WICHITA STATE UNIVERSITY FOUNDATION AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2021

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Wichita State University Foundation and Subsidiary (collectively referred to as the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2021, 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 Subsidiary as of June 30, 2021, 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) 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The guidance has been adopted for the year ended June 30, 2021. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Organization's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Swindoll, Janzen, Hawk & Loyd, LLC

October 4, 2021
Wichita, Kansas

WICHITA STATE UNIVERSITY FOUNDATION
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2021
(With Summarized Financial Information at June 30, 2020)

	2021	2020
ASSETS		
Cash and cash equivalents	$ 8,576,146	$ 6,770,213
Pledges receivable, less allowance for uncollectible pledges (2021, $531,165; 2020, $642,309)	19,414,863	23,492,076
Investments	339,822,426	286,039,128
Equity method investment	2,758,722	2,824,646
Real estate	597,175	653,075
Buildings, equipment, furniture and software, at cost, less accumulated depreciation	563,345	623,550
Cash surrender value of life insurance	5,270,104	4,933,998
Collections	17,723,839	17,361,095
Other assets	847,319	839,820
TOTAL ASSETS	$ 395,573,939	$ 343,537,601
LIABILITIES		
Accounts payable and accrued expenses	$ 900,918	$ 592,200
Annuities payable	1,025,002	925,342
Due to WSU Alumni Association	2,154,355	1,751,755
Due to WSU Board of Trustees	8,758,905	7,466,590
Due to WSU Departments	146,078	148,771
Due to WSU Intercollegiate Athletic Association, Inc.	5,964,363	6,777,189
Note payable	-	491,400
TOTAL LIABILITIES	18,949,621	18,153,247
NET ASSETS		
Net assets without donor restrictions:		
Undesignated	15,278,014	11,786,049
Board designated quasi-endowment	926,225	782,775
Total net assets without donor restrictions	16,204,239	12,568,824
Net assets with donor restrictions	360,420,079	312,815,530
TOTAL NET ASSETS	376,624,318	325,384,354
TOTAL LIABILITIES AND NET ASSETS	$ 395,573,939	$ 343,537,601

See Notes to Consolidated Financial Statements

**WICHITA STATE UNIVERSITY FOUNDATION
AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF ACTIVITIES

Year Ended June 30, 2021
(With Summarized Financial Information for the Year Ended June 30, 2020)

	2021			2020
	Without Donor Restrictions	**With Donor Restrictions**	**TOTAL**	**TOTAL**
REVENUE, GAINS, AND OTHER SUPPORT				
Contributions	$ 1,597,034	$ 17,604,707	$ 19,201,741	$ 13,553,425
Net investment return (loss)	2,681,610	54,903,955	57,585,565	(63,552)
Other income	1,838,537	1,095,951	2,934,488	2,106,026
Net assets released from restriction	27,000,064	(27,000,064)	-	-
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	33,117,245	46,604,549	79,721,794	15,595,899
EXPENSES				
Program Services:				
Scholarships	6,239,445	-	6,239,445	6,015,509
University support	17,788,792	-	17,788,792	21,358,700
Supporting activities:				
Management and general	2,652,171	-	2,652,171	2,549,369
Fundraising	2,801,422	-	2,801,422	2,896,951
TOTAL EXPENSES	29,481,830	-	29,481,830	32,820,529
Increase (decrease) in net assets before transfers from Wichita State University	3,635,415	46,604,549	50,239,964	(17,224,630)
Transfers from Wichita State University	-	1,000,000	1,000,000	1,500,000
INCREASE (DECREASE) IN NET ASSETS	3,635,415	47,604,549	51,239,964	(15,724,630)
NET ASSETS, BEGINNING OF YEAR	12,568,824	312,815,530	325,384,354	341,108,984
NET ASSETS, END OF YEAR	$ 16,204,239	$ 360,420,079	$ 376,624,318	$ 325,384,354

See Notes to Consolidated Financial Statements

WICHITA STATE UNIVERSITY FOUNDATION
AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021
(With Summarized Financial Information for the Year Ended June 30, 2020)

