WICHITA STATE UNIVERSITY FOUNDATION
AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2020

Independent Auditor's Report

The Board of Directors
Wichita State University Foundation and Affiliate
Wichita, Kansas

We have audited the accompanying consolidated financial statements of Wichita State University Foundation and Affiliate (collectively referred to as the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Report on the 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 audit. We conducted our audit 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 auditors' 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 financial position of Wichita State University Foundation and Affiliate as of June 30, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Organization adopted FASB Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* effective July 1, 2019. The guidance has been applied on a modified prospective basis to agreements not completed as of the effective date and agreements entered into after the effective date. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Organization's 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Swindoll, Janzen, Hawk & Loyd, LLC

September 30, 2020
Wichita, Kansas

WICHITA STATE UNIVERSITY FOUNDATION
AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2020
(With Summarized Financial Information at June 30, 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	$ 6,770,213	$ 19,076,972
Pledges receivable, less allowance for uncollectible pledges (2020, $642,309; 2019, $758,628)	23,492,076	27,754,267
Investments	286,039,128	286,982,415
Investment at equity	2,824,646	2,922,529
Real estate	653,075	597,175
Buildings, equipment, furniture and software, at cost, less accumulated depreciation	623,550	634,647
Cash surrender value of life insurance	4,933,998	4,485,292
Collections	17,361,095	16,064,075
Other assets	839,820	3,195,433
TOTAL ASSETS	$ 343,537,601	$ 361,712,805
LIABILITIES		
Accounts payable and accrued expenses	$ 592,200	$ 670,515
Annuities payable	925,342	933,723
Due to WSU Alumni Association	1,751,755	1,803,198
Due to WSU Board of Trustees	7,466,590	7,771,685
Due to WSU Departments	148,771	149,523
Due to WSU Intercollegiate Athletic Association, Inc.	6,777,189	9,275,177
Note payable	491,400	-
TOTAL LIABILITIES	18,153,247	20,603,821
NET ASSETS		
Net assets without donor restrictions:		
Undesignated	11,786,049	10,243,759
Board designated quasi-endowment	782,775	846,725
Total net assets without donor restrictions	12,568,824	11,090,484
Net assets with donor restrictions	312,815,530	330,018,500
TOTAL NET ASSETS	325,384,354	341,108,984
TOTAL LIABILITIES AND NET ASSETS	$ 343,537,601	$ 361,712,805

See Notes to Consolidated Financial Statements

WICHITA STATE UNIVERSITY FOUNDATION
AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES

Year Ended June 30, 2020
(With Summarized Financial Information for the Year Ended June 30, 2019)

	2020			2019
	Without Donor Restrictions	**With Donor Restrictions**	**TOTAL**	**TOTAL**
REVENUE, GAINS, AND OTHER SUPPORT				
Contributions	$ 487,707	$ 13,065,718	$ 13,553,425	$ 24,361,074
Net investment return (loss)	2,317,759	(2,381,311)	(63,552)	11,803,076
Other income	894,653	1,211,373	2,106,026	2,930,838
Net assets released from restriction	30,598,750	(30,598,750)	-	-
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	34,298,869	(18,702,970)	15,595,899	39,094,988
EXPENSES				
Program Services:				
Scholarships	6,015,509	-	6,015,509	5,811,337
University support	21,358,700	-	21,358,700	9,902,621
Supporting activities:				
Management and general	2,549,369	-	2,549,369	2,498,700
Fundraising	2,896,951	-	2,896,951	2,807,903
TOTAL EXPENSES	32,820,529	-	32,820,529	21,020,561
Increase (decrease) in net assets before transfers from Wichita State University	1,478,340	(18,702,970)	(17,224,630)	18,074,427
Transfers from Wichita State University	-	1,500,000	1,500,000	4,000,000
INCREASE (DECREASE) IN NET ASSETS	1,478,340	(17,202,970)	(15,724,630)	22,074,427
NET ASSETS, BEGINNING OF YEAR	11,090,484	330,018,500	341,108,984	319,034,557
NET ASSETS, END OF YEAR	$ 12,568,824	$ 312,815,530	$ 325,384,354	$ 341,108,984

See Notes to Consolidated Financial Statements

WICHITA STATE UNIVERSITY FOUNDATION
AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020
(With Summarized Financial Information for the Year Ended June 30, 2019)

