



EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021





Independent Auditors' Report

The Board of Trustees

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

Opinion

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, 2022 and 2021, 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.

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, 2022 and 2021, and the excess (deficiency) of income over expenses for the years then ended, in accordance with the modified cash basis of accounting as described in Note 2.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing our audits in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Mayer Hoffman McCann P.C.

Kansas City, Missouri
June 7, 2023

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

Consolidated Balance Sheets – Modified Cash Basis

December 31, 2022 and 2021

(In thousands)

	<u>2022</u>	<u>2021</u>
Assets:		
Cash and short-term investments	<u>\$ 60,075</u>	<u>\$ 146,923</u>
Investments:		
Equities:		
Domestic	703,389	1,185,548
Foreign	<u>338,450</u>	<u>468,186</u>
Total equities	1,041,839	1,653,734
Private equity/alternative assets/real assets	<u>1,635,139</u>	<u>1,726,056</u>
Total investments	<u>2,676,978</u>	<u>3,379,790</u>
Total assets	<u><u>\$ 2,737,053</u></u>	<u><u>\$ 3,526,713</u></u>
Net assets:		
Without donor restriction	<u>\$ 2,737,053</u>	<u>\$ 3,526,713</u>
Total net assets	<u><u>\$ 2,737,053</u></u>	<u><u>\$ 3,526,713</u></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, 2022 and 2021

(In thousands)

	<u>2022</u>	<u>2021</u>
Income:		
Investment income (loss):		
Dividends	\$ 16,750	\$ 29,561
Interest income (loss)	4,244	(12)
Other investment income (loss)	488	(3,406)
Loss on currency conversion	(429)	(233)
Realized gain on investments	89,566	422,401
Unrealized gain (loss) on investments	(700,038)	124,511
Investment manager, custodian, and other expenses	(14,605)	(17,700)
Excise tax expense, net of refund	<u>(5,237)</u>	<u>(4,317)</u>
Net investment income (loss)	(609,261)	550,805
Operating:		
Grants received and other income	<u>1,327</u>	<u>2,624</u>
Total income (loss)	<u>(607,934)</u>	<u>553,429</u>
Expenses:		
Program services	165,657	157,963
Management & general	<u>16,069</u>	<u>14,347</u>
Total expenses	<u>181,726</u>	<u>172,310</u>
Excess (deficiency) of income over expenses	(789,660)	381,119
Net assets, beginning of year	<u>3,526,713</u>	<u>3,145,594</u>
Net assets, end of year	<u>\$ 2,737,053</u>	<u>\$ 3,526,713</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, 2022

(In thousands)

	Program Services	Management & General	Total
Grants Paid to Organizations	\$ 125,128	\$ -	\$ 125,128
Wages & Benefits	14,268	9,345	23,613
Professional Services	13,711	3,520	17,231
Sponsorships	1,623	-	1,623
Travel, Conferences, and Meetings	1,349	251	1,600
Communications	1,584	14	1,598
Technology	4,714	1,139	5,853
Occupancy	2,014	1,044	3,058
Equipment and Rentals	104	272	376
Supplies	14	91	105
Dues, Subscriptions and Resources	193	114	307
Risk Management	40	279	319
Scholarship Expenses	915	-	915
Total Functional Expenses	<u>\$ 165,657</u>	<u>\$ 16,069</u>	<u>\$ 181,726</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, 2021

(In thousands)

	Program Services	Management & General	Total
Grants Paid to Organizations	\$ 115,362	\$ -	\$ 115,362
Wages & Benefits	16,269	7,005	23,274
Professional Services	12,691	3,326	16,017
Sponsorships	1,558	8	1,566
Travel, Conferences, and Meetings	810	93	903
Communications	1,845	8	1,853
Technology	3,862	924	4,786
Occupancy	2,313	2,315	4,628
Equipment and Rentals	150	237	387
Supplies	46	98	144
Dues, Subscriptions and Resources	365	91	456
Risk Management	24	242	266
Scholarship Expenses	2,536	-	2,536
Program Incentives	132	-	132
Total Functional Expenses	<u>\$ 157,963</u>	<u>\$ 14,347</u>	<u>\$ 172,310</u>

See the accompanying notes to the consolidated financial statements.

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

(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 to increase inclusive prosperity by supporting two priority areas: prepared workforce and entrepreneur focused economic development.

The Foundation works with entrepreneurs and communities to build an economy that works for all people by making entrepreneurship an integral component of economic development policies, practices, and programs. The Foundation roots its work in research, developing and disseminating information through proven programs and tools that improve the environment for entrepreneurs to succeed.

