



EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2019 and 2018





Independent Auditors' Report

The Board of Trustees

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

We have audited the accompanying consolidated financial statements of Ewing Marion Kauffman Foundation and Affiliates (the Foundation), which comprise the consolidated balance sheets - modified cash basis as of December 31, 2019 and 2018, the related consolidated statements of income, expenses, and changes in net assets - modified cash basis, and the consolidated statements of functional expenses - modified cash basis 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 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, 2019 and 2018, and the excess of income over 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.

Kansas City, Missouri
June 3, 2020

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

Consolidated Balance Sheets – Modified Cash Basis

December 31, 2019 and 2018

(In thousands)

	<u>2019</u>	<u>2018</u>
Assets:		
Cash and short-term investments	\$ 164,145	\$ 194,737
Investments:		
Fixed income	3,719	3,205
Equities:		
Domestic	893,205	737,299
Foreign	453,955	342,056
Total equities	1,347,160	1,079,355
Private equity/alternative assets/real assets	1,149,683	1,026,957
Total investments	2,500,562	2,109,517
Total assets	<u>\$ 2,664,707</u>	<u>\$ 2,304,254</u>
Net assets:		
Without donor restriction	\$ 2,664,707	\$ 2,304,254
Total net assets	<u>\$ 2,664,707</u>	<u>\$ 2,304,254</u>

See the accompanying notes to the consolidated financial statements.

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATESConsolidated Statements of Income, Expenses,
and Changes in Net Assets – Modified Cash Basis

Years ended December 31, 2019 and 2018

(In thousands)

	<u>2019</u>	<u>2018</u>
Income:		
Investment income:		
Dividends	\$ 28,470	\$ 20,828
Interest and other investment income	4,609	4,815
Gain on currency conversion	829	767
Realized gain on investments	209,967	238,031
Unrealized gain (loss) on investments	257,942	(259,003)
Investment manager, custodian, and other expenses	(13,062)	(13,079)
Excise tax expense, net of refund	(2,162)	(1,548)
Net investment income (loss)	486,593	(9,189)
Operating:		
Grants received and other income	292	2,844
Total income (loss)	<u>486,885</u>	<u>(6,345)</u>
Expenses:		
Program services	113,161	103,745
Supporting services	13,271	13,108
Total expenses	<u>126,432</u>	<u>116,853</u>
Excess (deficiency) of income over expenses	360,453	(123,198)
Net assets, beginning of year	<u>2,304,254</u>	<u>2,427,452</u>
Net assets, end of year	<u>\$ 2,664,707</u>	<u>\$ 2,304,254</u>

See the accompanying notes to the consolidated financial statements.

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

Consolidated Statement of Functional Expenses – Modified Cash Basis

Year ended December 31, 2019

(In thousands)

	Program Services	Supporting Services	Total
Grants Paid to Organizations	\$ 66,707	\$ -	\$ 66,707
Wages & Benefits	12,449	7,100	19,549
Professional Services	14,379	2,868	17,247
Sponsorships	1,468	7	1,475
Travel, Conferences, and Meetings	3,508	423	3,931
Communications	1,704	6	1,710
Technology	2,934	1,613	4,547
Occupancy	1,875	877	2,752
Equipment and Rentals	386	270	656
Supplies	139	107	246
Scholarship Expenses	7,424	-	7,424
Program Incentives	188	-	188
Total Functional Expenses	<u>\$ 113,161</u>	<u>\$ 13,271</u>	<u>\$ 126,432</u>

See the accompanying notes to the consolidated financial statements.

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

Consolidated Statement of Functional Expenses – Modified Cash Basis

Year ended December 31, 2018

(In thousands)

	Program Services	Supporting Services	Total
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
Total Functional Expenses	<u>\$ 103,745</u>	<u>\$ 13,108</u>	<u>\$ 116,853</u>

See the accompanying notes to the consolidated financial statements.

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(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 grant-making 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 through 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 year ended December 31, 2019, activity from Kauffman Scholars, Inc. and Skilled KC Technical Institute (Affiliates) are 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 Affiliates. Activity for Kauffman Scholars, Inc. is also consolidated into the financial statements of the Foundation during the year ended December 31, 2018. The financial effect of the Affiliates 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.

Expenses - 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 AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(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 under the modified cash basis accounting utilized by the Foundation.

