
***JEWISH FEDERATION
OF GREATER KANSAS CITY
FINANCIAL STATEMENTS
SEPTEMBER 30, 2018***

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RubinBrown LLP
Certified Public Accountants
& Business Consultants

One Kansas City Place
1200 Main Street
Suite 1000
Kansas City, MO 64105

T 816.472.1122

W rubinbrown.com
E info@rubinbrown.com

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 September 30, 2018 and 2017, and the related statements of activities and changes 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 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 September 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis Of Matter

As discussed in Note 15 to the financial statements, the 2017 financial statements have been restated to correct an error in reporting of promises to give. Our opinion is not modified with respect to this matter.

RubinBrown LLP

April 2, 2019

JEWISH FEDERATION OF GREATER KANSAS CITY

STATEMENT OF FINANCIAL POSITION

Assets

	September 30,	
	2018	2017 (As Restated)
Current Assets		
Cash	\$ 2,074,767	\$ 2,216,477
Campaign promises to give, net of allowance	2,031,447	2,364,567
Other promises to give, net of allowance	369,100	898,024
Accounts and notes receivable, net of allowance of \$19,918 in 2018 and \$17,925 in 2017	70,421	132,083
Prepaid expenses and other assets	167,922	102,634
Total Current Assets	4,713,657	5,713,785
Property And Equipment, Net	73,634	82,634
Other Assets		
Investments	23,239,873	22,371,383
Campaign promises to give, net	493,220	677,598
Other promises to give, net	557,900	842,300
Accounts and notes receivable, less current portion	11,103	19,917
Total Other Assets	24,302,096	23,911,198
Total Assets	\$ 29,089,387	\$ 29,707,617

Liabilities And Net Assets

Current Liabilities		
Agency allocations	\$ 2,867,164	\$ 2,303,932
Accounts payable	265,671	316,892
Deferred revenue	7,850	48,790
Total Current Liabilities	3,140,685	2,669,614
Net Assets		
Unrestricted:		
Undesignated	1,517,596	1,471,778
Board-designated	2,002,324	2,825,967
	3,519,920	4,297,745
Temporarily restricted	7,544,162	7,823,247
Permanently restricted	14,884,620	14,917,011
Total Net Assets	25,948,702	27,038,003
Total Liabilities And Net Assets	\$ 29,089,387	\$ 29,707,617

JEWISH FEDERATION OF GREATER KANSAS CITY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For The Year Ended September 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains And Other Support				
Annual campaign	\$ 4,472,369	\$ 17,622	\$ —	\$ 4,489,991
Special events	519,147	—	—	519,147
Contributions	257,346	263,361	6,030	526,737
Grants	396,939	—	—	396,939
Program service fees	56,409	918	—	57,327
Administrative fee revenue	88,373	—	—	88,373
Investment income (loss)	804,598	250,382	(38,421)	1,016,559
Net assets released from program restrictions	811,368	(811,368)	—	—
Total Revenues, Gains And Other Support	7,406,549	(279,085)	(32,391)	7,095,073
Expenses				
Grants and allocations:				
To agencies by the Jewish Federation Board:				
Jewish Federations of North America	1,674,668	—	—	1,674,668
Local Jewish organizations	2,470,651	—	—	2,470,651
National Jewish organizations	48,300	—	—	48,300
Other grants and allocations	974,498	—	—	974,498
Total grants and allocations	5,168,117	—	—	5,168,117
Program services:				
Community relations	632,989	—	—	632,989
Leadership development and community programs	1,189,807	—	—	1,189,807
Total program services	1,822,796	—	—	1,822,796
Supporting services:				
Management and general	493,342	—	—	493,342
Fundraising	700,119	—	—	700,119
Total supporting services	1,193,461	—	—	1,193,461
Total program and supporting services	3,016,257	—	—	3,016,257
Total Expenses	8,184,374	—	—	8,184,374
Change In Net Assets	(777,825)	(279,085)	(32,391)	(1,089,301)
Net Assets - Beginning Of Year (As Restated)	4,297,745	7,823,247	14,917,011	27,038,003
Net Assets - End Of Year	\$ 3,519,920	\$ 7,544,162	\$ 14,884,620	\$ 25,948,702

