

**HEALTH CARE FOUNDATION
OF GREATER KANSAS CITY**

YEARS ENDED DECEMBER 31, 2010 AND 2009



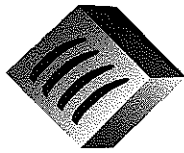
HOUSE PARK & DOBRATZ, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

**HEALTH CARE FOUNDATION
OF GREATER KANSAS CITY**

YEARS ENDED DECEMBER 31, 2010 AND 2009

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HOUSE PARK & DOBRATZ, P.C.
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Independent Auditors' Report

Board of Directors
Health Care Foundation of Greater Kansas City
Kansas City, Missouri

We have audited the statements of financial position of Health Care Foundation of Greater Kansas City (the Foundation) as of December 31, 2010 and 2009, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Health Care Foundation of Greater Kansas City as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

House Park & Dobratz, P.C.

August 10, 2011

**HEALTH CARE FOUNDATION
OF GREATER KANSAS CITY**

STATEMENTS OF FINANCIAL POSITION - DECEMBER 31, 2010 AND 2009

ASSETS

	<u>2010</u>	<u>2009</u>
Cash	\$ 94,959	\$ 211,080
Accounts receivable (Note 2)	1,376	181,053
Prepaid expenses and deposits	37,548	60,099
Investments (Notes 2 and 8)	468,751,027	414,218,076
Furniture, fixtures and equipment, less accumulated depreciation of \$297,130 and \$265,836 in 2010 and 2009, respectively	<u>87,392</u>	<u>40,146</u>
	<u>\$ 468,972,302</u>	<u>\$ 414,710,454</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Grants payable	\$ 20,376,612	\$ 24,844,672
Accounts payable and accrued expenses	<u>631,201</u>	<u>610,317</u>
	<u>21,007,813</u>	<u>25,454,989</u>
Line of credit (Note 8)	<u>2,000,000</u>	<u>5,000,000</u>
Contingency (Note 6)		
Net assets:		
Unrestricted:		
Historic dollar value (Note 7)		445,483,735
Board-designated:		
Endowment (Note 7)	478,000,000	
Initiatives	1,360,209	979,889
Excess (deficiency) available for general activities	(33,482,246)	(62,370,001)
Total unrestricted	445,877,963	384,093,623
Temporarily restricted (Note 7)	<u>86,526</u>	<u>161,842</u>
	<u>445,964,489</u>	<u>384,255,465</u>
	<u>\$ 468,972,302</u>	<u>\$ 414,710,454</u>

See notes to financial statements.

**HEALTH CARE FOUNDATION
OF GREATER KANSAS CITY**

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Changes in unrestricted net assets:		
Revenues, gains and other support:		
Contributions (Note 6)	\$ 33,069,454	
Investment income (Note 2)	3,617,710	\$ 5,152,867
Net realized and unrealized gains (Note 2)	49,969,173	59,451,700
Net asset released from restrictions (Note 7)	<u>125,316</u>	<u>231,490</u>
Total unrestricted gains and other support	<u>86,781,653</u>	<u>64,836,057</u>
Expenses:		
Grants	21,077,598	26,684,409
Operating expenses (Note 4)	3,787,942	3,256,081
Interest expense (Note 8)	<u>131,773</u>	<u>55,525</u>
Total expenses	<u>24,997,313</u>	<u>29,996,015</u>
Change in unrestricted net assets	<u>61,784,340</u>	<u>34,840,042</u>
Changes in temporarily restricted net assets:		
Contributions (Note 7)	50,000	267,571
Net assets released from restrictions (Note 7)	(<u>125,316</u>)	(<u>231,490</u>)
Change in temporarily restricted net assets	(<u>75,316</u>)	<u>36,081</u>
Change in net assets	61,709,024	34,876,123
Net assets, beginning of year	<u>384,255,465</u>	<u>349,379,342</u>
Net assets, end of year	<u>\$ 445,964,489</u>	<u>\$ 384,255,465</u>

See notes to financial statements.

