

**WICHITA STATE UNIVERSITY FOUNDATION
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2023

Independent Auditor's Report

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

Opinion

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, 2023, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2023, and the consolidated changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter

As discussed in Note 1 to the consolidated financial statements, the Organization adopted new accounting guidance, FASB Accounting Standards Update (ASU) 2016-02: Leases (Topic 842). Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 29, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Swindall, Janzen, Hawk & Loyd, LLC

September 28, 2023
Wichita, Kansas

**WICHITA STATE UNIVERSITY FOUNDATION
AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2023

(With Summarized Financial Information at June 30, 2022)

	2023	2022
<u>ASSETS</u>		
Cash and cash equivalents	\$ 13,957,835	\$ 7,812,978
Pledges receivable, less allowance for uncollectible pledges (2023, \$231,468; 2022, \$530,273)	14,236,388	19,489,662
License plate funds held by Wichita State University (WSU)	567,684	-
Investments	316,988,482	322,101,539
Equity method investment	2,481,342	2,626,079
Real estate	597,175	597,175
Property and equipment, net of accumulated depreciation	566,636	513,714
Cash surrender value of life insurance	5,714,848	5,736,136
Collections	18,797,175	18,445,694
Other assets	428,151	521,387
	\$ 374,335,716	\$ 377,844,364
<u>LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 1,256,880	\$ 1,188,173
Annuities payable	1,004,168	1,039,482
Due to WSU Alumni Association	-	2,089,784
Due to WSU Board of Trustees	7,615,304	8,197,055
Due to WSU Departments	143,672	145,206
Due to WSU Intercollegiate Athletic Association, Inc.	5,981,917	5,929,851
	16,001,941	18,589,551
<u>NET ASSETS</u>		
Net assets without donor restrictions:		
Undesignated	15,410,970	12,741,373
Board designated quasi-endowment	2,423,163	893,160
Total net assets without donor restrictions	17,834,133	13,634,533
Net assets with donor restrictions	340,499,642	345,620,280
	358,333,775	359,254,813
	\$ 374,335,716	\$ 377,844,364

See Notes to Consolidated Financial Statements

**WICHITA STATE UNIVERSITY FOUNDATION
AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF ACTIVITIES

Year Ended June 30, 2023

(With Summarized Financial Information for the Year Ended June 30, 2022)

	2023		2022	
	Without Donor Restrictions	With Donor Restrictions	TOTAL	TOTAL
REVENUE, GAINS, AND OTHER SUPPORT				
Contributions of cash and other financial assets	\$ 2,609,036	\$ 17,372,398	\$ 19,981,434	\$ 21,108,606
Contributions of nonfinancial assets	326,147	149,650	475,797	311,709
Net investment return (loss) (Note 3)	999,418	11,741,909	12,741,327	(4,522,912)
Other income	1,361,467	1,637,667	2,999,134	2,824,174
Net assets released form restriction	36,703,832	(36,703,832)	-	-
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	41,999,900	(5,802,208)	36,197,692	19,721,577
EXPENSES				
Program Services:				
Scholarships	8,097,761	-	8,097,761	6,861,065
University support	24,954,670	-	24,954,670	25,371,500
Supporting activities:				
Management and general	3,622,443	-	3,622,443	3,101,544
Fundraising	3,790,179	-	3,790,179	3,017,120
TOTAL EXPENSES	40,465,053	-	40,465,053	38,351,229
Increase (decrease) in net assets before transfers	1,534,847	(5,802,208)	(4,267,361)	(18,629,652)
Transfers from Wichita State University	565,500	165,000	730,500	950,000
Transfers from WSU Board of Trustees	-	-	-	310,147
Transfers from WSU Alumni Association	2,099,253	516,570	2,615,823	-
INCREASE (DECREASE) IN NET ASSETS	4,199,600	(5,120,638)	(921,038)	(17,369,505)
NET ASSETS, BEGINNING OF YEAR	13,634,533	345,620,280	359,254,813	376,624,318
NET ASSETS, END OF YEAR	\$ 17,834,133	\$ 340,499,642	\$ 358,333,775	\$ 359,254,813

See Notes to Consolidated Financial Statements

**WICHITA STATE UNIVERSITY FOUNDATION
AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023

(With Summarized Financial Information for the Year Ended June 30, 2022)