JEWISH FEDERATION OF GREATER KANSAS CITY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For The Year Ended September 30, 2017 (As Restated)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains And Other Support				
Annual campaign	\$ 4,791,789	\$ 677,898	\$ —	\$ 5,469,687
Special events	446,160	—	—	446,160
Contributions	814,006	190,831	5,666	1,010,503
Grants	723,241	1,024,846	—	1,748,087
Program service fees	121,898	7,303	—	129,201
Administrative fee revenue	86,156	—	—	86,156
Investment income	805,095	532,702	1,059,524	2,397,321
Net assets released from program restrictions	783,141	(783,141)	—	—
Total Revenues, Gains And Other Support	8,571,486	1,650,439	1,065,190	11,287,115
Expenses				
Grants and allocations:				
To agencies by the Jewish Federation Board:				
Jewish Federations of North America	1,748,713	—	—	1,748,713
Local Jewish organizations	1,809,520	—	—	1,809,520
National Jewish organizations	57,759	—	—	57,759
Other grants and allocations	840,559	—	—	840,559
Total grants and allocations	4,456,551	—	—	4,456,551
Program services:				
Community relations	532,043	—	—	532,043
Leadership development and community programs	1,153,886	—	—	1,153,886
Total program services	1,685,929	—	—	1,685,929
Supporting services:				
Management and general	452,720	—	—	452,720
Fundraising	744,811	—	—	744,811
Total supporting services	1,197,531	—	—	1,197,531
Total program and supporting services	2,883,460	—	—	2,883,460
Total Expenses	7,340,011	—	—	7,340,011
Change In Net Assets	1,231,475	1,650,439	1,065,190	3,947,104
Net Assets - Beginning Of Year	3,066,270	6,172,808	13,851,821	23,090,899
Net Assets - End Of Year, As Restated	\$ 4,297,745	\$ 7,823,247	\$ 14,917,011	\$ 27,038,003

JEWISH FEDERATION OF GREATER KANSAS CITY

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended September 30, 2018

		Leadership Development And		Total			
	Community Relations	Community Programs	Program Expenses	Management And General	Fundraising	Total Expenses	
Salaries and wages	\$ 255,099	\$ 680,969	\$ 936,068	\$ 307,822	\$ 390,586	\$ 1,634,476	
Employee benefits and taxes	56,757	106,552	163,309	60,052	61,435	284,796	
Total salaries and related expenses	311,856	787,521	1,099,377	367,874	452,021	1,919,272	
Depreciation	1,695	5,085	6,780	15,255	11,865	33,900	
Dues and subscriptions	2,587	41,986	44,573	433	1,072	46,078	
Occupancy expenses and insurance	27,016	73,715	100,731	39,421	47,090	187,242	
Maintenance and technology expense	3,957	16,050	20,007	25,291	50,543	95,841	
Meetings	201,001	41,929	242,930	7,194	76,475	326,599	
Miscellaneous	9,637	11,932	21,569	904	1,531	24,004	
Missions	—	78,873	78,873	871	14,034	93,778	
Postage and deliveries	7,845	6,150	13,995	1,409	4,868	20,272	
Printing and marketing	11,250	9,446	20,696	1,266	11,891	33,853	
Professional fees	4,873	84,787	89,660	24,723	12,314	126,697	
Supplies	9,663	14,291	23,954	2,970	7,841	34,765	
Telephone	1,221	6,375	7,596	2,800	2,335	12,731	
Training and conferences	40,388	11,667	52,055	2,931	6,239	61,225	
	321,133	402,286	723,419	125,468	248,098	1,096,985	
Total Expenses	\$ 632,989	\$ 1,189,807	\$ 1,822,796	\$ 493,342	\$ 700,119	\$ 3,016,257	