	Program Services			Supporting Activities				
	Scholarships	University Support	Total Program Services	Management and General	Fundraising	Total Supporting Activities	2020 Total Expenses	2019 Total Expenses
Books	$ -	$ 22,173	$ 22,173	$ -	$ -	$ -	$ 22,173	$ 65,235
Change in the value of split interest agreements	-	(334,618)	(334,618)	-	-	-	(334,618)	309,379
Computer software and maintenance	-	43,275	43,275	199,743	-	199,743	243,018	155,063
Contract labor	-	17,071	17,071	-	-	-	17,071	24,993
Contributions	-	35,806	35,806	-	-	-	35,806	26,650
Depreciation	-	55,805	55,805	-	-	-	55,805	50,560
Donor development	-	-	-	-	342,859	342,859	342,859	440,608
Dues and subscriptions	-	133,833	133,833	17,263	-	17,263	151,096	104,715
Fellowships	-	323,905	323,905	-	-	-	323,905	233,263
Furniture, fixtures and equipment	-	265,441	265,441	-	-	-	265,441	297,213
Grants	-	8,141,379	8,141,379	-	-	-	8,141,379	5,861,448
Honorarium	-	42,898	42,898	-	-	-	42,898	78,351
Insurance	-	-	-	34,011	-	34,011	34,011	41,690
KMUW	-	297,461	297,461	-	-	-	297,461	337,816
Marketing and communication	-	30,519	30,519	76,805	-	76,805	107,324	127,109
Outside services	-	7,984,306	7,984,306	-	-	-	7,984,306	564,538
Professional fees and services	-	2,223,913	2,223,913	102,905	-	102,905	2,326,818	81,064
Recruitment	-	19,360	19,360	-	-	-	19,360	15,474
Registration	-	86,171	86,171	-	-	-	86,171	111,660
Rent, repairs and maintenance	-	156,749	156,749	286,667	-	286,667	443,416	303,828
Salaries and benefits	-	-	-	1,695,144	2,554,092	4,249,236	4,249,236	4,160,279
Scholarships	6,015,509	-	6,015,509	-	-	-	6,015,509	5,811,337
Seminar expenses	-	821	821	-	-	-	821	18,000
Staff development	-	5,755	5,755	7,176	-	7,176	12,931	10,443
Supplies and postage	-	477,134	477,134	53,326	-	53,326	530,460	276,447
Travel and entertainment	-	492,364	492,364	45,715	-	45,715	538,079	650,557
Trust distributions	-	646,195	646,195	-	-	-	646,195	696,672
Other	-	190,984	190,984	30,614	-	30,614	221,598	166,169
	$ 6,015,509	$ 21,358,700	$ 27,374,209	$ 2,549,369	$ 2,896,951	$ 5,446,320	$ 32,820,529	$ 21,020,561

See Notes to Consolidated Financial Statements

WICHITA STATE UNIVERSITY FOUNDATION
AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended June 30, 2020
(With Summarized Financial Information for the Year Ended June 30, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ (15,724,630)	$ 22,074,427
Adjustments to reconcile the increase (decrease) in net assets to net cash flows from operating activities:		
Depreciation	55,805	50,560
Gain on equity method investment	(190,667)	(230,540)
Contributions for permanent endowment	(6,034,847)	(7,976,221)
Net realized and unrealized (gain) loss on investments	3,365,700	(8,486,764)
Fair value of donated collection items	(895,770)	(156,751)
Fair value of donated investments and real estate	(849,232)	(3,696,569)
Donated facilities recorded as contributions	(154,842)	(158,316)
Donated facilities recorded as rent expense	154,842	158,316
Decrease (increase) in cash surrender value of life insurance	(448,706)	422,922
Transfers from Wichita State University	(1,500,000)	(4,000,000)
Decrease (increase) in operating assets:		
Pledges receivable	3,472,406	4,162,667
Other assets	2,355,613	(187,323)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(78,315)	80,119
Annuities payable	(8,381)	261,747
NET CASH FLOWS FROM OPERATING ACTIVITIES	(16,481,024)	2,318,274
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of buildings, equipment, furniture & software	(44,708)	(307,440)
Purchase of collections	(401,250)	-
Net purchases of investments	(1,629,081)	(15,737,511)
Distributions received from equity method investment	288,550	238,800
Principal payments received on mortgage receivable	-	32,683
NET CASH FLOWS FROM INVESTING ACTIVITIES	(1,786,489)	(15,773,468)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received for permanent endowment	6,824,632	7,976,221
Transfers from Wichita State University	1,500,000	4,000,000
Decrease in due to affiliated entities	(2,855,278)	(1,353,442)
Proceeds from issuance of note payable	491,400	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	5,960,754	10,622,779
NET CHANGE IN CASH AND CASH EQUIVALENTS	(12,306,759)	(2,832,415)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	19,076,972	21,909,387
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 6,770,213	$ 19,076,972

See Notes to Consolidated Financial Statements

(1) Summary of significant accounting policies

Nature of operations - Wichita State University Foundation (the "Foundation") provides support for the educational undertakings of Wichita State University and all related beneficial activities. It derives most of its revenue from contributions and earnings on investments. WSUF Real Estate Holdings, LLC (the "LLC") is a wholly owned subsidiary of the Foundation formed during 2016. It derives its revenue from donated real estate. All activity from the LLC has been included within the consolidated financial statements. These entities are collectively referred to as the "Organization". Significant inter-company accounts and transactions have been eliminated.

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

Financial statement presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are those which have been limited by donors to a specified time period or purpose or maybe required to be maintained in perpetuity by the Organization.

