



**EWING MARION KAUFFMAN FOUNDATION AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS**

For the Years Ended December 31, 2018 and 2017





**Independent Auditors' Report**

The Board of Trustees

**EWING MARION KAUFFMAN FOUNDATION AND AFFILIATE**

We have audited the accompanying consolidated financial statements of Ewing Marion Kauffman Foundation and Affiliate (the Foundation), which comprise the consolidated balance sheets - modified cash basis as of December 31, 2018 and 2017, the related consolidated statements of income, grants and expenses, and changes in net assets - modified cash basis for the years then ended, the consolidated statement of functional expenses - modified cash basis for the year ended December 31, 2018, 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 the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the consolidated financial statements in the circumstances. Management is also responsible for 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.

***Auditors' 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 auditors' 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 financial position of the Foundation as of December 31, 2018 and 2017, and the excess of income over grants and expenses for the years then ended, in accordance with the modified cash basis of accounting as described in Note 2.

***Basis of Accounting***

We draw attention to Note 2 of the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

*Mayer Hoffman McCann P.C.*

Kansas City, Missouri  
June 7, 2019



**EWING MARION KAUFFMAN FOUNDATION AND AFFILIATE**

## Consolidated Balance Sheets – Modified Cash Basis

December 31, 2018 and 2017

(In thousands)

	<u>2018</u>	<u>2017</u>
Assets:		
Cash and short-term investments	\$ 194,737	\$ 181,652
Investments:		
Fixed income	3,205	9,315
Equities:		
Domestic	727,535	717,189
Foreign	342,056	402,594
Total equities	1,069,591	1,119,783
Private equity/alternative assets/real assets	1,036,721	1,116,702
Total investments	2,109,517	2,245,800
Total assets	<u>\$ 2,304,254</u>	<u>\$ 2,427,452</u>
Net assets:		
Without donor restriction	\$ 2,304,254	\$ 2,427,452
Total net assets	<u>\$ 2,304,254</u>	<u>\$ 2,427,452</u>

See the accompanying notes to the consolidated financial statements.

**EWING MARION KAUFFMAN FOUNDATION AND AFFILIATE**

Consolidated Statement of Income, Grants and Expenses,

and Changes in Net Assets – Modified Cash Basis

Year ended December 31, 2018

(In thousands)

Income:

Investment income:

Dividends	\$ 20,828
Interest and other investment income	4,815
Gain on currency conversion	767
Realized gain on investments	238,031
Unrealized loss on investments	(259,003)
Investment manager, custodian, and other expenses	(13,079)
Excise tax expense, net of refund	<u>(1,548)</u>
Net investment loss	(9,189)

Operating:

Grants received and other income	<u>2,844</u>
Total loss	<u>(6,345)</u>

Grants and expenses:

Program services	103,745
Supporting services	<u>13,108</u>
Total grants and expenses	<u>116,853</u>
Deficiency of income over grants and expenses	(123,198)
Net assets, beginning of year	<u>2,427,452</u>
Net assets, end of year	<u>\$ 2,304,254</u>

See the accompanying notes to the consolidated financial statements.

**EWING MARION KAUFFMAN FOUNDATION AND AFFILIATE**

Consolidated Statement of Income, Grants and Expenses,

and Changes in Net Assets – Modified Cash Basis

Year ended December 31, 2017

(In thousands)

Income:

Investment income:

Dividends	\$ 18,478
Interest and other investment income	8,976
Gain on currency conversion	4,014
Realized gain on investments	144,605
Unrealized gain on investments	266,720
Investment manager, custodian, and other expenses	(11,563)
Excise tax expense, net of refund	<u>(1,766)</u>
Net investment income	429,464

Operating:

Grants received and other income	<u>2,313</u>
Total income	<u>431,777</u>

Grants and expenses:

Grants paid to organizations	62,988
Program operations and support	26,972
General and administrative	<u>22,125</u>
Total grants and expenses	<u>112,085</u>
Excess of income over grants and expenses	319,692
Net assets, beginning of year	<u>2,107,760</u>
Net assets, end of year	<u>\$ 2,427,452</u>

