

**The Greater Kansas City Community Foundation
and Supporting Organizations**

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2020 and 2019



**The Greater Kansas City Community Foundation
and Supporting Organizations**
December 31, 2020 and 2019

Contents

Independent Auditor's Report.....	1
 Consolidated Financial Statements	
Statements of Financial Position	3
Statements of Activities.....	4
Statements of Cash Flows	5
Notes to Financial Statements	6

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, 2020 and 2019, 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.

Board of Directors
The Greater Kansas City Community Foundation
and Supporting Organizations
Page 2

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, 2020 and 2019, 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.

BKD, LLP

Kansas City, Missouri
September 14, 2021

The Greater Kansas City Community Foundation and Supporting Organizations

Consolidated Statements of Financial Position

December 31, 2020 and 2019

Assets

	2020	2019
Cash and cash equivalents	\$ 457,344,964	\$ 384,919,889
Investments	3,764,940,320	3,286,655,006
Contributions receivable, net	14,217,146	22,451,909
Notes and other receivables	29,205,023	22,330,028
Property and equipment, net	41,257,416	42,494,562
Right-of-use asset - operating lease	4,881,053	-
	<u>\$ 4,311,845,922</u>	<u>\$ 3,758,851,394</u>

Liabilities and Net Assets

Liabilities

Grants and other payables	\$ 42,092,154	\$ 43,295,975
Notes and bonds payable	2,519,344	5,511,480
Operating lease liability	4,885,228	-
Charitable remainder trusts and gift annuities	16,326,740	15,850,445
Funds held for agencies	1,286,442,674	1,108,436,427
	<u>1,352,266,140</u>	<u>1,173,094,327</u>

Net Assets

Without donor restrictions	2,949,942,855	2,572,036,205
With donor restrictions	9,636,927	13,720,862
	<u>2,959,579,782</u>	<u>2,585,757,067</u>
	<u>\$ 4,311,845,922</u>	<u>\$ 3,758,851,394</u>

**The Greater Kansas City Community Foundation
and Supporting Organizations**
Consolidated Statements of Activities
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenues and Support Without Donor Restrictions		
Contributions – total amount raised	\$ 683,127,104	\$ 591,282,079
Less amounts raised on behalf of others	<u>201,608,274</u>	<u>189,015,426</u>
Net contributions	481,518,830	402,266,653
Net investment return	329,704,484	354,055,496
Change in value of charitable remainder trust obligations	(1,422,297)	(2,228,039)
Income from services	2,733,122	2,949,886
Other	2,446,130	2,834,504
Net assets released from restrictions	<u>8,879,823</u>	<u>19,844,189</u>
Total revenues and support without donor restrictions	<u>823,860,092</u>	<u>779,722,689</u>
Expenses and Losses		
Grants	566,394,328	475,564,540
Less amounts distributed on behalf of others	<u>135,428,291</u>	<u>186,104,182</u>
Net grants	430,966,037	289,460,358
Donor services expenses	4,014,033	5,236,557
Program direct fund expenses	<u>6,923,006</u>	<u>6,653,036</u>
Total program services	<u>441,903,076</u>	<u>301,349,951</u>
Administrative expenses	1,967,051	2,032,890
Development expenses	<u>2,083,315</u>	<u>2,138,859</u>
Total support services	<u>4,050,366</u>	<u>4,171,749</u>
Total expenses and losses	<u>445,953,442</u>	<u>305,521,700</u>
Change in net assets without donor restrictions	<u>377,906,650</u>	<u>474,200,989</u>
Net Assets With Donor Restrictions		
Contributions	4,795,888	310,438
Net assets released from restrictions	<u>(8,879,823)</u>	<u>(19,844,189)</u>
Change in net assets with donor restrictions	<u>(4,083,935)</u>	<u>(19,533,751)</u>
Change in Net Assets	373,822,715	454,667,238
Net Assets, Beginning of Year	<u>2,585,757,067</u>	<u>2,131,089,829</u>
Net Assets, End of Year	<u>\$ 2,959,579,782</u>	<u>\$ 2,585,757,067</u>