	Program Services			Supporting Activities				
	Scholarships	University Support	Total Program Services	Management and General	Fundraising	Total Supporting Activities	2021 Total Expenses	2020 Total Expenses
Books	$ -	87,503	$ 87,503	$ -	$ -	$ -	$ 87,503	$ 22,173
Change in the value of split interest agreements	-	(261,372)	(261,372)	-	-	-	(261,372)	(334,618)
Computer software and maintenance	-	61,406	61,406	165,207	-	165,207	226,613	243,018
Contract labor	-	24,976	24,976	-	-	-	24,976	17,071
Contributions	-	10,429	10,429	-	-	-	10,429	35,806
Depreciation	-	60,205	60,205	-	-	-	60,205	55,805
Donor development	-	-	-	-	281,729	281,729	281,729	342,859
Dues and subscriptions	-	180,210	180,210	52,720	-	52,720	232,930	151,096
Fellowships	-	292,417	292,417	-	-	-	292,417	323,905
Furniture, fixtures and equipment	-	1,250,080	1,250,080	-	-	-	1,250,080	265,441
Grants	-	7,169,943	7,169,943	-	-	-	7,169,943	8,141,379
Honorarium	-	73,717	73,717	-	-	-	73,717	42,898
Insurance	-	463	463	26,588	-	26,588	27,051	34,011
KMUW	-	393,805	393,805	-	-	-	393,805	297,461
Marketing and communication	-	34,066	34,066	77,032	-	77,032	111,098	107,324
Outside services	-	3,900,125	3,900,125	-	-	-	3,900,125	7,984,306
Professional fees and services	-	2,796,566	2,796,566	97,357	-	97,357	2,893,923	2,326,818
Recruitment	-	102,310	102,310	-	-	-	102,310	19,360
Registration	-	82,520	82,520	-	-	-	82,520	86,171
Rent, repairs and maintenance	-	399,396	399,396	178,296	-	178,296	577,692	443,416
Salaries and benefits	-	-	-	1,940,729	2,519,693	4,460,422	4,460,422	4,249,236
Scholarships	6,239,445	-	6,239,445	-	-	-	6,239,445	6,015,509
Seminar expenses	-	7,697	7,697	-	-	-	7,697	821
Staff development	-	24,989	24,989	11,850	-	11,850	36,839	12,931
Supplies and postage	-	170,982	170,982	35,017	-	35,017	205,999	530,460
Travel and entertainment	-	105,868	105,868	21,453	-	21,453	127,321	538,079
Trust distributions	-	647,079	647,079	-	-	-	647,079	646,195
Other	-	173,412	173,412	45,922	-	45,922	219,334	221,598
	$ 6,239,445	$ 17,788,792	$ 24,028,237	$ 2,652,171	$ 2,801,422	$ 5,453,593	$ 29,481,830	$ 32,820,529

See Notes to Consolidated Financial Statements

WICHITA STATE UNIVERSITY FOUNDATION
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended June 30, 2021
(With Summarized Financial Information for the Year Ended June 30, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ 51,239,964	$ (15,724,630)
Adjustments to reconcile the increase (decrease) in net assets to net cash flows from operating activities:		
Depreciation	60,205	55,805
Gain on equity method investment	(232,576)	(190,667)
Paycheck Protection Program loan forgiveness	(491,400)	-
Contributions for permanent endowment	(8,846,190)	(6,034,847)
Net realized and unrealized (gain) loss on investments	(54,478,865)	3,365,700
Fair value of donated collection items	(11,225)	(895,770)
Fair value of donated investments and real estate	(1,402,709)	(849,232)
Donated facilities recorded as contributions	(134,253)	(154,842)
Donated facilities recorded as rent expense	134,253	154,842
Increase in cash surrender value of life insurance	(336,106)	(448,706)
Transfers from Wichita State University	(1,000,000)	(1,500,000)
Decrease (increase) in operating assets:		
Pledges receivable, net	3,734,466	3,472,406
Other assets	(7,499)	2,355,613
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	308,718	(78,315)
Annuities payable	99,660	(8,381)
NET CASH FLOWS FROM OPERATING ACTIVITIES	(11,363,557)	(16,481,024)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of buildings, equipment, furniture & software	-	(44,708)
Purchase of collections	(351,519)	(401,250)
Net sales (purchases) of investments	2,098,276	(1,629,081)
Distributions received from equity method investment	298,500	288,550
Proceeds from the sale of real estate	55,900	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	2,101,157	(1,786,489)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received for permanent endowment	9,188,937	6,824,632
Transfers from Wichita State University	1,000,000	1,500,000
Increase (decrease) in due to affiliated entities	879,396	(2,855,278)
Proceeds from issuance of note payable	-	491,400
NET CASH FLOWS FROM FINANCING ACTIVITIES	11,068,333	5,960,754
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,805,933	(12,306,759)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,770,213	19,076,972
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 8,576,146	$ 6,770,213

See Notes to Consolidated Financial Statements

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, 2021.

(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 2020 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, 2021). 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, 2021, 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 collection 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, except for those expended for university support.

