

**Wichita Community Foundation**

Independent Auditor's Report  
and Consolidated Financial Statements

June 30, 2022 and 2021



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## **C O N T E N T S**

	Page
<b>Independent Auditor's Report</b>	1
<b>Financial Statements</b>	
Consolidated statements of financial position	3
Consolidated statements of activities	4
Consolidated statements of cash flows	6
Consolidated statements of functional expenses	7
Notes to consolidated financial statements	9

## Independent Auditor's Report

To the Board of Directors  
Wichita Community Foundation  
Wichita, Kansas

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying consolidated financial statements of Wichita Community Foundation (a not-for-profit organization) and subsidiary, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows 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 consolidated financial position of Wichita Community Foundation as of June 30, 2022 and 2021, and the consolidated changes in its net assets and its cash flows for the years then ended in conformity with the accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Financial Statements section of our report. We are required to be independent of Wichita Community Foundation and 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.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in aggregate, that raise substantial doubt about Wichita Community Foundation's ability to continue as a going concern for one year after the date that the financial statements are issued.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the 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 GAAS 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Wichita Community 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Wichita Community 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 audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Regier Ann E Mowat, CPA*

March 2, 2023  
Wichita, Kansas

**Wichita Community Foundation**  
**Consolidated Statements of Financial Position**  
**June 30, 2022 and 2021**

	2022	2021
<b>ASSETS</b>		
Cash and cash equivalents	\$ 308,023	\$ 150,415
Receivables from sales of investment securities	-	500,052
Other receivable	40,265	-
Investments	95,012,036	105,139,726
Note receivable	243,452	-
Property and equipment, at cost, less accumulated depreciation and amortization of \$104,802 in 2022 and \$156,687 in 2021	22,318	23,781
Total assets	\$ 95,626,094	\$ 105,813,974
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accrued liabilities	\$ 29,627	\$ 7,665
Other liabilities	5,780	39,152
Deferred revenue	-	10,667
Funds held for others	13,672,775	15,365,116
Total liabilities	13,708,182	15,422,600
<b>Net Assets</b>		
Without donor restriction		
Undesignated	14,763,325	17,162,282
Board designated	66,154,587	72,229,092
Total without donor restriction	80,917,912	89,391,374
With donor restriction	1,000,000	1,000,000
Total net assets	81,917,912	90,391,374
Total liabilities and net assets	\$ 95,626,094	\$ 105,813,974

*The accompanying notes are an integral part of the consolidated financial statements.*

**Wichita Community Foundation  
Consolidated Statement of Activities  
For the Year Ended June 30, 2022**

	Without Donor Restriction	With Donor Restriction	Total
<b>Revenue, gains and other support</b>			
Contributions	\$ 9,130,025	\$ -	\$ 9,130,025
Net investment gain (loss)	(10,448,925)	-	(10,448,925)
Other income	73,316	-	73,316
Total revenue, gains and other support	(1,245,584)	-	(1,245,584)
<b>Expenses</b>			
Program	6,423,406	-	6,423,406
General and administrative	432,903	-	432,903
Fundraising	371,569	-	371,569
Total expenses	7,227,878	-	7,227,878
Change in net assets	(8,473,462)	-	(8,473,462)
<b>Net assets at beginning of year</b>	<u>89,391,374</u>	<u>1,000,000</u>	<u>90,391,374</u>
<b>Net assets at end of year</b>	<u><u>\$ 80,917,912</u></u>	<u><u>\$ 1,000,000</u></u>	<u><u>\$ 81,917,912</u></u>

*The accompanying notes are an integral part of the consolidated financial statements.*

**Wichita Community Foundation  
Consolidated Statement of Activities  
For the Year Ended June 30, 2021**

	Without Donor Restriction	With Donor Restriction	Total
<b>Revenue, gains and other support</b>			
Contributions	\$ 7,058,910	\$ -	\$ 7,058,910
Net investment gain	15,697,972	-	15,697,972
Other income	87,154	-	87,154
Total revenue, gains and other support	22,844,036	-	22,844,036
<b>Expenses</b>			
Program	6,098,897	-	6,098,897
General and administrative	241,740	-	241,740
Fundraising	289,242	-	289,242
Total expenses	6,629,879	-	6,629,879
Change in net assets	16,214,157	-	16,214,157
<b>Net assets at beginning of year</b>	73,177,217	1,000,000	74,177,217
<b>Net assets at end of year</b>	<u>\$ 89,391,374</u>	<u>\$ 1,000,000</u>	<u>\$ 90,391,374</u>

