The Greater Kansas City Community Foundation and Supporting Organizations

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2018 and 2017

BKD LLP
CPAs & Advisors

The Greater Kansas City Community Foundation and Supporting Organizations

December 31, 2018 and 2017

Contents

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CPAs & Advisors

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Independent Auditor's Report

Board of Directors
The Greater Kansas City Community Foundation
and Supporting Organizations
Kansas City, Missouri

We have audited the accompanying consolidated financial statements of The Greater Kansas City Community Foundation and Supporting Organizations (the Foundations), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Greater Kansas City Community Foundation and Supporting Organizations as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the consolidated financial statements, in 2018, the Foundations adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

BKD, LLP

Kansas City, Missouri
October 9, 2019

The Greater Kansas City Community Foundation and Supporting Organizations

Consolidated Statements of Financial Position

December 31, 2018 and 2017

Assets

	2018	2017
Cash and cash equivalents	$ 323,756,329	$ 278,633,644
Investments	2,689,344,591	2,755,397,717
Contributions receivable, net	53,538,903	47,598,174
Notes and other receivables	28,605,931	29,014,329
Property and equipment, net	45,277,092	46,745,725
Total assets	$ 3,140,522,846	$ 3,157,389,589

Liabilities and Net Assets

	2018	2017
Liabilities		
Grants and other payables	$ 37,471,426	$ 38,239,198
Notes and bonds payable	10,659,901	18,000,029
Charitable remainder trusts and gift annuities	23,030,703	26,410,353
Funds held for agencies	938,270,987	863,991,611
Total liabilities	1,009,433,017	946,641,191
Net Assets		
Without donor restrictions	2,097,835,216	2,174,734,682
With donor restrictions	33,254,613	36,013,716
Total net assets	2,131,089,829	2,210,748,398
Total liabilities and net assets	$ 3,140,522,846	$ 3,157,389,589

The Greater Kansas City Community Foundation and Supporting Organizations

Consolidated Statements of Activities

Years Ended December 31, 2018 and 2017

	2018	2017
Revenues and Support Without Donor Restrictions		
Contributions – total amount raised	$ 576,459,229	$ 499,831,731
Less amounts raised on behalf of others	256,965,646	142,039,452
Net contributions	319,493,583	357,792,279
Net investment return (loss)	(92,314,133)	263,223,195
Change in value of charitable remainder trust obligations	1,559,954	(4,070,635)
Income from services	2,690,137	2,084,037
Other	3,012,260	2,958,604
Net assets released from restriction	6,566,949	7,652,991
Total revenues and support without donor restrictions	241,008,750	629,640,471
Expenses and Losses		
Grants	405,644,646	403,400,067
Less amounts distributed on behalf of others	108,232,049	139,915,592
Net grants	297,412,597	263,484,475
Donor services expenses	10,888,939	6,843,966
Program direct fund expenses	5,930,187	5,198,092
Total program services	314,231,723	275,526,533
Administrative expenses	1,791,709	1,550,843
Development expenses	1,884,784	1,894,412
Total support services	3,676,493	3,445,255
Total expenses and losses	317,908,216	278,971,788
Change in net assets without donor restrictions	(76,899,466)	350,668,683
Net Assets With Donor Restrictions		
Contributions	3,807,846	12,796,069
Net assets released from restriction	(6,566,949)	(7,652,991)
Change in net assets with donor restrictions	(2,759,103)	5,143,078
Change in Net Assets	(79,658,569)	355,811,761
Net Assets, Beginning of Year	2,210,748,398	1,854,936,637
Net Assets, End of Year	$ 2,131,089,829	$ 2,210,748,398

The Greater Kansas City Community Foundation and Supporting Organizations

Consolidated Statements of Cash Flows

Years Ended December 31, 2018 and 2017

	2018	2017
Operating Activities		
Change in net assets	$ (79,658,569)	$ 355,811,761
Items not requiring (providing) operating activities cash flows		
Net realized and unrealized (gains) losses on investments	130,991,904	(235,498,521)
Contributions of investments	(7,148,602)	(57,645,133)
Loss on disposal of property and equipment	161,384	2,404,068
Contribution revenue resulting from issuance of a note receivable	-	(19,090,000)
Depreciation	2,163,483	2,312,611
Changes in		
Contributions and other receivables	(6,901,868)	8,199,201
Grants and other payables	(372,911)	(8,993,448)
Charitable remainder trust liability	(3,379,650)	(2,200,817)
Funds held for agencies	74,279,376	99,271,798
Net cash provided by operating activities	110,134,547	144,571,520
Investing Activities		
Purchase of property and equipment	(856,234)	(236,673)
Purchase of investments	(781,027,416)	(687,417,689)
Proceeds from sale of investments	723,237,240	547,625,891
Advances made on notes receivable	(906,315)	(1,094,710)
Principal payments received on notes receivable	2,275,852	4,218,278
Net cash used in investing activities	(57,276,873)	(136,904,903)
Financing Activities		
Principal payments on notes and bonds payable	(7,734,989)	(13,929,024)
Net cash used in financing activities	(7,734,989)	(13,929,024)
Increase (Decrease) in Cash and Cash Equivalents	45,122,685	(6,262,407)
Cash and Cash Equivalents, Beginning of Year	278,633,644	284,896,051
Cash and Cash Equivalents, End of Year	$ 323,756,329	$ 278,633,644
Supplemental Cash Flows Information		
Note receivable issued in exchange for future estate distribution	$ -	$ 19,090,000