JEWISH FEDERATION OF GREATER KANSAS CITY

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended September 30, 2017

		Leadership Development And	Community Relations	Community Programs	Total Program Expenses	Management And General	Fundraising	Total Expenses				
Salaries and wages	\$	200,835	\$	645,923	\$	846,758	\$	263,250	\$	406,858	\$	1,516,866
Employee benefits and taxes		44,835		88,667		133,502		56,393		64,780		254,675
Total salaries and related expenses		245,670		734,590		980,260		319,643		471,638		1,771,541
Depreciation		1,547		4,640		6,187		13,921		10,828		30,936
Dues and subscriptions		2,988		37,884		40,872		2,519		1,353		44,744
Occupancy expenses and insurance		25,554		74,475		100,029		32,432		36,822		169,283
Maintenance and technology expense		4,223		20,751		24,974		46,273		50,230		121,477
Meetings		178,673		67,595		246,268		4,539		74,585		325,392
Miscellaneous		9,141		13,052		22,193		1,284		1,881		25,358
Missions		22,143		30,997		53,140		—		44,141		97,281
Postage and deliveries		7,345		1,947		9,292		1,211		3,842		14,345
Printing and marketing		4,819		18,387		23,206		1,342		9,245		33,793
Professional fees		2,373		103,793		106,166		22,446		18,585		147,197
Supplies		7,720		17,511		25,231		3,152		5,790		34,173
Telephone		2,341		9,290		11,631		(982)		4,241		14,890
Training and conferences		17,506		18,974		36,480		4,940		11,630		53,050
		286,373		419,296		705,669		133,077		273,173		1,111,919
Total Expenses	\$	532,043	\$	1,153,886	\$	1,685,929	\$	452,720	\$	744,811	\$	2,883,460

JEWISH FEDERATION OF GREATER KANSAS CITY

STATEMENT OF CASH FLOWS

	For The Years	
	Ended September 30,	
	2018	2017
		(As Restated)
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (1,089,301)	\$ 3,947,104
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	33,900	30,936
Net unrealized and realized gains on investment transactions	(342,152)	(689,505)
Beneficial interest in future earnings of perpetual trust	(704,854)	(1,733,131)
Contributions restricted for long-term endowment	(6,030)	(5,666)
Changes in assets and liabilities:		
Accounts and notes receivable	70,476	(36,478)
Promises to give	1,330,822	(1,974,899)
Prepaid expenses and other assets	(65,288)	(60,896)
Accounts payable	(51,221)	172,707
Agency allocations payable	563,232	(42,174)
Deferred revenue	(40,940)	(40,810)
Net Cash Used In Operating Activities	(301,356)	(432,812)
Cash Flows From Investing Activities		
Purchase of property and equipment	(24,900)	(29,330)
Purchases of investments	(812,989)	(126,078)
Proceeds from sale of investments	248,230	245,194
Net Cash Provided By (Used In) Investing Activities	(589,659)	89,786
Cash Flows From Financing Activities		
Contributions restricted for long-term endowment	6,030	5,666
Distributions from beneficial interest in perpetual trust	743,275	673,607
Net Cash Provided By Financing Activities	749,305	679,273
Net Increase (Decrease) In Cash	(141,710)	336,247
Cash - Beginning Of Year	2,216,477	1,880,230
Cash - End Of Year	\$ 2,074,767	\$ 2,216,477

JEWISH FEDERATION OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2018 And 2017

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) and CAJE are included herein. Effective January 1, 2019, JCRB will become 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. Additionally, the Federation has changed its fiscal year end to December 31 effective with the three month period ending December 31, 2018.

2. Significant Accounting Policies

Basis Of Accounting

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

Basis Of Presentation

The financial statement presentation follows the requirements of the Financial Accounting Standards Board for Not-for-Profit Organizations 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 information regarding its financial position and activities according to the following three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

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.

