305)
Deferred revenue	(1,350)
Net Cash Provided By Operating Activities	<u>1,369,447</u>
Cash Flows From Investing Activities	
Purchase of property and equipment	(5,669)
Purchases of investments	(119,004)
Proceeds from sale of investments	593,350
Net Cash Provided By Investing Activities	<u>468,677</u>
Cash Flows From Financing Activities	
Contributions restricted for long-term endowment	52,669
Distributions from beneficial interest in perpetual trust	704,764
Net Cash Provided By Financing Activities	<u>757,433</u>
Net Increase In Cash	2,595,557
Cash - Beginning Of Period	<u>2,074,767</u>
Cash - End Of Period	<u>\$ 4,670,324</u>

JEWISH FEDERATION OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

1. Nature Of Organization

The Jewish Federation of Greater Kansas City (the Federation) was established in 1933 to serve as the central fund raising and planning body of the Kansas City area Jewish community. Funds are raised from the public, primarily through an annual giving campaign, and are distributed to Jewish Agencies to sustain and enhance Jewish life at home and around the world. The activities of the Jewish Community Relations Bureau | American Jewish Committee (JCRB/AJC) are included herein. Effective March 7, 2019, JCRB/AJC, Inc. became a separate not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code with a governing board separate from the Federation's board (Note 14). Additionally, the Federation changed its fiscal year end from September 30 to December 31 effective with the three month period ended December 31, 2018.

2. Significant Accounting Policies

Basis Of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

New Accounting Principles

The Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities – *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The ASU addresses the complexity and understandability of net asset classification, requires new footnote disclosure about liquidity and availability of resources and requires presentation of a schedule of functional expenses. The Federation has implemented this ASU and has adjusted the presentation in these financial statements accordingly.

Additionally during 2019, the Federation adopted ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, which provides enhanced guidance to assist organizations in evaluating whether transactions should be accounted for as contributions or reciprocal transactions. The Federation's management determined there was no material impact on these financial statements.

JEWISH FEDERATION OF GREATER KANSAS CITY

Notes To Financial Statements (*Continued*)

Basis Of Presentation

The financial statement presentation follows the requirements of accounting principles generally accepted in the United States of America by presenting assets and liabilities within similar groups and classifying them in ways that provide relevant information about their interrelationships, liquidity and financial flexibility. As a result, the Federation is required to report its financial position and activities according to the following two net assets categories:

Net Assets Without Donor Restrictions: This category includes net assets that are not subject to donor-imposed stipulations, as well as net assets designated by the Board for specific purposes.

Net Assets With Donor Restrictions: This category includes net assets subject to donor-imposed stipulations that will be met by actions of the Federation and/or the passage of time. Certain net assets in this category are subject to donor-imposed stipulations that they be invested in perpetuity to provide a source of income to be used for general or a specific purpose.

Estimates And Assumptions

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

Cash

The Federation considers all bank balances as cash. Cash and cash equivalents held with investment managers are considered investments for reporting purposes. The Federation maintains cash balances at banks in excess of federally insured limits at various times during the year. The Federation has not experienced any losses in such accounts.

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investment return includes dividends, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value and realized gains and losses on other investments.

JEWISH FEDERATION OF GREATER KANSAS CITY

Notes To Financial Statements (*Continued*)

Investment return that is restricted by donor stipulation and for which the restrictions will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statement of activities without donor restrictions or net assets with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The Jewish Community Foundation of Greater Kansas City (the Foundation) maintains pooled investments for the Federation's endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

The Federation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. 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 those changes could materially affect the amounts reported in the statement of financial position.

Accounts And Notes Receivable

Accounts and notes receivable are stated at the amounts that management expects to collect from balances outstanding at year end. The Federation provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information, existing economic conditions and management's assessment of collectability. Delinquent receivables are written off based on credit evaluation and specific circumstances of the agency or customer.

Promises To Give

Unconditional promises to give are recognized as support in the period the promises are received. Generally, promises to give relate to the annual campaign, are expected to be collected within one year and are recorded at their net realizable value. From time to time, the Federation may receive annual campaign or other promises to give that are to be collected over multiple years which are recorded at their net realizable value less a discount allowance to reflect the present value of future cash flows.