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Principles of Consolidation

The accompanying consolidated financial statements include the accounts of The Greater Kansas City Community Foundation (the Community Foundation), its wholly-owned limited liability companies, its controlled not-for-profit organization Greater Horizons and the following supporting organizations (collectively, the Foundations):

- Allen and Gloria Block Foundation
- Blue River Land Trust LTD
- Community Foundation of Wyandotte County *
- Greater Northwest Kansas Community
- Gary Dickinson Family Foundation
- George A. and Dolly F. Larue Trust
- Greater Horizons Foundation
- Greater Horizons Trust
- Greater Lee's Summit Healthcare Foundation
- Highland Kansas City Foundation
- Irvin E. and NeVada P. Linscomb Foundation
- Jack and Helyn Miller Foundation
- Kansas City Area Life Sciences Institute, Inc. *
- Kansas City Public Library Foundation
- Parsons Area Community Foundation
- Polsky Family Supporting Foundation
- Real Estate Charitable Foundation
- Rehabilitation Institute Foundation
- Ross Family Foundation
- Stanley H. Durwood Foundation
- The K Foundation *

*These supporting organizations retired during 2018 or 2017.

Supporting organizations are affiliated charitable organizations that enjoy the continuing involvement of their Boards of Directors, yet gain public charity status through their affiliation with the Community Foundation.

The Foundations' revenues and support are derived principally from contributions and their activities are conducted primarily in the Greater Kansas City metropolitan area.

Cash and Cash Equivalents

At December 31, 2018 and 2017, cash equivalents consisted primarily of money market funds and temporary cash investments with maturities of three months or less. At December 31, 2018, substantially all of the Foundations' cash and cash equivalents were held in financial institutions and investment brokerage firms in excess of federally insured limits; however, management is constantly evaluating the financial stability of these institutions and believes the risk of loss is minimal.

Investments and Net Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Certificates of deposit are stated at cost and life insurance policies are carried at their cash surrender value. Other investments are valued at fair value.

Investments in hedge funds, common trust funds and certain limited partnerships are recorded at net asset value (NAV), as a practical expedient.

Investment return includes dividend, interest and other investment income and realized and unrealized gains and losses on investments less external and direct internal investment expenses.

The Community Foundation's Board of Directors has adopted policies for the allocation of investment income and administrative expenses to various funds for which the underlying assets are "pooled." Investment income earned by these pooled assets is allocated to each fund participating in the pool based on the average monthly balance invested. Certain investments related to donor advised funds are maintained outside the pooled assets. Investment return for these funds is based on the actual investment performance of the related assets.

Notes Receivable

Notes receivable are stated at the amounts loaned to other organizations or individuals plus any accrued and unpaid interest. The Foundations provide an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Payments are due as specified in the note agreements. Notes are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the note.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation expense is computed on a straight-line basis over the estimated useful lives of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and leasehold improvements	10-50 years
Furniture and fixtures	5-10 years
Computer equipment and software	3 years

The Foundations evaluate the recoverability of the carrying value of property and equipment whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2018 and 2017.

Charitable Remainder Trusts and Charitable Gift Annuities

Charitable Remainder Trusts

A charitable remainder unitrust pays a fixed percentage of the net fair market value of the trust assets value at least annually. A charitable remainder annuity trust pays a fixed dollar amount that will not vary from year to year. Each trust is a separate legal entity. At the end of the trust term, the remainder interest is paid to the Foundations.

The portion of the trust attributable to the future interest of the Foundations is recorded in the consolidated statements of activities as contributions with donor restriction in the period the trust is established. Assets held in the charitable remainder trusts are recorded at fair value in the Foundations' consolidated statements of financial position. On an annual basis, the Foundations revalue the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using discount rates provided by the Internal Revenue Service and applicable mortality tables.