To support a prepared workforce, the Foundation works to ensure that all people are equipped with relevant knowledge, skills, and real-world experience to excel in current and future careers, as employees or employers. To support this priority, 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, 2022 and 2021, 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. During the year December 31, 2022, Skilled KC Technical Institute was dissolved, and all remaining grant funds were returned to the Foundation. 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 held with the Foundation's custodian primarily includes cash held by investment managers for investment purposes, which is swept daily into a U.S. Treasury money market fund. Management monitors the soundness of these investment managers and feels the Foundation's risk is negligible. The Foundation also holds cash with financial institutions to fund operating expenses. At times, the Foundation maintains cash deposits in excess of federally insured limits. As of December 31, 2022 and 2021, the Foundation had deposits in excess of FDIC insurance of \$11,763 and \$8,805, respectively.

Income - Interest and dividend income is recognized when received. Unrealized appreciation or depreciation is recognized in the period incurred. Other investment income/losses are primarily related to partnership income and expenses generated from sales proceeds.

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.

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

(2) Summary of Significant Accounting Policies (continued)

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.

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 of accounting utilized by the Foundation.

Taxes - The Foundation is a private foundation and is subject to an excise tax of a flat 1.39% on its net investment income. Estimated tax payments (*in thousands*) of \$5,000 and \$4,225 were paid for the years ended December 31, 2022 and 2021, 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 \$224 for the year ended December 31, 2022 and generated a net income tax refund (*in thousands*) of \$28 for the year ended December 31, 2021. The Affiliates have been granted exemption from income taxes by the Internal Revenue Service under the provision of Section 501(c)(3) of the Internal Revenue Code. The Foundation and Affiliates believe there are no material uncertain tax positions that require disclosure in the accompanying consolidated financial statements.

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, 2022 and 2021, 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.

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 management and general 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 management and general 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.

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

(2) Summary of Significant Accounting Policies (continued)

Reclassifications - Certain items on the 2021 consolidated financial statements have been reclassified to conform to the 2022 consolidated financial statement presentation. There was no impact on the change in net assets.

(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, and mutual funds.

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 and preferred securities that include features of preferred stock and corporate bonds.

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, 2022 and 2021, these investments are not categorized in the fair value hierarchy.

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

(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, 2022 and 2021 (*in thousands*):

	<u>Assets at Fair Value as of December 31, 2022</u>				<u>Total</u>
	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Investments measured at net asset value (a)</u>	
Equities:					
Domestic	\$ 697,864	\$ 5,525	\$ -	\$ -	\$ 703,389
Foreign	338,450	-	-	-	338,450
Private equity/alternative assets/real asset	-	-	-	1,635,139	1,635,139
Total	\$ 1,036,314	\$ 5,525	\$ -	\$ 1,635,139	\$ 2,676,978

	<u>Assets at Fair Value as of December 31, 2021</u>				<u>Total</u>
	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Investments measured at net asset value (a)</u>	
Equities:					
Domestic	\$ 1,185,548	\$ -	\$ -	\$ -	\$ 1,185,548
Foreign	468,186	-	-	-	468,186
Private equity/alternative assets/real asset	-	-	-	1,726,056	1,726,056
Total	\$ 1,653,734	\$ -	\$ -	\$ 1,726,056	\$ 3,379,790

(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, 2022 and 2021, the Foundation held the following investments (*in thousands*) in certain entities that calculate net asset value per share or its equivalent.

	<u>December 31, 2022</u>			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Restrictions on Redemption</u>	<u>Redemption Notice Period</u>
Alternative assets	\$ 206,153	\$ 9,613	Based on individual fund life	N/A
Hedge funds	489,607	42,750	Monthly, Quarterly, or Annually	30 - 90 Days
Real assets	71,295	37,895	Based on individual fund life	N/A
Private equity	868,084	287,767	Based on individual fund life	N/A
Total	\$ 1,635,139	\$ 378,025		

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

(3) Fair Value Measurements (continued)

	December 31, 2021			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Restrictions on Redemption</u>	<u>Redemption Notice Period</u>
Alternative assets	\$ 96,704	\$ 9,613	Based on individual fund life	N/A
Hedge funds	545,810	30,000	Quarterly or Annually	30 - 90 Days
Real assets	67,912	43,133	Based on individual fund life	N/A
Private equity	1,015,630	244,037	Based on individual fund life	N/A
Total	\$ 1,726,056	\$ 326,783		

