

**Wichita Community Foundation**

Independent Auditor's Report  
and Consolidated Financial Statements

June 30, 2017 and 2016



## **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
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, 2017 and 2016, 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, 2017 and 2016, 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.

*Regier Carr & Monroe, L.L.P.*

May 11, 2018  
Wichita, Kansas

**Wichita Community Foundation**  
**Consolidated Statements of Financial Position**  
**June 30, 2017 and 2016**

	2017	2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 121,173	\$ 82,167
Prepaid expenses	3,669	2,183
Receivables from fund managers	5,244,685	-
Investments	61,874,260	63,897,166
Property and equipment, at cost, less accumulated depreciation and amortization of \$144,630 in 2017 and \$136,111 in 2016	52,084	54,616
Total assets	\$ 67,295,871	\$ 64,036,132
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accrued liabilities	\$ 11,757	\$ 6,334
Other liabilities	11,139	43,261
Funds held for others	12,705,960	12,101,063
Total liabilities	12,728,856	12,150,658
<b>Net Assets</b>		
Unrestricted	53,567,015	50,885,474
Permanently restricted	1,000,000	1,000,000
Total net assets	54,567,015	51,885,474
Total liabilities and net assets	\$ 67,295,871	\$ 64,036,132

*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, 2017**

	Unrestricted	Permanently Restricted	Total
<b>Revenue, gains and other support</b>			
Contributions	\$ 4,036,669	\$ -	\$ 4,036,669
Net investment gain	4,816,889	-	4,816,889
Other income	56,170	-	56,170
	<u>8,909,728</u>	<u>-</u>	<u>8,909,728</u>
<b>Expenses</b>			
Program grants	5,744,469	-	5,744,469
General and administrative	287,383	-	287,383
Fundraising	196,335	-	196,335
	<u>6,228,187</u>	<u>-</u>	<u>6,228,187</u>
Increase in net assets	2,681,541	-	2,681,541
<b>Net assets at beginning of year</b>	<u>50,885,474</u>	<u>1,000,000</u>	<u>51,885,474</u>
<b>Net assets at end of year</b>	<u>\$ 53,567,015</u>	<u>\$ 1,000,000</u>	<u>\$ 54,567,015</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, 2016**

	Unrestricted	Permanently Restricted	Total
<b>Revenue, gains and other support</b>			
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>
<b>Expenses</b>			
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)
<b>Net assets at beginning of year</b>	<u>54,875,732</u>	<u>1,000,000</u>	<u>55,875,732</u>
<b>Net assets at end of year</b>	<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 Statements of Cash Flows**  
**Years Ended June 30, 2017 and 2016**

	2017	2016
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$ 2,681,541	\$ (3,990,258)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	16,362	12,836
Loss on disposition of property and equipment	-	461
Net realized and unrealized (gains) losses on investments	(3,605,981)	3,630,738
Change in assets and liabilities:		
Prepaid expenses	(1,486)	(2,183)
Accrued liabilities	5,423	(10,010)
Other liabilities	(32,122)	9,824
	<u>(936,263)</u>	<u>(348,592)</u>
<b>Cash flows from investing activities</b>		
Purchase of equipment	(13,830)	(18,323)
Purchase of investments	(50,082,806)	(27,007,317)
Proceeds from sale of investments	50,467,008	28,270,481
	<u>370,372</u>	<u>1,244,841</u>
<b>Cash flows from financing activities</b>		
Increase (decrease) in funds held for others, including realized and unrealized gains (losses)	604,897	(955,696)
Net cash provided by (used in) financing activities	<u>604,897</u>	<u>(955,696)</u>
Net increase (decrease) in cash and cash equivalents	39,006	(59,447)
Cash and cash equivalents at beginning of year	82,167	141,614
Cash and cash equivalents at end of year	<u>\$ 121,173</u>	<u>\$ 82,167</u>
<b>Supplemental disclosure of non-cash investing and financing activities:</b>		
Net realized and unrealized gains (losses) on funds held for others	\$ 934,572	\$ (931,287)
Lease improvement incentive	11,139	13,438

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



**Wichita Community Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2017 and 2016**

**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, 2017 and 2016**

**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, 2017 and 2016**

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

***Recent Accounting Pronouncements***

*Revenue Recognition*

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), that will supersede the current revenue recognition requirements. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Foundation's year ending June 30, 2019. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Foundation has not yet determined which application method it will use or the potential effects on the new standard on the financial statements, if any.

*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, 2021, 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.

*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.”

**Wichita Community Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2017 and 2016**

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

- 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:

	2017	2016
Cash and Money Market Funds	\$ 5,175,286	\$ 4,372,387
Mutual Funds:		
Equity Funds:		
Domestic	18,832,950	10,056,771
International	13,075,060	17,254,152
Fixed Income Funds:		
Domestic	13,906,825	11,406,604
International	2,296,370	379,930
High Yield Funds	3,708,819	1,179,838
Real Assets Funds	1,861,068	3,099,330
Real Estate Fund	14,015	2,084,253
Alternative Funds	2,099,745	460,103
Funds of Hedge Funds	-	12,749,440
Cash Surrender Value of Life Insurance	832,922	794,535
Other Investments	71,200	59,823
	\$ 61,874,260	\$ 63,897,166

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.