Charitable Gift Annuities

The Foundations have entered into irrevocable agreements with donors whereby, in exchange for the gift from the donor, the Foundations are obligated to provide annual distributions to a designated beneficiary.

A charitable gift annuity pays a fixed dollar amount for the life of the beneficiary/beneficiaries. The assets gifted by the donor become the assets of the Foundations at the time of the gift. Unlike the charitable remainder trusts, the annuities are private contracts between the charity and the donor.

The assets received from the donor are recorded at fair value. The Foundations have recorded a liability at December 31, 2018 and 2017, which represents the present value of the future annuity obligations. The liability has been determined using discount rates as provided by the Internal Revenue Service.

Funds Held for Agencies

The Community Foundation acts as a fiscal agent for other not-for-profit organizations that wish to establish a fund at the Community Foundation with its own funds and specified itself as the beneficiary of that fund. The Community Foundation refers to such funds as agency funds and accounts for the transfer of such assets as a liability. For financial reporting purposes, contributions to and distributions from agency funds are netted with the gross activity on the consolidated statements of activities.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve (see *Note 12*). Most funds of the Foundations are classified as net assets without donor restrictions because the governing instruments of the Foundations and donor agreements provide the Foundations with variance power.

Contributions received by the Foundations are separated as Donor Advised Funds, Designated Funds, Field of Interest Funds or Undesignated Funds at the request of the donor. Donor Advised Funds are available for grant disbursement generally based on donor recommendation. Designated Funds are generally used for a specific charitable organization as recommended by the donor. Field of Interest Funds are available for grant disbursement within a charitable field of interest as recommended by the Community Foundation's Board of Directors. Undesignated Funds are carried in the name of the donor, if applicable, and are available for disbursement at the discretion of the Community Foundation's Board of Directors.

Net assets with donor restriction are those whose use by the Foundations has been limited by donors to a specific time period or purpose. At December 31, 2018 and 2017, net assets with donor restrictions consisted of contributions receivable totaling $8,990,707 and $13,990,707, respectively, restricted for the purpose of repaying the outstanding lines of credits. The remaining balance with donor restriction at December 31, 2018 and 2017 of $24,263,906 and $22,023,009, respectively, consisted of time restrictions related to charitable remainder and annuity trusts and contributions receivable.

Contributions and Contributions Receivable

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Gifts having donor stipulations that are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as restricted revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

The Foundations provide an allowance for uncollectible contributions receivable, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Contributions are due as indicated by the donor in the pledge agreement. Contributions receivable are considered delinquent and reserved for or written off based on the individual credit evaluation and specific circumstances of the pledge.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Contributions of services are recognized if the services received create or enhance nonfinancial assets, or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Grants

Grant expenses are recorded when approved. In some instances, grants are approved subject to receipt of future gifts and investment income. These are not considered conditional and, therefore, are recognized when approved.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Certain costs have been allocated among the donor services, program direct fund expenses, administrative and development categories based on time expended, usage and other methods.

Income Taxes

The Internal Revenue Service has determined the Community Foundation is a publicly supported organization as defined in Section 509(a)(1) of the Internal Revenue Code. The supporting organizations are organizations of the type described in Section 509(a)(3). All organizations are exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. The Foundations file tax returns in the U.S. federal jurisdiction.

Use of Estimates

The preparation of consolidated 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revision

Certain immaterial revisions have been made to the 2017 consolidated financial statements to present the gross presentation of changes in net assets with donor restrictions and the disclosure associated with the level particular investments fall in the fair value hierarchy for fair value measurements. These revisions did not have a significant impact on the financial statement line items impacted.

Subsequent Events

Subsequent events have been evaluated through October 9, 2019, which is the date the consolidated financial statements were available to be issued.

Note 2: Change in Accounting Principle

In 2018, the Foundation, adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes is as follows:

Statement of Financial Position

- The consolidated statement of financial position distinguishes between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.

Statement of Activities

- Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.
- Amounts and purposes of Governing Board designations and appropriations as of the end of the period are disclosed.

This change had no impact on previously reported total change in net assets.