JEWISH FEDERATION OF GREATER KANSAS CITY

Notes To Financial Statements (*Continued*)

The allowance for uncollectible promises to give is computed using varying rates applied to outstanding balances, based on the age of the respective promises to give, as follows:

	Ending Allowance Percentage
Unpaid pledges recorded in the current fiscal year	2.0%
Unpaid pledges from prior year	50.0%
Unpaid pledges from two years prior and earlier	100.0%

The annual provision represents the amount required to adjust the ending allowance for uncollectible promises to give to the balance computed using these percentages which represent management's estimate of uncollectible accounts based on all available facts and circumstances. Differences between the actual amount of uncollectible promises to give and the estimate provided by management are charged or credited to operations during the year in which such differences become known.

Contributions And Support

Contributions received are recorded as support with or without donor restrictions depending on the existence and nature of any donor restrictions.

Support that is originally restricted by the donor and for which the restriction is met in the same period are recorded as increase in net assets with donor restriction and then released from restriction. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Conditional contributions, which depend upon specified future and uncertain events, are not recorded until the conditions are met.

The Federation recognizes campaign, special event, grants and other contribution revenue in the year in which it is promised by donors or the year in which a special event occurs. Administrative fee revenues are recognized in the year in which services were provided to other agencies. Program fee revenues are recognized over the period of the underlying programs and are primarily short-term in nature.

JEWISH FEDERATION OF GREATER KANSAS CITY

Notes To Financial Statements (*Continued*)

Property And Equipment

Property and equipment are recorded at cost if acquired by purchase or at the estimated fair value at the date of receipt if acquired by donation. Depreciation of property and equipment is provided over the following estimated useful lives on a straight-line basis:

Office equipment	3 to 10 years
Furniture and fixtures	5 to 10 years
Vehicles	5 years

Grants And Allocations

The Federation awards grants and allocations annually to Jewish organizations locally, nationally and throughout the world. Grants and allocations are primarily funded by the annual giving campaign and are expensed during the year in which they are approved by the Board of Directors.

Income Taxes

The Federation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) as a not-for-profit organization.

The Federation's federal tax returns for tax years 2015 and later remain subject to examination by taxing authorities.

Functional Expenses

The statement of functional expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates of management. Salaries and related expenses, as well as other costs, are allocated based on time spent by staff members on each function. Certain costs including occupancy, supplies and technology are allocated based on use of space and staff time. Other costs are charged directly based on the functional category benefited.

JEWISH FEDERATION OF GREATER KANSAS CITY

Notes To Financial Statements (Continued)

3. Promises To Give

Promises to give by campaign year are as follows as of December 31, 2019:

Campaign year:	
2021	\$ 250,000
2020	297,434
2019	761,913
2018	208,287
2017 and prior	<u>152,821</u>
	1,670,455
Less: Discount to present value	(8,750)
Less: Allowance for doubtful promises to give	<u>(347,073)</u>
	<u>\$ 1,314,632</u>

All campaign promises to give are expected to be collected within one year with the exception of promises to give totaling \$250,000 at December 31, 2019 which are expected to be collected between one and four years.

Other promises to give that are not related to the campaign are collectable as follows:

In one year or less	\$ 386,667
Between one and five years	<u>273,333</u>
	660,000
Less: Discount to present value	(9,567)
Less: Allowance for doubtful promises to give	<u>(105,800)</u>
	<u>\$ 544,633</u>

Promises to give are reported net of a discount, at a rate of 3.5%, to the present value of future cash flows.

JEWISH FEDERATION OF GREATER KANSAS CITY

Notes To Financial Statements (Continued)

4. Investments

Investment securities and unrealized appreciation are as follows at December 31, 2019:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Money market funds	\$ 32,381	\$ 32,381	\$ —
Mutual funds - fixed income	122,332	125,842	3,510
Mutual funds - equities	281,377	356,640	75,263
Pooled investments:			
Investments held in custody	3,460,156	4,074,451	614,295
Beneficial interest in assets	13,982,378	16,895,497	2,913,119
	<u>\$ 17,878,624</u>	<u>\$ 21,484,811</u>	<u>\$ 3,606,187</u>

Pooled investments consist of holdings in certain collective investment funds maintained by the Foundation (Note 5). These collective investment funds invest in a portfolio of underlying managed funds that are facilitated by the Foundation's investment manager and consist of U.S. government securities, foreign and domestic corporate equity and debt securities, and hedge funds.