**HEALTH CARE FOUNDATION
OF GREATER KANSAS CITY**

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 61,709,024	\$ 34,876,123
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	31,294	50,592
Unrealized gains on investments	(44,481,554)	(79,928,612)
Realized (gains) losses on investments	(5,487,619)	20,476,912
Changes in assets and liabilities:		
Accounts receivable	179,677	(181,053)
Prepaid expenses and deposits	22,551	(18,036)
Grants payable	(4,468,060)	1,697,369
Accounts payable and accrued expenses	<u>20,884</u>	<u>33,421</u>
Net cash provided (used) by operating activities	<u>7,526,197</u>	(22,993,284)
Cash flows from investing activities:		
Purchases of furniture, fixtures and equipment	(78,540)	(848)
Net (purchases of) proceeds from investments	<u>(4,563,778)</u>	<u>18,192,790</u>
Net cash provided (used) by investing activities	<u>(4,642,318)</u>	<u>18,191,942</u>
Cash flows from financing activities, net proceeds from (payments on) line of credit	<u>(3,000,000)</u>	<u>5,000,000</u>
Net increase (decrease) in cash	(116,121)	198,658
Cash, beginning of year	<u>211,080</u>	<u>12,422</u>
Cash, end of year	<u>\$ 94,959</u>	<u>\$ 211,080</u>
<i>Supplemental disclosure of cash flow information:</i>		
Cash paid during the year for interest	<u>\$ 140,356</u>	<u>\$ 44,692</u>

See notes to financial statements.

**HEALTH CARE FOUNDATION
OF GREATER KANSAS CITY**

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

1. Organization and summary of significant accounting policies:

Organization:

Health Care Foundation of Greater Kansas City (Foundation) was created as a Missouri not-for-profit organization in July, 2003, pursuant to an agreement (Settlement Agreement) between and among Community Health Group (CHG), successor company to Health Midwest, the Missouri Attorney General and Richard W. Brown, in connection with the sale of assets by Health Midwest to HCA, Inc. (HCA). Health Midwest, a Missouri public benefit corporation, operated various not-for-profit hospitals and other health care facilities in Kansas and Missouri which were among the assets sold to HCA, a for-profit company. The Settlement Agreement provided that two foundations would be established and that the net proceeds of the sale, as defined, would be distributed 80% to the Foundation and 20% to the Kansas foundation (The REACH Healthcare Foundation). Additionally, Richard W. Brown (Brown), an executive of Health Midwest, agreed to contribute \$517,247 to the Foundation.

The Foundation's stated purpose is to fund, conduct or take part in programs to improve, protect and/or restore individual, community and public health within specified communities, with particular emphasis on individuals who are medically indigent or underserved. The communities include Kansas City, Missouri; Jackson, Cass and Lafayette counties in Missouri; and Johnson, Wyandotte and Allen counties in Kansas.

The initial Board of Directors was appointed by the Missouri Attorney General subject to residency and other requirements as specified in the bylaws of the Foundation. Subsequent Board members are nominated by The Community Advisory Committee (CAC), elected by the Foundation's Board of Directors and ratified by CAC. CAC members are to be appointed by elected officials of specified city and county governments in Missouri and Kansas.

Use of estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Basis of accounting:

The financial transactions are recorded in and reported by the following net asset groups:

Unrestricted net assets:

Through December 31, 2009, the historic dollar value (HDV) of net assets represented the fair value of assets at the date of contribution. The Board was limited to expending the cumulative net earnings on these assets, as defined, but could also expend amounts to meet certain distribution requirements. Additional expenditures could be made upon the approval of at least two-thirds of the Board. In 2010, due to changes in Missouri statutes, the HDV was no longer applicable and the Foundation established a Board-designated endowment (Note 7). The Brown contribution was made with the provision that each year the Foundation could spend no more than 5% of the market value of the net assets resulting from the Brown contribution as of the beginning of that year.

**HEALTH CARE FOUNDATION
OF GREATER KANSAS CITY**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2010 AND 2009

1. Organization and summary of significant accounting policies (continued):

Basis of accounting (continued):

Board-designated funds are funds whose purpose is determined by the Directors. As the Board has the ability to change the purpose of these funds, they are considered unrestricted.