Note 3: Investments and Fair Value Measurements

Investments and Fair Value Measurements

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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

The following tables detail the investment balances and present the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2018 and 2017:

		2018 Fair Value Measurements Using		
	Total	Level 1	Level 2	Level 3
Cash equivalents	$ 309,182,173	$ 309,182,173		
Investments				
Investments at fair value				
Equity strategies				
Berkshire Hathaway	231,090,667	231,090,667		
U.S. equities	361,021,539	361,020,861	$ 678	
Foreign equities	17,452,350	17,452,350		
Vanguard institutional index fund	325,271,572	325,271,572		
Domestic mutual funds	358,240,138	358,240,138		
Foreign mutual funds	333,684,367	333,684,367		
Exchange traded notes	489,344	489,344		
Fixed income strategies				
U.S. treasury and agency securities	48,015,933		48,015,933	
Corporate and municipal bonds	68,000,186		68,000,186	
Domestic bond funds	585,806,637	585,274,007	532,630	
Foreign bond funds	9,739,275	9,739,275		
Foreign bonds	340,345		340,345	
Other investment strategies				
Balanced mutual funds	15,188,166	15,188,166		
Master limited partnership mutual funds	5,612,628	5,612,628		
Commodities and commodity funds	5,821,897	5,821,897		
Real estate investment trusts	12,763,250	12,741,449	12,348	$ 9,453
Alternative mutual funds	18,271,371	18,226,941	44,430	
Alternative investments	75,401,960	25,223		75,376,737
Closely held stock	48,305,212			48,305,212
Limited partnerships	2,141,956	2,141,956		
Real estate	10,228,890			10,228,890
Total investments at fair value	2,532,887,683	2,282,020,841	116,946,550	133,920,292
Investments at net asset value (NAV)				
Hedge funds	13,526,386			
Common trust funds	73,674,018			
Limited partnerships	58,614,604			
Total investments at NAV	145,815,008			
Investments at cost				
Certificates of deposit	9,466,320			
Life insurance	1,175,580			
Total investments at cost	10,641,900			
Total investments	2,689,344,591	2,282,020,841	116,946,550	133,920,292
	$ 2,998,526,764	$ 2,591,203,014	$ 116,946,550	$ 133,920,292

The Greater Kansas City Community Foundation and Supporting Organizations

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

	Total	2017 Fair Value Measurements Using Level 1	Level 2	Level 3
Cash equivalents	$ 241,811,760	$ 241,811,760		
Investments				
Investments at fair value				
Equity strategies				
Berkshire Hathaway	325,710,089	325,710,089		
U.S. equities	353,805,902	353,743,193	$ 62,709	
Foreign equities	22,531,683	22,531,683		
Vanguard institutional index fund	352,949,118	352,949,118		
Domestic mutual funds	358,279,434	358,279,434		
Foreign mutual funds	333,845,883	333,845,883		
Exchange traded notes	1,596,694	1,596,694		
Fixed income strategies				
U.S. treasury and agency securities	47,874,846		47,874,846	
Corporate and municipal bonds	57,657,474		57,657,474	
Domestic bond funds	514,742,302	514,293,617	448,685	
Foreign bond funds	7,390,873	7,390,873		
Foreign bonds	420,595		420,595	
Other investment strategies				
Balanced mutual funds	14,659,903	14,659,903		
Master limited partnership mutual funds	5,571,402	5,571,402		
Commodities and commodity funds	4,128,838	4,128,838		
Real estate investment trusts	13,030,952	12,888,964	132,595	$ 9,393
Alternative mutual funds	18,636,899	18,580,385	56,514	
Alternative investments	106,902,848	202,943	785,030	105,914,875
Closely held stock	46,606,287			46,606,287
Limited partnerships	2,804,533	2,804,533		
Real estate	6,272,749			6,272,749
Total investments at fair value	2,595,419,304	2,329,177,552	107,438,448	158,803,304
Investments at net asset value (NAV)				
Hedge funds	6,252,422			
Common trust funds	77,361,683			
Limited partnerships	66,583,406			
Total investments at NAV	150,197,511			
Investments at cost				
Certificates of deposit	8,424,953			
Life insurance	1,355,949			
Total investments at cost	9,780,902			
Total investments	2,755,397,717	2,329,177,552	107,438,448	158,803,304
	$ 2,997,209,477	$ 2,570,989,312	$ 107,438,448	$ 158,803,304

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. Level 3 securities are estimated through internal analysis and through the use of independent appraisals. See the table below for inputs and valuation techniques used for Level 3 securities. There have been no significant changes in the valuation techniques during the year ended December 31, 2018.

Level 3 Activity

Level 3 activities are as follows:

	Closely Held Stock	Alternative Investments	Real Estate & Real Estate Investment Trusts
For the year ended December 31, 2018			
Contributions	$ 436,199	$ 4,406,764	$ 2,465,640
Sales and redemptions	-	(20,921,683)	-
Grants	(5,000,000)	-	-
For the year ended December 31, 2017			
Contributions	$ 34,407,149	$ 22,443,647	$ 794,337
Sales and redemptions	-	(577,271)	(153,464)
Grants	-	-	(6,796,550)

Unobservable (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in recurring Level 3 fair value measurements at December 31, 2018 and 2017.

