

Wichita Community Foundation

Independent Auditor's Report
and Consolidated Financial Statements

June 30, 2016 and 2015



C O N T E N T S

	Page
Independent Auditor's Report	1
Financial Statements	
Consolidated statements of financial position	3
Consolidated statements of activities	4
Consolidated statements of cash flows	6
Notes to consolidated financial statements	7

Independent Auditor's Report

To the Board of Directors
Wichita Community Foundation
Wichita, Kansas

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, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wichita Community Foundation as of June 30, 2016 and 2015, 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.

Emphasis of Matter

As explained in Note 9 to the financial statements, the financial statements as of June 30, 2015 have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Regin Can & Monroe, L.L.P.

April 17, 2017
Wichita, Kansas

Wichita Community Foundation
Consolidated Statements of Financial Position
June 30, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 82,167	\$ 141,614
Prepaid expenses	2,183	-
Investments	63,897,166	68,791,068
Property and equipment, at cost, less accumulated depreciation and amortization of \$136,111 in 2016 and \$151,445 in 2015	54,616	36,152
Total assets	\$ 64,036,132	\$ 68,968,834
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued liabilities	\$ 6,334	\$ 16,344
Other liabilities	43,261	20,000
Funds held for others	12,101,063	13,056,758
Total liabilities	12,150,658	13,093,102
Net Assets		
Unrestricted	50,885,474	54,875,732
Permanently restricted	1,000,000	1,000,000
Total net assets	51,885,474	55,875,732
Total liabilities and net assets	\$ 64,036,132	\$ 68,968,834

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, 2016**

	Unrestricted	Permanently Restricted	Total
Revenue, gains and other support			
Contributions	\$ 3,580,456	\$ -	\$ 3,580,456
Net investment loss	(2,165,975)	-	(2,165,975)
Other income	53,529	-	53,529
Total revenue, gains and other support	<u>1,468,010</u>	<u>-</u>	<u>1,468,010</u>
Expenses			
Program grants	4,896,276	-	4,896,276
General and administrative	374,714	-	374,714
Fundraising	187,278	-	187,278
Total expenses	<u>5,458,268</u>	<u>-</u>	<u>5,458,268</u>
Decrease in net assets	(3,990,258)	-	(3,990,258)
Net assets at beginning of year	<u>54,875,732</u>	<u>1,000,000</u>	<u>55,875,732</u>
Net assets at end of year	<u>\$ 50,885,474</u>	<u>\$ 1,000,000</u>	<u>\$ 51,885,474</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, 2015**

	Unrestricted	Permanently Restricted	Total
Revenue, gains and other support			
Contributions	\$ 5,444,350	\$ -	\$ 5,444,350
Net investment loss	(1,365,594)	-	(1,365,594)
Other income	170,675	-	170,675
Total revenue, gains and other support	<u>4,249,431</u>	<u>-</u>	<u>4,249,431</u>
Expenses			
Program grants	4,018,639	-	4,018,639
General and administrative	339,947	-	339,947
Fundraising	354,825	-	354,825
Total expenses	<u>4,713,411</u>	<u>-</u>	<u>4,713,411</u>
Decrease in net assets	(463,980)	-	(463,980)
Net assets at beginning of year, restated	<u>55,339,712</u>	<u>1,000,000</u>	<u>56,339,712</u>
Net assets at end of year, restated	<u>\$ 54,875,732</u>	<u>\$ 1,000,000</u>	<u>\$ 55,875,732</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, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Decrease in net assets	\$ (3,990,258)	\$ (463,980)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	12,836	13,151
Loss on disposition of property and equipment	461	-
Net realized and unrealized (gains) losses on investments	3,630,738	2,865,296
Change in assets and liabilities:		
Prepaid expenses	(2,183)	-
Accrued liabilities	(10,010)	11,256
Other liabilities	9,824	(48,120)
	<u>(348,592)</u>	<u>2,377,603</u>
Cash flows from investing activities		
Purchase of equipment	(18,323)	(20,518)
Purchase of investments	(27,007,317)	(21,987,104)
Proceeds from sale of investments held in trust	-	32,752
Proceeds from sale of investments	28,270,481	19,122,822
	<u>1,244,841</u>	<u>(2,852,048)</u>
Cash flows from financing activities		
Increase (decrease) in funds held for others, including realized and unrealized gains (losses)	(955,696)	481,011
Net cash provided by (used in) financing activities	<u>(955,696)</u>	<u>481,011</u>
Net increase (decrease) in cash and cash equivalents	(59,447)	6,566
Cash and cash equivalents at beginning of year	<u>141,614</u>	<u>135,048</u>
Cash and cash equivalents at end of year	<u>\$ 82,167</u>	<u>\$ 141,614</u>
Supplemental disclosure of non-cash investing and financing activities:		
Net realized and unrealized gains (losses) on funds held for others	\$ (931,287)	\$ (703,930)
Lease improvement incentive	13,438	-