**Wichita Community Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2017 and 2016**

**2. Investments (Continued)**

During the year ended June 30, 2017, WCF sold its investments in funds of hedge funds. Certain of the Fund's investment provisions call for holdback of a portion of the proceeds from the sale for a period of time to allow for a final accounting. Receivables from fund managers as of June 30, 2017 consists of holdback balances of \$1,123,411 as well as proceeds of \$4,121,274 from a sale that occurred on June 30, 2017, received in July, 2017.

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

	2017	2016
Dividends and interest	\$ 1,343,085	\$ 1,594,059
Net realized gains (losses)	858,830	(680,949)
Net unrealized gains (losses)	2,747,151	(2,949,789)
Other investment income	38,387	38,501
	4,987,453	(1,998,178)
Less management fees and assignable expenses	(170,564)	(167,797)
Net investment gain (loss)	\$ 4,816,889	\$ (2,165,975)

**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, 2017 and 2016**

**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:

<u>June 30, 2017</u>	<u>Fair Value</u>	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	\$ 5,175,286	\$ 5,175,286	\$ -
Mutual Funds:			
Equity funds:			
Domestic	18,832,950	18,832,950	
International	13,075,060	13,075,060	
Fixed income funds:			
Domestic	13,906,825	13,906,825	
International	2,296,370	2,296,370	
High Yield Funds	3,708,819	3,708,819	
Real Assets Funds	1,861,068	1,861,068	
Real Estate Fund	14,015	14,015	
Alternative Funds	2,099,745	2,099,745	
Cash surrender value of life insurance	832,922		832,922
Other investments	71,200	71,200	
	<u>\$ 61,874,260</u>	<u>\$ 61,041,338</u>	<u>\$ 832,922</u>

**Wichita Community Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2017 and 2016**

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

June 30, 2016	Fair Value	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	\$ -
Mutual Funds:			
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	
High Yield Funds	1,179,838	1,179,838	
Real Assets Funds	3,099,330	3,099,330	
Real Estate Fund	2,084,253	2,084,253	
Alternative Funds	460,103	460,103	
Cash Surrender Value of Life Insurance	794,535		794,535
Other Investments	59,823	59,823	
Total Assets at Fair Value	51,147,726	\$ 50,353,191	\$ 794,535
Hedge fund investments measured at net asset value (NAV)	12,749,440		
Total Investment	\$ 63,897,166		

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

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	\$ -		

- (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-

**Wichita Community Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2017 and 2016**

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

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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Beginning Balance (Level 3)	\$ 794,535	\$ 756,034
Unrealized gains/(losses) on level three investments held at year end	38,387	38,501
Ending Balance (Level 3)	<u>\$ 832,922</u>	<u>\$ 794,535</u>

**4. Property and Equipment**

Property and equipment at June 30 consists of the following:

	<u>2017</u>	<u>2016</u>
Office furnishings	\$ 94,169	\$ 89,427
Other	<u>102,545</u>	<u>101,300</u>
	196,714	190,727
Less accumulated depreciation and amortization	<u>144,630</u>	<u>136,111</u>
	<u>\$ 52,084</u>	<u>\$ 54,616</u>



**Wichita Community Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2017 and 2016**

**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>2017</u>	<u>2016</u>
Liability, July 1,	\$ 12,101,063	\$ 13,056,758
Deposits	86,880	182,184
Investment income	335,004	362,255
Realized and unrealized		
gains (losses) on investments	934,572	(931,287)
Distributions	(695,389)	(514,859)
Administrative fees	(56,170)	(53,988)
Liability, June 30,	<u>\$ 12,705,960</u>	<u>\$ 12,101,063</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.

***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

**Wichita Community Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2017 and 2016**

**6. Endowment (continued)**

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:

	2017	
	Unrestricted	Permanently Restricted
Donor restricted endowment funds	\$ 2,042,284	\$ 1,000,000
	2016	
	Unrestricted	Permanently Restricted
Donor restricted endowment funds	\$ 1,994,381	\$ 1,000,000

**Wichita Community Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2017 and 2016**

**6. Endowment (Continued)**

Changes in endowment net assets for the fiscal years ended June 30, 2017 and 2016:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</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	1,994,381	1,000,000	2,994,381
Contributions	15,100		15,100
Investment income	67,987		67,987
Net appreciation (depreciation), realized and unrealized	225,229		225,229
Grants expense	(252,178)		(252,178)
Administrative fees	<u>(8,235)</u>		<u>(8,235)</u>
Endowment net assets, June 30, 2017	<u>\$ 2,042,284</u>	<u>\$ 1,000,000</u>	<u>\$ 3,042,284</u>

*Spending policy:*

For fiscal year ending June 30, 2017, 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, 2018 is anticipated.

**Wichita Community Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2017 and 2016**

**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,		
2018	\$	50,342
2019		50,342
2020		50,342
2021		50,342
Thereafter		12,585
	\$	<u>213,953</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 \$21,158 and \$22,170 for the years ended June 30, 2017 and 2016.

**10. Subsequent Events**

Subsequent events were evaluated by management through May 11, 2018, which is the date the financial statements were available to be issued.

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<b>EL DORADO</b>	PO BOX 847	EL DORADO, KS 67042-0847	316-321-1150
<b>McALESTER</b>	101 S. 2ND. STE. B	McALESTER, OK 74501-5345	918-426-1234
<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>	611-D W. CHEROKEE ST.	WAGONER, OK 74467-4618	918-485-5531
<b>WICHITA</b>	300 W. DOUGLAS AVE., STE. 900	WICHITA, KS 67202-2914	316-264-2335