

Wichita Community Foundation

Independent Auditor's Report
and Consolidated Financial Statements

June 30, 2020 and 2019



Wichita Community Foundation

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June 30, 2020 and 2019

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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, 2020 and 2019, 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.

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, 2020 and 2019, 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 Can E Mowal, CPA

February 9, 2021
Wichita, Kansas

Wichita Community Foundation
Consolidated Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 157,518	\$ 251,714
Receivables from sales of investment securities	-	400,095
Investments	87,017,653	86,465,720
Property and equipment, at cost, less accumulated depreciation and amortization of \$145,681 in 2020 and \$133,391 in 2019	31,658	41,112
Total assets	\$ 87,206,829	\$ 87,158,641
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued liabilities	\$ 6,954	\$ 6,567
Other liabilities	90,024	119,896
Deferred revenue	37,333	56,667
Funds held for others	12,895,301	13,257,621
Total liabilities	13,029,612	13,440,751
Net Assets		
Without donor restriction		
Undesignated	14,304,411	14,835,032
Board designated	58,872,806	57,882,858
Total without donor restriction	73,177,217	72,717,890
With donor restriction	1,000,000	1,000,000
Total net assets	74,177,217	73,717,890
Total liabilities and net assets	\$ 87,206,829	\$ 87,158,641

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, 2020**

	Without Donor Restriction	With Donor Restriction	Total
Revenue, gains and other support			
Contributions	\$ 7,276,139	\$ -	\$ 7,276,139
Net investment gain	409,655	-	409,655
Other income	76,771	-	76,771
	<u>7,762,565</u>	<u>-</u>	<u>7,762,565</u>
Expenses			
Program	6,740,526	-	6,740,526
General and administrative	268,354	-	268,354
Fundraising	294,358	-	294,358
	<u>7,303,238</u>	<u>-</u>	<u>7,303,238</u>
Increase in net assets	459,327	-	459,327
Net assets at beginning of year	<u>72,717,890</u>	<u>1,000,000</u>	<u>73,717,890</u>
Net assets at end of year	<u>\$ 73,177,217</u>	<u>\$ 1,000,000</u>	<u>\$ 74,177,217</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, 2019**

	Without Donor Restriction	With Donor Restriction	Total
Revenue, gains and other support			
Contributions	\$ 9,996,109	\$ -	\$ 9,996,109
Net investment gain	1,999,837	-	1,999,837
Other income	60,731	-	60,731
Total revenue, gains and other support	<u>12,056,677</u>	<u>-</u>	<u>12,056,677</u>
Expenses			
Program	5,059,050	-	5,059,050
General and administrative	281,496	-	281,496
Fundraising	180,007	-	180,007
Total expenses	<u>5,520,553</u>	<u>-</u>	<u>5,520,553</u>
Increase in net assets	6,536,124	-	6,536,124
Net assets at beginning of year	<u>66,181,766</u>	<u>1,000,000</u>	<u>67,181,766</u>
Net assets at end of year	<u><u>\$ 72,717,890</u></u>	<u><u>\$ 1,000,000</u></u>	<u><u>\$ 73,717,890</u></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, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Increase in net assets	\$ 459,327	\$ 6,536,124
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	14,759	15,271
Net realized and unrealized losses on investments	1,541,508	225,491
Change in assets and liabilities:		
Prepaid expenses	-	10,262
Accrued liabilities	387	(22,316)
Deferred revenue	(19,334)	56,667
Other liabilities	(29,872)	(45,622)
	1,966,775	6,775,877
Net cash provided by operating activities		
Cash flows from investing activities		
Purchase of equipment	(5,305)	(7,631)
Loss on equipment disposal	-	467
Purchase of investments	(6,489,213)	(25,455,247)
Proceeds from sale of investments	4,795,867	17,999,009
	(1,698,651)	(7,463,402)
Net cash used in investing activities		
Cash flows from financing activities		
Increase (decrease) in funds held for others, including realized and unrealized gains (losses)	(362,320)	859,774
Net cash provided by (used in) financing activities	(362,320)	859,774
Net increase (decrease) in cash and cash equivalents	(94,196)	172,249
Cash and cash equivalents at beginning of year	251,714	79,465
Cash and cash equivalents at end of year	\$ 157,518	\$ 251,714
Supplemental disclosure of non-cash investing and financing activities:		
Net realized & unrealized losses on funds held for others	\$ (286,117)	\$ (110,797)
Lease improvement incentive	\$ 4,774	\$ 6,896

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

Wichita Community Foundation
Consolidated Statements of Functional Expenses
Year Ended June 30, 2020