*The accompanying notes are an integral part of the consolidated financial statements.*



**Wichita Community Foundation**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2022 and 2021**

	2022	2021
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (8,473,462)	\$ 16,214,157
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	11,397	11,572
Net realized and unrealized (gains) losses on investments	13,482,173	(14,239,126)
Loss on equipment disposal	2,092	1,477
Change in assets and liabilities:		
Other receivable	(40,265)	-
Accrued liabilities	21,962	712
Deferred revenue	(10,667)	(26,666)
Other liabilities	(33,372)	(50,872)
Net cash provided by operating activities	4,959,858	1,911,254
<b>Cash flows from investing activities</b>		
Issuance of note receivable	(250,000)	-
Repayment of note receivable	6,548	-
Purchase of equipment	(12,026)	(5,173)
Purchase of investments	(9,000,394)	(16,966,210)
Proceeds from sale of investments	6,145,963	12,583,211
Net cash used in investing activities	(3,109,909)	(4,388,172)
<b>Cash flows from financing activities</b>		
Increase (decrease) in funds held for others, including realized and unrealized gains (losses)	(1,692,341)	2,469,815
Net cash provided by (used in) financing activities	(1,692,341)	2,469,815
Net increase (decrease) in cash and cash equivalents	157,608	(7,103)
Cash and cash equivalents at beginning of year	150,415	157,518
Cash and cash equivalents at end of year	\$ 308,023	\$ 150,415
<b>Supplemental disclosure of non-cash investing and financing activities:</b>		
Net realized & unrealized gains on funds held for others	\$ 2,413,621	\$ 2,807,342
Lease improvement incentive	\$ 530	\$ 2,652

*The accompanying notes are an integral part of the consolidated financial statements.*

**Wichita Community Foundation**  
**Consolidated Statements of Functional Expenses**  
**Year Ended June 30, 2022**

	2022			
	Program	General and Administrative	Fundraising	Total
Salaries, payroll taxes and employee benefits	\$ 295,163	\$ 229,899	\$ 243,000	\$ 768,062
Grant expense	5,987,298	-	-	5,987,298
Professional fees	33,658	38,525	24,005	96,188
Travel and parking	2,496	24,691	2,055	29,242
Office supplies	8,637	19,206	7,111	34,954
Seminar and meetings	2,298	5,846	1,892	10,036
Information technology	46,835	42,161	39,164	128,160
Dues and memberships	8,519	13,496	7,014	29,029
Depreciation	4,364	3,440	3,593	11,397
Occupancy	20,619	18,892	16,975	56,486
Advertising and promotion	2,820	13,127	2,322	18,269
Insurance	3,751	15,063	3,088	21,902
Fundraising event	-	-	20,405	20,405
Direct fiscal sponsorship	5,800	-	-	5,800
Miscellaneous	1,148	8,557	945	10,650
	\$ 6,423,406	\$ 432,903	\$ 371,569	\$ 7,227,878

*The accompanying notes are an integral part of the consolidated financial statements.*

**Wichita Community Foundation**  
**Consolidated Statements of Functional Expenses**  
**Year Ended June 30, 2021**

	2021			
	Program	General and Administrative	Fundraising	Total
Salaries, payroll taxes and employee benefits	\$ 304,137	\$ 184,845	\$ 197,339	\$ 686,321
Grant expense	5,478,221	-	-	5,478,221
Professional fees	186,061	11,319	16,532	213,912
Travel and parking	9,171	486	641	10,298
Office supplies	7,971	2,907	16,819	27,697
Seminar and meetings	6,404	1,221	1,305	8,930
Information technology	27,447	14,463	16,418	58,328
Dues and memberships	21,367	5,001	5,342	31,710
Depreciation	5,129	3,115	3,328	11,572
Occupancy	23,549	14,303	15,279	53,131
Advertising and promotion	3,917	692	2,783	7,392
Insurance	5,137	2,650	12,415	20,202
Direct fiscal sponsorship	6,465	-	-	6,465
Miscellaneous	13,921	738	1,041	15,700
	\$ 6,098,897	\$ 241,740	\$ 289,242	\$ 6,629,879