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

Wichita Community Foundation
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

1. Summary of Significant Accounting Policies

Nature of Operations

Wichita Community Foundation (WCF) was incorporated in October 1986 to channel contributions received from private and corporate donors to a variety of charitable and nonprofit organizations in the greater Wichita, Kansas area. 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 unrestricted net assets. 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 it prudent and appropriate. Accordingly, the financial statements classify these net assets as unrestricted. However, receipts of unconditional promises to give with payments due in future periods are reported as temporarily restricted net assets. As the future payments are distributed, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from 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 permanently restricted.

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.

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

Wichita Community Foundation
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

1. Summary of Significant Accounting Policies (Continued)

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 are stated at unpaid balances, less an allowance for doubtful accounts. The Foundation provides for losses on accounts receivable 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.

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.

Wichita Community Foundation
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements

- Non-Profit Organizations

In August 2016, The Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 948), which will change how not-for-profit organizations will report and present certain items in their financial statements. The new guidance will take effect for the year ending June 30, 2019. The significant changes are:

- Simplification of net asset presentation – net assets will now be presented in two classes, “Net assets with donor restrictions,” and “Net assets without donor restrictions.”
- All not-for-profit organizations will be required to present expenses in their natural classification (advertising, payroll, rent, etc.) and by function (program, general and administrative and fund raising).
- Enhanced disclosure requirements related to presenting liquidity information and simplification of existing disclosure requirements related to investment returns and long lived assets purchased with donor-restricted funds.

The Foundation has not yet determined the effect of applying the remaining requirements of the new standard on the financial statements.

2. Investments

Investments at June 30 consist of the following:

	2016	2015
Cash and Money Market Funds	\$ 4,372,387	\$ 3,872,791
Equity Funds:		
Domestic	10,056,771	12,929,548
International	17,254,152	18,257,146
Fixed Income Funds:		
Domestic	11,406,604	12,247,457
International	379,930	831,438
Non-investment grade	1,179,838	782,433
Natural Resource Funds	3,099,330	4,191,763
Real Estate Fund	2,084,253	1,908,554
Funds of Hedge Funds	13,209,543	12,928,264
Cash Surrender Value of Life Insurance	794,535	756,034
Other Investments	59,823	85,640
	\$ 63,897,166	\$ 68,791,068

Wichita Community Foundation
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

2. Investments (Continued)

The objective of hedge fund investments is to diversify the systematic risk in the investment portfolio. The risk management capabilities of hedge funds are expected to result in lower volatility of returns and reduced severity of losses for the portfolio as a whole. Such investments are generally illiquid and estimates of fair value are based on information from the funds' managers and are subject to change in the near term.

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

	<u>2016</u>	<u>2015</u>
Dividends and interest	\$ 1,594,059	\$ 1,643,638
Net realized gains (losses)	(680,949)	1,324,273
Net unrealized gains (losses)	(2,949,789)	(4,189,569)
Other investment income (loss)	<u>38,501</u>	<u>36,609</u>
	(1,998,178)	(1,185,049)
Less management fees and assignable expenses	<u>(167,797)</u>	<u>(180,545)</u>
Net investment income (loss)	<u><u>\$ (2,165,975)</u></u>	<u><u>\$ (1,365,594)</u></u>

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.

Wichita Community Foundation
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

3. Fair Value Measurements (Continued)

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.