**The Greater Kansas City Community Foundation
and Supporting Organizations**
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Operating Activities		
Change in net assets	\$ 373,822,715	\$ 454,667,238
Items not requiring (providing) cash		
Net realized and unrealized gains on investments	(282,882,857)	(307,155,859)
Loss in value of trust and annuity obligations	1,422,297	2,228,039
Contributions of investments	(54,477,902)	(47,865,588)
Loss on disposal of property and equipment	8,298	1,118,728
Depreciation	2,005,584	1,995,160
Noncash operating lease expense	193,789	-
Changes in		
Contributions and other receivables	2,330,788	35,180,598
Grants and other payables	(1,203,821)	5,834,000
Operating lease liability	(189,614)	-
Charitable remainder trust and annuity obligations	532,767	(7,789,186)
Funds held for agencies	178,006,247	170,165,440
Net cash provided by operating activities	219,568,291	308,378,570
Investing Activities		
Purchase of property and equipment	(776,736)	(331,358)
Purchase of investments	(1,154,338,552)	(1,016,709,411)
Proceeds from sale of investments	1,013,413,997	774,420,443
Advances made on notes receivable	(1,006,507)	(464,565)
Principal payments received on notes receivable	35,487	2,646,864
Net cash used in investing activities	(142,672,311)	(240,438,027)
Financing Activities		
Proceeds from issuance of notes and bonds payable	1,149,900	-
Principal payments on notes and bonds payable	(4,142,036)	(5,157,872)
Payments on trusts and annuities obligations	(1,478,769)	(1,619,111)
Net cash used in financing activities	(4,470,905)	(6,776,983)
Increase in Cash and Cash Equivalents	72,425,075	61,163,560
Cash and Cash Equivalents, Beginning of Year	384,919,889	323,756,329
Cash and Cash Equivalents, End of Year	\$ 457,344,964	\$ 384,919,889
Supplemental Cash Flows Information		
Contributions of investments	\$ 54,477,902	\$ 47,865,588
ROU assets obtained in exchange for new operating lease liabilities	5,074,842	-

The Greater Kansas City Community Foundation and Supporting Organizations

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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
- Casalena Foundation
- 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 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

*These supporting organizations retired during 2020 or 2019.

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.

The Greater Kansas City Community Foundation and Supporting Organizations

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Cash and Cash Equivalents

The Foundations consider all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts are considered to be cash and cash equivalents. At December 31, 2020 and 2019, cash equivalents consisted primarily of money market funds and temporary cash investments with maturities of three months or less. At December 31, 2020, 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

The Foundations measure securities and other investments at fair value. Certificates of deposit are stated at cost and life insurance policies are carried at their cash surrender value.

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

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. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

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 daily 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 acquisitions over \$1,000 are stated at cost, less accumulated depreciation. Depreciation expense is computed on a straight-line basis over the estimated useful life of each asset.

The Greater Kansas City Community Foundation and Supporting Organizations

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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, 2020 and 2019.

Charitable Remainder Trusts and Charitable Gift Annuities

Charitable Remainder Trusts

The Foundations administer various revocable and irrevocable 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 and becomes irrevocable. Assets held in the charitable remainder trusts are recorded at fair value of approximately \$15,000,000 and \$14,800,000 as of December 31, 2020 and 2019, respectively, and are included in investments 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 Greater Kansas City Community Foundation and Supporting Organizations

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

The assets received from the donor are recorded at fair value of approximately \$11,600,000 and \$10,600,000 as of December 31, 2020 and 2019, respectively, and are included in investments in the Foundations' consolidated statements of financial position. The Foundations have recorded a liability at December 31, 2020 and 2019, 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 13*) and board-designated endowments (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 restrictions are those whose use by the Foundations has been limited by donors to a specific time period or purpose. At December 31, 2020 and 2019, net assets with donor restrictions consisted of contributions receivable totaling \$0 and \$3,990,707, respectively, restricted for the purpose of repaying the outstanding lines of credits. The remaining balance with donor restrictions at December 31, 2020 and 2019 of \$9,636,927 and \$9,730,155, respectively, consisted of time restrictions related to charitable remainder and annuity trusts and contributions receivable.