*The accompanying notes are an integral part of the consolidated financial statements.*

**Wichita Community Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**1. Summary of Significant Accounting Policies**

***Nature of Operations***

Wichita Community Foundation (WCF) was incorporated in October 1986 as the Greater Wichita Community Foundation to channel contributions received from private and corporate donors to a variety of charitable and nonprofit organizations in the greater Wichita, Kansas area. In 1996, the name of the organization was changed to the Wichita Community Foundation. WCF Support Foundation (WCFS) was incorporated in December 2003 as a wholly owned subsidiary of WCF (collectively, the Foundation). The Foundation is directed by a Board of Directors.

***Presentation***

The Foundation's financial statements are prepared in accordance with the provisions of Accounting Standards Codification 958 (ASC 958), "Not-for-Profit Entities." This standard provides that if a governing body of an organization has the ability to remove a donor designation, the contributions should be classified as net assets without donor restrictions. However, under the Foundation's governing instruments, these net assets are subject to the Foundation's spending policy as approved by the Board of Directors, which allows distributions as the governing body deems is prudent and appropriate. Accordingly, the financial statements classify these net assets as without donor restrictions. However, receipts of unconditional promises to give with payments due in future periods are reported as net assets with donor restrictions. As the future payments are distributed, the net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as satisfaction of restrictions. Receipts of funds in which the governing document explicitly states a principal amount that may not be expended as designated by the donor have been classified as net assets with donor restriction.

***Principles of consolidation***

The accompanying consolidated financial statements include the accounts of WCF and WCFS. All significant intercompany balances and transactions have been eliminated in the consolidation.

***Investments***

Investments are carried at fair value and realized and unrealized gains and losses are reflected in the statement of activities. Contributed investments and property gifts, including real estate, are recorded at fair value at date of gift.

***Property and equipment***

Acquisitions of property and equipment are capitalized at cost when purchased or at fair value at date of gift, when donated. Depreciation is provided by the straight-line method over the estimated useful lives of the assets, generally five or seven years.

**Wichita Community Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**1. Summary of Significant Accounting Policies (Continued)**

***Use of estimates***

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant changes in the near term relate to the determination of the fair value of investments. Management relies on external market quotes in estimating the fair value of investments.

***Cash and cash equivalents***

For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents held by investment managers are considered investments.

***Receivables***

Contributions receivable and the note receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Foundation provides for losses on receivables using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of debtors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Foundation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

***Board designated net assets***

Certain net assets without donor restrictions have been designated by the board of directors to administer funds designated for the following purposes:

- Permanent support of specified charitable organizations
- Provide funds to assist and encourage promising students with scholarships
- Particular field or fields of charitable interest
- Fiscal sponsorship of specific projects
- Other donor suggested purposes

**Wichita Community Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**1. Summary of Significant Accounting Policies (Continued)**

***Income Taxes***

WCF and WCFS are organized as Kansas nonprofit corporations and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3). The entities are qualified to receive deductible charitable contributions under Section 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under Sections 509(a)(1) and (3). Each entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Each entity has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Each entity believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The entities would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

***Functional Expense Allocation***

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include accounting fees, depreciation, dues and subscription, retirement, insurance, office supplies, payroll taxes, parking, postage, rent, salaries, and telephone which are allocated on the basis of estimates of time and effort.

***Recent Accounting Pronouncements***

***Leases***

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, Leases (Topic 842), that will supersede the current lease requirements. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either financing or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital lease obligations recognized on the statement of financial position. Lessor accounting under the new standard will remain similar to lessor accounting under current GAAP. The reporting of lease-related expenses in the statements of activities and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Foundation's year ending June 30, 2023, and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the financial statements has not yet been determined.