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 \$2,425 and \$1,499 were paid for the years ended December 31, 2019 and 2018, 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 refund (*in thousands*) of \$263 for the year ended December 31, 2019 and generated a net income tax payment (*in thousands*) of \$49 for the year ended December 31, 2018.

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 without donor restrictions net assets if the restrictions are met within the same reporting period that the contribution was received. At December 31, 2019 and 2018, all of the net assets of the Foundation were without donor restriction.

Principles of Consolidation - The accounts of the Foundation and Affiliates 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 the liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. This ASU was effective for the year ended December 31, 2018.

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 2018 consolidated financial statements have been reclassified to conform to the 2019 consolidated financial statement presentation. There was no impact on the change in net assets.

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(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, and options.

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.

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, 2019 and 2018, these investments are not categorized in the fair value hierarchy.

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(3) Fair Value Measurements (continued)

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, 2019 and 2018 (*in thousands*):

	<u>Assets at Fair Value as of December 31, 2019</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	\$ -	\$ 3,719	\$ -	\$ -	\$ 3,719
Equities:					
Domestic	893,205	-	-	-	893,205
Foreign	453,955	-	-	-	453,955
Private equity/alternative assets/real assets	-	-	-	1,149,683	1,149,683
Total	<u>\$ 1,347,160</u>	<u>\$ 3,719</u>	<u>\$ -</u>	<u>\$ 1,149,683</u>	<u>\$ 2,500,562</u>

	<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	737,299	-	-	-	737,299
Foreign	342,056	-	-	-	342,056
Private equity/alternative assets/real assets	-	-	-	1,026,957	1,026,957
Total	<u>\$ 1,079,355</u>	<u>\$ 3,205</u>	<u>\$ -</u>	<u>\$ 1,026,957</u>	<u>\$ 2,109,517</u>

(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.

At December 31, 2019 and 2018, the Foundation held the following investments (*in thousands*) in certain entities that calculate net asset value per share or its equivalent.

	<u>December 31, 2019</u>			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Restrictions on Redemption</u>	<u>Redemption Notice Period</u>
Alternative assets	\$ 63,394	\$ 15,863	Based on individual fund life	N/A
Hedge funds	384,218	-	Monthly, Quarterly, or Annually	60 - 90 Days
Real assets	65,884	36,777	Based on individual fund life	N/A
Private equity	636,187	142,903	Based on individual fund life	N/A
Total	<u>\$ 1,149,683</u>	<u>\$ 195,543</u>		

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(3) Fair Value Measurements (continued)

	December 31, 2018			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Restrictions on Redemption</u>	<u>Redemption Notice Period</u>
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>		

Alternative Assets and Hedge Funds

At December 31, 2019 and 2018, 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 monthly, quarterly, or annual redemptions. Three hedge funds limit the amount that is redeemed each quarter, with two limiting quarterly withdrawals to 25% of the balance and one limiting the quarterly withdrawals to 12.5% of the balance. 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.

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 \$40,363 and \$48,359 at December 31, 2019 and 2018, 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 \$25,521 and \$17,993 of real assets at December 31, 2019 and 2018, 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.

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(3) Fair Value Measurements (continued)

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, 2019 and 2018, the Foundation has 8 and 11, respectively, active general partner relationships in the venture category and 11 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. Liquidity is determined on a daily, monthly, and quarterly frequency based on asset types. Daily and monthly liquidity includes readily available cash and marketable securities while quarterly liquidity includes hedge funds, which have constrained availability requiring notice periods and redemption limitations. 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*) \$102,000 to \$124,000 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.

The below chart categorizes the liquidity frequency for the Foundation's liquid assets as of December 31, 2019 and 2018 (*in thousands*):

	December 31, 2019			
	Daily	Monthly	Quarterly	Total
Cash and short-term investments	\$ 164,145	\$ -	\$ -	\$ 164,145
Investments:				
Fixed Income	3,719	-	-	3,719
Equities:				
Domestic	893,205	-	-	893,205
Foreign	453,955	-	-	453,955
Private equity/alternative assets/real assets	-	47,908	384,218	432,126
Total liquid assets	\$ 1,515,024	\$ 47,908	\$ 384,218	\$ 1,947,150

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(4) Liquidity (continued)

	December 31, 2018			
	Daily	Monthly	Quarterly	Total
Cash and short-term investments	\$ 194,737	\$ -	\$ -	\$ 194,737
Investments:				
Fixed Income	3,205	-	-	3,205
Equities:				
Domestic	737,299	-	-	737,299
Foreign	342,056	-	-	342,056
Private equity/alternative assets/real assets	-	38,184	277,028	315,212
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 years ended December 31, 2019 and 2018 are subject to donor or other contractual restrictions.