**EWING MARION KAUFFMAN FOUNDATION AND AFFILIATE**

## Consolidated Statement of Functional Expenses – Modified Cash Basis

Year ended December 31, 2018

(In thousands)

	<b>Program Services</b>	<b>Supporting Services</b>	<b>Total</b>
Grants Paid to Organizations	\$ 63,260	\$ -	\$ 63,260
Wages & Benefits	10,341	7,237	17,578
Professional Services	11,098	2,853	13,951
Sponsorships	1,524	13	1,537
Travel, Conferences, and Meetings	2,560	444	3,004
Communications	702	4	706
Technology	1,393	1,213	2,606
Occupancy	1,740	1,053	2,793
Equipment and Rentals	182	183	365
Supplies	41	108	149
Scholarship Expenses	10,691	-	10,691
Program Incentives	213	-	213
	<u>          </u>	<u>          </u>	<u>          </u>
Total Functional Expenses	<u>\$ 103,745</u>	<u>\$ 13,108</u>	<u>\$ 116,853</u>

# EWING MARION KAUFFMAN FOUNDATION AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2018 and 2017

### (1) Description of the Foundation

The Ewing Marion Kauffman Foundation (the Foundation) is a private foundation established by Ewing Marion Kauffman. The Foundation focuses its operations and grantmaking on two areas: entrepreneurship and education.

The Foundation works with entrepreneurs and communities, empowering them with tools and resources, and working to break down barriers that stand in the way of starting and growing businesses. The Foundation roots its work in research, developing and disseminating information, proven programs, and tools that strengthen entrepreneurs and improve the environment for entrepreneurs to succeed.

In education, the Foundation works with the community to ensure success in education for students in the Kansas City region, starting from early childhood education to postsecondary access and completion. The Foundation supports teachers and school leaders, encourages civic engagement, spurs innovation, and strives for quality education and access to opportunities for all.

During the years ended December 31, 2018 and 2017, activity from Kauffman Scholars, Inc. (Affiliate) is consolidated into the financial statements of the Foundation due to both the materiality of the Foundation's grant funding and the Board control relative to the Affiliate. The financial effect of the Affiliate on the consolidated financial statements is detailed in the supplementary information.

### (2) Summary of Significant Accounting Policies

The accompanying consolidated financial statements of the Foundation have been prepared on the modified cash basis of accounting. The key provisions of the Foundation's modified cash basis of accounting include:

*Cash and Short-term Investments* - Cash and short-term investments primarily include cash held by investment managers for investment purposes, which is swept daily into a U.S. Treasury money market fund. At times, the Foundation maintains deposits in financial institutions in excess of federally insured limits. Management monitors the soundness of these investment managers and feels the Foundation's risk is negligible.

*Income* - Interest and dividend income is recognized when received. Unrealized appreciation or depreciation is recognized in the period incurred.

*Grants and Expenses* - Grants and expenses are recognized when paid.

*Investments* - Investments are recorded on a trade-date basis. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification 820 (ASC 820), *Fair Value Measurements*, the Foundation records investments at fair value. Fair value is the amount 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, i.e. the exit price. See Note 3 for further discussion relating to ASC 820 and fair value measurements.

The fair value of fixed income and equity securities is based primarily on quoted market prices. The fair value of investments in private equity/alternative assets/real assets is estimated by management based on estimates provided by the general partner. Private equity investment strategies employed include venture capital partnerships, buyout and growth equity partnerships, and direct venture capital investments. Alternative investment strategies include hedge funds and illiquid partnerships. Real assets include investments related to natural resources and other tangible assets.

# EWING MARION KAUFFMAN FOUNDATION AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2018 and 2017

### (2) Summary of Significant Accounting Policies (continued)

*Fixed Assets* - The Foundation does not include its land, building, or other fixed assets in the accompanying consolidated financial statements.