Basis of accounting - The Organization's policy is to prepare the consolidated financial statements on the accrual basis of accounting; consequently, the consolidated financial statements reflect all significant receivables, payables, and other liabilities.

Income taxes - The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Foundation is subject to federal income tax on any unrelated business taxable income.

The LLC does not incur income taxes; instead, its earnings are included in the Foundation's income tax return and taxed depending on the Foundation's tax situation. The consolidated financial statements, therefore, do not include a provision for income taxes for the LLC.

The Organization's present accounting policy for the evaluation of uncertain tax positions is to review those positions on an annual basis. A liability would be recorded in the financial statements during the period which, based on all available evidence, management believes it is more likely than not that the tax position would not be sustained upon examination by taxing authorities and the liability would be incurred by the Foundation. The Organization did not have any material uncertain tax positions as of June 30, 2020.

(1) Summary of significant accounting policies (continued)

Prior year comparative totals - The consolidated financial statements include certain prior year summarized financial information in total, but not by net asset class. Such information does not constitute a complete presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's 2019 consolidated financial statements from which the summarized information was derived.

Contributions - Contributions of cash and other assets received without donor stipulations are reported as revenues and net assets without donor restrictions. Contributions received with a donor stipulation that limits their use are reported as revenues and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions having donor stipulations that are satisfied in the period the contribution is received are reported as revenues and net assets without donor restrictions.

Donated property and equipment - Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated facilities and services - Donated facilities are valued at their fair rental value. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets; or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Donated assets - Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Promises to give - Unconditional promises to give (pledges) expected to be collected within one year are reported at their estimated net realizable value. Pledges expected to be collected in future years are reported at the present value of estimated future cash flows based upon a risk adjusted five-year T-bill rate (3% at June 30, 2020). The resulting discount is amortized and reported as contribution revenue. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. A pledge is written off when it reaches over 180 days past due or is determined to be uncollectible.

Cash equivalents - The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2020, cash equivalents consisted primarily of money market accounts.

(1) **Summary of significant accounting policies (continued)**

Collections - All collections of works of art and similar assets are capitalized. Items added to the collections are capitalized at cost, if purchased, or at estimated fair value at the date of acquisition, if donated. Collection items have cultural, aesthetic, or historical value that is worth preserving perpetually, and the Foundation is protecting and preserving essentially undiminished the service potential of the collections items, therefore, they are not being depreciated. Contributions of art are donor restricted and may be disposed of with the proceeds received being restricted as to use.

Depreciation - Depreciation is computed by the straight-line method over the following estimated useful lives:

Assets	Useful Lives
Buildings, equipment, furniture, and software	3 – 39 years

Buildings, equipment, furniture, and software - Buildings, equipment, furniture, and software are carried at cost, if purchased or the approximate fair value at the date of donation, if donated. The Foundation capitalizes all expenditures for buildings, equipment, furniture, and software in excess of $5,000.

Expense allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

Investments and investment return - The Organization carries investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Investment income and gains/losses are included in net assets without restrictions, unless the income or gain/loss is restricted by donor stipulation or law. Investment income and gains/losses restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Investment securities are exposed to various risks, such as interest rate, market fluctuation and credit risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in risks in the near term would materially affect investments and the amounts reported in the statements of financial position.

The Organization's management is responsible for the fair value measurement of investments reported in the financial statements and believes that the reported values are reasonable.

The Organization uses the equity method in accounting for its investment in a closely held corporation since it controls between 20%-50%.

(1) Summary of significant accounting policies (continued)

Recent Accounting Pronouncements – FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU intends to clarify and improve current accounting guidance to determine when a transaction should be accounted for as a contribution or as an exchange transaction and provides additional guidance about how to determine whether a contribution is conditional. The Organization adopted the ASU 2018-08 effective July 1, 2019 on a modified prospective basis. The adoption of ASU 2018-08 did not have a material impact on reported total assets, revenues, net assets or the change in net assets.

The FASB has issued other new accounting guidance or modifications to, or interpretations of, existing accounting guidance. The Foundation has considered the new un-adopted guidance and does not believe that any other new or modified guidance will have a material impact on the Foundation's reported financial position or activities in the near term.