	Fair Value at 12/31/2018	Fair Value at 12/31/2017	Valuation Technique	Unobservable Inputs	Range at 12/31/2018	Range at 12/31/2017
Closely held stock	$ 48,305,212	$ 46,606,287	Discounted cash flow	Weighted average cost of capital		20% - 29%
				Marketability yield adjustment		5% - 40%
				Projected cash flows		
				Discount for lack of control	20% - 30%	20% - 30%
			Adjusted net asset method	Discount for minority interest		
				Marketability yield adjustment		
			Market approach	Enterprise value market multiples		3% - 7%
			Sales comparison approach	Index change in value		5%
			Weighted discount cash flow (50%), guideline public company analysis (30%) and guideline transaction analysis (20%)	Cost of capital	16%	
				Increase in revenue	20%	
				Terminal value	6.5x	
				Revenue multiple	5.7 - 8.7x	
				Discount for minority interest	35%	
Alternative investments	75,376,737	105,914,875	Asset based approach	Discount for lack of control	5% - 10%	5% - 10%
				Marketability yield adjustment		
Real estate & real estate investment trusts	10,238,343	6,282,142	Sales comparison approach	Probability of success		
			Income capitalization rate	Capitalization rate	9%	9%

Investments at Net Asset Value

At December 31, 2018 and 2017, the Foundations held the following investments in certain entities that calculate net asset value per share or its equivalent.

	Fair Value 2018	Fair Value 2017	Restrictions on Redemption	Redemption Notice Period
Hedge funds (A)	$ 13,526,386	$ 6,252,422	Initial lock-up of 1 - 2 years	65 - 95 days
Common trust funds (B)	73,674,018	77,361,683	Limited to month-end redemption	6 days
Limited partnerships (C)	58,614,604	66,583,406	Limited to month-end or quarter-end redemption	30 - 90 days
Total	$ 145,815,008	$ 150,197,511		

(A) This category includes investments in multi-strategy hedge funds that primarily utilize directional (long/short domestic and global equity) and absolute return strategies with the objective of protecting capital, providing returns uncorrelated to the broad United States of America equity market and earning attractive rates of return over time.

The Foundations' hedge funds have lock-up periods ranging from one to two years, and thereafter require between 65 and 95 days of advance notice prior to redemption. Redemption payments may be delayed in the event of certain extraordinary circumstances including, but not limited to, an inability to liquidate existing positions or the default or delay in payments due the funds from brokers, banks or other persons, or when the disposal of part or all of the assets of the funds, or the determination of the net asset value of the shares, would not be reasonably practicable or would be seriously prejudicial to the non-redeeming shareholders.

(B) This category includes investments in common trust funds, which permit the commingling or pooling of investors' money into one account (known as a common fund) for the purpose of creating a single investment. Because they are a bank product, common trust funds are not required to be registered with the Securities and Exchange Commission and they are not considered to be a security under state and federal securities laws. Much like mutual funds, common trust funds strike a net asset value on a periodic basis and have varying investment strategies that primarily include investments in traditional assets such as domestic and international equity, fixed income securities and other securities.

The Foundations' investments in common trust funds can be redeemed monthly with five business days' notice.

(C) This category includes several partnerships. Each partnership operates in accordance with the terms of a limited partnership agreement and continues to operate year to year, unless dissolved in accordance with the agreements. The partnerships' investment objectives vary, but generally seek to maximize risk adjusted returns over the long term horizon by employing a strategy under which the partnerships invest in multiple asset classes, including traditional assets (such as marketable equity, fixed income and other securities) and alternative assets (such as real estate, commodities, timber, absolute return/hedge funds, private equity and venture capital investments).

The Foundations' investment partnerships are priced at varying intervals, generally allowing exit at month-end or quarter-end. Advance notice periods range from 30 to 90 days. In certain situations where redemptions comprise ten percent of partnership assets at quarter-end or 25 percent at year-end, the partnerships may suspend redemptions.

At December 31, 2018 and 2017, the Community Foundation's unfunded commitments amounted to $16,535,802 and $13,483,796, respectively.