As more fully described in Note 9, 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.

(5) Distributions

The Tax Reform Act of 1969 requires that certain minimum distributions be made in accordance with a specified formula. At December 31, 2019 and 2018, the Foundation was in compliance with this requirement.

(6) Commitments

As of December 31, 2019, commitments for grants (*in thousands*) aggregating approximately \$122,034 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, 2019 are scheduled for payment as follows (*in thousands*):

Calendar year:	
2020	\$ 43,483
2021	21,304
2022	18,149
2023	14,741
2024	15,000
2025 - 2029	9,357
	<u>\$ 122,034</u>

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(7) 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 \$1,996 and \$1,713 during the years ended December 31, 2019 and 2018, respectively.

Prior to January 1, 2013, the Foundation had a retiree healthcare plan, for eligible associates who were age 55 and had 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 \$224 and \$315 for the years ended December 31, 2019 and 2018, respectively.

(8) 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.

(9) Bond Guaranty

The Foundation has committed to unconditionally guarantee 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, 2019 and 2018, respectively, the total outstanding principal on the Series 2007A and 2015B bonds (*in thousands*) is approximately \$104,000. The Series 2007A bonds bear a variable interest at rate which has historically ranged between 0.01% - 4.25% 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 guarantee 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 the outstanding principal and interest on the bonds.

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(10) Subsequent Events

The Foundation has evaluated subsequent events through June 3, 2020, which is the date the consolidated financial statements were available to be issued. On March 11, 2020 the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The operations of the Foundation may be significantly impacted by the pandemic and could result in material changes in the Foundations' operations. COVID-19 is also driving market volatility and, in many instances, meaningful changes in asset valuation on a daily basis. It may also change how investment managers run their investment operations including decisions on how to reposition investment portfolios and reassure investors that the Funds are managing through the volatility professionally in tighter time cycles. No other matters were identified for evaluation or disclosure during this evaluation.

SUPPLEMENTARY INFORMATION



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Trustees

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

We have audited the consolidated financial statements of the Ewing Marion Kauffman Foundation and Affiliates as of and for the years ended December 31, 2019 and 2018, and have issued our report thereon dated June 3, 2020, 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 accompanying supplemental information on pages 16 through 21 is 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 3, 2020

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

Consolidating Balance Sheet – Modified Cash Basis

December 31, 2019

(In thousands)

	Ewing Marion Kauffman Foundation	Kauffman Scholars, Inc.	Skilled KC Technical Institute	Consolidated
Assets:				
Cash and short-term investments	\$ 158,987	\$ 4,983	\$ 175	\$ 164,145
Investments:				
Fixed income	3,719	-	-	3,719
Equities:				
Domestic	893,205	-	-	893,205
Foreign	453,955	-	-	453,955
Total equities	1,347,160	-	-	1,347,160
Private equity/alternative assets/real assets	1,149,683	-	-	1,149,683
Total investments	2,500,562	-	-	2,500,562
Total assets	<u>\$ 2,659,549</u>	<u>\$ 4,983</u>	<u>\$ 175</u>	<u>\$ 2,664,707</u>
Net assets:				
Without donor restriction	\$ 2,659,549	\$ 4,983	\$ 175	\$ 2,664,707
Total net assets	<u>\$ 2,659,549</u>	<u>\$ 4,983</u>	<u>\$ 175</u>	<u>\$ 2,664,707</u>

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

Consolidating Balance Sheet – Modified Cash Basis

December 31, 2018

(In thousands)

	Ewing Marion Kauffman Foundation	Kauffman Scholars, Inc.	Consolidated
Assets:			
Cash and short-term investments	\$ 187,535	\$ 7,202	\$ 194,737
Investments:			
Fixed income	3,205	-	3,205
Equities:			
Domestic	737,299	-	737,299
Foreign	342,056	-	342,056
Total equities	1,079,355	-	1,079,355
Private equity/alternative assets/real assets	1,026,957	-	1,026,957
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 AFFILIATES

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

Year ended December 31, 2019

(In thousands)