(2) Liquidity and availability of resources

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds. Investments could be readily converted into cash if necessary to cover cash shortfalls. Financial assets unavailable for general expenditure within one year in the below table includes amounts necessary to comply with donor stipulations. At June 30, 2020, financial assets and liquid resources available within one year for general expenditure, such as operating expenses, are as follows:

Cash and cash equivalents	$ 6,770,213
Pledges receivable, net	23,492,076
Investments	286,039,128
Investments at equity	2,824,646
Cash surrender value of life insurance	4,933,998
Total financial assets	324,060,061
Less those unavailable for general expenditure within one year:	
Pledges receivable to be collected in more than one year	14,699,019
Investments, net of projected payout	273,333,537
Investments at equity, net of projected payout	2,585,846
Cash surrender value of life insurance	4,933,998
Financial assets available to meet cash needs for general expenditures within one year	$ 28,507,661

(3) Investment return (loss)

Investment returns (losses) for the year ended June 30, 2020 are comprised of the following:

Interest and dividend income	$ 3,601,955
Realized gains	9,067,199
Change in unrealized gains (losses)	(12,432,899)
Investment management fees	(299,807)
	$ (63,552)

(4) Pledges receivable

Pledges receivable consists of unconditional promises to give as summarized below at June 30, 2020:

Due in less than one year	$ 9,018,512
Due in one to five years	12,166,978
Due in more than five years	4,507,200
	25,692,690
Less:	
Allowance for uncollectible pledges	642,309
Unamortized discount (at effective rate of 3%)	1,558,305
	2,200,614
	$ 23,492,076

Restricted pledges receivable with permanent donor restrictions total $3,265,800 at June 30, 2020 and are included in pledges receivable above.

(5) Buildings, equipment, furniture, and software

Buildings, equipment, furniture, and software are carried at cost, if purchased, or fair market value, if donated.

Buildings, equipment, furniture and software	$ 1,470,394
Less accumulated depreciation	(846,844)
Net buildings, equipment, furniture and software	$ 623,550

The Foundation's policy is to depreciate buildings, equipment, furniture, and software over their remaining useful lives. The Foundation periodically evaluates the remaining useful life and recoverability of these assets when events indicate the carrying value of such assets may not be recoverable. The Foundation believes it will recover the carrying value in future operations.

(6) Annuities and trust payable

The Foundation has entered into agreements with individuals whereby the individuals have deposited a sum of money with the Foundation. In exchange, the individuals are to receive, during the term of their life, an annuity or annual sum of money based on the provisions of each specific agreement. The difference between the original annuity amount invested and the discounted liability for future payments, determined on an actuarial basis, is recognized as contribution income at the date of gift. The actuarial liability is revalued annually and any surplus or deficiency is recognized as a change in value and is included in “Other income” on the statements of activities.

(7) Collections

Accessions and deaccessions for collections during the year ended June 30, 2020 are summarized as follows:

Collections, beginning of year	$ 16,064,075
Accessions	1,297,020
Deaccessions	-
Collections, end of year	$ 17,361,095

(8) Other assets

The Foundation entered into a memorandum of understanding during the year ended June 30, 2017 with Wichita State University Intercollegiate Athletic Association, Inc. (ICAA) in which The Foundation advanced $2.5 million to ICAA which is to be repaid to The Foundation no later than when construction commences on the Student Athlete Success Center. This note receivable for the advance was previously recognized within other assets on the consolidated balance sheet. During the year ended June 30, 2020, ICAA repaid the Foundation in full, effectively reducing the balance within other assets from June 30, 2019 to June 30, 2020.

(9) Retirement plan

The Foundation has a defined contribution retirement plan covering substantially all salaried employees. The Foundation’s contributions to the plan are 8.5% of total compensation paid to participants during the plan year. Participants are immediately fully vested in their plan interests. Contributions to the plan for the year ended June 30, 2020 totaled $231,500.

(10) Net assets

Board designated quasi-endowment net assets without donor restrictions at June 30, 2020 are available for the following purposes:

Scholarships	$	420,420
Educational support		362,355
	$	782,775

(10) Net assets (continued)

Net assets with donor restrictions are available for the following purposes at June 30, 2020:

	Net Assets with Donor Restrictions		
	Expendable Net Assets	Nonexpendable* Net Assets	Total
Scholarships	$ 9,255,360	$ 113,917,887	$ 123,173,247
Educational support	11,801,139	54,799,661	66,600,800
Athletics	215,212	170,009	385,221
Buildings and grounds	27,695,771	1,901,336	29,597,107
Museum support	20,908,889	2,339,610	23,248,499
Library support	319,424	4,328,061	4,647,485
Other	36,732,743	28,430,428	65,163,171
	$ 106,928,538	$ 205,886,992	$ 312,815,530

*Nonexpendable net assets are held in perpetuity.

(11) Endowment funds

The Organization’s endowment consists of several individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies nonexpendable net assets with restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (d) the remaining portion of the donor-restricted endowment fund, until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization’s investment policies.

(11) Endowment funds (continued)

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4%, while growing the funds if possible. Therefore, the Organization expects its endowment assets, to achieve a total return, net of fees, equal to or greater than spending, administrative fees and inflation. The primary objective for the portfolio is for total return to be greater than the Consumer Price Index plus spending policy plus administrative fees. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. The Foundation has a policy of appropriating for distribution each year a payout based on the following criteria:

All Endowed Funds:

- If corpus value drops down to 75%, the board will review and decide whether to continue payouts and at what rate.
- A payout of 4% calculated on a twenty-quarter rolling market value average.

In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, most of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation.