Alternative Assets and Hedge Funds

At December 31, 2022 and 2021, 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. One of the hedge funds, Marble Ridge, is in the process of liquidating in accordance with the agreements. 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 are expected to directly affect, or expected to be directly affected by, the rate of inflation. Energy partnerships include equity and drilling partnerships and were valued (*in thousands*) at \$21,506 and \$20,119 at December 31, 2022 and 2021, respectively. Energy partnership returns are driven primarily by the oil and gas industry. Real estate partnerships account (*in thousands*) for the remaining \$49,789 and \$47,793 of real assets at December 31, 2022 and 2021, respectively. These underlying funds include a variety of different real estate investments.

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

(3) Fair Value Measurements (continued)

The Foundation is no longer adding to the real asset portfolio, as of September 2021. The Foundation may still invest in both private energy and private real estate funds but no longer has a dedicated portfolio.

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, 2022 and 2021, the Foundation has 9 and 10, respectively, active general partner relationships in buyout and growth equity and 8 and 7, respectively, active general partner relationships in the venture category. 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*) \$111,000 to \$179,000 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*) \$84,000 to \$135,000.

The below chart categorizes the liquidity frequency for the Foundation's liquid assets as of December 31, 2022 and 2021 (*in thousands*):

	December 31, 2022			
	Daily	Monthly	Quarterly	Total
Cash and short-term investments	\$ 60,075	\$ -	\$ -	\$ 60,075
Equities:				
Domestic	697,864	5,525	-	703,389
Foreign	338,450	-	-	338,450
Private equity/alternative assets/real assets	-	130,584	489,607	620,191
Total liquid assets	\$ 1,096,389	\$ 136,109	\$ 489,607	\$ 1,722,105

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

(4) Liquidity (continued)

	December 31, 2021			
	<u>Daily</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Total</u>
Cash and short-term investments	\$ 146,923	\$ -	\$ -	\$ 146,923
Equities:				
Domestic	1,185,548	-	-	1,185,548
Foreign	468,186	-	-	468,186
Private equity/alternative assets/real assets	-	77,164	545,809	622,973
Total liquid assets	<u>\$ 1,800,657</u>	<u>\$ 77,164</u>	<u>\$ 545,809</u>	<u>\$ 2,423,630</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, 2022 and 2021 are subject to donor or other contractual restrictions.

As more fully described in Note 9, the Foundation committed to unconditionally guarantee 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 the 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, 2022 and 2021, the Foundation was in compliance with this requirement.

(6) Commitments

As of December 31, 2022, commitments for grants (*in thousands*) aggregating approximately \$266,472 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, 2022 are scheduled for payment as follows (*in thousands*):

Calendar year:	
2023	\$ 86,571
2024	63,881
2025	30,554
2026	24,001
2027	23,502
2028-2031	37,963
	<u>\$ 266,472</u>

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

(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 \$1,979 and \$1,895 during the years ended December 31, 2022 and 2021, 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 had at least five years of Foundation service were 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 \$335 and \$363 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, the total outstanding principal on the Series 2007A and 2015B bonds (*in thousands*) is approximately \$101,500. 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.

(10) Risks and Uncertainties

Investment risk – The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated financial statements.

(11) Subsequent Events

The Foundation has evaluated subsequent events through June 7, 2023, which is the date the consolidated financial statements were available to be issued. No 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, 2022 and 2021, and our report thereon dated June 7, 2023, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 - 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary 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 7, 2023

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

Consolidating Balance Sheet – Modified Cash Basis

December 31, 2022

(In thousands)

	December 31, 2022			
	Ewing Marion Kauffman Foundation	Kauffman Scholars, Inc.	Skilled KC Technical Institute	Consolidated
Assets:				
Cash and short-term investments	\$ 56,683	\$ 3,392	\$ -	\$ 60,075
Investments:				
Equities:				
Domestic	703,389	-	-	703,389
Foreign	338,450	-	-	338,450
Total equities	1,041,839	-	-	1,041,839
Private equity/alternative assets/real assets	1,635,139	-	-	1,635,139
Total investments	2,676,978	-	-	2,676,978
Total assets	\$ 2,733,661	\$ 3,392	\$ -	\$ 2,737,053
Net assets:				
Without donor restriction	\$ 2,733,661	\$ 3,392	\$ -	\$ 2,737,053
Total net assets	\$ 2,733,661	\$ 3,392	\$ -	\$ 2,737,053