	Ewing Marion Kauffman Foundation	Kauffman Scholars, Inc.	Skilled KC Technical Institute	Eliminations	Consolidated
Income:					
Investment income:					
Dividends	\$ 28,470	\$ -	\$ -	\$ -	\$ 28,470
Interest and other investment income	4,609	-	-	-	4,609
Gain on currency conversion	829	-	-	-	829
Realized gain on investments	209,967	-	-	-	209,967
Unrealized gain on investments	257,942	-	-	-	257,942
Investment manager, custodian, and other expenses	(13,062)	-	-	-	(13,062)
Excise tax expense, net of refund	(2,162)	-	-	-	(2,162)
Net investment income	486,593	-	-	-	486,593
Grants received and other income	292	7,100	175	(7,275)	292
Total income	486,885	7,100	175	(7,275)	486,885
Expenses:					
Program services	111,117	9,319	-	(7,275)	113,161
Supporting services	13,271	-	-	-	13,271
Total expenses	124,388	9,319	-	(7,275)	126,432
Excess (deficiency) of income over expenses	362,497	(2,219)	175	-	360,453
Net assets, beginning of year	2,297,052	7,202	-	-	2,304,254
Net assets, end of year	\$ 2,659,549	\$ 4,983	\$ 175	\$ -	\$ 2,664,707

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

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

Year ended December 31, 2018

(In thousands)

	Ewing Marion Kauffman Foundation	Kauffman Scholars, Inc.	Eliminations	Consolidated
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)
Net investment income (loss)	<u>(9,189)</u>	-	-	<u>(9,189)</u>
Grants received and other income	2,844	15,600	(15,600)	2,844
Total income (expense)	<u>(6,345)</u>	<u>15,600</u>	<u>(15,600)</u>	<u>(6,345)</u>
Expenses:				
Program services	106,794	12,551	(15,600)	103,745
Supporting services	13,108	-	-	13,108
Total 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	2,423,299	4,153	-	2,427,452
Net assets, end of year	<u>\$ 2,297,052</u>	<u>\$ 7,202</u>	<u>\$ -</u>	<u>\$ 2,304,254</u>

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

Consolidating Statement of Functional Expenses – Modified Cash Basis

Year ended December 31, 2019

(In thousands)

	Ewing Marion Kauffman Foundation			Kauffman Scholars, Inc.			Skilled KC Technical Institute				Grand Total		
	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total	Eliminations	Program Services	Supporting Services	Total
Grants Paid to Organizations	\$ 73,982	\$ -	\$ 73,982	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (7,275)	\$ 66,707	\$ -	\$ 66,707
Wages & Benefits	11,093	7,100	18,193	1,356	-	1,356	-	-	-	-	12,449	7,100	19,549
Professional Services	14,302	2,868	17,170	77	-	77	-	-	-	-	14,379	2,868	17,247
Sponsorships	1,468	7	1,475	-	-	-	-	-	-	-	1,468	7	1,475
Travel, Conferences, and Meetings	3,316	423	3,739	192	-	192	-	-	-	-	3,508	423	3,931
Communications	1,704	6	1,710	-	-	-	-	-	-	-	1,704	6	1,710
Technology	2,897	1,613	4,510	37	-	37	-	-	-	-	2,934	1,613	4,547
Occupancy	1,840	877	2,717	35	-	35	-	-	-	-	1,875	877	2,752
Equipment and Rentals	386	270	656	-	-	-	-	-	-	-	386	270	656
Supplies	130	107	237	9	-	9	-	-	-	-	139	107	246
Scholarship Expenses	-	-	-	7,424	-	7,424	-	-	-	-	7,424	-	7,424
Program Incentives	-	-	-	188	-	188	-	-	-	-	188	-	188
Total Functional Expenses	\$ 111,118	\$ 13,271	\$ 124,389	\$ 9,318	\$ -	\$ 9,318	\$ -	\$ -	\$ -	\$ (7,275)	\$ 113,161	\$ 13,271	\$ 126,432

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

Consolidating Statement of Functional Expenses – Modified Cash Basis

Year ended December 31, 2018

(In thousands)

	Ewing Marion Kauffman Foundation			Kauffman Scholars, Inc.			Eliminations	Grand Total		
	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
Total Functional Expenses	\$ 106,794	\$ 13,108	\$ 119,902	\$ 12,551	\$ -	\$ 12,551	\$ (15,600)	\$ 103,745	\$ 13,108	\$ 116,853