Investment income (loss) is summarized as follows:

Distributions from beneficial interest in perpetual trust	\$ 704,764
Beneficial interest in future earnings of perpetual trust	99,852
Interest and dividend income	95,170
Realized gain	303,149
Unrealized loss	(96,391)
Investment expenses	(89,656)
	<u>\$ 1,016,888</u>

5. Fair Value Measurements

The Federation follows an established framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

JEWISH FEDERATION OF GREATER KANSAS CITY

Notes To Financial Statements (*Continued*)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There have been no changes in the methodologies used at December 31, 2019.

Following is a description of the valuation methodologies used for assets measured at fair value:

Money Market Funds And Mutual Funds

Valued at the daily closing price as reported by the fund. Mutual funds and money market funds held by the Federation are open-end investment funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds and money market funds held by the Federation are deemed to be actively traded.

Pooled Investments

Valued at the NAV of units of the pooled investment fund held by the Foundation. The NAV, as provided by the Foundation, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments, which have observable inputs, held by the fund, less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

Beneficial Interest In Assets Held In Perpetual Trusts

Beneficial interests in assets held in perpetual trusts are valued by the Federation based on the underlying investments, which have observable inputs, less any liabilities. The classification of beneficial interest in assets held in endowment funds restricted in perpetuity as Level 3 measurements is based on the ownership and restricted nature of these endowment funds, and not based on the underlying quality or integrity of the investments that make up the balances. Classification as Level 3 results because such assets are held in perpetual trusts and the Federation does not have access to liquidate the investments and re-invest in assets of the Federation's choosing. Classification as Level 2 results from the beneficial interest in assets that are not held in endowments restricted in perpetuity.

JEWISH FEDERATION OF GREATER KANSAS CITY

Notes To Financial Statements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Federation's assets at fair value as of December 31, 2019:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 32,381	\$ —	\$ —	\$ 32,381
Mutual funds:				
Fixed income	125,842	—	—	125,842
Equities	356,640	—	—	356,640
Beneficial interest in assets reported in net assets with donor restrictions	—	2,109,856	—	2,109,856
Beneficial interest in assets reported in net assets with donor restrictions	—	—	14,785,641	14,785,641
Total Assets In The Fair Value Hierarchy	\$ 514,863	\$ 2,109,856	\$ 14,785,641	17,410,360
Investments measured at net asset value per share (a)				<u>4,074,451</u>
Total Assets At Fair Value				<u>\$ 21,484,811</u>

- (a) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Pooled investments represent investments held at the Foundation's "Common Pool" and the "Long-Term Pool." Generally redemptions may be made within one to three business days of notification. However, the Foundation maintains the right to disburse funds according to the following policy: if the withdrawn funds are less than \$250,000, then 80% of the funds would be disbursed immediately and the remaining 20% will be disbursed once monthly allocations of earnings/losses can be made.

If the withdrawn funds are more than \$250,000 then 50% of the requested funds would be disbursed immediately, and 80% of the remaining amount requested would be disbursed after 30 days. The final requested portion would be disbursed once final income and expense allocations can be made to the remaining balance.

The Foundation has a stated investment objective of seeking long-term growth while seeking to minimize principal fluctuations and meet ongoing spending policy objectives. As of December 31, 2019, the Common Pool target asset allocation policy was 36% equities, 13% hedge funds and 51% fixed income; and the Long-Term Pool target asset allocation policy is 61% equities, 13% hedge funds, and 26% fixed income.