The remaining net assets, if any, are available for general activities of the Foundation. As of December 31, 2010 and 2009, there was a deficiency in the remaining net assets that arose primarily from market declines.

Temporarily restricted net assets:

Temporarily restricted net assets represent resources available for use currently or in the future, but expendable only for purposes specified by the donor or within a donor-designated time period.

Permanently restricted net assets:

Permanently restricted net assets are those contributions whose use by the Foundation is limited by donor-imposed stipulations that the corpus be held in perpetuity. The earnings from these net assets are available for use for either unrestricted or temporarily restricted purposes as specified by the donor.

There were no permanently restricted net assets as of December 31, 2010 or 2009.

Furniture, fixtures and equipment and depreciation:

Furniture, fixtures and equipment are stated at cost. Depreciation is provided by the straight-line method over the estimated useful lives of the assets.

Reclassifications:

Certain amounts previously reported in the 2009 financial statements have been reclassified to conform to the current year presentation.

Income taxes:

The Foundation received a determination letter from the Internal Revenue Service (IRS) dated May 12, 2004 which states that the Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation was treated as a publicly supported organization during the advance ruling period ending December 31, 2007. In 2008, the Foundation submitted to the IRS the required information regarding the advance ruling period. This information indicates that the Foundation qualifies as a publicly supported organization. In order to maintain its status as a publicly supported organization, in 2010 the Foundation became a Type I supporting organization of The Community Advisory Committee, which is an exempt publicly supported organization.

**HEALTH CARE FOUNDATION
OF GREATER KANSAS CITY**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2010 AND 2009

1. Organization and summary of significant accounting policies (continued):

Income taxes (continued):

The Foundation's current accounting policy is to provide liabilities for uncertain income tax provisions when a liability is probable and estimable. The Foundation has no uncertain income tax positions for the years ended December 31, 2010 and 2009. The tax years December 31, 2009, 2008 and 2007 are still open to audit for both Federal and state purposes. Management is not aware of any violation of its tax status as an organization exempt from income taxes

Fair value of financial instruments:

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. "Generally Accepted Accounting Principles" (GAAP) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs including quoted prices in active markets for similar assets and Level 3 inputs consist of unobservable inputs that are supported by little or no market activity and have the lowest priority.

The carrying amount of financial instruments including cash, accounts receivable, prepaid expenses, accounts payable, accrued expenses and grants payable approximated fair values as of December 31, 2010 due to their short-term nature. The fair value of investments is disclosed in Note 2.

Investments and concentrations of credit risk:

Investments are presented at fair value as determined by methodologies relevant to each asset class with any related gain or loss reported in the statement of activities. Marketable securities are held by a custodian and are stated at market value based on quoted market prices. Certain investments are valued using net asset values provided by external investment managers as a practical expedient in determining fair value. Because such investments are not readily marketable, the estimated value is subject to uncertainty and therefore may differ materially from the value that would have been used had a ready market for such investments existed. The fair value of real estate funds is determined by independent appraisal, as reported by the fund managers. The Foundation believes the carrying value of these financial instruments is a reasonable estimate of fair value.

Financial instruments which potentially subject the Foundation to significant concentrations of credit risk consist principally of cash and investments. The Foundation maintains its bank accounts at institutions where accounts are fully insured by the Federal Deposit Insurance Corporation (FDIC) through December 31, 2012. Daily balances in excess of \$2,500 are invested in repurchase agreements, collateralized by U.S. government or agency securities. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to these risks, it is at least reasonably possible that changes in risk could occur in the near term and those changes could materially affect the amounts reported in the statements of financial position.

**HEALTH CARE FOUNDATION
OF GREATER KANSAS CITY**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2010 AND 2009

1. Organization and summary of significant accounting policies (continued):

Subsequent events:

Subsequent events have been evaluated through August 10, 2011, which is the date the financial statements were available to be issued.