The Greater Kansas City Community Foundation and Supporting Organizations

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Contributions

Contributions are provided to the Foundations either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restrictions</i>	
Gifts that depend on the Foundations overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restrictions</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method. 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.

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. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue and net assets without donor restrictions.

The Greater Kansas City Community Foundation and Supporting Organizations

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue and net assets without donor restrictions.

Income from Services

Revenue from contracts with customers (*e.g.*, other non-profit organizations) is reported at the amount that reflects the consideration to which the Foundations expect to be entitled to in exchange for providing back-office accounting services. Contracts for back-office accounting services are generally considered a single performance obligation and generally are a flat contract fee that is billed monthly. Revenue is recognized as the performance obligation is satisfied, which is ratably over the contract term.

The Foundations also manage fund assets and investments on behalf of other entities and charge an administrative fee for this service. The amount of the fee is based on the average asset balance of the fund for a given month as set forth in agreements. Revenue is recognized over the term of the contract on a monthly basis, as the performance obligation of investment management services is met.

These revenues are recognized as Income from Services in the consolidated statements of activities. The Foundations have determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Organization size of back-office accounting customers
- Market and economic performance of investments held

For the years ended December 31, 2020 and 2019, the Foundations recognized revenue of \$2,733,122 and \$2,949,886, respectively, from services that transfer to the customer over time.

Grants

Grant expenses are recorded when approved. Grants authorized and unpaid at year end are reported as liabilities in the consolidated statements of financial position.

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.

The Greater Kansas City Community Foundation and Supporting Organizations

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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 consolidated financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e.*, the comparatives under ASC 840 option.

The Foundations adopted Topic 842 on January 1, 2020 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The Foundations elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. The Foundations have a lease agreement with nonlease components that relate to the lease components. The Foundations did not elect the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all. Also, the Foundations elected to keep short-term leases with an initial term of 12 months or less off the balance sheet. The Foundations elected the hindsight practical expedient in determining the lease term for existing leases as of January 1, 2020.

**The Greater Kansas City Community Foundation
and Supporting Organizations**
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Adoption of Topic 842 did not result in an adjustment to the beginning net assets as of January 1, 2020. Additionally, the standard did not significantly affect the consolidated statements of activities and cash flows. See *Note 8* for additional disclosures over leases.

Leases

The Foundations determine if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the consolidated statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Foundations determine lease classification as operating or finance at the lease commencement date.

The Foundations adopted a lease capitalization policy and capitalize ROU assets and lease liabilities for leases with annual payments over \$100,000 and terms over 5 years.

The Foundations separate lease and nonlease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its office building.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Foundations have made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Foundations are reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Foundations have elected not to record leases with an initial term of 12 months or less on the consolidated statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

The Greater Kansas City Community Foundation and Supporting Organizations

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Note 2: 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 Greater Kansas City Community Foundation and Supporting Organizations

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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, 2020 and 2019:

	Total	2020 Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Cash equivalents	\$ 410,338,919	\$ 410,338,919		
Investments				
Investments at fair value				
Equity strategies				
Berkshire Hathaway	194,223,150	194,223,150		
Equities	588,527,105	588,481,568	\$ 45,537	
Vanguard institutional index fund	451,627,278	451,627,278		
Mutual funds	1,034,602,298	1,032,981,485	1,620,813	
Fixed income strategies				
U.S. treasury and agency securities	27,833,313		27,833,313	
Corporate and municipal bonds	82,229,716		82,229,716	
Bond mutual funds	793,210,396	792,665,582	544,814	
Other investment strategies				
Master limited partnership				
mutual funds	487,151	487,151		
Commodities and commodity funds	1,247,708	1,247,708		
Real estate investment trusts	16,988,843	16,975,062	11,200	\$ 2,581
Alternative mutual funds	26,413,639	26,400,196	13,443	
Alternative investments	76,043,085	50,579	25,161	75,967,345
Closely held stock	241,055,916			241,055,916
Real estate	11,186,247			11,186,247
Total investments at fair value	<u>3,545,675,845</u>	<u>3,105,139,759</u>	<u>112,323,997</u>	<u>328,212,089</u>
Investments at net asset value (NAV)				
Hedge funds	19,707,797			
Common trust funds	90,269,057			
Limited partnerships	<u>101,691,638</u>			
Total investments at NAV	<u>211,668,492</u>			
Investments at cost				
Certificates of deposit	6,384,081			
Life insurance	<u>1,211,902</u>			
Total investments at cost	<u>7,595,983</u>			
 Total investments	 <u>3,764,940,320</u>	 <u>3,105,139,759</u>	 <u>112,323,997</u>	 <u>328,212,089</u>
	<u>\$ 4,175,279,239</u>	<u>\$ 3,515,478,678</u>	<u>\$ 112,323,997</u>	<u>\$ 328,212,089</u>

The Greater Kansas City Community Foundation and Supporting Organizations

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

	2019			
	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Cash equivalents	\$ 370,790,749	\$ 370,790,749		
Investments				
Investments at fair value				
Equity strategies				
Berkshire Hathaway	232,401,220	232,401,220		
Equities	505,145,379	505,101,918	\$ 43,461	
Vanguard institutional index fund	406,475,646	406,475,646		
Mutual funds	885,191,499	884,354,332	837,167	
Fixed income strategies				
U.S. treasury and agency securities	39,697,540		39,697,540	
Corporate and municipal bonds	76,257,719		76,257,719	
Bond mutual funds	698,618,919	697,531,310	1,087,609	
Other investment strategies				
Master limited partnership				
mutual funds	922,897	922,897		
Commodities and commodity funds	476,319	476,319		
Real estate investment trusts	12,998,832	12,979,795	12,429	\$ 6,608
Alternative mutual funds	30,884,624	30,861,675	22,949	
Alternative investments	85,500,064	200,675	25,089	85,274,300
Closely held stock	104,321,204			104,321,204
Real estate	8,197,472			8,197,472
Total investments at fair value	3,087,089,334	2,771,305,787	117,983,963	197,799,584
Investments at net asset value (NAV)				
Hedge funds	18,248,415			
Common trust funds	85,802,333			
Limited partnerships	89,629,202			
Total investments at NAV	193,679,950			
Investments at cost				
Certificates of deposit	4,670,785			
Life insurance	1,214,937			
Total investments at cost	5,885,722			
Total investments	3,286,655,006	2,771,305,787	117,983,963	197,799,584
	\$ 3,657,445,755	\$ 3,142,096,536	\$ 117,983,963	\$ 197,799,584

The Greater Kansas City Community Foundation and Supporting Organizations

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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, 2020.

Transfers To and From Level 3

Transfers to and from Level 3 are as follows:

	Closely Held Stock	Alternative Investments	Real Estate & Real Estate Investment Trusts
For the year ended December 31, 2020			
Purchases	\$ -	\$ 329	\$ -
Contributions	50,349,347	180,000	3,948,555
Sales and redemptions	(4,288,400)	(1,532,371)	(1,078,450)
Transfers	-	(108,772)	-
For the year ended December 31, 2019			
Purchases	\$ 314,414	\$ 756,250	\$ -
Contributions	36,654,832	11,210,755	-
Sales and redemptions	(434,693)	(2,869,879)	(900,000)
Grants	-	-	(624,193)

The Greater Kansas City Community Foundation and Supporting Organizations

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements at December 31, 2020 and 2019.