See Independent Auditors' Report on Supplementary Information

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

Consolidating Balance Sheet – Modified Cash Basis

December 31, 2021

(In thousands)

	December 31, 2021			
	Ewing Marion Kauffman Foundation	Kauffman Scholars, Inc.	Skilled KC Technical Institute	Consolidated
Assets:				
Cash and short-term investments	\$ 141,870	\$ 2,274	\$ 2,779	\$ 146,923
Investments:				
Fixed income	-	-	-	-
Equities:				
Domestic	1,185,548	-	-	1,185,548
Foreign	468,186	-	-	468,186
Total equities	1,653,734	-	-	1,653,734
Private equity/alternative assets/real assets	1,726,056	-	-	1,726,056
Total investments	3,379,790	-	-	3,379,790
Total assets	<u>\$ 3,521,660</u>	<u>\$ 2,274</u>	<u>\$ 2,779</u>	<u>\$ 3,526,713</u>
Net assets:				
Without donor restriction	\$ 3,521,660	\$ 2,274	\$ 2,779	\$ 3,526,713
Total net assets	<u>\$ 3,521,660</u>	<u>\$ 2,274</u>	<u>\$ 2,779</u>	<u>\$ 3,526,713</u>

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EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

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

Year ended December 31, 2022

(In thousands)

	December 31, 2022				
	Ewing Marion Kauffman Foundation	Kauffman Scholars, Inc.	Skilled KC Technical Institute	Eliminations	Consolidated
Income:					
Investment income (loss):					
Dividends	\$ 16,750	\$ -	\$ -	\$ -	\$ 16,750
Interest income	4,244	-	-	-	4,244
Other investment income	488	-	-	-	488
Loss on currency conversion	(429)	-	-	-	(429)
Realized gain on investments	89,566	-	-	-	89,566
Unrealized loss on investments	(700,038)	-	-	-	(700,038)
Investment manager, custodian, and other expenses	(14,605)	-	-	-	(14,605)
Excise tax expense, net of refund	(5,237)	-	-	-	(5,237)
Net investment income (loss)	(609,261)	-	-	-	(609,261)
Grants received and other income (loss)	1,395	3,575	(1,413)	(2,230)	1,327
Total income	(607,866)	3,575	(1,413)	(2,230)	(607,934)
Expenses:					
Program services	164,064	2,457	1,366	(2,230)	165,657
Management & general	16,069	-	-	-	16,069
Total expenses	180,133	2,457	1,366	(2,230)	181,726
Excess (deficiency) of income over grants and expenses	(787,999)	1,118	(2,779)	-	(789,660)
Net assets, beginning of year	3,521,660	2,274	2,779	-	3,526,713
Net assets, end of year	\$ 2,733,661	\$ 3,392	\$ -	\$ -	\$ 2,737,053

See Independent Auditors' Report on Supplementary Information

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

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

Year ended December 31, 2021

(In thousands)

	December 31, 2021				
	Ewing Marion Kauffman Foundation	Kauffman Scholars, Inc.	Skilled KC Technical Institute	Eliminations	Consolidated
Income:					
Investment income:					
Dividends	\$ 29,561	\$ -	\$ -	\$ -	\$ 29,561
Interest loss	(12)	-	-	-	(12)
Other investment loss	(3,406)	-	-	-	(3,406)
Loss on currency conversion	(233)	-	-	-	(233)
Realized gain on investments	422,401	-	-	-	422,401
Unrealized gain on investments	124,511	-	-	-	124,511
Investment manager, custodian, and other expenses	(17,700)	-	-	-	(17,700)
Excise tax expense, net of refund	(4,317)	-	-	-	(4,317)
Net investment income	550,805	-	-	-	550,805
Grants received and other income	359	5,012	4,796	(7,543)	2,624
Total income	551,164	5,012	4,796	(7,543)	553,429
Expenses:					
Program services	157,986	4,210	3,310	(7,543)	157,963
Management & general	14,347	-	-	-	14,347
Total expenses	172,333	4,210	3,310	(7,543)	172,310
Excess of income over expenses	378,831	802	1,486	-	381,119
Net assets, beginning of year	3,142,829	1,472	1,293	-	3,145,594
Net assets, end of year	\$ 3,521,660	\$ 2,274	\$ 2,779	\$ -	\$ 3,526,713

See Independent Auditors' Report on Supplementary Information

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

Consolidating Statement of Functional Expenses – Modified Cash Basis

Year ended December 31, 2022

(In thousands)