JEWISH FEDERATION OF GREATER KANSAS CITY

Notes To Financial Statements (Continued)

Level 3 Measurements

The table below presents information about recurring fair value measurements of Level 3 instruments:

	Beneficial Interest In Assets Held In Permanent Endowment Funds
Balance - October 1, 2018	\$ 14,633,120
Distributions	(704,764)
Total gains for the period	804,616
Contributions	52,669
Balance - December 31, 2019	\$ 14,785,641

Gains included in the change in net assets for the 15 month period ended December 31, 2019 are presented in the statement of activities as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Gains for the period included in investment return	\$ 704,764	\$ 99,852	\$ 804,616

6. Net Assets

Net assets at December 31 are restricted as follows:

Net Assets Subject To Time And Purpose Restrictions	
Annual campaign	\$ 2,342,962
Community development	342,277
Youth development	1,717,697
Support for seniors and others in need	358,727
Community security	1,043,608
Polsky fund	263,363
Total Net Assets Subject To Time And Purpose Restrictions	\$ 6,068,634
Net Assets Held In Perpetuity	
Polsky endowment	\$ 251,500
Endowment funds held by the Foundation	14,785,641
Total Net Assets Held In Perpetuity	\$ 15,037,141
Total Net Assets With Donor Restrictions	\$ 21,105,775

JEWISH FEDERATION OF GREATER KANSAS CITY

Notes To Financial Statements (Continued)

For the period beginning October 1, 2018 and ended December 31, 2019 net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specific by donors.

Jewish Community Relations Bureau, Inc. grant	\$	1,258,458
Program expenses		925,145
Other grants		147,450
Endowment appropriations		20,000
		<hr/>
	\$	2,351,053
		<hr/> <hr/>

Net assets at December 31 are board-designated for the following purposes:

Board-Designated Net Assets		
Operating reserve	\$	1,517,922
Community programs		391,840
Overseas programs		108,928
Marketing initiative		7,101
		<hr/>
Total Board-Designated Net Assets	\$	2,025,791
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7. Beneficial Interest In Assets Held By Others

The Federation is the beneficiary of various funds held by the Foundation. Significantly all of these funds provide for annual distributions of income or a portion of income to the Federation for purposes determined by the Board of Directors and in accordance with its mission and by-laws. Other restrictions are for programs of the Federation. Distributions from the beneficial interest in assets held in the endowment funds are reported as investment income without donor restrictions on the statement of activities.

Following is a summary of the fair value of the Federation's beneficial interest in assets held by the Foundation and reported in investments as of December 31, 2019:

Assets held in perpetuity	\$	14,785,641
Assets held in net assets with donor restrictions		2,109,856
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	\$	16,895,497
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8. Endowment Funds

The Federation's endowment consists of several entirely donor-restricted funds established for the support of the Federation. Assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions and are exclusive of any promises to give to the Federation's endowment funds.

The Federation's governing body has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Federation classifies endowment funds held in perpetuity as (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction, if any is given, of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets held in perpetuity are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Federation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Federation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of the Federation and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and appreciation/depreciation of investments;
6. Other resources of the Federation; and
7. The investment policies of the Federation.

JEWISH FEDERATION OF GREATER KANSAS CITY

Notes To Financial Statements (Continued)

The changes in endowment net assets for the 15 month period ended December 31, 2019 are as follows:

	Without Donor Restrictions	Earnings To Be Appropriated	Perpetual In Nature	Total
Balance - October 1, 2018	\$ —	\$ 248,653	\$ 14,884,620	\$ 15,133,273
Investment return				
Investment income	704,764	8,810	—	713,574
Net appreciation	—	25,900	99,852	125,752
Total investment return	704,764	34,710	99,852	839,326
Contributions	—	—	52,669	52,669
Amounts appropriated for spending	(704,764)	(20,000)	—	(724,764)
Balance - December 31, 2019	\$ —	\$ 263,363	\$ 15,037,141	\$ 15,300,504

Endowment investments of the Federation are managed by the Foundation, who maintains investment pools for the Federation, and other agencies in the Kansas City Jewish community. The overall investment objectives of the Federation, and of the Foundation, are as described in Note 5.