	Fair Value at		Valuation Technique	Unobservable Inputs	Range at				
	12/31/2020	12/31/2019			12/31/2020	12/31/2019			
Closely held stock	\$ 241,055,916	\$ 104,321,204	Adjusted net asset method	Discount for lack of control	20% - 30%	20% - 30%			
				Discount for minority interest					
				Marketability yield adjustment					
				Weighted discount cash flow			Cost of capital	15%	16%
				(50% - FY20, 100% - FY19),			Increase in revenue	28%	23%
				guideline public company			Terminal value	12.0x	7.4x
				analysis (50% - FY20, 0% - FY19)			Revenue multiple	12.0x	8.4 - 12.2x
	Discount for minority interest	0%	30%						
	Marketability discount	10%	0%						
Alternative investments	75,967,345	85,274,300	Asset based approach	Discount for lack of control	8%-10%	5% - 10%			
				Marketability yield adjustment					
			Guideline public company approach	EBITDA multiple	24.0x	-			
				Discount for lack of control	9%	-			
			Discounted cash flow	Marketability yield adjustment	11%	-			
				Weighted average cost of capital	11%	-			
	Discount for lack of control	9%	-						
	Marketability yield adjustment	11%	-						
Real estate & real estate investment trusts	11,188,828	8,204,080	Sales comparison approach Income capitalization rate	Probability of success Capitalization rate	9%	9%			

The Greater Kansas City Community Foundation and Supporting Organizations

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Investments at Net Asset Value

At December 31, 2020 and 2019, the Foundations held the following investments in certain entities that calculate net asset value per share or its equivalent.

	Fair Value 2020	Fair Value 2019	Restrictions on Redemption	Redemption Notice Period
Hedge funds (A)	\$ 19,707,797	\$ 18,248,415	Initial lock-up of 1 - 2 years	65 - 95 days
Common trust funds (B)	90,269,057	85,802,333	Limited to month-end redemption	6 days
Limited partnerships (C)	101,691,638	89,629,202	Limited to month-end or quarter-end redemption	30 - 90 days
Total	<u>\$ 211,668,492</u>	<u>\$ 193,679,950</u>		

- (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 six business days' notice.

The Greater Kansas City Community Foundation and Supporting Organizations

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

- (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 10 percent of partnership assets at quarter-end or 25 percent at year-end, the partnerships may suspend redemptions.

At December 31, 2020 and 2019, the Community Foundation's unfunded commitments amounted to \$15,890,789 and \$14,134,262, respectively.

Note 3: Contributions Receivable

Contributions receivable at December 31, 2020 and 2019 consisted of the following unconditional promises to give with discount rates ranging from 2 percent to 3 percent:

	2020	2019
Due less than one year	\$ 10,863,388	\$ 12,004,140
Due in one to five years	3,708,374	11,501,701
	14,571,762	23,505,841
Less allowance for uncollectible contributions	(338,796)	(924,159)
Unamortized discount	(15,820)	(129,773)
	\$ 14,217,146	\$ 22,451,909

The Foundations are the beneficiary under two irrevocable trusts. The assets of the trusts are not included in the consolidated statements of financial position or activities as adequate reliable and verifiable evidence to measure the amount of the interests is currently not available.

The Greater Kansas City Community Foundation and Supporting Organizations

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Note 4: Notes and Other Receivables

Notes and other receivables at December 31, 2020 and 2019 consisted of the following:

	2020	2019
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 an estate trustee; matures January 1, 2028; interest accrues at 1.97% per annum and due annually commencing January 1, 2018; principal is due in full on maturity date	13,345,595	13,345,595
Accrued interest receivable	422,488	138,696
Other receivables	10,436,940	3,845,737
	<u>\$ 29,205,023</u>	<u>\$ 22,330,028</u>

Note 5: Property and Equipment

Property and equipment at December 31, 2020 and 2019 consisted of:

	2020	2019
Land	\$ 1,910,000	\$ 1,910,000
Buildings and leasehold improvements	51,018,048	51,021,257
Furniture and fixtures	2,074,562	1,942,718
Computer equipment and software	2,460,974	2,179,319
Construction in progress	227,958	249,721
	57,691,542	57,303,015
Less accumulated depreciation and amortization	16,434,126	14,808,453
	<u>\$ 41,257,416</u>	<u>\$ 42,494,562</u>