Endowment net asset composition by type of fund as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$226,069,765	$226,069,765
Board-designated endowment funds	782,775	-	782,775
Total funds	$ 782,775	$226,069,765	$226,852,540

Endowment funds with donor restrictions that are required to be retained permanently either by explicit donor stipulations or UPMIFA totaled $202,621,192 at June 30, 2020.

(11) Endowment funds (continued)

Changes in endowment net assets during the year ended June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 846,725	$232,405,725	$233,252,450
Investment return (loss):			
Interest and dividend income	4,097	1,357,901	1,361,998
Realized and unrealized losses	(21,159)	(4,914,826)	(4,935,985)
Total investment loss	(17,062)	(3,556,925)	(3,573,987)
Contributions	-	7,146,731	7,146,731
Appropriation of endowment assets for expenditure	(46,888)	(9,925,766)	(9,972,654)
Endowment net assets, end of year	$ 782,775	$226,069,765	$226,852,540

The Foundation's net assets with donor restrictions include various endowment funds established by donors. A deficiency in donor restricted endowment funds exists when the net assets within a donor restricted endowment fund falls below the level required by donor stipulations or law. At June 30, 2020, donor restricted endowment funds totaling approximately $79,067,000 were below the level required by the donors resulting in an endowment deficiency of approximately $6,100,000. When donor endowment deficiencies exist, they are classified as a reduction of net assets with donor restrictions.

(12) Concentrations

Two donors along with organizations affiliated with the donors accounted for 44% of undiscounted pledges receivable at June 30, 2020.

A significant amount of contributions are provided by a few major contributors. It is always reasonably possible that benefactors, grantors, or contributors might be lost in the near term.

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

(13) Investments

The Organization reports required types of financial instruments in accordance with fair value accounting standards. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. In addition, the Foundation reports certain investments using the net asset value per share as determined by investment managers under the so called “practical expedient”.

The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value measurement standards also require the Organization to classify financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for Level 2 or Level 3 reporting depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on an exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The Organization recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. During prior periods, the beneficial interests in trusts within the investment schedule below was presented at the lowest level of information available which included the detailed listing of investments managed by the trustees. Upon revaluation of the significant inputs, the investment labeled beneficial interests in trusts below were aggregated into one line and are presented as level 3 within the fair value hierarchy.

Market price is affected by several factors, including the type of instrument and characteristics specific to the instrument, as well as the effects of market, interest and credit risk. Instruments with readily available active quoted prices, or for which fair value can be measured from actively quoted prices, generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

(13) Investments (continued)

It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in the Organization's financial statements.

The classification of investments by level within the valuation hierarchy as of June 30, 2020 is as follows:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity stocks				
Domestic	$ 7,407,412	$ 7,407,412	$ -	$ -
International	2,098,838	2,098,838	-	-
Mutual funds				
Treasury	18,976,756	18,976,756	-	-
Diversified	2,119,392	2,119,392	-	-
Domestic equities	3,183,625	3,183,625	-	-
International equities	11,477,204	11,477,204	-	-
Fixed income securities				
U.S. Government Treasury and agency	9,259,401	9,259,401	-	-
Corporate bonds and debentures	46,894,427	-	46,894,427	-
Municipal bonds	4,124,230	-	4,124,230	-
Mortgage and asset-backed securities	5,840,006	-	5,840,006	-
Futures contracts				
Commodity index	18,014	18,014	-	-
Beneficial interests in trusts	20,780,641	-	-	20,780,641
	$132,179,946	$ 54,540,642	$ 56,858,663	$ 20,780,641
Investments at NAV (Practical Expedient)				
Hedge funds	81,539,708			
Venture Capital / Private equity	72,319,474			
Total Investments	$286,039,128			

Activity for investments categorized as level 3 within the fair value hierarchy for the year ended June 30, 2020 is as follows:

Balance July 1, 2019	$ 18,650,321
Contributions	2,231,731
Change in fair value	551,281
Distributions	(652,692)
Balance June 30, 2020	$ 20,780,641

The fair value of equity stocks, mutual funds, U.S. Government Treasury and agency fixed income securities, and futures contracts is estimated using the reported price in the active market in which the individual securities are traded (level 1).

The fair value of corporate bonds and debentures and municipal bonds is based on yields currently available on comparable securities of issuers with similar credit ratings (level 2).

The fair value of mortgage and asset-backed securities is based on inferred market pricing which utilizes assets that are matrix priced based on observable data for similar securities such as collateralized mortgage obligations (level 2).

(13) Investments (continued)

The fair value of beneficial interests in trusts is estimated as The Foundation's proportionate share of the estimated fair value of the beneficial interest using quoted market prices, interest rates, yield curves and unobservable inputs including the present value calculation of expected future distributions (level 3).

Fair value of hedge funds and venture capital/private equity is determined through consideration of the net asset values provided by the fund manager and other market factors. Other factors include, but are not limited to, estimates of liquidation value, prices of recent transactions in the same or similar funds, current performance, future expectations of the particular investment, and changes in market outlook and the financing environment.