Note 4: Contributions Receivable

Contributions receivable at December 31, 2018 and 2017 consisted of the following unconditional promises to give with discount rates ranging from 2 percent to 3 percent:

	2018	2017
Due less than one year	$ 28,339,611	$ 20,202,873
Due in one to five years	26,943,225	29,106,042
	55,282,836	49,308,915
Less allowance for uncollectible contributions	(1,474,785)	(1,402,349)
Unamortized discount	(269,148)	(308,392)
	$ 53,538,903	$ 47,598,174

Note 5: Notes and Other Receivables

Notes and other receivables at December 31, 2018 and 2017 consist of the following:

	2018	2017
Due from local for-profit organization; matures June 5, 2022; interest accrues at 4.13% per annum and is due annually; collateralized by investments	$ 5,000,000	$ 5,000,000
Due from local for-profit organization; matures January 1, 2030; monthly principal and interest at 5.5% beginning February 1, 2009; collateralized by real estate and equipment	2,622,975	2,801,908
Due from an estate trustee; matures January 1, 2026; interest accrues at 1.97% per annum and due annually commencing January 1, 2018; principal is due in full on maturity date	15,288,554	17,171,153
Accrued interest receivable	551,091	574,774
Other receivables	5,143,311	3,466,494
	$ 28,605,931	$ 29,014,329

Note 6: Property and Equipment

Property and equipment at December 31, 2018 and 2017 consists of:

	2018	2017
Land	$ 1,910,000	$ 1,910,000
Buildings and leasehold improvements	52,129,968	50,291,825
Furniture and fixtures	1,949,972	2,017,416
Computer equipment and software	1,977,661	1,807,946
Construction in progress	396,378	54,534
	58,363,979	56,081,721
Less accumulated depreciation and amortization	13,086,887	9,335,996
	$ 45,277,092	$ 46,745,725

Note 7: Notes and Bonds Payable

	2018	2017
Lines of credit (A)	$ 8,990,707	$ 13,990,707
Promissory note payable (B)	1,564,184	1,718,384
Bonds payable (C)	-	2,580,789
Other	105,010	96,339
	10,659,901	18,386,219
Less unamortized debt issuance costs	-	(386,190)
	$ 10,659,901	$ 18,000,029

(A) There are two lines of credit. The first is a revolving line of credit not to exceed $12,000,000 maturing March 31, 2019. Subsequent to year end, the line of credit was renewed and extended to March 31, 2021. Interest is due on June 30 and then on the last day of each quarter until paid in full. The loan carries an interest rate of London Interbank Offered Rate (LIBOR) plus 0.5 percent. Interest was 2.94 percent and 2.0 percent at December 31, 2018 and 2017, respectively. The line of credit is secured by the personal property of a donor. The second is a revolving line of credit not to exceed $8,000,000 expiring June 30, 2020. The loan carries an interest rate of 30 day LIBOR plus .6 percent or bank offered rate. Interest was 2.92 percent and 1.93 percent at December 31, 2018 and 2017, respectively. Interest is charged periodically until paid in full. The line of credit is guaranteed by the personal property of a donor. The purposes of the lines of credit are to fund contributions to charitable organizations and both lines of credit are renewed annually.

(B) Promissory note dated December 14, 2012 for $2,300,000, with a fixed interest rate of 2.36 percent. Quarterly interest payments of $48,349 are due, maturing on December 13, 2027.

The promissory note was issued to purchase land and buildings from the private foundation and the bonds were issued to construct a charter school on the property. In connection with the project, the Foundations have entered into a lease agreement with a separate non-profit organization to lease the land, buildings and equipment for a term of 15 years with lease payments being equal to the debt service payments on the promissory note and bonds plus $100,000 annually.

(C) Leasehold Revenue Bonds, Series 2012, issued by the Health and Educational Facilities Authority of the State of Missouri. The bonds were set to mature December 1, 2027 with a fixed interest rate of 2.17 percent. The bonds were guaranteed by a private foundation. During 2017, $8,825,308 of the bonds were redeemed. During 2018, the remaining balance of the bonds were fully redeemed and paid off.

Including renewals of debt occurring subsequent to year end, aggregate annual maturities of long-term debt at December 31, 2018, are:

2019	$ 157,872
2020	2,228,299
2021	7,089,517
2022	169,419
2023	173,453
Thereafter	841,341
	$ 10,659,901

Note 8: Employee Benefit Plan

The Community Foundation sponsors a defined contribution plan. All full-time employees and part-time employees working 1,500 or more hours per year are eligible to participate upon reaching age twenty-one and completion of three months of service. The Community Foundation contributes an amount to the participant's account equal to 10 percent of the participant's salary, subject to certain limitations. During the years ended December 31, 2018 and 2017, the Community Foundation's contributions to the Plan amounted to approximately $463,000 and $433,000, respectively.

Note 9: Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Certain costs have been allocated among the programs and supporting services benefited.