The Greater Kansas City Community Foundation and Supporting Organizations

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Note 6: Grants Payables

Grants payables at December 31, 2020 and 2019 consisted of the following unconditional promises to give with discount rates ranging from 0 percent to 2 percent:

	2020	2019
Due less than one year	\$ 27,869,137	\$ 38,795,495
Due in one to five years	12,403,102	3,252,480
Due in more than five years	40,000	80,000
	40,312,239	42,127,975
Unamortized discount	(119,743)	(139,485)
	\$ 40,192,496	\$ 41,988,490

Grants payables are reconciled to the consolidated statements of financial position as follows:

	2020	2019
Grants payable	\$ 40,192,496	\$ 41,988,490
Accounts payable and accrued expenses	1,899,658	1,307,485
Total Grants and other payables	\$ 42,092,154	\$ 43,295,975

Note 7: Notes and Bonds Payable

	2020	2019
Lines of credit (A)	\$ -	\$ 3,990,707
Promissory note payable (B)	1,244,682	1,406,312
Paycheck Protection Program (PPP) loan (C)	1,149,900	-
Other	124,762	114,461
	\$ 2,519,344	\$ 5,511,480

The Greater Kansas City Community Foundation and Supporting Organizations

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

- (A) There are two lines of credit. The first is a revolving line of credit not to exceed \$12,000,000 maturing 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 0.645 percent and 2.45 percent at December 31, 2020 and 2019, 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 which was cancelled during the year ended December 31, 2020. The loan carried an interest rate of 30 day LIBOR plus .6 percent or bank offered rate. Interest was 2.36 percent at December 31, 2019. Interest was charged periodically until paid in full. The line of credit was guaranteed by the personal property of a donor. The purposes of the lines of credit are to fund contributions to charitable organizations.
- (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) In April 2020, the Foundations received a PPP loan established by the CARES Act and has elected to account for the funding as a loan in accordance with ASC Topic 470, *Debt*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as a gain in the consolidated financial statements in the period the debt is legally released. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration or lender. As a result of such audit, adjustments could be required to any gain recognized. The loan matures in two years and is payable monthly including 1.0 percent interest beginning after the applicable deferral period. The payment deferral period is defined as either a) if forgiveness application is submitted, the date of notice from the SBA if the loan is forgiven or not entitled to forgiveness or b) if no forgiveness application is submitted, 10 months after the end of the covered period (August 2021). Subsequent to year end, in June 2021, the Foundations paid this loan in full.

The Greater Kansas City Community Foundation and Supporting Organizations

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Aggregate annual maturities of long-term debt at December 31, 2020, are:

2021		\$ 804,312
2022		680,486
2023		173,453
2024		177,582
2025		181,811
Thereafter		<u>501,700</u>
		<u><u>\$ 2,519,344</u></u>

Note 8: Leases

Nature of Leases

The Foundations have entered into a lease arrangement for office space that expires in 2030. This lease contains a renewal option for a period of five years and requires the Foundations to pay all executory costs (property taxes, maintenance and insurance). Lease payments have an escalating fee schedule, which increase a specific amount over the lease term. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

The Foundations have no material related-party leases.

The Foundations' lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Quantitative Disclosures

The lease cost and other required information for the year ended December 31, 2020 are:

Lease cost		
Operating lease cost		<u><u>\$ 653,161</u></u>
Other information		
Weighted-average remaining lease term		
Operating leases		10 years
Weighted-average discount rate		
Operating leases		0.93%

The Greater Kansas City Community Foundation and Supporting Organizations

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Future minimum lease payments and reconciliation to the consolidated statements of financial position at December 31, 2020, are as follows:

2021	\$	501,565
2022		501,565
2023		501,565
2024		501,565
2025		509,594
Thereafter		<u>2,604,175</u>
Total future undiscounted lease payments		5,120,029
Less interest		<u>(234,801)</u>
Lease liabilities	\$	<u><u>4,885,228</u></u>

Note 9: Employee Benefit Plan

The Community Foundation sponsors a defined contribution plan. During 2020, the plan was amended and allows for all full-time employees to participate upon reaching age 21 and completion of three months of service. All part-time employees are eligible to participate upon reaching age 21 and completion of one year of service. With the plan amendment, the Community Foundation may contribute a discretionary contribution to the participant's account. During 2019, the Community Foundation contributed 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, 2020 and 2019, the Community Foundation's contributions to the plan amounted to approximately \$567,000 and \$490,000, respectively.