	Ewing Marion Kauffman Foundation			Kauffman Scholars, Inc.			Skilled KC Technical Institute			Eliminations	Grand Total		
	Program Services	Management & General	Total	Program Services	Management & General	Total	Program Services	Management & General	Total		Program Services	Management & General	Total
Grants Paid to Organizations	\$ 127,358	\$ -	\$ 127,358	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,230)	\$ 125,128	\$ -	\$ 125,128
Wages & Benefits	12,040	9,345	21,385	1,213	-	1,213	1,015	-	1,015	-	14,268	9,345	23,613
Professional Services	13,563	3,520	17,083	18	-	18	130	-	130	-	13,711	3,520	17,231
Sponsorships	1,623	-	1,623	-	-	-	-	-	-	-	1,623	-	1,623
Travel, Conferences, and Meetings	1,137	251	1,388	211	-	211	1	-	1	-	1,349	251	1,600
Communications	1,546	14	1,560	24	-	24	14	-	14	-	1,584	14	1,598
Technology	4,538	1,139	5,677	54	-	54	122	-	122	-	4,714	1,139	5,853
Occupancy	1,965	1,044	3,009	-	-	-	49	-	49	-	2,014	1,044	3,058
Equipment and Rentals	95	272	367	-	-	-	9	-	9	-	104	272	376
Supplies	11	91	102	1	-	1	2	-	2	-	14	91	105
Dues, Subscriptions and Resources	188	114	302	5	-	5	-	-	-	-	193	114	307
Risk Management	-	279	279	16	-	16	24	-	24	-	40	279	319
Scholarship Expenses	-	-	-	915	-	915	-	-	-	-	915	-	915
Total Functional Expenses	<u>\$ 164,064</u>	<u>\$ 16,069</u>	<u>\$ 180,133</u>	<u>\$ 2,457</u>	<u>\$ -</u>	<u>\$ 2,457</u>	<u>\$ 1,366</u>	<u>\$ -</u>	<u>\$ 1,366</u>	<u>\$ (2,230)</u>	<u>\$ 165,657</u>	<u>\$ 16,069</u>	<u>\$ 181,726</u>

See Independent Auditors' Report on Supplementary Information

EWING MARION KAUFFMAN FOUNDATION AND AFFILIATES

Consolidating Statement of Functional Expenses – Modified Cash Basis

Year ended December 31, 2021

(In thousands)

	Ewing Marion Kauffman Foundation			Kauffman Scholars, Inc.			Skilled KC Technical Institute			Eliminations	Grand Total		
	Program Services	Management & General	Total	Program Services	Management & General	Total	Program Services	Management & General	Total		Program Services	Management & General	Total
Grants Paid to Organizations	\$ 122,905	\$ -	\$ 122,905	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (7,543)	\$ 115,362	\$ -	\$ 115,362
Wages & Benefits	12,823	7,005	19,828	1,338	-	1,338	2,108	-	2,108	-	16,269	7,005	23,274
Professional Services	12,188	3,326	15,514	34	-	34	469	-	469	-	12,691	3,326	16,017
Sponsorships	1,558	8	1,566	-	-	-	-	-	-	-	1,558	8	1,566
Travel, Conferences, and Meetings	741	93	834	69	-	69	-	-	-	-	810	93	903
Communications	1,698	8	1,706	-	-	-	147	-	147	-	1,845	8	1,853
Technology	3,533	924	4,457	72	-	72	257	-	257	-	3,862	924	4,786
Occupancy	2,141	2,315	4,456	18	-	18	154	-	154	-	2,313	2,315	4,628
Equipment and Rentals	26	237	263	-	-	-	124	-	124	-	150	237	387
Supplies	16	98	114	11	-	11	19	-	19	-	46	98	144
Dues, Subscriptions and Resources	357	91	448	-	-	-	8	-	8	-	365	91	456
Risk Management	-	242	242	-	-	-	24	-	24	-	24	242	266
Scholarship Expenses	-	-	-	2,536	-	2,536	-	-	-	-	2,536	-	2,536
Program Incentives	-	-	-	132	-	132	-	-	-	-	132	-	132
Total Functional Expenses	\$ 157,986	\$ 14,347	\$ 172,333	\$ 4,210	\$ -	\$ 4,210	\$ 3,310	\$ -	\$ 3,310	\$ (7,543)	\$ 157,963	\$ 14,347	\$ 172,310

See Independent Auditors' Report on Supplementary Information