2. Investments:

Investments of the Foundation are reported at fair value and consist of the following:

	<u>Cost</u>	<u>Fair value</u>	<u>Excess of fair value (cost)</u>
December 31, 2010:			
Marketable securities:			
Equities, United States	\$ 128,437,901	\$ 143,306,871	
Equities, global	97,285,116	102,985,823	
Fixed income	74,035,963	74,985,573	
Alternative investments:			
Private equity	58,999,040	64,142,007	
Hedge funds	34,421,630	36,137,903	
Real estate funds	<u>59,852,650</u>	<u>47,192,850</u>	
Balance, end of year	<u>\$ 453,032,300</u>	<u>\$ 468,751,027</u>	\$ 15,718,727
Balance, beginning of year	<u>\$ 442,980,903</u>	<u>\$ 414,218,076</u>	(28,762,827)
Unrealized gains on investments			44,481,554
Realized gains on investments			<u>5,487,619</u>
Net realized and unrealized gains			<u>\$ 49,969,173</u>
December 31, 2009:			
Marketable securities:			
Equities, United States	\$ 92,249,563	\$ 83,843,333	
Equities, other than U.S.	32,116,008	25,747,707	
Equities, global	128,535,822	131,500,096	
Fixed income	60,264,586	65,841,403	
Alternative investments:			
Private equity	51,132,145	46,730,059	
Hedge funds	25,573,118	24,699,521	
Real estate funds	<u>53,109,661</u>	<u>35,855,957</u>	
Balance, end of year	<u>\$ 442,980,903</u>	<u>\$ 414,218,076</u>	(\$ 28,762,827)
Balance, beginning of year	<u>\$ 481,650,605</u>	<u>\$ 372,959,166</u>	(108,691,439)
Unrealized gains on investments			79,928,612
Realized losses on investments			<u>(20,476,912)</u>
Net realized and unrealized gains			<u>\$ 59,451,700</u>

**HEALTH CARE FOUNDATION
OF GREATER KANSAS CITY**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2010 AND 2009

2. Investments (continued):

Investment income comprises the following:

	<u>2010</u>	<u>2009</u>
Interest and dividend income	\$ 3,224,491	\$ 5,041,729
Other income, alternative investments	2,778,091	2,725,926
Investment expenses	(2,579,873)	(2,614,788)
Income from investments	3,422,710	5,152,867
Interest income included in CHG distribution	195,000	
	<u>\$ 3,617,710</u>	<u>\$ 5,152,867</u>

Included in 2009 accounts receivable is a distribution from one of the real estate funds that was made in 2009 but not received by the Foundation until 2010.

The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

The following is a summary of the inputs used in valuing the Foundation's investments carried at fair value:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
December 31, 2010:				
Equities, United States	\$ 143,306,871		\$ 143,306,871	
Equities, global	102,985,823	\$ 84,911,699	18,074,124	
Fixed income	74,985,573		74,985,573	
Private equity	64,142,007			\$ 64,142,007
Hedge funds	36,137,903			36,137,903
Real estate funds	47,192,850			47,192,850
	<u>\$ 468,751,027</u>	<u>\$ 84,911,699</u>	<u>\$ 236,366,568</u>	<u>\$ 147,472,760</u>
December 31, 2009:				
Equities, United States	\$ 83,843,333		\$ 83,843,333	
Equities, other than U.S.	25,747,707		25,747,707	
Equities, global	131,500,096	\$ 78,171,078	53,329,018	
Fixed income	65,841,403		65,841,403	
Private equity	46,730,059			46,730,059
Hedge funds	24,699,521			24,699,521
Real estate funds	35,855,957			35,855,957
	<u>\$ 414,218,076</u>	<u>\$ 78,171,078</u>	<u>\$ 228,761,461</u>	<u>\$ 107,285,537</u>

**HEALTH CARE FOUNDATION
OF GREATER KANSAS CITY**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2010 AND 2009

2. Investments (continued):

Certain funds are stated at amounts based on the net asset value reported by each fund as a practical expedient to estimate the fair value of the Foundation's interest therein. These investments are classified as Level 2 investments based on the Foundation's ability to redeem its interest at or near the date of the balance sheet. If the Foundation's interest in the fund is not redeemable at or near the date of the balance sheet, the interest in the fund is classified as a Level 3 investment. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value:

	<u>Fair value</u>
Balance December 31, 2008	\$ 103,367,655
Interest and dividends	752,471
Real estate income	2,725,926
Fees and expenses	(1,668,364)
Realized gains	65,906
Unrealized losses	(6,823,356)
Transfers into Level 3	9,190,150
Transfers out of Level 3	(324,851)
Balance December 31, 2009	107,285,537
Interest and dividends	840,603
Real estate income	2,778,087
Fees and expenses	(1,832,542)
Realized gains	1,202,741
Unrealized gains	16,728,828
Transfers into Level 3	22,755,199
Transfers out of Level 3	(2,285,693)
Balance December 31, 2010	<u>\$ 147,472,760</u>

All gains and losses (realized and unrealized) included above relate to assets held at December 31, 2010 and 2009, respectively.

**HEALTH CARE FOUNDATION
OF GREATER KANSAS CITY**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2010 AND 2009

3. Operating leases:

The Foundation leases office space under a one-year agreement through December 2010. The lease provides for the option to renew for one-year periods. Total rent expense was \$70,527 and \$69,169 for the years ended December 31, 2010 and 2009, respectively.

4. Operating expenses:

	<u>2010</u>	<u>2009</u>
Payroll and related expenses (Note 5)	\$ 1,611,315	\$ 1,510,462
Accounting and audit fees	19,928	24,497
Advocacy program expenses	36,570	
Community relations	170,713	102,547
Conferences, conventions and meetings	11,115	33,311
Consulting fees	22,802	6,258
Depreciation	31,294	50,592
Dues, membership and subscriptions	8,106	8,199
Equipment rental and maintenance	3,122	
Grant program development services	26,686	26,380
Health assessments	157,348	223,967
Information technology expense	49,703	47,057
Initiative program expenditures	624,667	441,041
Insurance	23,571	31,811
Legal fees	693,176	510,197
Miscellaneous	23,226	19,091
Office rent (Note 3)	70,527	69,169
Office supplies	22,180	18,455
Postage and delivery	26,014	15,639
Printing and publications	39,246	25,389
Public forums	33,178	24,331
Repairs and maintenance	17,349	16,118
Telephone	35,821	32,501
Travel	30,285	19,069
	<u>\$ 3,787,942</u>	<u>\$ 3,256,081</u>

Following is the functional allocation of operating expenses:

	<u>2010</u>	<u>2009</u>
Program services	\$ 2,367,429	\$ 2,096,872
Supporting services, administration	<u>1,420,513</u>	<u>1,159,209</u>
Total operating expenses	<u>\$ 3,787,942</u>	<u>\$ 3,256,081</u>

**HEALTH CARE FOUNDATION
OF GREATER KANSAS CITY**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2010 AND 2009

5. Retirement savings plan:

The Foundation sponsors a retirement savings plan (Plan) which includes salary deferral features described in Section 401(k) of the Internal Revenue Code. The Plan is available to all employees, who may contribute up to the statutory limit. The Foundation matches 100% of employee contributions up to 6% of employee compensation. The Foundation may also make annual discretionary contributions. The Foundation contributed \$72,108 and \$73,119 to the Plan for the years ended December 31, 2010 and 2009, respectively.

6. Contingency:

Under the terms of the agreement between Health Midwest and the Missouri Attorney General (Settlement Agreement), CHG, the successor to Health Midwest, held back an amount from the net proceeds of the asset sale to provide for certain contingencies including potential liabilities as defined in the Asset Purchase Agreement (APA). As a condition to accepting distributions from CHG, the Foundation and REACH entered into an agreement with CHG to accept joint and several liability for any liabilities under the APA. The Settlement Agreement requires that after three years, and every two years thereafter, CHG is to analyze whether there are cash reserves in excess of the amount necessary to satisfy the remaining anticipated liabilities, and that such surplus be distributed 80% to the Foundation and 20% to REACH. During 2010, the Foundation received distributions from CHG including \$33,069,330 in contributions and \$195,000 in interest (Note 2). These amounts are included in unrestricted contributions and investment income, respectively, in the statement of activities. No such distributions were received in 2009. Management believes that the remaining amount in reserve is sufficient to provide for any future liabilities and that, consequently, no provision in the financial statements for any such liabilities is necessary.