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 end 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 of 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) 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. This update removes and modifies certain disclosure requirements in ASC 820, Fair Value Measurement. This ASU is effective for periods beginning after December 15, 2019. The Organization adopted ASU 2018-13 as of July 1, 2020 and has updated disclosures accordingly. No significant changes were required as a result of applying this standard. The adoption of ASU 2018-13 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, 2021, financial assets and liquid resources available within one year for general expenditure, such as operating expenses, are as follows:

Cash and cash equivalents	$ 8,576,146
Pledges receivable, net	19,414,863
Investments	339,822,426
Equity method investment	2,758,722
Cash surrender value of life insurance	5,270,104
Total financial assets	375,842,261
Less those unavailable for general expenditure within one year:	
Pledges receivable to be collected in more than one year	12,161,456
Investments, net of projected payout	327,068,550
Equity method investment, net of projected payout	2,519,922
Cash surrender value of life insurance	5,270,104
Financial assets available to meet cash needs for general expenditures within one year	$ 28,822,229

(3) Investment return

Investment returns for the year ended June 30, 2021 are comprised of the following:

Interest and dividend income	$ 3,460,458
Realized gains	27,740,337
Change in unrealized gains	26,738,528
Investment management fees	(353,758)
	$ 57,585,565

(4) Pledges receivable

Pledges receivable consists of unconditional promises to give as summarized below at June 30, 2021:

Due in less than one year	$ 7,439,258
Due in one to five years	9,885,562
Due in more than five years	3,927,000
	21,251,820
Less:	
Allowance for uncollectible pledges	531,165
Unamortized discount (at effective rate of 3%)	1,305,792
	1,836,957
	$ 19,414,863

Restricted pledges receivable with permanent donor restrictions total $2,923,053 at June 30, 2021 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, at cost, less accumulated depreciation is as follows at June 30, 2021:

Buildings, equipment, furniture and software	$ 1,470,394
Less accumulated depreciation	(907,049)
Net buildings, equipment, furniture and software	$ 563,345

The Foundation's policy is to depreciate capitalized 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, 2021 are summarized as follows:

Collections, beginning of year	$ 17,361,095
Accessions	362,744
Deaccessions	-
Collections, end of year	$ 17,723,839

(8) 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, 2021 totaled $255,100.

(9) Net assets

Board designated quasi-endowment net assets without donor restrictions at June 30, 2021 are available for the following purposes:

Scholarships	$	497,515
Educational support		428,710
	$	926,225

(9) Net assets (continued)

Net assets with donor restrictions are available for the following purposes at June 30, 2021:

	Net Assets with Donor Restrictions		
	Expendable Net Assets	Nonexpendable* Net Assets	Total
Scholarships	$ 37,588,090	$ 125,774,254	$ 163,362,344
Educational support	19,534,609	51,263,594	70,798,203
Athletics	284,119	170,009	454,128
Buildings and grounds	24,747,679	1,901,336	26,649,015
Museum support	22,504,553	4,329,780	26,834,333
Library support	877,776	2,339,610	3,217,386
Other	40,510,070	28,594,600	69,104,670
	$ 146,046,896	$ 214,373,183	$ 360,420,079

*Nonexpendable net assets are held in perpetuity.

(10) 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.

(10) 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, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$277,539,853	$277,539,853
Board-designated endowment funds	926,225	-	926,225
Total funds	$ 926,225	$277,539,853	$278,466,078

Endowment funds with donor restrictions that are required to be retained permanently either by explicit donor stipulations or UPMIFA totaled $211,450,130 at June 30, 2021 (net of restricted pledges receivable of $2,923,053).

(10) Endowment funds (continued)

Changes in endowment net assets during the year ended June 30, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 782,775	$226,069,765	$226,852,540
Investment return (loss):			
Interest and dividend income	4,117	1,411,475	1,415,592
Realized and unrealized losses	186,644	53,150,504	53,337,148
Total investment loss	190,761	54,561,979	54,752,740
Contributions	-	9,118,087	9,118,087
Appropriation of endowment assets for expenditure	(47,311)	(12,209,978)	(12,257,289)
Endowment net assets, end of year	$ 926,225	$277,539,853	$278,466,078

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, 2021, donor restricted endowment funds totaling approximately $7,938,000 were below the level required by the donors resulting in an endowment deficiency of approximately $975,000. When donor endowment deficiencies exist, they are classified as a reduction of net assets with donor restrictions.

(11) Concentrations

Two donors along with organizations affiliated with the donors accounted for 40% of undiscounted pledges receivable at June 30, 2021.

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.

(12) 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.