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

June 30, 2016	Fair Value	Fair Value Measurements at Reporting Date Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Cash and money market funds	\$ 4,372,387	\$ 4,372,387	\$ -
Equity funds:			
Domestic	10,056,771	10,056,771	
International	17,254,152	17,254,152	
Fixed income funds:			
Domestic	11,406,604	11,406,604	
International	379,930	379,930	
Non-investment grade	1,179,838	1,179,838	
Natural resource funds	3,099,330	3,099,330	
Real estate funds	2,084,253	2,084,253	
Hedge funds	460,103	460,103	
Cash surrender value of life insurance	794,535		794,535
Other investments	59,823	59,823	
	51,147,726	\$ 50,353,191	\$ 794,535
Hedge fund investments measured at net asset value (NAV)	12,749,440		
Total investments	\$ 63,897,166		

Wichita Community Foundation
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

3. Fair Value Measurements (Continued)

June 30, 2015	Fair Value	Fair Value Measurements at Reporting Date Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Cash and Money Market Funds	\$ 3,872,791	\$ 3,872,791	\$ -
Equity Funds:			
Domestic	12,929,548	12,929,548	
International	18,257,146	18,257,146	
Fixed Income Funds:			
Domestic	12,247,457	12,247,457	
International	831,438	831,438	
Non-investment grade	782,433	782,433	
Natural Resource Funds	4,191,763	4,191,763	
Real Estate Fund	1,908,554	1,908,554	
Hedge funds	446,385	446,385	
Cash Surrender Value of Life Insurance	756,034		756,034
Other Investments	85,640	85,640	
Total Assets at Fair Value	56,309,189	\$ 55,553,155	\$ 756,034
Hedge fund investments measured at net asset value (NAV)	12,481,879		
Total Investment	\$ 68,791,068		

The following table summarizes investments measured at fair value based on net asset value (NAV) per share as of June 30, 2016 and 2015 respectively:

June 30, 2016	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Weatherlow Offshore Fund I (a)	\$ 4,280,512	\$ -	Quarterly	65 days
FEG Absolute Access Fund I (b)	4,419,233		Semi Annually	95 days
ABS Offshore SPC Global (c)	4,049,695		Quarterly	45 days
	\$ 12,749,440	\$ -		
June 30, 2015	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Weatherlow Offshore Fund I (a)	\$ 3,822,968	\$ -	Quarterly	65 days
FEG Absolute Access Fund I (b)	4,227,166		Semi Annually	95 days
ABS Offshore SPC Global (c)	4,431,745		Quarterly	45 days
	\$ 12,481,879	\$ -		

Wichita Community Foundation
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

3. Fair Value Measurements (Continued)

(a) The hedge fund is audited yearly and received an unmodified opinion for the year ending December 31, 2015. The fund uses NAV as a matter of practicality as all underlying assets are interests in other managed funds. In determining NAV, the fund uses the valuation of the interest in the portfolio fund by either the audited or unaudited financial statements or estimate provided by the portfolio fund.

The fund's investment objective is to achieve long-term returns equivalent with long-term returns from a portfolio invested in the general equity markets, while experiencing volatility more like that of a portfolio invested in the general debt markets. This is achieved by investing predominantly in interests of managed hedge funds or portfolio funds.

(b) The hedge fund is audited yearly and received an unmodified opinion for the year ending March 31, 2016. The fund uses NAV as a matter of practicality as the underlying asset consists of investment in FEG Absolute Access Fund. The FEG Absolute Access Fund values the interests in underlying portfolio funds based on the most recent final estimated value reported by the portfolio fund.

The fund's investment objective is to achieve capital appreciation in both rising and falling markets. The fund employs a variety of absolute return strategies that strive to deliver a modest return regardless of the market environment.

(c) The hedge fund is audited yearly and received an unmodified opinion for the year ending December 31, 2015. The fund uses NAV as a matter of practicality as all underlying assets are interests in other managed funds. In determining NAV, the fund uses the valuation of the interest in the portfolio fund by either the audited or unaudited financial statements or estimate provided by the portfolio fund.

The fund's investment objective is to generate global equity market returns while maintaining a moderate level of risk. The fund focuses on investment funds that target absolute returns throughout the global financial markets.

The following table sets forth a summary of changes in the fair value of the Foundation's Level 3 investments shown above for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Beginning Balance (Level 3)	\$ 756,034	\$ 719,166
Unrealized gains/(losses) on level three investments held at year end	<u>38,501</u>	<u>36,868</u>
Ending Balance (Level 3)	<u><u>\$ 794,535</u></u>	<u><u>\$ 756,034</u></u>

Wichita Community Foundation
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

4. Property and Equipment

Property and equipment at June 30 consists of the following:

	<u>2016</u>	<u>2015</u>
Office furnishings	\$ 89,427	\$ 116,234
Other	<u>101,300</u>	<u>71,363</u>
	190,727	187,597
Less accumulated depreciation and amortization	<u>136,111</u>	<u>151,445</u>
	<u>\$ 54,616</u>	<u>\$ 36,152</u>

5. 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>2016</u>	<u>2015</u>
Liability, July 1,	\$ 13,056,758	\$ 12,575,748
Deposits	182,184	1,300,201
Investment income	362,255	348,021
Realized and unrealized		
gains (losses) on investments	(931,287)	(703,930)
Distributions	(514,859)	(408,527)
Administrative fees	<u>(53,988)</u>	<u>(54,755)</u>
Liability, June 30,	<u>\$ 12,101,063</u>	<u>\$ 13,056,758</u>

6. 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.