*Taxes* - The Foundation is a private foundation and is subject to an excise tax of 1% – 2% on its net investment income. Estimated tax payments (*in thousands*) of \$1,499 and \$1,800 were paid for the years ended December 31, 2018 and 2017, respectively. In addition, the Foundation has investments that may produce unrelated business income, which is subject to Federal and state income tax. Unrelated business taxable income generated a net income tax payment (*in thousands*) of \$49 for the year ended December 31, 2018 and generated a net income tax refund (*in thousands*) of \$34 for the year ended December 31, 2017.

*Retiree Healthcare Plan* - Contributions, expenses, and other obligations associated with the plan are recorded on a cash basis.

*Significant Estimates* - In preparation of the consolidated financial statements, management was required to make significant estimates and judgments that affect the value of investments, specifically private equity/alternative assets/real assets. Because of the inherent uncertainty in valuing these types of investments, these estimates may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

*Net Asset Classification* - Contributions and grants received are recorded as with or without donor restrictions depending on the existence or nature of any donor restrictions or time restrictions. Contributions with donor restrictions are reported as increases in net assets without donor restrictions if the restrictions are met within the same reporting period that the contribution was received. At December 31, 2018 and 2017, all of the net assets of the Foundation were without donor restriction.

*Principles of Consolidation* - The accounts of the Foundation and Affiliate are included in the consolidated financial statements. All significant inter-company balances and transactions have been eliminated.

ASU 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* - This ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. This ASU is effective for the year ended December 31, 2018 and should be applied on a retrospective basis. However, if comparative financial statements are presented, the Foundation has the option to omit, which they have done, the analysis of expenses by both natural classification and functional classification and disclosures about liquidity and availability of resources for the year ended December 31, 2017.

*Functional Expenses* - The Foundation allocates expenses on a functional basis among various programs and support services. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. The Foundation's accounting system is set up by department utilizing a numbering system. Departments are grouped to identify if an expense is programmatic versus a supporting service expense. All expenses are assigned to a department based on its functionality. Payroll and benefit costs are allocated by management based upon where staff members spend their time. Facilities and technology costs are allocated based off headcount or square footage as appropriate.

*Reclassifications* - Certain items on the 2017 financial statements have been reclassified to conform to the 2018 financial statement presentation. There was no impact on the changes in net assets.



# EWING MARION KAUFFMAN FOUNDATION AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2018 and 2017

### (3) Fair Value Measurements

FASB ASC 820, *Fair Value Measurements*, establishes a hierarchal disclosure framework, which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Among other matters, FASB ASC 820 requires enhanced disclosures about investments that are measured and reported at fair value. Market price observability is affected by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available quoted prices or for which fair value can be measured for actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near-term and that such changes could materially affect amounts reported in the Foundation's consolidated financial statements.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I - Quoted prices are available in active markets for identical investments as of the reporting date. Investments in Level I include listed common and preferred stock equities, depository receipts, mutual funds, options, and stock distributions from private equity partnerships.

Level II - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments in Level II include fixed income securities.

Level III - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into determination of fair value require significant management judgment or estimation. Management utilizes the best available information in measuring fair value. The Foundation does not hold any investments in this category.

Alternative assets are redeemable with the fund at net asset value under the original terms of the partnership and/or subscription agreements. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future, in accordance with the fund agreements. Due to the nature of the investment held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds, and, consequently, the fair value of the Foundation's interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value.

**EWING MARION KAUFFMAN FOUNDATION AND AFFILIATE**

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

**(3) Fair Value Measurements (continued)**

It is, therefore, reasonably possible that, if the Foundation were to sell these investments in the secondary market, a buyer may require a discount to the reported net asset value, and the discount could be significant. At December 31, 2018 and 2017, these investments are not categorized in the fair value hierarchy.