(12) 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, 2021 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	$ 7,586,275	$ 7,586,275	$ -	$ -
International	37,232	37,232	-	-
Mutual funds				
Treasury	16,703,718	16,703,718	-	-
Diversified	2,611,720	2,611,720	-	-
Domestic equities	11,038,607	11,038,607	-	-
International equities	15,483,725	15,483,725	-	-
Fixed income securities				
U.S. Government Treasury and agency	15,295,322	15,295,322	-	-
Corporate bonds and debentures	53,596,698	-	53,596,698	-
Municipal bonds	7,176,971	-	7,176,971	-
Mortgage and asset-backed securities	5,352,598	-	5,352,598	-
Beneficial interests in trusts	25,999,674	-	-	25,999,674
	$160,882,540	$ 68,756,599	$ 66,126,267	$ 25,999,674
Investments at NAV (Practical Expedient)	178,939,886			
Total Investments	$339,822,426			

Activity for investments categorized as level 3 within the fair value hierarchy for the year ended June 30, 2021 is as follows:

Balance July 1, 2020	$ 20,780,641
Change in fair value	6,367,989
Distributions	(1,148,956)
Balance June 30, 2021	$ 25,999,674

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).

(12) 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	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Long / short equity hedge funds (a)	$ 17,803,123	$ -	Monthly - 25% Calendar Quarter	30 - 180 Days
Event driven hedge funds (b)	6,220,575	-	12.5% - 25% Calendar Quarter	67 - 90 Days
Multi-strategy hedge funds (c)	16,780,221	-	12.5% - 25% Calendar Quarter	90 Days
Global macro (d)	4,021,997	-	Monthly - 25% Calendar Quarter	31 - 60 Days
Venture capital (e)	12,372,052	14,100,000	Illiquid	N/A
Growth / private equity (f)	42,993,856	15,900,000	Illiquid	N/A
Real assets (g)	14,497,083	3,100,000	Illiquid	N/A
Public equity (h)	64,250,979	-	Monthly	30 - 60 Days
Total	$178,939,886	$ 33,100,000		

a) This class reflects hedge funds that invest both long and short across global public equity markets. These funds provide exposure to growth and value styles of investing, exposure to companies across the market capitalization spectrum, and tend to feature net market exposure less than 100%. The fair values of these funds have been estimated using the net asset value per share of the investments.

b) This class includes hedge funds that target catalyst-driven investment opportunities, often through long and short investments in convertible securities, credit, and merger arbitrage. The fair values of these funds have been estimated using the net asset value per share of the investments.

(12) Investments (continued)

c) This class includes hedge funds that pursue multiple strategies to diversify risk and reduce volatility. The fair values of these funds have been estimated using the net asset value per share of the investments.

d) This class includes hedge funds that pursue investments based on macroeconomic views and are typically expressed in a discretionary or systematic fashion through long and short positions in instruments such as currencies, interest rates, and fixed income. The fair values of these funds have been estimated using the net asset value per share of the investments.

e) This class includes investments in privately held companies that are in the startup or early stages of their development. The fair values of these funds have been estimated using the net asset value of the underlying ownership interest in partners' capital. These investments cannot be redeemed. Distributions from each fund will be received as the underlying investments of the funds are liquidated.

f) This class includes investments in privately held companies that are more established but in need of additional capital to grow or restructure. The fair values of these funds have been estimated using the net asset value of the underlying ownership interest in partners' capital. These investments cannot be redeemed. Distributions from each fund will be received as the underlying investments of the funds are liquidated.

g) This class includes investments in privately held companies within the energy industry along with real estate-related investments. The fair values of these funds have been estimated using the net asset value of the underlying ownership interest in partners' capital. These investments cannot be redeemed. Distributions from each fund will be received as the underlying investments of the funds are liquidated.

h) This class includes funds that investment in traditional publicly traded equities. the fair values of these funds have been estimated using the net asset value per share of the investments.

(13) Equity method investment

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

Balance July 1, 2020	$ 2,824,646
Equity in earnings of subsidiary	232,576
Distributions received	(298,500)
Balance June 30, 2021	$ 2,758,722

(13) Equity method investment (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, 2021, consists of the following:

Total assets	$ 3,904,419
Less: total liabilities	166,214
Total equity	$ 3,738,205
Income	$ 1,074,782
Less: expenses	607,294
Net income	$ 467,488

(14) 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, 2021. 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.

(15) 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.

(16) 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, 2021, the Foundation received $1,000,000 in grant funds from Wichita State University. The receipt of the funds is presented as a transfer within the consolidated statement of activities.

(17) 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.

(18) Note payable

In response to the COVID-19 pandemic discussed in note 17, 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 Paycheck Protection Program. The Paycheck 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 had an interest rate of 1% with a five-year maturity. The Paycheck Protection Program includes a provision for loan forgiveness if the loan proceeds are used in accordance with certain provisions of the CARES Act. The loan was forgiven in full during the year ended June 30, 2021. The loan forgiveness is recognized in other income without donor restrictions on the consolidated statement of activities for the year ended June 30, 2021.

(19) Subsequent events

An evaluation of subsequent events was completed by management through October 4, 2021, 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.