Wichita Community Foundation
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

6. Endowment (Continued)

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 permanently restricted net assets (a) the original expressed value of gifts donated to the permanent endowment, (b) the expressed original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 permanently restricted net assets is classified as unrestricted or temporarily 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:

	2016	
	Unrestricted	Permanently Restricted
Donor restricted endowment funds	\$ 1,994,381	\$ 1,000,000
	2015	
	Unrestricted	Permanently Restricted
Donor restricted endowment funds	\$ 2,696,923	\$ 1,000,000

Wichita Community Foundation
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

6. Endowment (Continued)

Changes in endowment net assets for the fiscal years ended June 30, 2016 and 2015:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2014	\$ 2,942,594	\$ 1,000,000	\$ 3,942,594
Contributions	11,143		11,143
Investment income	82,054		82,054
Net appreciation (depreciation), realized and unrealized	(216,567)		(216,567)
Grants expense	(112,150)		(112,150)
Administrative fees	<u>(10,151)</u>		<u>(10,151)</u>
Endowment net assets, June 30, 2015	2,696,923	1,000,000	3,696,923
Contributions	66,235		66,235
Investment income	93,441		93,441
Net appreciation (depreciation), realized and unrealized	(257,404)		(257,404)
Grants expense	(596,326)		(596,326)
Administrative fees	<u>(8,488)</u>		<u>(8,488)</u>
Endowment net assets, June 30, 2016	<u>\$ 1,994,381</u>	<u>\$ 1,000,000</u>	<u>\$ 2,994,381</u>

Spending policy:

For fiscal year ending June 30, 2016, the annual grant distributions from endowment funds to qualified individuals and agencies will 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, 2017 is anticipated.

Wichita Community Foundation
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

7. Operating Leases

The Foundation leases office space under a five-year operating lease that expires September 30, 2022. Future minimum payments remaining under the lease are as follows:

Year ending June 30,	
2017	50,342
2018	50,342
2019	50,342
2020	50,342
2021	50,342
Thereafter	12,585
	<u>\$ 264,295</u>

8. 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 \$22,170 and \$18,812 for the years ended June 30, 2016 and 2015.

9. Restatement of Prior Period

During 2016, management conducted a review of fund agreements. As a result of the review, management identified certain funds that had been incorrectly classified as either funds held for others or funds included in net assets. The accompanying financial statements as of and for the year ended June 30, 2015 have been restated to correct the classification of funds and related activity as follows:

	As Previously Reported	Correction	As Restated
Funds held for others, June 30, 2015	\$ 12,683,164	\$ 373,594	\$ 13,056,758
Unrestricted net assets, June 30, 2014	55,801,712	(462,000)	55,339,712
Contributions	5,342,180	102,170	5,444,350
Net investment income (loss)	(1,379,957)	14,363	(1,365,594)
Other income	170,006	669	170,675
Program grants	3,989,843	28,796	4,018,639
Decrease in net assets	(552,386)	88,406	(463,980)
Unrestricted net assets, June 30, 2015	55,249,326	(373,594)	54,875,732

Wichita Community Foundation
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

10. Subsequent Events

Subsequent events were evaluated by management through April 17, 2017, which is the date the financial statements were available to be issued.

EL DORADO	112 EAST CENTRAL AVE.	EL DORADO, KS 67042-2151	316-321-1150
McALESTER	101 S. 2ND. STE. B	McALESTER, OK 74501-5345	918-426-1234
TUCSON	4801 E. BROADWAY BLVD., STE. 501	TUCSON, AZ 85711-3648	520-624-8229
TULSA	8023 E. 63RD PL. STE 500	TULSA, OK 74133-1209	918-494-8700
WAGONER	611-D W. CHEROKEE ST.	WAGONER, OK 74467-4618	918-485-5531
WICHITA	300 W. DOUGLAS AVE., STE. 900	WICHITA, KS 67202-2914	316-264-2335