The following table summarizes the valuation of the Foundation's investments by the above FASB ASC 820 fair value hierarchy levels as of the years ended December 31, 2018 and 2017 (*in thousands*):

<u>Assets at Fair Value as of December 31, 2018</u>					
	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Investments measured at net asset value (a)</u>	<u>Total</u>
Fixed income:	\$ -	\$ 3,205	\$ -	\$ -	\$ 3,205
Equities:					
Domestic	727,535	-	-	-	727,535
Foreign	342,056	-	-	-	342,056
Private equity/alternative assets/real assets:	9,764	-	-	1,026,957	1,036,721
<b>Total</b>	<b>\$ 1,079,355</b>	<b>\$ 3,205</b>	<b>\$ -</b>	<b>\$ 1,026,957</b>	<b>\$ 2,109,517</b>

  

<u>Assets at Fair Value as of December 31, 2017</u>					
	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Investments measured at net asset value (a)</u>	<u>Total</u>
Fixed income:	\$ -	\$ 9,315	\$ -	\$ -	\$ 9,315
Equities:					
Domestic	717,189	-	-	-	717,189
Foreign	402,594	-	-	-	402,594
Private equity/alternative assets/real assets:	-	-	-	1,116,702	1,116,702
<b>Total</b>	<b>\$ 1,119,783</b>	<b>\$ 9,315</b>	<b>\$ -</b>	<b>\$ 1,116,702</b>	<b>\$ 2,245,800</b>

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated balance sheets - modified cash basis.

**EWING MARION KAUFFMAN FOUNDATION AND AFFILIATE**

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

**(3) Fair Value Measurements (continued)**

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

<b>December 31, 2018</b>				
	<b><u>Fair Value</u></b>	<b><u>Unfunded Commitments</u></b>	<b><u>Restrictions on Redemption</u></b>	<b><u>Redemption Notice Period</u></b>
Alternative assets	\$ 45,875	\$ 22,113	Based on individual fund life	N/A
Hedge funds	276,975	-	Quarterly or Annually	30 - 90 Days
Real assets	66,352	47,028	Based on individual fund life	N/A
Private equity	<u>637,755</u>	<u>179,780</u>	Based on individual fund life	N/A
Total	<u>\$ 1,026,957</u>	<u>\$ 248,921</u>		

<b>December 31, 2017</b>				
	<b><u>Fair Value</u></b>	<b><u>Unfunded Commitments</u></b>	<b><u>Restrictions on Redemption</u></b>	<b><u>Redemption Notice Period</u></b>
Alternative assets	\$ 60,312	\$ 24,631	Based on individual fund life	N/A
Hedge funds	385,024	-	Quarterly or Annually	30 - 90 Days
Real assets	73,767	21,651	Based on individual fund life	N/A
Private equity	<u>597,599</u>	<u>133,395</u>	Based on individual fund life	N/A
Total	<u>\$ 1,116,702</u>	<u>\$ 179,677</u>		

**Alternative Assets and Hedge Funds**

At December 31, 2018 and 2017, the alternative assets are mainly comprised of hedge funds and illiquid partnerships. Some examples of the strategies employed by the hedge funds include long/short equity, long/short credit, and event driven. Illiquid partnerships are comprised of credit or distressed strategies in both the United States and Internationally.

The Foundation's hedge funds have lock-up periods ranging from zero to two years after the initial investment date, and thereafter require 30-90 days of advance notice prior to quarterly or annual redemptions. 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 to 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.

The Foundation's illiquid private investment funds operate in accordance with the terms of a limited partnership agreement and continue to operate year to year, unless dissolved in accordance with the agreements.

## EWING MARION KAUFFMAN FOUNDATION AND AFFILIATE

### Notes to Consolidated Financial Statements

December 31, 2018 and 2017

#### (3) Fair Value Measurements (continued)

##### Real Assets

The real assets category is comprised of investments related to natural resources and other tangible assets. Prices for this type of asset directly affect, or are directly affected by, the rate of inflation. Energy partnerships include equity partnerships, drilling partnerships, and utility funds and were valued (*in thousands*) at \$48,359 and \$56,739 at December 31, 2018 and 2017, respectively. Energy partnership returns are driven by the oil and gas industry, as well as utility assets such as generation plants and transmission lines. Real estate partnerships account (*in thousands*) for the remaining \$17,993 and \$17,028 of real assets at December 31, 2018 and 2017, respectively. These underlying funds include a variety of different real estate investments.