	2018							
	Program Services				Support Services			
	Grants	Donor Services Expenses	Program Direct Fund Expenses	Total Program Services	Administrative Expenses	Development Expenses	Total Support Services	Total
Grants	$ 297,412,597	$ -	$ -	$ 297,412,597	$ -	$ -	$ -	$ 297,412,597
Salaries	-	180,058	2,879,168	3,059,226	896,790	943,989	1,840,779	4,900,005
Payroll taxes and benefits	-	27,838	1,043,856	1,071,694	325,136	342,248	667,384	1,739,078
Office and program materials	-	14,870	422,530	437,400	131,608	138,534	270,142	707,542
Conferences and training	-	70,313	48,155	118,468	14,999	15,789	30,788	149,256
Telephone and utilities	-	1,933	23,469	25,402	7,310	7,695	15,005	40,407
Office and equipment repairs and maintenance	-	3,702	46,547	50,249	14,498	15,261	29,759	80,008
Promotional and local travel	-	12,785	58,608	71,393	18,255	19,216	37,471	108,864
Printing and postage	-	5,672	44,318	49,990	13,804	14,531	28,335	78,325
Depreciation and amortization	-	1,918,798	149,258	2,068,056	46,490	48,937	95,427	2,163,483
Professional services	-	1,633,495	533,556	2,167,051	166,190	174,936	341,126	2,508,177
Insurance	-	4,978	77,378	82,356	24,101	25,370	49,471	131,827
Marketing	-	22,372	163,475	185,847	50,918	53,598	104,516	290,363
Rent	-	350	258,273	258,623	80,446	84,680	165,126	423,749
Unrelated business income tax	-	-	181,110	181,110	1,164	-	1,164	182,274
Other	-	6,991,775	486	6,992,261	-	-	-	6,992,261
Total	$ 297,412,597	$ 10,888,939	$ 5,930,187	$ 314,231,723	$ 1,791,709	$ 1,884,784	$ 3,676,493	$ 317,908,216

The Greater Kansas City Community Foundation and Supporting Organizations

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

	2017							
	Program Services				Support Services			
	Grants	Donor Services Expenses	Program Direct Fund Expenses	Total Program Services	Administrative Expenses	Development Expenses	Total Support Services	Total
Grants	$ 263,484,475	$ -	$ -	$ 263,484,475	$ -	$ -	$ -	$ 263,484,475
Salaries	-	163,496	2,648,723	2,812,219	794,617	971,198	1,765,815	4,578,034
Payroll taxes and benefits	-	25,354	981,762	1,007,116	294,529	359,980	654,509	1,661,625
Office and program materials	-	12,225	408,196	420,421	122,459	149,672	272,131	692,552
Conferences and training	-	59,783	32,547	92,330	9,764	11,934	21,698	114,028
Telephone and utilities	-	865	22,469	23,334	6,741	8,239	14,980	38,314
Office and equipment repairs and maintenance	-	8,834	22,488	31,322	6,747	8,246	14,993	46,315
Promotional and local travel	-	17,089	50,886	67,975	15,266	18,658	33,924	101,899
Printing and postage	-	-	43,014	43,014	12,904	15,772	28,676	71,690
Depreciation and amortization	-	2,101,362	126,749	2,228,111	38,025	46,475	84,500	2,312,611
Professional services	-	706,957	400,717	1,107,674	120,215	146,930	267,145	1,374,819
Insurance	-	7,720	57,531	65,251	17,259	21,095	38,354	103,605
Marketing	-	17,377	128,770	146,147	38,631	47,216	85,847	231,994
Rent	-	90	242,659	242,749	72,798	88,975	161,773	404,522
Unrelated business income tax	-	-	30,719	30,719	870	-	870	31,589
Other	-	3,722,814	862	3,723,676	18	22	40	3,723,716
Total	$ 263,484,475	$ 6,843,966	$ 5,198,092	$ 275,526,533	$ 1,550,843	$ 1,894,412	$ 3,445,255	$ 278,971,788

Note 10: Transactions in Funds Held for Agencies

Transactions in funds held for agencies are summarized as follows:

	2018	2017
Additions		
Contributions	$ 256,965,646	$ 142,039,452
Transfer to agency funds	-	20,431,496
Net investment return (loss)	(48,581,962)	102,061,464
Total additions	208,383,684	264,532,412
Deductions		
Distributions - grants	108,232,049	139,915,592
Distributions - other	23,411,553	22,881,259
Total distributions	131,643,602	162,796,851
Administrative expenses	2,460,706	2,463,763
Total deductions	134,104,308	165,260,614
Change in balance	74,279,376	99,271,798
Balance in agency funds, beginning of year	863,991,611	764,719,813
Balance in agency funds, end of year	$ 938,270,987	$ 863,991,611

The Foundations contributed approximately $20 million to agency funds during 2017. These contributions are eliminated on the face of the consolidated statement of activities and shown as a transfer into agency funds in the above summary of agency fund activities.