**Wichita Community Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**2. Investments**

Investments at June 30 consist of the following:

	<u>2022</u>	<u>2021</u>
Cash and Money Market Funds	\$ 10,746,743	\$ 9,278,837
Mutual Funds:		
Equity Funds:		
Domestic	27,465,314	33,430,343
International	15,981,706	19,685,787
Fixed Income Funds:		
Domestic	25,210,379	25,501,430
International	-	5,616
High Yield Funds	90,966	151,106
Real Assets Funds	4,607,776	4,324,718
Alternative Funds	10,572,668	12,396,490
Cash Surrender Value of Life Insurance	236,053	231,972
Other Investments	100,431	133,427
	<u>100,431</u>	<u>133,427</u>
Total	<u>\$ 95,012,036</u>	<u>\$ 105,139,726</u>

Net investment income (loss) on the investments for the year ended June 30 is as follows:

	<u>2022</u>	<u>2021</u>
Dividends and interest	\$ 3,160,587	\$ 1,604,083
Net realized gains	849,978	1,220,162
Net unrealized gains (losses)	(14,332,151)	13,018,964
Increase in cash surrender value of life insurance	4,081	1,260
	<u>(10,317,505)</u>	<u>15,844,469</u>
Less management fees and assignable expenses	<u>(131,420)</u>	<u>(146,497)</u>
Net investment gain (loss)	<u>\$ (10,448,925)</u>	<u>\$ 15,697,972</u>

**Wichita Community Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**3. Fair Value Measurements**

Accounting Standards Codification 820 (ASC 820), Fair Value Measurement and Disclosures, 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 other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. 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 were used only when Level 1 or Level 2 inputs were not available.

*Level 1 Fair Value Measurements*

Quoted prices (unadjusted) in active markets for identical assets that the reporting entity has the ability to access at the measurement date. An active market for the asset is a market in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

*Level 2 Fair Value Measurements*

Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. If the asset has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset.

*Level 3 Fair Value Measurements*

Unobservable inputs for the asset. Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of a market participant that holds the asset. Therefore, unobservable inputs shall reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset (including assumptions about risk). Unobservable inputs shall be developed based on the best information available in the circumstances, which might include the reporting entity's own data.



**Wichita Community Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**3. Fair Value Measurements (Continued)**

Fair values of assets measured on a recurring basis are as follows:

<u>June 30, 2022</u>	Fair Value	Fair Value Measurements at Reporting Date Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 2)
Cash and money market funds	\$ 10,746,743	\$ 10,746,743	\$ -
Domestic Equities			
Mutual Funds:			
Equity funds:			
Domestic	27,465,314	27,465,314	-
International	15,981,706	15,981,706	-
Fixed income funds:			
Domestic	25,210,379	25,210,379	-
High Yield Funds	90,966	90,966	-
Real Assets Funds	4,607,776	4,607,776	-
Alternative Funds	10,572,668	10,572,668	-
Cash surrender value of life insurance	236,053	-	236,053
Other investments	100,431	100,431	-
<b>Total Assets at Fair Value</b>	<u><u>\$ 95,012,036</u></u>	<u><u>\$ 94,775,983</u></u>	<u><u>\$ 236,053</u></u>

**Wichita Community Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

<b>June 30, 2021</b>	Fair Value	Fair Value Measurements at Reporting Date Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 2)
Cash and money market funds	\$ 9,278,837	\$ 9,278,837	\$ -
Mutual Funds:			
Equity funds:			
Domestic	33,430,343	33,430,343	-
International	19,685,787	19,685,787	-
Fixed income funds:			
Domestic	25,501,430	25,501,430	-
International	5,616	5,616	-
High Yield Funds	151,106	151,106	-
Real Assets Funds	4,324,718	4,324,718	-
Alternative Funds	12,396,490	12,396,490	-
Cash Surrender Value of Life Insurance	231,972	-	231,972
Other Investments	133,427	133,427	-
<b>Total Assets at Fair Value</b>	<b>\$ 105,139,726</b>	<b>\$ 104,907,754</b>	<b>\$ 231,972</b>

**Wichita Community Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**4. Note receivable**

The note receivable was originated by the Foundation under a new charitable loan program. The balance consists of one note receivable, which is unsecured. The note receivable bears interest of 4% and matures on March 31, 2025. The balance outstanding at June 30, 2022 was \$243,452.