The Greater Kansas City Community Foundation and Supporting Organizations

Notes to Consolidated Financial Statements December 31, 2020 and 2019

Note 10: 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.

	2020							
	Program Services				Support Services			
	Grants	Donor Services Expenses	Program Direct Fund Expenses	Total Program Services	Administrative Expenses	Development Expenses	Total Support Services	Total
Grants	\$ 430,966,037	\$ -	\$ -	\$ 430,966,037	\$ -	\$ -	\$ -	\$ 430,966,037
Salaries	-	442,913	3,440,053	3,882,966	982,872	1,037,476	2,020,348	5,903,314
Payroll taxes and benefits	-	92,240	1,276,425	1,368,665	364,693	384,954	749,647	2,118,312
Office and program materials	-	33,086	600,457	633,543	171,559	181,090	352,649	986,192
Conferences and training	-	4,935	16,968	21,903	4,848	5,117	9,965	31,868
Telephone and utilities	-	5,519	32,234	37,753	9,210	9,721	18,931	56,684
Office and equipment repairs and maintenance	-	7,598	45,704	53,302	13,058	13,784	26,842	80,144
Promotional and local travel	-	7,507	3,245	10,752	927	979	1,906	12,658
Printing and postage	-	3,291	47,546	50,837	13,585	14,339	27,924	78,761
Depreciation	-	1,635,613	233,082	1,868,695	66,595	70,294	136,889	2,005,584
Professional services	-	749,787	614,140	1,363,927	175,469	185,217	360,686	1,724,613
Insurance	-	5,122	98,568	103,690	28,162	29,727	57,889	161,579
Marketing	-	28,006	158,686	186,692	45,339	47,858	93,197	279,889
Rent	-	13,800	340,729	354,529	97,351	102,759	200,110	554,639
Unrelated business income tax	-	-	6,008	6,008	(6,617)	-	(6,617)	(609)
Other	-	984,616	9,161	993,777	-	-	-	993,777
Total	\$ 430,966,037	\$ 4,014,033	\$ 6,923,006	\$ 441,903,076	\$ 1,967,051	\$ 2,083,315	\$ 4,050,366	\$ 445,953,442

	2019							
	Program Services				Support Services			
	Grants	Donor Services Expenses	Program Direct Fund Expenses	Total Program Services	Administrative Expenses	Development Expenses	Total Support Services	Total
Grants	\$ 289,460,358	\$ -	\$ -	\$ 289,460,358	\$ -	\$ -	\$ -	\$ 289,460,358
Salaries	-	223,464	3,200,462	3,423,926	996,865	1,049,332	2,046,197	5,470,123
Payroll taxes and benefits	-	29,395	1,187,977	1,217,372	370,026	389,501	759,527	1,976,899
Office and program materials	-	33,895	537,291	571,186	167,353	176,161	343,514	914,700
Conferences and training	-	6,390	61,415	67,805	19,129	20,136	39,265	107,070
Telephone and utilities	-	12,866	29,904	42,770	9,314	9,805	19,119	61,889
Office and equipment repairs and maintenance	-	3,930	12,075	16,005	3,761	3,959	7,720	23,725
Promotional and local travel	-	17,779	61,156	78,935	19,049	20,051	39,100	118,035
Printing and postage	-	4,255	48,651	52,906	15,154	15,951	31,105	84,011
Depreciation	-	1,724,329	165,207	1,889,536	51,458	54,166	105,624	1,995,160
Professional services	-	1,182,620	672,388	1,855,008	209,432	220,455	429,887	2,284,895
Insurance	-	7,374	92,465	99,839	28,801	30,316	59,117	158,956
Marketing	-	41,858	188,115	229,973	58,593	61,677	120,270	350,243
Rent	-	2,400	265,234	267,634	82,614	86,962	169,576	437,210
Unrelated business income tax	-	-	128,475	128,475	974	-	974	129,449
Other	-	1,946,002	2,221	1,948,223	367	387	754	1,948,977
Total	\$ 289,460,358	\$ 5,236,557	\$ 6,653,036	\$ 301,349,951	\$ 2,032,890	\$ 2,138,859	\$ 4,171,749	\$ 305,521,700