Each of these partnerships operates in accordance with the terms of a limited partnership agreement and continues to operate year to year, unless dissolved in accordance to the agreements.

##### Private Equity

The private equity category represents ownership interests in companies, such that these ownership interests are not readily marketable. This category consists of venture capital partnerships, buyout and growth equity partnerships, and two direct venture capital investments. At December 31, 2018 and 2017, respectively, the Foundation has 11 active general partner relationships in the venture category and 11 and 15 active general partner relationships in buyout and growth equity. 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.

#### (4) Liquidity

The Foundation evaluates investment liquidity and considers liquid assets as those available within one year. Liquid assets are necessary to fund the Foundation's qualified distributions. As a private foundation, the Foundation is required to make qualified distributions, annually, of five percent of the aggregate fair market value of assets. Qualified distributions consist of amounts used to fund Foundation operations and strategic programmatic initiatives. The qualified distribution amount fluctuates each year based on asset values and has ranged from (*in thousands*) \$103,000 to \$116,000 over the past five years.

Liquid assets are also used to fund capital commitments, which are not included in qualified distributions. Over the past five years, capital commitments have ranged from (*in thousands*) \$70,000 to \$ 109,000.

**EWING MARION KAUFFMAN FOUNDATION AND AFFILIATE**

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

**(5) Liquidity (continued)**

The below chart categorizes the liquidity frequency for the Foundation's liquid assets as of December 31, 2018 (*in thousands*):

	<u>Daily</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Total</u>
Cash and short-term investments	\$ 194,737	\$ -	\$ -	\$ 194,737
Investments:				
Fixed income	3,205	-	-	3,205
Equities:				
Domestic	727,535	-	-	727,535
Foreign	342,056	-	-	342,056
Marketable alternatives	9,764	38,184	277,028	324,976
Total liquid assets	<u>\$ 1,277,297</u>	<u>\$ 38,184</u>	<u>\$ 277,028</u>	<u>\$ 1,592,509</u>

Liquid assets are available to fund operating expenses and capital calls over a twelve month period; none of the financial assets for the year-end December 31, 2018 are subject to donor or other contractual restrictions.

As more fully described in Note 10, the Foundation committed to unconditionally guaranty revenue bonds on the Kauffman Center for the Performing Arts (KCPA). In accordance with the Reimbursement and Indemnity Agreement, KCPA annually files a certificate demonstrating their ability to maintain net assets without donor restrictions as outlined in the document. KCPA is in compliance with contractual terms of the agreement and the Foundation has not ever been requested to fund the agreement. In the event of KCPA non-compliance the Foundation's liquidity is sufficient to fund obligations if ever necessary.

**(6) Distributions**

The Tax Reform Act of 1969 requires that certain minimum distributions be made in accordance with a specified formula. At December 31, 2018 and 2017, the Foundation was in compliance with this requirement.

**(7) Commitments**

As of December 31, 2018, commitments for grants (*in thousands*) aggregating approximately \$142,513 had been authorized for payment in calendar years subsequent to the year ended. Payment of future grants is expressly contingent upon the performance of the recipient organizations, and the Foundation may subsequently determine not to continue the payments. The commitments outstanding at December 31, 2018 are scheduled for payment as follows (*in thousands*):

Calendar year:	
2019	\$ 45,945
2020	25,755
2021	19,819
2022	17,137
2023	14,000
2024 - 2028	19,857
	<u>\$ 142,513</u>

## EWING MARION KAUFFMAN FOUNDATION AND AFFILIATE

### Notes to Consolidated Financial Statements

December 31, 2018 and 2017

#### **(8) Retirement Plans**

The Foundation has a defined contribution retirement plan and a tax-deferred savings (403(b)) plan that provide benefits to associates who meet the plan's eligibility requirements. Contributions to the plans (*in thousands*) were \$1,713 and \$1,543 during the years ended December 31, 2018 and 2017, respectively.