Subsequent to June 30, 2022, the Foundation committed to the funding of a second loan of \$800,000. The second loan is also unsecured, has a 36 month maturity and will bear a 5.5% interest rate.

**5. Property and Equipment**

Property and equipment at June 30 consists of the following:

	<u>2022</u>	<u>2021</u>
Office furnishings	\$ 80,611	\$ 77,923
Other	46,509	102,545
	127,120	180,468
Less accumulated depreciation and amortization	104,802	156,687
	<u>\$ 22,318</u>	<u>\$ 23,781</u>

**6. Funds Held for Others**

The Foundation acts as fiduciary agent for various not-for-profit organizations. The Foundation's responsibilities as fiduciary agent include, but are not limited to, safeguarding of assets, recordkeeping of transactions, investment management, and ensuring appropriate grant making and distributions. The Foundation's policy is to record deposits to these funds as assets and record an equal liability. Investment income on these funds, net of an administrative fee retained by the Foundation, is either paid to the organizations or reinvested and added to the liability account. Balances and activities related to these funds are summarized as follows:

	<u>2022</u>	<u>2021</u>
Liability, July 1,	\$ 15,365,116	\$ 12,895,301
Deposits	644,427	100,770
Investment income	555,225	294,993
Realized and unrealized gains (losses) on investments	(2,413,621)	2,807,342
Distributions	(415,728)	(671,330)
Administrative fees	(62,644)	(61,960)
Liability, June 30,	<u>\$ 13,672,775</u>	<u>\$ 15,365,116</u>

**Wichita Community Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**7. Endowment**

The Foundation's endowment consists of one donor-restricted fund established to support a local museum. As required by ASC 958, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

***Interpretation of Relevant Law***

The Board of the Foundation has interpreted the Kansas Uniform Prudent Management of Institutional Funds Act (UPMIFA), subject to expressed intent of the donor, as allowing appropriation for expenditure or accumulation so much of an endowment fund as the Foundation determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established. As a result of this interpretation, the Foundation classifies as perpetually restricted net assets with donor restrictions (a) the original expressed value of gifts donated to the perpetually restricted endowment, (b) the expressed original value of subsequent gifts to the perpetually restricted endowment, and (c) accumulations to the perpetually restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in perpetually restricted net assets with donor restrictions is classified as unrestricted or other donor restricted net assets in accordance with the direction of the donor. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the endowment fund;
- (2) The purposes of the institution and the endowment 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;
- (6) Other resources of the institution; and
- (7) The investment policy of the institution.

Endowment net asset composition by type of fund as of June 30:

	Without Donor Restriction	Perpetual Donor Restriction	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>June 30, 2022</b>	<u>\$ 1,959,912</u>	<u>\$ 1,000,000</u>	<u>\$ 2,959,912</u>
<b>June 30, 2021</b>	<u>\$ 2,493,908</u>	<u>\$ 1,000,000</u>	<u>\$ 3,493,908</u>

**Wichita Community Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**7. Endowment (Continued)**

Changes in endowment net assets for the fiscal years ended June 30, 2022 and 2021:

	Without Donor Restriction	Perpetual Donor Restriction	Total
Endowment net assets, June 30, 2020	\$ 1,910,712	\$ 1,000,000	\$ 2,910,712
Contributions	20,690		20,690
Investment income	60,211		60,211
Net appreciation, realized and unrealized	632,909		632,909
Grants expense	(121,595)		(121,595)
Administrative fees	(9,019)		(9,019)
Endowment net assets, June 30, 2021	2,493,908	1,000,000	3,493,908
Contributions	200		200
Investment income	122,889		122,889
Net depreciation, realized and unrealized	(528,258)		(528,258)
Grants expense	(119,842)		(119,842)
Administrative fees	(8,985)		(8,985)
Endowment net assets, June 30, 2022	<u>\$ 1,959,912</u>	<u>\$ 1,000,000</u>	<u>\$ 2,959,912</u>

*Spending policy:*

For fiscal year ending June 30, 2022, the annual grant distributions from endowment funds to qualified individuals and agencies would generally be based on four (4) percent of a three (3) year moving average of endowment fund market values, determined one year before the fiscal year in which funds are to be distributed. No change in policy for fiscal year ending June 30, 2023 is anticipated.