A summary of investments utilizing the net asset value practical expedient and their attributes are as follows:

	Fair Value	Commitments
Northgate III (a)	$ 913,223	$ 50,400
Northgate IV (b)	1,572,590	277,500
Sigular Guff (c)	467,142	90,000
Varde Fund (d)	268,130	-
Venture Investment Assoc. I (e)	368,366	120,000
Venture Investment Assoc. II (e)	995,849	260,000
Venture Investment Assoc. III (e)	1,927,032	1,920,000
WCP Real Estate Fund III GP, LLC (f)	774,533	110,800
Great Jone Offshore Fund, Ltd. (g)	6,427,688	-
AQR Global Risk & Style Premia Offshore (h)	204,658	-
HBK Offshore, Ltd. (i)	3,265,122	-
GSO Special Situations Overseas Fund, Ltd. (j)	18,078	-
Two Sigma Risk Premia Enhanced (k)	3,453,564	-
Greenspring Secondaries Fund IV, L.P. (l)	381,424	1,632,000
Falcon Strategic Partners IV, L.P. (m)	2,403,330	494,953
Falcon Strategic Partners V, L.P. (m)	2,944,433	1,387,943
Olympus Peak Offshore Ltd. (n)	3,207,018	-
Parametric Global Defensive Fund LLC (o)	2,467,952	-
Renaissance Institutional Fund LLC (p)	4,684,847	-
FEG Priv. Opp. Fund II - Series B (q)	9,442,859	850,000
FEG Priv. Opp. Fund II - Series C (q)	7,981,535	-
FEG Priv. Opp. Fund III (q)	10,424,030	4,500,000
Harvest - MLP (r)	3,109,102	-
NGP Natural Resources (s)	1,313,960	327,548
Governors Lane Offshore (t)	2,904,366	-
Sculptor R.E. Parallel Fund IV-B LP (u)	48,527	1,867,084
Indus Capital Partners (v)	72,058	-
Atalan Offshore, Ltd. (w)	5,153,504	-
Elliott International, Ltd. (x)	10,406,180	-

(13) Investments (continued)

	Fair Value	Unfunded Commitments
Pelham Long/Short Fund, Ltd. (y)	3,636,936	-
Accolade Partners VII LP (z)	654,562	-
Clear Ventures II LP (aa)	273,466	-
D E Shaw World Alpha Fund LLC (bb)	18,145,165	-
Focused Investor Fund LP (cc)	8,683,578	-
Global Alpha Inter. Small Cap Fund LP (dd)	3,956,466	-
Gqg Partners Emerging Markets Eq Fd LLC (ee)	3,406,379	-
Sculptor Overseas Fund II (ff)	214,019	-
Strategic Partners Offshore VIII LP (gg)	585,735	-
Alphadyne International Fund LTD (hh)	2,000,000	-
Alpine Investors VII-A (ii)	456,722	1,349,651
Drive Capital Fund (jj)	56,455	927,909
Gc Greater China Long Only Equity (kk)	2,098,620	-
Gotham Hedged Value Strategies (ll)	7,932,444	-
Horsley Bridge XIIIVenture (mm)	634,176	4,316,597
Intl Research Equity Extd Fund LP (nn)	9,189,686	-
Manulife PE Partners Cayman (oo)	3,967,575	2,335,584
New Enterprise Associates 17 (pp)	366,098	1,620,000
Total	$ 153,859,182	$ 24,437,969

a) Venture capital investment. Capital of $1,634,473 has been distributed since investment, and we expect liquidation to occur in 10+ years following the initial commitment dates.

b) Investment made up of a combination of venture capital and private equity. Capital of $611,022 has been distributed since our investment and liquidation will occur in 10+ years from the initial commitment date.

c) Private equity fund that specializes in distressed opportunities companies. Capital of $4,091,551 has been distributed and it will take 10+ years from the initial commitment date to liquidate.

d) Fund that invests in credit-oriented opportunities. The investments are both in public and private companies. We expect liquidation to occur in 10+ years from the initial commitment date. Capital of $3,086,085 has been distributed.

e) Private equity fund specializing in natural resources with an emphasis in energy. Capital of $2,110,488 has been distributed and the funds will liquidate in 10+ years from the initial commitment dates.

f) WCP Real Estate Fund III invests in distressed real estate primarily in the US with any investments elsewhere likely to be in Western Europe. Capital of $1,617,871 has been distributed and the fund will liquidate in 10 years+ from the commitment date.