JEWISH FEDERATION OF GREATER KANSAS CITY

Notes To Financial Statements (*Continued*)

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.

Investment return that is restricted by donor stipulation and for which the restrictions will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of activities and changes in net assets as unrestricted, temporarily restricted or permanently restricted 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.

JEWISH FEDERATION OF GREATER KANSAS CITY

Notes To Financial Statements (*Continued*)

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.

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 promises to give recorded in the current year	2%
Unpaid promises to give from prior year	50%
Unpaid promises to give from two years prior and earlier	100%

The annual provision represents the amount required to adjust the ending allowance for uncollectible pledges 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 pledges and the estimate provided by management are charged or credited to operations during the year in which such differences become known.

Conditional contributions, which depend upon specified future and uncertain events, are not included as support until such time as the conditions are substantially met.

Restricted And Unrestricted Support

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and nature of any donor restrictions.

JEWISH FEDERATION OF GREATER KANSAS CITY

Notes To Financial Statements (*Continued*)

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

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 expense as of September 30, 2018 and 2017 was \$33,900 and \$30,936, respectively. 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.

Revenue Recognition

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.

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 2014 and later remain subject to examination by taxing authorities.

JEWISH FEDERATION OF GREATER KANSAS CITY

Notes To Financial Statements (Continued)

Functional Expenses

Expenses have been classified by specific functions where ascertainable. Those expenses which cannot be specifically identified by function type have been allocated to functions based upon management's best estimate of usage.

Subsequent Events

Management evaluates subsequent events through the date financial statements were available for issue, which is the date of the Independent Auditor's Report.

3. Promises To Give

Promises to give by campaign year are as follows as of September 30:

	<u>2018</u>	<u>2017</u>
Campaign year:		
2019	\$ 831,194	\$ 731,300
2018	1,564,170	281,708
2017	426,502	2,110,026
2016	74,330	143,504
2015 and prior	82,705	282,318
	<u>2,978,901</u>	<u>3,548,856</u>
Less: Discount to present value	(38,780)	(53,402)
Less: Allowance for doubtful promises to give	(415,454)	(453,289)
	<u>\$ 2,524,667</u>	<u>\$ 3,042,165</u>

All campaign promises to give are expected to be collected within one year with the exception of several promises totaling \$532,000 at September 30, 2018 and \$731,000 at September 30, 2017, which are expected to be collected between one and four years.

JEWISH FEDERATION OF GREATER KANSAS CITY

Notes To Financial Statements (Continued)

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

	<u>2018</u>	<u>2017</u>
In one year or less	\$ 400,000	\$ 898,024
Between one and five years	630,000	955,000
	<u>1,030,000</u>	<u>1,853,024</u>
Less: Discount to present value	(72,100)	(112,700)
Less: Allowance for doubtful promises to give	(30,900)	—
	<u>\$ 927,000</u>	<u>\$ 1,740,324</u>

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

4. Investments

Investment securities and unrealized appreciation are as follows at September 30:

	<u>2018</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Money market funds	\$ 5,478	\$ 5,478	\$ —
Mutual funds - fixed income	126,850	125,227	(1,623)
Mutual funds - equities	282,410	369,449	87,039
Pooled investments:			
Investments held in custody	3,984,768	4,698,517	713,749
Beneficial interest in assets	15,111,878	18,041,202	2,929,324
	<u>\$ 19,511,384</u>	<u>\$ 23,239,873</u>	<u>\$ 3,728,489</u>

JEWISH FEDERATION OF GREATER KANSAS CITY

Notes To Financial Statements (Continued)