The Federation generally distributes 3%-5% of the fund balance of significantly all individual funds, which are transferred to the Federation for operations and the annual giving campaign. Some special purpose funds allow the spending of the corpus of the fund, which the Federation may do under the policies and purposes defined by each fund. The long-term objective of the Federation is the preservation of principal, as well as long-term growth for funds, which requires prudent investment risk policies, and ongoing performance benchmarking by the Federation and the Foundation. The Federation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

9. Pension And Retirement Plans

The Federation has a profit sharing plan available to all employees who meet the minimum service requirements. The Plan includes salary deferral features described in Section 401(k) of the IRC. The Federation matches employee contributions up to 4% of employees' salaries. Employer contributions to the Plan totaled \$50,326 for the period beginning October 1, 2018 and ended December 31, 2019. Effective January 1, 2020, the Federation will increase the match up to 5% of employee's salaries.

JEWISH FEDERATION OF GREATER KANSAS CITY

Notes To Financial Statements (*Continued*)

10. Related Party Transactions

The Federation charges an administrative fee for the use of its equipment and for accounting services to various not-for-profit entities with common Board representation. These fees are included in administrative fee revenue in the statement of activities. Following are fees charged to those entities for the 15 month period ended December 31, 2019:

Jewish Community Foundation of Greater Kansas City	\$ 19,365
Jewish Community Campus of Greater Kansas City (Campus)	17,340
Jewish Community Relations Bureau, Inc.	<u>19,479</u>
	<u>\$ 56,184</u>

Effective January 1, 2019, the Federation no longer provides accounting services to the Campus.

The Federation pays a reimbursement of operating expenses for use of office space to the Campus. Reimbursement of operating expense was \$174,604 for the 15 month period ended December 31, 2019.

During the 15 month period ended December 31, 2019, the Federation paid the Campus \$347,778 for security related costs and paid the JCRB/AJC, Inc. \$30,000 for community relations services.

Included in accounts payable as of December 31, 2019, is \$316,476 due to JCRB/AJC, Inc. (Note 14).

JEWISH FEDERATION OF GREATER KANSAS CITY

Notes To Financial Statements (*Continued*)

11. Other Grants And Allocations

Other grants and allocations comprise the following for the period beginning October 1, 2018 and ended December 31, 2019:

Local emergency individual support	\$	156,999
Jewish preschool program support		13,000
Jewish camp scholarships		57,070
Special needs children grants		293,097
Jewish programs funded by the Kansas City Jewish community		76,744
Educational experiences in Israel		100
Disaster relief		36,417
Social justice support		25,000
Community security		347,778
		<hr/>
	\$	<u>1,006,205</u>

12. Concentrations

As of December 31, 2019, 55% of the Federation's promises to give were due from two donors.

13. Liquidity And Availability Of Resources

The Federation is primarily supported by contributions without donor restrictions from the annual giving campaign, as well as various donor restricted contributions and grants. As part of the Federation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

In addition, as part of its liquidity management, the Federation invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasury instruments. At the Board's discretion, distributions may be made from Board designated reserves to help manage unanticipated liquidity needs, but it is the Federation's intent to retain the reserves, which are held in investment accounts.

JEWISH FEDERATION OF GREATER KANSAS CITY

Notes To Financial Statements (*Continued*)

Annual campaign promises to give are subject to implied time restrictions and most are expected to be collected within one year. Other promises to give represent the remaining promises to give from a multi-year campaign, and a portion of these promises are scheduled to be collected beyond one year in the future. Net assets with donor restrictions are primarily held in investment accounts at the Jewish Community Foundation. These donor restricted funds generally provide for annual distributions to the Federation based on three to five percent of the fund balance, either for general use or for use as specified by the donor.

As of December 31, 2019, the following table shows the total financial assets held by the Federation that could readily be made available within one year to meet general expenditures, after reduction of financial assets designated by the Board or subject to donor-imposed restrictions:

Financial assets at year end:	
Cash	\$ 4,670,324
Campaign promises to give, net of allowance	1,314,632
Other promises to give, net	544,633
Accounts and notes receivable	42,581
Investments	<u>21,484,811</u>
Total financial assets at year end	28,056,981
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(21,105,775)
Board-designated reserves	<u>(2,025,791)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 4,925,415</u>

14. Grant To Jewish Community Relations Bureau, Inc.

JCRB/AJC was a committee and division of the Federation for a number of years, operating under a Memorandum of Agreement (MOU) with the Federation and managed by a separate advisory Board of Directors.