Prior to January 1, 2013, the Foundation had a retiree healthcare plan for eligible associates who were age 55 with at least 5 years of Foundation service. Effective January 1, 2013, the Foundation no longer offers retiree health benefits to its active associates; however, associates who were age 53 by December 31, 2012 and have at least five years of Foundation service will be grandfathered in under the prior plan as having continued eligibility for retiree health care. At present, the Foundation subsidizes an average of the total cost of retiree healthcare coverage. Contributions to the plan (*in thousands*) were \$315 and \$281 for the years ended December 31, 2018 and 2017, respectively.

#### **(9) Lease Commitment**

The Foundation entered into a ground lease with the Missouri Department of Conservation, commencing on November 1, 1999 and expiring on October 31, 2049. The leased property consists of approximately 10 acres located in Kansas City, Missouri between 47th Street and Troost Avenue. The annual base rent payable by the Missouri Department of Conservation is one dollar.

#### **(10) Bond Guaranty**

The Foundation has committed to unconditionally guaranty the payment of principal and interest on Series 2007A and 2015B variable and fixed rate revenue bonds issued on June 27, 2007 and March 1, 2015, respectively, by the Missouri Development Finance Board for the Kauffman Center for the Performing Arts Project. At December 31, 2018 and 2017, respectively, the total outstanding principal on the Series 2007A and 2015B bonds (*in thousands*) was approximately \$104,000 and \$107,000. The Series 2007A bonds bear a variable interest at rate between 0.01% - 1.68% and the Series 2015B bonds bear a fixed interest rate of 2.18%. The maturity date on the Series 2007A and Series 2015B bonds is June 1, 2037 and April 1, 2025, respectively. A reimbursement and indemnity agreement exists between the Foundation and Muriel McBrien Kauffman Foundation (MMKF), which obligates MMKF to reimburse and indemnify the Foundation for any payment made under the guaranty, including payments for principal and interest.

On December 1, 2012, the Foundation entered into an agreement to unconditionally guaranty the payment of principal and interest on the Leasehold Revenue Bonds, Series 2012, issued by the Health and Educational Facilities Authority of the State of Missouri to 6301 KCMO, LLC for the Ewing Marion Kauffman School Project (*in thousands*) in the amount of \$52,050. In addition to the scheduled quarterly bond redemption payments during 2018, there was also a special redemption (*in thousands*) totaling \$2,467, which satisfied all of the outstanding principal and interest on the bonds. In addition to the scheduled quarterly bond redemption payments during 2017, there were also two special redemption (*in thousands*) totaling \$8,000. At December 31, 2017, the total outstanding principal (*in thousands*) was approximately \$2,581. The bonds bore a fixed interest rate of 2.17%.

#### **(11) Subsequent Events**

The Foundation has evaluated subsequent events through June 7, 2019, which is the date the consolidated financial statements were available to be issued. No significant matters were identified for disclosure during this evaluation.

SUPPLEMENTARY INFORMATION



**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION**

To the Board of Trustees

**EWING MARION KAUFFMAN FOUNDATION AND AFFILIATE**

We have audited the consolidated financial statements of the Ewing Marion Kauffman Foundation and Affiliate as of and for the years ended December 31, 2018 and 2017, and have issued our report thereon dated June 7, 2019, which contained an unmodified opinion on those consolidated financial statements, appears on page 1.

Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating financial statements are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Mayer Hoffman McCann P.C.*

Kansas City, Missouri  
June 7, 2019



**EWING MARION KAUFFMAN FOUNDATION AND AFFILIATE**

Consolidating Balance Sheet – Modified Cash Basis

December 31, 2018

(In thousands)

	<b>Ewing Marion Kauffman Foundation</b>	<b>Kauffman Scholars, Inc.</b>	<b>Consolidated</b>
Assets:			
Cash and short-term investments	\$ 187,535	\$ 7,202	\$ 194,737
Investments:			
Fixed income	3,205	-	3,205
Equities:			
Domestic	727,535	-	727,535
Foreign	342,056	-	342,056
Total equities	1,069,591	-	1,069,591
Private equity/alternative assets/real assets	1,036,721	-	1,036,721
Total investments	2,109,517	-	2,109,517
Total assets	<u>\$ 2,297,052</u>	<u>\$ 7,202</u>	<u>\$ 2,304,254</u>
Net assets:			
Without donor restriction	\$ 2,297,052	\$ 7,202	\$ 2,304,254
Total net assets	<u>\$ 2,297,052</u>	<u>\$ 7,202</u>	<u>\$ 2,304,254</u>

**EWING MARION KAUFFMAN FOUNDATION AND AFFILIATE**

Consolidating Balance Sheet – Modified Cash Basis

December 31, 2017

(In thousands)

	<b>Ewing Marion Kauffman Foundation</b>	<b>Kauffman Scholars, Inc.</b>	<b>Consolidated</b>
Assets:			
Cash and short-term investments	<u>\$ 177,499</u>	<u>\$ 4,153</u>	<u>\$ 181,652</u>
Investments:			
Fixed income	<u>9,315</u>	<u>-</u>	<u>9,315</u>
Equities:			
Domestic	<u>717,189</u>	<u>-</u>	<u>717,189</u>
Foreign	<u>402,594</u>	<u>-</u>	<u>402,594</u>
Total equities	<u>1,119,783</u>	<u>-</u>	<u>1,119,783</u>
Private equity/alternative assets/real assets	<u>1,116,702</u>	<u>-</u>	<u>1,116,702</u>
Total investments	<u>2,245,800</u>	<u>-</u>	<u>2,245,800</u>
Total assets	<u><u>\$ 2,423,299</u></u>	<u><u>\$ 4,153</u></u>	<u><u>\$ 2,427,452</u></u>
Net assets:			
Without donor restriction	<u>\$ 2,423,299</u>	<u>\$ 4,153</u>	<u>\$ 2,427,452</u>
Total net assets	<u><u>\$ 2,423,299</u></u>	<u><u>\$ 4,153</u></u>	<u><u>\$ 2,427,452</u></u>

**EWING MARION KAUFFMAN FOUNDATION AND AFFILIATE**

Consolidating Statement of Income, Grants and Expenses, and Changes in Net Assets – Modified Cash Basis

Year ended December 31, 2018

(In thousands)

	<b><u>Ewing Marion Kauffman Foundation</u></b>	<b><u>Kauffman Scholars, Inc.</u></b>	<b><u>Eliminations</u></b>	<b><u>Consolidated</u></b>
Income:				
Investment income:				
Dividends	\$ 20,828	\$ -	\$ -	\$ 20,828
Interest and other investment income	4,815	-	-	4,815
Gain on currency conversion	767	-	-	767
Realized gain on investments	238,031	-	-	238,031
Unrealized loss on investments	(259,003)	-	-	(259,003)
Investment manager, custodian, and other expenses	(13,079)	-	-	(13,079)
Excise tax expense, net of refund	(1,548)	-	-	(1,548)
Total investment income (loss), net	<u>(9,189)</u>	<u>-</u>	<u>-</u>	<u>(9,189)</u>
Grants received and other income	<u>2,844</u>	<u>15,600</u>	<u>(15,600)</u>	<u>2,844</u>
Total income (expense)	<u>(6,345)</u>	<u>15,600</u>	<u>(15,600)</u>	<u>(6,345)</u>
Grants and expenses:				
Program services	106,794	12,551	(15,600)	103,745
Supporting services	13,108	-	-	13,108
Total grants and expenses	<u>119,902</u>	<u>12,551</u>	<u>(15,600)</u>	<u>116,853</u>
Excess/(deficiency) of income over grants and expenses	(126,247)	3,049	-	(123,198)
Net assets, beginning of year	<u>2,423,299</u>	<u>4,153</u>	<u>-</u>	<u>2,427,452</u>
Net assets, end of year	<u><u>\$ 2,297,052</u></u>	<u><u>\$ 7,202</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,304,254</u></u>