	2017		
	Cost	Fair Value	Unrealized Appreciation
Money market funds	\$ 4,783	\$ 4,783	\$ —
Mutual funds - fixed income	127,685	128,608	923
Mutual funds - equities	293,012	374,111	81,099
Pooled investments:			
Investments held in custody	4,069,414	4,590,612	521,198
Beneficial interest in assets	15,406,509	17,273,269	1,866,760
	<u>\$ 19,901,403</u>	<u>\$ 22,371,383</u>	<u>\$ 2,469,980</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:

	2018	2017
Distributions from beneficial interest in perpetual trust	\$ 743,275	\$ 673,607
Beneficial interest in future earnings of perpetual trust	(38,421)	1,059,524
Interest and dividend income	62,276	40,389
Realized gain (loss)	(29,281)	35,229
Unrealized gain	371,433	654,276
Investment expenses	(92,723)	(65,704)
	<u>\$ 1,016,559</u>	<u>\$ 2,397,321</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).

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 September 30, 2018 or 2017.

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 permanent endowment funds as Level 3 measurements is based on the ownership and permanently restricted status 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.

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 September 30, 2018:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 5,478	\$ —	\$ —	\$ 5,478
Mutual funds:				
Fixed income	125,227	—	—	125,227
Equities	369,449	—	—	369,449
Beneficial interest in assets reported in temporarily restricted net assets	—	3,408,082	—	3,408,082
Beneficial interest in assets reported in permanent endowment net assets	—	—	14,633,120	14,633,120
Total Assets In The Fair Value Hierarchy	\$ 500,154	\$ 3,408,082	\$ 14,633,120	18,541,356
Investments measured at net asset value per share (a)				<u>4,698,517</u>
Total Assets At Fair Value				<u>\$ 23,239,873</u>

The following table sets forth by level, within the fair value hierarchy, the Federation's assets at fair value as of September 30, 2017:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 4,783	\$ —	\$ —	\$ 4,783
Mutual funds:				
Fixed income	128,608	—	—	128,608
Equities	374,111	—	—	374,111
Beneficial interest in assets reported in temporarily restricted net assets	—	2,607,758	—	2,607,758
Beneficial interest in assets reported in permanent endowment net assets	—	—	14,665,511	14,665,511
Total Assets In The Fair Value Hierarchy	\$ 507,502	\$ 2,607,758	\$ 14,665,511	17,780,771
Investments measured at net asset value per share (a)				<u>4,590,612</u>
Total Assets At Fair Value				<u>\$ 22,371,383</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.

JEWISH FEDERATION OF GREATER KANSAS CITY

Notes To Financial Statements (Continued)

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 September 30, 2018, the Common Pool target asset allocation policy was 36% equities, 10% hedge funds and 54% fixed income. As of September 30, 2017, the Common Pool target asset allocation policy was 36% equities, 16% hedge funds and 48% fixed income. As of September 30, 2018, the target asset allocation of the Long-Term Pool was 61% equity, 11% hedge funds and 28% fixed income. As of September 30, 2017, the target asset allocation of the Long-Term Pool was 62% equity, 14% hedge funds and 24% fixed income.

Gains and losses included in the change in net assets for the year ended September 30, 2018 are presented in the statement of activities and changes in net assets as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Gains and losses for the period included in investment return	\$ 743,275	\$ —	\$ (38,421)	\$ 704,854

Gains included in the change in net assets for the year ended September 30, 2017 are presented in the statement of activities and changes in net assets as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Gains for the period included in investment return	\$ 673,607	\$ —	\$ 1,059,524	\$ 1,733,131

JEWISH FEDERATION OF GREATER KANSAS CITY

Notes To Financial Statements (Continued)

6. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at September 30:

	<u>2018</u>	<u>2017</u>
Annual campaign	\$ 2,300,623	\$ 2,149,666
Community development	353,312	503,770
Youth development	1,583,454	1,600,938
Support for seniors and others in need	349,152	400,445
Community security	1,569,002	1,887,649
Community relations	1,388,619	1,280,779
	<u>\$ 7,544,162</u>	<u>\$ 7,823,247</u>

7. Permanently Restricted Net Assets

As of September 30, 2018 and 2017, permanently restricted net assets of \$14,884,620 and \$14,917,011, respectively, are restricted for investment in perpetuity. The income from these net assets is to be used for the support of the annual campaign or for specific programs and may be temporarily restricted or unrestricted.