**Wichita Community Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**8. Operating Leases**

The Foundation leases office space under a five-year operating lease that expired September 30, 2022 and subsequently transitioned to a WCF 2022 month to month agreement. The Foundation also leases office space related to the Journalism Project under a five-year operating lease that expires March 31, 2025. Future minimum payments remaining under the leases are as follows:

Year ending June 30,	
2023	\$ 7,500
2024	8,650
2025	7,050
	<u>\$ 23,200</u>

Rent expense was \$52,548 and \$52,319 for the years ended June 30, 2022 and 2021.

**9. Retirement Plan**

The Foundation currently sponsors a simplified employee pension (SEP) plan covering all eligible employees. The plan provisions provide for Foundation contributions equal to 5% of the covered employee's salary. Eligible employees may also make elective deferrals to a 403(b) annuity plan. The Foundation's contributions to the SEP plan amounted to \$29,299 and \$29,182 for the years ended June 30, 2022 and 2021.

**10. Liquidity**

The Foundation receives contributions from private and corporate donors that benefit a variety of charitable and nonprofit organizations in the greater Wichita, Kansas area. The significant portion of contributions is received without donor restrictions and has historically exceeded the Foundation's annual operating budget. In addition, the Foundation occasionally receives contributions with donor restrictions which are restricted for specific purposes or to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs or support operations. Other revenue streams, including investment income without donor restrictions and appropriated earnings from investment income with donor restrictions (that is, endowment funds) are available to support its annual operations.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted endowments, contributions without donor restrictions, and contributions with donor restrictions for use in programs that are ongoing, major, and central to its annual operations as available to meet cash needs for general expenditures. General expenditures include general and administrative expense, fund-raising expense, and grant commitments expected to be paid in the subsequent year. Annual operations are defined as total expense related to both program services and supporting services activities.

**Wichita Community Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**10. Liquidity (Continued)**

The Foundation manages its cash available to meet general expenditures through the following three guiding principles:

- Operating within a prudent range of financial soundness and stability
- Maintaining adequate liquid assets
- Maintaining sufficient reserves to provide reasonable assurance that long-term agreements or other commitments and obligations under endowments with donor restrictions will continue to be met, thereby ensuring the sustainability of the Foundation.

The Foundation operates on an annual budget cycle, which is approved by a Board of Directors. The Board of Directors meets regularly throughout the year to review the consolidated financial statements and approve unbudgeted expenses. The following schedule reflects the Foundation's financial assets available for general expenditure as of June 30, 2022 and 2021, reduced by amounts that are not available for general use due to donor-imposed restrictions and board designated restrictions, or being recognized as funds held for others within one year of the statement of financial position date:

	<b>2022</b>	<b>2021</b>
<b>Financial assets</b>		
Cash and cash equivalents	\$ 308,023	\$ 150,415
Receivables from fund managers and stock sale	40,265	500,052
Investments	95,012,036	105,139,726
	95,360,324	105,790,193
<b>Less those unavailable for general expenditures within one year, due to:</b>		
Funds held for others	13,672,775	15,365,116
Board designated net assets	66,154,587	72,229,092
Net assets perpetually restricted by donor	1,000,000	1,000,000
	80,827,362	88,594,208
<b>Total financial assets available to meet cash needs for general purpose expenditures within one year</b>	<b>\$ 14,532,962</b>	<b>\$ 17,195,985</b>

**11. Subsequent Events**

Subsequent events were evaluated by management through March 2, 2023, which is the date the financial statements were available to be issued.

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<b>EL DORADO</b>	117 W. CENTRAL AVE	EL DORADO, KS 67042-0847	316-321-1150
<b>TUCSON</b>	4801 E. BROADWAY BLVD., STE. 501	TUCSON, AZ 85711-3648	520-624-8229
<b>TULSA</b>	4200 E. SKELLY DR., STE. 560	TULSA, OK 74135-3209	918-494-8700
<b>WAGONER</b>	509 S. MCQUARRIE AVE	WAGONER, OK 74467-6223	918-485-5531
<b>WICHITA</b>	300 W. DOUGLAS AVE., STE. 900	WICHITA, KS 67202-2914	316-264-2335