(13) Investments (continued)

g) Great Jones Offshore Fund, Ltd. Invests in publicly traded equities of primarily US domiciled companies. There is no lockup period and redemptions are monthly with 30 days notice.

h) AQR Global Risk & Style Premia Offshore utilizes a quantitative approach to invest in multiple asset classes. Liquidity is monthly with 30 days notice.

i) This hedge funds uses a multi strategy approach to diversify risk and reduce volatility. Investments can be made in various securities and asset classes. All lock up periods have expired. Withdrawals can be made quarterly with 90 days notice.

j) GSO Special Situations Overseas Fund, Ltd. is a hedge fund. The remainder is an illiquid side pocket.

k) Two Sigma identifies macroeconomic trends and shifts in the world's economies taking directional or relative value positions investing in any asset class. Differentiated return stream – adds diversification and a set of uncorrelated returns with low beta. Redemptions are monthly with 31 days notice.

l) Greenspring Secondaries Fund IV, L.P. is a venture capital fund that invests in expansion stage companies as well as limited partner interests in venture capital funds.

m) Falcon Strategic Partners Funds invest capital in the form of mezzanine/subordinated debt to lower middle market companies in North America. Between the two funds, $4,923,244 has been distributed and the funds liquidate 10+ years from the initial commitment dates.

n) Olympus Peak Offshore, Ltd. is a hedge fund investment. There is a one -year lock up period and redemptions are quarterly with 90 days notice.

o) Parametric Global Defensive Fund LLC is a hedge fund that invests in fully collateralized options. There is no lockup period and redemptions are monthly with 5 days notice.

p) Renaissance Institutional Fund LLC is a quantitatively focused hedge fund investing in public equities. There is no lockup period and redemptions are monthly with 62 days notice.

q) FEG Priv. Opp. Funds are multi-stage private investment fund of funds. Between the three funds, $2,850,000 has been distributed and the funds liquidate in 10+ years from the initial commitment dates.

r) Harvest MLP invests in publicly traded midstream energy securities (master limited partnerships). Redemptions can be made monthly with 30 days notice.

s) NGP Natural Resource LP is a private investment fund focused on the energy sector. The fund should liquidate in 10+ years from the initial commitment date.

t) Governors Lane is a hedge fund. There is a one-year lock up period and then quarterly redemptions with a 67 days notice.

(13) **Investments (continued)**

u) Fund IV will serve as a continuation of Och Ziff 's opportunistic real estate investment strategy, which focuses on investing in a mix of traditional property types, as well as non-traditional assets. Assets will be located primarily in the United States, though up to 30% of fund capital may be invested outside the United States.

v) Indus is an Asia-focused hedge fund with investments in equities. There is a one year lock up period that has since expired with quarterly redemptions following 30 days notice.

w) Atalan Offshore Fund LTD is a US focused hedge fund with investments in equities. There is a no lock up period and then quarterly redemptions with 60 days notice.

x) Elliott International is a hedge fund. There is a two-year lockup period and then semi-annual redemptions with a 60 day notice.

y) Pelham is a European-focused hedge fund with investments in equities. There is a one-year lockup period that has since expired with monthly redemptions thereafter following 180 days notice.

z) Fund of funds that will invest in venture capital (50%), growth equity (25%), and growth buyout managers (25%). Zero capital has been distributed and the investment will liquidate in 10+ years from the initial commitment date.

aa) Fund that will invest in early-stage information technology products and tech-enabled services companies primarily in Northern California. Zero capital has been distributed and the investment will liquidate in 10+ years from the initial commitment date.

bb) DE Shaw World Alpha Fund LLC invests in publicly traded equities using a quantitative approach. There is no lockup period and redemptions are monthly with 10 days notice.

cc) Focused Investor Fund LP is a US public equity manager. There is no lockup period and redemptions are monthly with 30 days notice.

dd) Global Alpha Inter. Small Cap Fund LP invests in developed ex US public equities. There is no lockup period and redemptions are monthly with 15 days notice.

ee) GQG Partners Emerging Markets EQ FD LLC invests in publicly traded emerging market companies. There is no lockup period and redemptions are weekly with 3 days notice.

ff) Special Investment Share Class. A portion of Tranche D and Tranche F Shares will automatically convert into number of H Shares corresponding to proportional interest of such shareholder in Special Investment. This exchange will occur the last business day of the calendar month immediately preceding the Fund's investment in the Special Investment. Tranche H Shares are not redeemable by a shareholder until such Special Investment attributable to such Shares is realized or distributed.

gg) Fund that will invest in secondaries (70%) with the remaining investments being made up of growth, venture, mezzanine, fund-of-funds, and distressed opportunities. Zero capital has been distributed and the investment will liquidate in 10+ years from the initial commitment date.