**EWING MARION KAUFFMAN FOUNDATION AND AFFILIATE**

Consolidating Statement of Income, Grants and Expenses, and Changes in Net Assets – Modified Cash Basis

Year ended December 31, 2017

(In thousands)

	<u>Ewing Marion Kauffman Foundation</u>	<u>Kauffman Scholars, Inc.</u>	<u>Eliminations</u>	<u>Consolidated</u>
Income:				
Investment income:				
Dividends	\$ 18,478	\$ -	\$ -	\$ 18,478
Interest and other investment income	8,976	-	-	8,976
Gain on currency conversion	4,014	-	-	4,014
Realized gain on investments	144,605	-	-	144,605
Unrealized gain on investments	266,720	-	-	266,720
Investment manager, custodian, and other expenses	(11,563)	-	-	(11,563)
Excise tax expense, net of refund	(1,766)	-	-	(1,766)
Total investment income	<u>429,464</u>	<u>-</u>	<u>-</u>	<u>429,464</u>
Operations:				
Grants received and other income	<u>2,313</u>	<u>11,000</u>	<u>(11,000)</u>	<u>2,313</u>
Total income	<u>431,777</u>	<u>11,000</u>	<u>(11,000)</u>	<u>431,777</u>
Grants and expenses:				
Grants paid to organizations	73,988	-	(11,000)	62,988
Program operations and support	14,708	12,264	-	26,972
General and administrative	22,125	-	-	22,125
Total grants and expenses	<u>110,821</u>	<u>12,264</u>	<u>(11,000)</u>	<u>112,085</u>
Excess/(deficiency) of income over grants and expenses	320,956	(1,264)	-	319,692
Net assets, beginning of year	<u>2,102,343</u>	<u>5,417</u>	<u>-</u>	<u>2,107,760</u>
Net assets, end of year	<u>\$ 2,423,299</u>	<u>\$ 4,153</u>	<u>\$ -</u>	<u>\$ 2,427,452</u>

**EWING MARION KAUFFMAN FOUNDATION AND AFFILIATE**

Consolidating Statement of Functional Expenses – Modified Cash Basis

Year ended December 31, 2018

(In thousands)

	Ewing Marion Kauffman Foundation			Kauffman Scholars, Inc.			Eliminations	Consolidated		
	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total		Program Services	Supporting Services	Total
Grants Paid to Organizations	\$ 78,860	\$ -	\$ 78,860	\$ -	\$ -	\$ -	\$ (15,600)	\$ 63,260	\$ -	\$ 63,260
Wages & Benefits	9,050	7,237	16,287	1,291	-	1,291	-	10,341	7,237	17,578
Professional Services	11,026	2,853	13,879	72	-	72	-	11,098	2,853	13,951
Sponsorships	1,524	13	1,537	-	-	-	-	1,524	13	1,537
Travel, Conferences, and Meetings	2,382	444	2,826	178	-	178	-	2,560	444	3,004
Communications	702	4	706	-	-	-	-	702	4	706
Technology	1,362	1,213	2,575	31	-	31	-	1,393	1,213	2,606
Occupancy	1,703	1,053	2,756	37	-	37	-	1,740	1,053	2,793
Equipment and Rentals	150	183	333	32	-	32	-	182	183	365
Supplies	35	108	143	6	-	6	-	41	108	149
Scholarship Expenses	-	-	-	10,691	-	10,691	-	10,691	-	10,691
Program Incentives	-	-	-	213	-	213	-	213	-	213
<b>Total Functional Expenses</b>	<b>\$ 106,794</b>	<b>\$ 13,108</b>	<b>\$ 119,902</b>	<b>\$ 12,551</b>	<b>\$ -</b>	<b>\$ 12,551</b>	<b>\$ (15,600)</b>	<b>\$ 103,745</b>	<b>\$ 13,108</b>	<b>\$ 116,853</b>