The Federation's permanently restricted net assets consist of several funds established for the support of the Federation. The Federation's policy requires the preservation of the fair value as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Federation classifies as permanently restricted net assets the original value of the gifts to the permanent endowment, the fair value of any subsequent gifts to the endowment, and any accumulation required to be made by donor stipulation. Amounts in excess of the stated value of permanently restricted funds are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Federation.

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 Federation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature would be appropriated from unrestricted funds.

JEWISH FEDERATION OF GREATER KANSAS CITY

Notes To Financial Statements (Continued)

8. Net Assets Released From Restrictions

For the years ended September 30, 2018 and 2017, net assets of \$811,368 and \$783,141 respectively, were released from donor-imposed restrictions by incurring program expenses satisfying the restricted purpose specified by donors.

9. 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 permanent endowment funds are reported as unrestricted investment income on the statement of activities and changes in net assets.

Following is a summary of the fair value of the Federation's beneficial interest in assets held by the Foundation, included in investments:

	<u>2018</u>	<u>2017</u>
Assets held in permanent endowment funds	\$ 14,633,120	\$ 14,665,511
Assets held in temporarily restricted funds	3,408,082	2,607,758
	<u>\$ 18,041,202</u>	<u>\$ 17,273,269</u>

10. 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.

JEWISH FEDERATION OF GREATER KANSAS CITY

Notes To Financial Statements (Continued)

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 as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 permanently restricted net assets is classified as temporarily restricted net assets 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.

The changes in endowment net assets for the year ended September 30, 2018 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance - October 1, 2017	\$ —	\$ 256,001	\$ 14,917,011	\$ 15,173,012
Investment return				
Investment income	743,275	7,106	—	750,381
Net appreciation (depreciation)	—	35,546	(38,421)	(2,875)
Total investment return (loss)	743,275	42,652	(38,421)	747,506
Contributions	—	—	6,030	6,030
Amounts appropriated for spending	(743,275)	(50,000)	—	(793,275)
Balance - September 30, 2018	\$ —	\$ 248,653	\$ 14,884,620	\$ 15,133,273

JEWISH FEDERATION OF GREATER KANSAS CITY

Notes To Financial Statements (Continued)

The changes in endowment net assets for the year ended September 30, 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance - October 1, 2016	\$ —	\$ 254,071	\$ 13,851,821	\$ 14,105,892
Investment return				
Investment income	673,607	7,066	—	680,673
Net appreciation	—	56,664	1,059,524	1,116,188
Total investment return	673,607	63,730	1,059,524	1,796,861
Contributions	—	—	5,666	5,666
Amounts appropriated for spending	(673,607)	(61,800)	—	(735,407)
Balance - September 30, 2017	\$ —	\$ 256,001	\$ 14,917,011	\$ 15,173,012

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 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.

11. 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 \$47,221 and \$27,781 for fiscal 2018 and 2017, respectively.

JEWISH FEDERATION OF GREATER KANSAS CITY

Notes To Financial Statements (Continued)

12. 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 statements of activities and changes in net assets. Following are fees charged to those entities with common Board representation for the years ended September 30:

	<u>2018</u>	<u>2017</u>
Jewish Community Foundation of Greater Kansas City	\$ 7,752	\$ 9,360
Jewish Community Campus of Greater Kansas City (Campus)	<u>67,985</u>	<u>65,500</u>
	<u>\$ 75,737</u>	<u>\$ 74,860</u>

Effective January 1, 2019, the Federation will no longer provide 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 \$148,860 and \$144,468 for 2018 and 2017, respectively.