(13) Investments (continued)

hh) Alphadyne is a hedge fund whose strategy is to provide risk-adjusted returns through a diversified portfolio of investments in the global interest rate, foreign exchange, and volatility markets primarily across domestic and international markets. There is no lock up, class 5 shares are quarterly with 60 days notice. 25% quarter gate applies.

ii) Fund VII targets control-oriented, buy-and-build investments in the lower middle market, North America-based companies in its two sectors of focus-software and services-including online marketplaces and other services businesses.

jj) Fund III will invest in early- and growth- stage companies in the Midwestern US across IT, tech-enabled services, investments of up to $15 million in each.

kk) Green Court is dedicated exposure to the mainland Chinese A-share market. Redemptions are quarterly w/45 days notice.

ll) Gotham is a diversified, quantitative 140/40 value strategy that goes long 140% and short 40% while maintaining 100% net market exposure. No lock-up, redemptions are monthly with 15 days notice.

mm) Horsley Bridge is an early stage venture fund targeting capitalization of $1.6 billion.

nn) Aggregate portfolio designed to be sector and country neutral so that value add is derived purely from stock selection. Redemptions are monthly with 5 days notice.

oo) Manulife is being led by AlpInvest Partners, a global private equity firm focused on secondary transactions.

pp) NEA is a multi-stage venture capital firm that invests in the technology and healthcare sectors, primarily in the US and, to a lesser extent, abroad. NEA's organization totals over 60 investing professionals and 60 operations and portfolio management employees. The investing team is divided between a technology team and healthcare team.

(14) Investment at equity

The Organization uses the equity method to account for its financial interest in the following company:

Maize Avenue, Inc.

Balance July 1, 2019	$ 2,922,529
Equity in earnings of subsidiary	190,667
Distributions received	(288,550)
Balance June 30, 2020	$ 2,824,646

(14) Investment at equity (continued)

The Organization owns 49.75% of the shares of Maize Avenue, Inc. Summarized unaudited financial information obtained from Maize Avenue, Inc., which is accounted for under the equity method, as of June 30, 2020, consists of the following:

Total assets	$ 4,337,129
Total liabilities	144,633
Total equity	4,192,496
Income	$ 1,076,214
Expenses before depreciation	532,073
Net income before depreciation	544,141
Depreciation expense	160,890
Net income	$ 383,251

(15) Fair value of financial instruments

Fair values of financial instruments for which the Organization did not elect the fair value option includes cash and cash equivalents, mortgage receivable, accounts payable and accrued expenses. The fair value of such instruments was determined to approximate carrying value given the short-term nature of these instruments using level 2 fair value methods. Net realizable values could be materially different from estimates at June 30, 2020. In addition, these estimates are only indicative of the value of the individual financial instruments and should not be considered an indication of the fair value of the Organization.

The fair value of the Organization’s pledges receivable is estimated by discounting the future cash flows using the risk adjusted rates currently offered for deposits of similar remaining maturities which is a level 2 fair value method.

The fair value of the Organization’s cash surrender value of life insurance is based on the Organization’s share of the cash surrender value of each life insurance policy as represented by the respective life insurance company which is a level 2 fair value method.

The fair value of annuities payable is estimated by discounting the future cash flows using the risk adjusted rates at which similar agreements would be written for the same remaining maturities which is a level 2 fair value method.

(16) Agency transactions

The liability accounts "Due to WSU Alumni Association, WSU Board of Trustees, WSU Departments and WSU Intercollegiate Athletic Association, Inc." represent the fair market value of the net cumulative transfers of these entities to the Organization, as well as earnings thereon.

(17) Transfers from Wichita State University

Wichita State University was previously awarded a grant for scholarships and received approval to transfer the grant funds to the Foundation. The Foundation has a professional services agreement with Wichita Statement University for which the Foundation has agreed to the following:

- Place and maintain the funds in a separate fund
- Invest the funds and report to Wichita State University the amount of interest earned on a quarterly basis with interest being retained in the fund
- Issue checks for scholarship recipients as directed and requested by Wichita State University
- Issue a monthly financial statement for the fund to Wichita State University
- Maintain and keep records necessary for interested parties
- Additional items as identified in the agreement of less significance

In return for providing the above services, the Foundation will receive an annual administration fee equal to three-fourths of one percent (0.75%) of the scholarship's fund balance.

During the year ended June 30, 2020, the Foundation received $1,500,000 in grant funds from Wichita State University. The receipt of the funds is presented as a transfer within the consolidated statement of activities.

(18) COVID-19 pandemic

During the last quarter of the fiscal year ending June 30, 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Foundation as of the date these financial statements were available to be issued, management believes that a material impact on the Foundation's consolidated financial position and results of future operations is reasonably possible.

(19) Note payable

In response to the COVID-19 pandemic discussed in note 18, the Federal government enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The CARES Act provides government assistance programs for American workers, families and businesses. One such program is the payroll protection program. The payroll protection program provides eligible individuals and entities with a loan to predominantly support payroll costs during the pandemic. During the year ended June 30, 2020, the Foundation received loan proceeds of $491,400 under the payroll protection program. The loan bears interest at 1% with a five-year maturity. The payroll protection program includes a provision for loan forgiveness if the Foundation utilizes the loan proceeds in accordance with certain provisions of the CARES Act.

(20) Subsequent events

An evaluation of subsequent events was completed by management through September 30, 2020, which represents the date the financial statements were available to be issued. No significant items were noted during this evaluation that would require disclosure in the financial statements or accompanying footnotes.