7. Net asset restrictions:

Board-designated endowment:

Through 2009, the expenditure of funds was limited to the net cumulative earnings on the original "historic dollar value" (HDV) of assets, as defined in Missouri statutes, with certain exceptions. Additional expenditures could be made upon the approval of at least two-thirds of the Board. Changes in Missouri law removed references to HDV and provided for the management and investment of funds using certain "prudent care" guidelines. In 2010, the Foundation Board elected to establish a Board-designated endowment fund (the Fund) in the amount of \$478 million, and to retain the restriction requiring the approval of two-thirds of the Board when the fair value of net assets is below this minimum amount. Due to significant market declines in past years, the fair value of Foundation net assets is below \$478 million; however, two-thirds or more of the members of the Board have approved annual budgeted expenditures.

**HEALTH CARE FOUNDATION
OF GREATER KANSAS CITY**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2010 AND 2009

7. Net asset restrictions:

Board-designated endowment (continued):

The bylaws of the Foundation provide that the Board members shall manage and invest the Fund in good faith and with the care an ordinary prudent person in a like position would exercise under similar circumstances and shall consider, if relevant, the following factors:

1. General economic conditions;
2. The possible effect of inflation or deflation;
3. The expected tax consequences, if any, of investment decisions or strategies;
4. The role that each investment or course of action plays within the overall investment portfolio of the Fund;
5. The expected total return from the income and the appreciation of investments;
6. Other resources of the Foundation;
7. The needs of the Foundation and the Fund to make the distributions and to preserve capital; and
8. An asset's special relationship or special value, if any, to the charitable purposes of the Foundation.

In determining the amount of expenditures, the Board, on behalf of the Foundation, shall act in good faith and with the care that an ordinary prudent person in a like position would exercise under similar circumstances and shall consider, if relevant, the following factors:

1. The duration and preservation of the Fund;
2. The purposes of the Foundation and the Fund;
3. General economic conditions;
4. The possible effect of inflation or deflation;
5. The expected total return from income and the appreciation of investments of the Foundation;
6. Other resources of the Foundation; and
7. The investment policy of the Foundation.

**HEALTH CARE FOUNDATION
OF GREATER KANSAS CITY**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2010 AND 2009

7. Net asset restrictions (continued):

Temporarily restricted net assets:

The Foundation and REACH have agreed to work cooperatively on certain initiatives that relate to the missions of both organizations. In each case, one of the organizations takes the lead role and administers the initiative. The other organization makes a grant to the lead organization, representative of the amount allocated based on a written agreement. In 2010 and 2009, REACH made grants to the Foundation totaling \$0 and \$132,571, respectively, and the Foundation made grants to REACH totaling \$0 and \$10,000, respectively, pursuant to such agreements. Temporarily restricted net assets at December 31, 2010 and 2009 include \$33,420 and \$74,705, respectively, in unspent amounts received from REACH for the Partners Investing in Nursing and HPV Vaccine initiatives.

Additionally, the Foundation received contributions of \$50,000 and \$135,000 from other organizations in 2010 and 2009, respectively. These contributions were restricted for expenses related to certain Foundation initiatives. Temporarily restricted net assets at December 31, 2010 and 2009 include \$53,106 and \$87,137, respectively, in unspent amounts received from other organizations for the Partners Investing in Nursing initiative.

Net assets released from restriction in 2010 and 2009 were primarily used for expenses related to these two initiatives.

8. Line of credit:

Beginning in 2009, the Foundation had available a \$15,000,000 bank line of credit, collateralized by certain investments, and expiring March 31, 2011. Interest was payable monthly at LIBOR plus 2%, but not below 3%, adjusted monthly. The outstanding balance on the line was \$2,000,000 and \$5,000,000 as of December 31, 2010 and 2009, respectively. Interest of \$131,773 and \$55,525 under the line of credit was expensed in 2010 and 2009, respectively. The line was renewed in 2011 under the same terms, except that the interest rate floor is 2.5%, and expires March 31, 2012.