	2020			
	Program	General and Administrative	Fundraising	Total
Salaries, payroll taxes and employee benefits	\$ 280,615	\$ 194,075	\$ 171,275	\$ 645,965
Grant expense	6,055,054	-	-	6,055,054
Professional fees	139,922	14,156	13,915	167,993
Travel and parking	29,081	1,947	2,974	34,002
Office supplies	54,482	7,675	22,295	84,452
Seminar and meetings	38,138	2,558	2,254	42,950
Information technology	23,269	15,206	13,600	52,075
Dues and memberships	11,315	7,651	6,741	25,707
Depreciation	6,408	4,440	3,911	14,759
Occupancy	23,881	16,544	14,576	55,001
Advertising and promotion	837	580	29,551	30,968
Insurance	4,197	2,907	12,144	19,248
Direct fiscal sponsorship	70,208	-	-	70,208
Miscellaneous	3,119	615	1,122	4,856
	\$ 6,740,526	\$ 268,354	\$ 294,358	\$ 7,303,238

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

Wichita Community Foundation
Consolidated Statements of Functional Expenses
Year Ended June 30, 2019

	2019			
	Program	General and Administrative	Fundraising	Total
Salaries, payroll taxes and employee benefits	\$ 223,539	\$ 198,393	\$ 111,245	\$ 533,177
Grant expense	4,350,435	-	-	4,350,435
Professional fees	114,261	12,720	11,821	138,802
Travel and parking	19,672	2,215	2,457	24,344
Office supplies	21,746	8,468	18,414	48,628
Seminar and meetings	69,409	2,952	1,647	74,008
Information technology	18,090	15,740	9,341	43,171
Dues and memberships	11,185	9,605	5,357	26,147
Depreciation	6,390	5,701	3,180	15,271
Occupancy	22,645	20,205	11,270	54,120
Advertising and promotion	16,224	874	1,928	19,026
Insurance	3,881	3,463	2,332	9,676
Direct fiscal sponsorship	179,260	-	-	179,260
Miscellaneous	2,313	1,160	1,015	4,488
	\$ 5,059,050	\$ 281,496	\$ 180,007	\$ 5,520,553

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

Wichita Community Foundation
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

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 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.

Change in Accounting Principles

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. We have implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

Wichita Community Foundation
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

1. Summary of Significant Accounting Policies (Continued)

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 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.

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, 2020 and 2019

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

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, 2021. 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.

Wichita Community Foundation
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

1. Summary of Significant Accounting Policies (Continued)

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.

2. Investments

Investments at June 30 consist of the following:

	2020	2019
Cash and Money Market Funds	\$ 8,304,148	\$ 8,186,591
Mutual Funds:		
Equity Funds:		
Domestic	24,870,626	24,854,839
International	15,918,065	15,588,727
Fixed Income Funds:		
Domestic	23,712,912	22,901,304
International	5,289	10,867
High Yield Funds	81,177	5,778,710
Real Assets Funds	2,587,207	3,317,069
Alternative Funds	11,183,448	5,496,644
Cash Surrender Value of Life Insurance	230,712	229,081
Other Investments	124,069	101,888
Total	\$ 87,017,653	\$ 86,465,720

Wichita Community Foundation
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

2. Investments (Continued)

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

	<u>2020</u>	<u>2019</u>
Dividends and interest	\$ 2,080,569	\$ 2,425,998
Net realized losses	(9,957)	(175,083)
Net unrealized losses	(1,531,550)	(50,408)
Increase (decrease) in cash surrender value of life insurance	<u>1,631</u>	<u>(86,585)</u>
	540,693	2,113,922
Less management fees and assignable expenses	<u>(131,038)</u>	<u>(114,085)</u>
Net investment gain	<u>\$ 409,655</u>	<u>\$ 1,999,837</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.

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.

Wichita Community Foundation
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

3. Fair Value Measurements (Continued)

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, 2020</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	\$ 8,304,148	\$ 8,304,148	\$ -
Mutual Funds:			
Equity funds:			
Domestic	24,870,626	24,870,626	-
International	15,918,065	15,918,065	-
Fixed income funds:			
Domestic	23,712,912	23,712,912	-
International	5,289	5,289	-
High Yield Funds	81,177	81,177	-
Real Assets Funds	2,587,207	2,587,207	-
Alternative Funds	11,183,448	11,183,448	-
Cash surrender value of life insurance	230,712	-	230,712
Other investments	124,069	124,069	-
	<u>\$ 87,017,653</u>	<u>\$ 86,786,941</u>	<u>\$ 230,712</u>

Wichita Community Foundation
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

3. Fair Value Measurements (Continued)

<u>June 30, 2019</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	\$ 8,186,591	\$ 8,186,591	\$ -
Mutual Funds:			
Equity funds:			
Domestic	24,854,839	24,854,839	-
International	15,588,727	15,588,727	-
Fixed income funds:			
Domestic	22,901,304	22,901,304	-
International	10,867	10,867	-
High Yield Funds	5,778,710	5,778,710	-
Real Assets Funds	3,317,069	3,317,069	-
Alternative Funds	5,496,644	5,496,644	-
Cash Surrender Value of Life Insurance	229,081	-	229,081
Other Investments	101,888	101,888	-
Total Assets at Fair Value	<u>\$ 86,465,720</u>	<u>\$ 86,236,639</u>	<u>\$ 229,081</u>