Note 11: Endowment Net Assets

The Foundations' net assets without donor restrictions include various funds established for a variety of purposes that function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Foundations to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundations are incorporated in the State of Missouri, which has adopted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Foundations are governed by the *Rules for the Establishment and Operation of Funds*, as adopted by the boards of directors. The Foundations have determined that the majority of the Foundations' contributions are subject to its governing documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Foundations.

Under the terms of the *Rules for the Establishment and Operation of Funds* and individual fund agreements, the Foundations have the ability to distribute as much of the corpus of any trust or separate gift, devise, bequest or fund as the boards of directors in their sole discretion shall determine. As a result, all contributions not classified as with donor restrictions are classified as net assets without donor restrictions for financial statement purposes. Although the Foundations retain variance power over the distributions from these funds without donor restrictions, to the extent that the donors or boards of directors have recommended that certain funds function as endowment funds, the Foundations manage these funds as endowment funds (funds functioning as endowments).

Endowment Investment and Spending Policies

The Foundations have adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by their funds.

The Foundations' primary long-term investment objectives are to seek competitive market returns so as to preserve and grow the capital of funds, provide cash flows to fund distributions and to preserve the purchasing power of the funds to meet charitable needs of the Foundations now and those in the future. Diversification of assets is employed to ensure that adverse results from one asset class will not have an unduly detrimental effect on total returns. Diversification is interpreted to include diversification by type, by characteristic and by number of investments, as well as by the hiring of managers that employ different management styles. The Foundations' current portfolio places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters. The current long-term return objective for endowment funds is to provide a total return, including interest, dividends and capital appreciation (realized and unrealized) of 8 percent, net of investment expenses. Actual returns in any given year will vary from this amount.

For endowment funds under the Foundations' direct oversight, annual dollars available for distribution shall be computed by multiplying the average of the past three year-end fund balances times five percent (5 percent). Calculations are made as of the beginning of each fiscal year and are distributed according to the terms of the fund agreement, or if not specified, distributions are made by December of each fiscal year. Accordingly, over the long term, the Foundations expect the current spending policy to allow endowment assets to grow at an average rate of 3 percent per year. This is consistent with the Foundations' objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets for the years ended December 31, 2018 and 2017 were:

	2018 Without Donor Restrictions	2017 Without Donor Restrictions
Endowment net assets, beginning of year	$ 249,826,063	$ 221,870,038
Net investment return (loss)	(11,754,926)	32,866,073
Contributions	22,187,182	5,611,120
Amounts appropriated for expenditure	(9,884,694)	(8,580,879)
Net transfers from board-designated endowments	(15,955,500)	(1,940,289)
Change in endowment net assets	(15,407,938)	27,956,025
Endowment net assets, end of year	$ 234,418,125	$ 249,826,063

Note 12: Liquidity and Availability

Financial assets available for administrative and general expenses to operate The Greater Kansas City Community Foundation and its affiliates, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, comprise the following:

Cash and cash equivalents	$ 2,057,105
Accounts receivable and other investments	130,072
Financial assets available to be used within one year	$ 2,187,177

In addition, the Foundation has established an operating reserve fund of at least 50 percent of budgeted annual operating expenses. While it is not the Foundation's intention to make distributions that reduce the operating reserve fund below 50 percent of budgeted annual operating expenses, in the event of extraordinary circumstances, any portion or all of the balance of the operating reserve fund may be distributed to the operating fund, following approval by the Board of Directors. Financial assets at year-end for the operating reserve, comprise the following:

Cash and cash equivalents	$ 2,879,087
Investments	8,523,881
Operating reserve balance	$ 11,402,968

Note 13: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions Receivable

Approximately 89 percent and 92 percent of contributions receivable were due from three donors at December 31, 2018 and 2017, respectively.

Contributions Revenue

Approximately 10 percent of net contributions revenue was received from one donor during the year ended December 31, 2018.

Investments

The Foundations invest 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 that such change could materially affect the amounts reported in the accompanying consolidated statements of financial position.

Approximately 21 percent and 25 percent of all investment holdings were held in two investment securities at December 31, 2018 and 2017, respectively.

Charitable Remainder Trusts and Charitable Gift Annuities

Estimates related to the valuation of charitable remainder trusts and gift annuities are described in *Note 1*.

Allowance for Contributions Receivable and Notes Receivable

Estimates related to the allowance for uncollectible contributions receivable and notes receivable are described in *Note 1*. It is at least reasonably possible that actual collection could differ materially from the contributions and notes receivable currently reported in the accompanying consolidated statements of financial position.

Functional Allocation of Expenses

Estimates related to the allocation of certain costs among the donor services, program direct fund expenses, administrative and development categories are described in *Note 1*.