During the years ended September 30, 2018 and 2017, the Federation paid the Campus \$269,327 and \$262,815, respectively, for security related costs.

JEWISH FEDERATION OF GREATER KANSAS CITY

Notes To Financial Statements (Continued)

13. Other Grants And Allocations

Other grants and allocations comprise the following for the years ended September 30:

	<u>2018</u>	<u>2017</u>
Local emergency individual support	\$ 175,963	\$ 160,173
Jewish preschool program support	9,500	—
Jewish camp scholarships	63,871	73,755
Special needs children grants	192,145	167,589
Jewish programs funded by the Kansas City		
Jewish community	35,719	79,698
Educational experiences in Israel	131,342	10,000
Disaster relief	48,156	78,555
Social justice support	48,475	—
Community security	269,327	262,815
Grants to individuals	—	7,974
	<u>\$ 974,498</u>	<u>\$ 840,559</u>

14. Concentrations

For the years ending September 30, 2018 and 2017, 44% of the Federation's promises to give were due from two donors and 31% of the Federation's promises to give were due from three donors, respectively. For the year ending September 30, 2017, 18% of annual campaign revenues were contributed from one donor.

JEWISH FEDERATION OF GREATER KANSAS CITY

Notes To Financial Statements (Continued)

15. Restatement

The Federation has restated the financial statements for the year ended September 30, 2017 to correct an error in accounting and reporting of a campaign promise to give. This restatement had no effect on net assets as of October 1, 2016. The impact of this correction of an error, which has been adjusted in the restated financial statements, is as follows for the year ended September 30, 2017:

Financial Statement Line Item	As Originally Stated	Restatement	As Restated
Unrestricted: undesignated net assets, end of year (2017)	\$ 1,271,778	\$ 200,000	\$ 1,471,778
Temporarily restricted net assets, end of year (2017)	7,267,247	556,000	7,823,247
Campaign promises to give, net of allowance - current	2,164,567	200,000	2,364,567
Campaign promises to give, net - long-term	121,598	556,000	677,598
Annual campaign - unrestricted	4,591,789	200,000	4,791,789
Annual campaign - temporarily restricted	121,898	556,000	677,898
Change in net assets - unrestricted	1,031,475	200,000	1,231,475
Change in net assets - temporarily restricted	1,094,439	556,000	1,650,439



RubinBrown LLP
Certified Public Accountants
& Business Consultants

One Kansas City Place
1200 Main Street
Suite 1000
Kansas City, MO 64105

T 816.472.1122

W rubinbrown.com
E info@rubinbrown.com

Independent Auditors' Report On Supplementary Information

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

We have audited the financial statements of the Jewish Federation of Greater Kansas City as of and for the years ended September 30, 2018 and 2017, and our report thereon dated April 2, 2019, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule investment activity, which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

RubinBrown LLP

April 2, 2019

JEWISH FEDERATION OF GREATER KANSAS CITY

SCHEDULE OF INVESTMENT ACTIVITY

For The Year Ended September 30, 2018

	Investments Held At The Foundation	Polsky Endowment Investments	Total Investments
Balance, October 1, 2017	\$ 21,863,881	\$ 507,502	\$ 22,371,383
Contributions	757,737	—	757,737
Investment income	973,908	42,651	1,016,559
Grants	(855,806)	(50,000)	(905,806)
Balance, September 30, 2018	\$ 22,739,720	\$ 500,153	\$ 23,239,873
Investment income summary:			
Distributions from beneficial interest in perpetual trust	\$ 743,275	\$ —	\$ 743,275
Beneficial interest in future earnings of perpetual trust	(38,421)	—	(38,421)
Interest, dividends and other	52,883	9,393	62,276
Realized gains (losses)	(61,433)	32,152	(29,281)
Unrealized gains	368,039	3,394	371,433
Investment expenses	(90,435)	(2,288)	(92,723)
	\$ 973,908	\$ 42,651	\$ 1,016,559