The Greater Kansas City Community Foundation and Supporting Organizations

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Note 11: Transactions in Funds Held for Agencies

Transactions in funds held for agencies are summarized as follows:

	2020	2019
Additions		
Contributions	\$ 201,608,274	\$ 189,015,426
Transfer to agency funds	9,680	20,327,947
Net investment return	135,391,751	172,841,027
Total additions	337,009,705	382,184,400
Deductions		
Distributions - grants	135,428,291	186,104,182
Distributions - other	21,305,708	23,314,360
Total distributions	156,733,999	209,418,542
Administrative expenses	2,269,459	2,600,418
Total deductions	159,003,458	212,018,960
Change in balance	178,006,247	170,165,440
Balance in agency funds, beginning of year	1,108,436,427	938,270,987
Balance in agency funds, end of year	\$ 1,286,442,674	\$ 1,108,436,427

The Foundations contributed approximately \$10,000 and \$20,000,000 to agency funds during 2020 and 2019, respectively. These contributions are eliminated on the face of the consolidated statements of activities and shown as a transfer into agency funds in the above summary of agency fund activities.

Note 12: 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.

The Greater Kansas City Community Foundation and Supporting Organizations

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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.

The Greater Kansas City Community Foundation and Supporting Organizations

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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, 2020 and 2019 were:

	2020 Without Donor Restrictions	2019 Without Donor Restrictions
Endowment net assets, beginning of year	\$ 269,086,277	\$ 234,418,125
Net investment return	36,967,324	44,881,792
Contributions	3,526,581	1,865,157
Amounts appropriated for expenditure	(13,393,849)	(9,271,724)
Net transfers to (from) board-designated endowments	18,519,815	(2,807,073)
Change in endowment net assets	45,619,871	34,668,152
Endowment net assets, end of year	\$ 314,706,148	\$ 269,086,277

Note 13: 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 December 31, 2020 and 2019, comprise the following:

	2020	2019
Cash and cash equivalents	\$ 420,556	\$ 647,326
Accounts receivable and other investments	5,008,838	170,741
Financial assets available to be used within one year	\$ 5,429,394	\$ 818,067

The Greater Kansas City Community Foundation and Supporting Organizations

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

In addition, the Foundations have established an operating reserve fund of at least 50 percent of budgeted annual operating expenses. While it is not the Foundations' 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 December 31, 2020 and 2019 for the operating reserve, comprise the following:

	2020	2019
Cash and cash equivalents	\$ 4,048,536	\$ 4,372,979
Investments	11,139,368	9,397,312
Operating reserve balance	\$ 15,187,904	\$ 13,770,291

Note 14: 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 Revenue

Approximately 15 percent of net contributions revenue was received from one donor during the year ended December 31, 2020.

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 17 percent and 19 percent of all investment holdings were held in two investment securities at December 31, 2020 and 2019, respectively. Additionally, the Foundations estimate that 84 percent and 88 percent of its investment portfolio were domestic securities and 16 percent and 12 percent were international securities at December 31, 2020 and 2019, 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*.

The Greater Kansas City Community Foundation and Supporting Organizations

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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*.

Note 15: Subsequent Events

Subsequent events have been evaluated through September 14, 2021, which is the date the consolidated financial statements were available to be issued.