JEWISH FEDERATION OF GREATER KANSAS CITY

Notes To Financial Statements (*Continued*)

Effective January 2019, in anticipation of JCRB/AJC forming its own separate legal entity, the Federation and JCRB/AJC entered into an Affiliation Agreement (Agreement) whereby the Federation would pay an annual fee of \$60,000 to JCRB/AJC for community relations services. Additionally, the agreement provides that JCRB/AJC will pay the Federation monthly fees for accounting, administrative and technology services. This agreement was for a term of one year with annual renewals upon the agreement of both parties and was renewed in 2020 under the same terms.

Effective March 7, 2019, JCRB/AJC filed articles of incorporation in the state of Missouri for a new entity called Jewish Community Relations Bureau, Inc. (JCRB/AJC, Inc.). Since the application for exempt organization determination under Section 501(c)(3) of the Internal Revenue Code was pending during 2019, the Federation continued to handle administrative activities including receiving contributions and remitting disbursements on behalf of JCRB/AJC, Inc. Effective January 1, 2020, JCRB/AJC, Inc. began handling all its own transactions under its Federal ID number.

The Federation Board approved the distribution of all assets attributable to past operations of JCRB/AJC to the new JCRB/AJC, Inc., effective March 7, 2019. Following is a detail of the assets transferred to JCRB/AJC, Inc. by the Federation and reported as grant and allocations expense in the accompanying statement of activities:

Investments at the Jewish Community Foundation	\$ 1,587,326
Cash	<u>185,967</u>
	<u>\$ 1,773,293</u>

Since JCRB/AJC, Inc. was a separate legal entity effective March 7, 2019, all transactions related to the operations of JCRB/AJC, Inc. from March 7, 2019 through December 31, 2019 are reflected in the accounting records of the Federation as net amounts payable to JCRB/AJC, Inc., rather than as revenues and expenses. Included in accounts payable as of December 31, 2019 is \$316,476 due to JCRB/AJC, Inc.

15. Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available for issue, which is the date of the Independent Auditors' Report.

JEWISH FEDERATION OF GREATER KANSAS CITY

Notes To Financial Statements (*Continued*)

Subsequent to December 31, 2019, a novel strain of coronavirus (COVID-19) emerged and has spread worldwide. The World Health Organization has declared COVID-19 a pandemic, resulting in federal, state and local governments, and private entities mandating various restrictions, including travel restrictions, restrictions on public gatherings, stay-at-home orders and advisories, and quarantining of people who may have been exposed to the virus. The spread of COVID-19 has caused significant volatility in the U.S. and international financial markets.

The Federation has taken steps to strengthen its financial position and maintain liquidity and flexibility, including monitoring investments to minimize losses and freezing or reducing operating expenditures. As the COVID-19 pandemic is complex and continues to evolve, it is impossible to predict the effect and ultimate impact of the COVID-19 pandemic on the Federation, results of its operations, its financial position, and cash flows.

In addition, the Federation prioritized certain grant requests, reduced restrictions on allowable use of grants and advanced installment payments to grantees ahead of defined timetables relevant to previously awarded grants in an effort to provide support to grantee organizations in the Jewish Community.

In April 2020, the Federation received a loan totaling \$315,500 under the Paycheck Protection Program (PPP) that was signed into law as part of the CARES Act during the COVID-19 pandemic. This loan has a two-year term at an interest rate of 1% and may also be eligible for forgiveness up to 100% of the loan value if forgiveness criteria are met. Management anticipates that the Federation will meet the requirements for loan forgiveness.

In September 2020, the Federation became the publisher of the Kansas City Jewish Chronicle (the Chronicle), a community newspaper which has been published for 100 years. A donor made a gift of the primarily intangible assets of the Chronicle, including the name and subscriber list. Management has determined that the operations of the Chronicle will not have a significant impact on the financial statements. The Federation intends to continue operating the Chronicle as a weekly publication.