4. Property and Equipment

Property and equipment at June 30 consists of the following:

	<u>2020</u>	<u>2019</u>
Office furnishings	\$ 74,794	\$ 71,958
Other	102,545	102,545
	177,339	174,503
Less accumulated depreciation and amortization	<u>145,681</u>	<u>133,391</u>
	<u>\$ 31,658</u>	<u>\$ 41,112</u>

Wichita Community Foundation
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

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>2020</u>	<u>2019</u>
Liability, July 1,	\$ 13,257,621	\$ 12,397,847
Deposits	389,627	1,181,149
Investment income	386,998	491,753
Realized and unrealized		
gains (losses) on investments	(286,117)	(110,797)
Distributions	(795,395)	(644,471)
Administrative fees	(57,433)	(57,860)
Liability, June 30,	<u>\$ 12,895,301</u>	<u>\$ 13,257,621</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 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:

Wichita Community Foundation
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

6. Endowment (Continued)

- (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
June 30, 2020	<u>\$ 1,910,712</u>	<u>\$ 1,000,000</u>	<u>\$ 2,910,712</u>
June 30, 2019	<u>\$ 2,009,437</u>	<u>\$ 1,000,000</u>	<u>\$ 3,009,437</u>

Wichita Community Foundation
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

6. Endowment (Continued)

Changes in endowment net assets for the fiscal years ended June 30, 2020 and 2019:

	Without Donor Restriction	Perpetual Donor Restriction	Total
Endowment net assets, June 30, 2018	\$ 2,067,983	\$ 1,000,000	\$ 3,067,983
Contributions	4,200		4,200
Investment income	106,965		106,965
Net appreciation (depreciation), realized and unrealized	(21,533)		(21,533)
Grants expense	(140,000)		(140,000)
Administrative fees	(8,178)		(8,178)
Endowment net assets, June 30, 2019	2,009,437	1,000,000	3,009,437
Contributions	15,300		15,300
Investment income	80,636		80,636
Net appreciation (depreciation), realized and unrealized	(65,233)		(65,233)
Grants expense	(121,395)		(121,395)
Administrative fees	(8,033)		(8,033)
Endowment net assets, June 30, 2020	<u>\$ 1,910,712</u>	<u>\$ 1,000,000</u>	<u>\$ 2,910,712</u>

Spending policy:

For fiscal year ending June 30, 2020, 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, 2021 is anticipated.

Wichita Community Foundation
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

7. Operating Leases

The Foundation leases office space under a five-year operating lease that expires September 30, 2022. 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,	
2021	\$ 57,542
2022	19,785
2023	7,500
2024	8,650
2025	7,050
	<u>\$ 100,527</u>

Rent expense was \$53,446 and \$52,509 for the years ended June 30, 2020 and 2019.

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 \$27,823 and \$22,919 for the years ended June 30, 2020 and 2019.

9. 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.

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9. 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, 2020 and 2019, 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:

	2020	2019
Financial assets		
Cash and cash equivalents	\$ 157,518	\$ 251,714
Receivables from fund managers and stock sale	-	400,095
Investments	87,017,653	86,465,720
	87,175,171	87,117,529
Less those unavailable for general expenditures within one year, due to:		
Funds held for others	12,895,301	13,257,621
Board designated net assets	58,872,806	57,882,858
Net assets perpetually restricted by donor	1,000,000	1,000,000
	72,768,107	72,140,479
Total financial assets available to meet cash needs for general purpose expenditures within one year	\$ 14,407,064	\$ 14,977,050

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10. Contingencies

COVID -19

On March 11, 2020, the World Health Organization ("WHO") recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy, including the local economy in which the Foundation operates.

The Foundation has been closely monitoring the COVID-19 pandemic and recommendations from leading health organizations, and, like the rest of the world, is navigating this unprecedented crisis with caution day-by-day. The Foundation is working with community partners to assess where the most critical needs exist as follows:

- The Foundation initiated the Stand with Wichita Fund, created in partnership with another local agency, which benefits individuals in Wichita, Kansas who have been negatively impacted by the coronavirus.
- The Foundation's Emergency Fund, which provides immediate organizational emergency relief assistance to nonprofits in Sedgwick County, is actively involved in assistance needs in the local economy.
- The Foundation also encourages donors to contribute directly to nonprofits experiencing interruptions to their services and those that support our community in times of need. Examples include community health centers, homeless shelters, food pantries and others.

The Foundation continues to monitor evolving economic conditions resulting from the COVID-19 pandemic, however, the continuing impact on the financial position, results of operations, and cash flows cannot be reasonably estimated at this time.

11. Subsequent Events

Subsequent events were evaluated by management through February 9, 2021, which is the date the financial statements were available to be issued.

EL DORADO	PO BOX 847	EL DORADO, KS 67042-0847	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	4200 E. SKELLY DR., STE. 560	TULSA, OK 74135-3209	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