	Program Services			Supporting Activities			2023 Total Expenses	2022 Total Expenses
	Scholarships	University Support	Total Program Services	Management and General	Fundraising	Total Supporting Activities		
Books	\$ -	\$ 32,958	\$ 32,958	\$ -	\$ -	\$ -	\$ 32,958	\$ 59,546
Change in the value of life insurance and split interest agreements	-	8,387	8,387	-	-	-	8,387	(436,992)
Computer software and maintenance	-	60,541	60,541	181,666	-	181,666	242,207	238,512
Contract labor	-	92,208	92,208	-	-	-	92,208	88,669
Contributions	-	53,615	53,615	-	-	-	53,615	25,699
Depreciation	-	34,016	34,016	-	-	-	34,016	49,631
Donor development	-	-	-	-	488,546	488,546	488,546	421,297
Dues and subscriptions	-	287,428	287,428	24,903	-	24,903	312,331	190,042
Furniture, fixtures and equipment	-	2,275,597	2,275,597	-	-	-	2,275,597	449,675
Grants	-	9,685,277	9,685,277	-	-	-	9,685,277	7,275,580
Honorarium	-	113,142	113,142	-	-	-	113,142	91,518
Insurance	-	30,787	30,787	42,574	-	42,574	73,361	34,249
KMUW	-	270,238	270,238	-	-	-	270,238	428,783
Marketing and communication	-	(1,349)	(1,349)	155,276	-	155,276	153,927	150,626
Outside services	-	7,384,460	7,384,460	-	-	-	7,384,460	12,462,539
Professional fees and services	-	1,450,469	1,450,469	58,157	-	58,157	1,508,626	1,565,623
Recruitment	-	18,989	18,989	101,782	-	101,782	120,771	197,199
Registration	-	131,190	131,190	-	-	-	131,190	110,609
Rent, repairs and maintenance	-	204,507	204,507	375,352	-	375,352	579,859	341,646
Salaries and benefits	-	-	-	2,497,252	3,301,633	5,798,885	5,798,885	4,983,528
Scholarships	8,097,761	-	8,097,761	-	-	-	8,097,761	7,162,556
Seminar expenses	-	9,134	9,134	-	-	-	9,134	3,720
Staff development	-	5,765	5,765	28,355	-	28,355	34,120	20,105
Supplies and postage	-	208,950	208,950	61,285	-	61,285	270,235	216,537
Travel and entertainment	-	966,591	966,591	74,534	-	74,534	1,041,125	643,096
Trust distributions	-	671,850	671,850	-	-	-	671,850	867,909
Other	-	959,920	959,920	21,307	-	21,307	981,227	709,327
	<u>\$ 8,097,761</u>	<u>\$ 24,954,670</u>	<u>\$ 33,052,431</u>	<u>\$ 3,622,443</u>	<u>\$ 3,790,179</u>	<u>\$ 7,412,622</u>	<u>\$ 40,465,053</u>	<u>\$ 38,351,229</u>

See Notes to Consolidated Financial Statements

**WICHITA STATE UNIVERSITY FOUNDATION
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CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended June 30, 2023

(With Summarized Financial Information for the Year Ended June 30, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (921,038)	\$ (17,369,505)
Adjustments to reconcile the decrease in net assets to net cash flows from operating activities:		
Depreciation	34,016	49,631
Gain on equity method investment	(183,613)	(165,857)
Contributions for permanent endowment	(6,585,194)	(9,948,801)
Net realized and unrealized (gain) loss on investments	(9,569,479)	8,324,376
Fair value of donated collection items	(149,650)	(200,485)
Fair value of donated investments	(564,990)	(1,223,212)
Donated facility usage recorded as contributions	(326,147)	(111,224)
Donated facility usage recorded as rent expense	326,147	111,224
Decrease (increase) in cash surrender value of life insurance	21,288	(466,032)
Transfers from Wichita State University (WSU)	(730,500)	(950,000)
Transfers from WSU Board of Trustees	-	(310,147)
Transfers from WSU Alumni Association	(2,615,823)	-
Change in operating assets and liabilities:		
Pledges receivable, net	3,854,079	1,166,994
License plate funds held by WSU	(106,152)	-
Other assets	98,593	325,932
Accounts payable and accrued expenses	(132,641)	287,255
Annuities payable	(35,314)	14,480
NET CASH FLOWS FROM OPERATING ACTIVITIES	(17,586,418)	(20,465,371)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(81,888)	-
Purchase of collections	(201,831)	(521,370)
Cash received from WSU Alumni Association (See Note 16)	247,028	-
Net sales of investments	15,247,526	10,619,723
Distributions received from equity method investment	328,350	298,500
NET CASH FLOWS FROM INVESTING ACTIVITIES	15,539,185	10,396,853
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received for permanent endowment	7,992,809	8,707,008
Transfers from Wichita State University	730,500	950,000
Decrease in due to affiliated entities	(531,219)	(351,658)
NET CASH FLOWS FROM FINANCING ACTIVITIES	8,192,090	9,305,350
NET CHANGE IN CASH AND CASH EQUIVALENTS	6,144,857	(763,168)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,812,978	8,576,146
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 13,957,835	\$ 7,812,978

See Notes to Consolidated Financial Statements

**WICHITA STATE UNIVERSITY FOUNDATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of significant accounting policies

Nature of operations and principles of consolidation - Wichita State University 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 is a wholly owned subsidiary formed during 2016. It derives its revenue from donated real estate. All activities from the Wichita State University Foundation and WSUF Real Estate Holdings, LLC have 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.

Effective July 1, 2022, the Organization started doing business as Wichita State University Foundation and Alumni Engagement after the assets, liabilities, net assets and operations of the Wichita State University Alumni Association were assumed by the Organization. See Note 16 for additional information.

Use of estimates - The preparation of consolidated 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 the consolidated 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 may be 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 Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization 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 Organization is subject to federal income tax on any unrelated business taxable income. WSUF Real Estate Holdings, LLC does not incur income taxes; instead, its earnings are included in the Organization's income tax return and taxed depending on the Organization's tax situation. The consolidated financial statements, therefore, do not include a provision for income taxes.

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 Organization. The Organization did not have any material uncertain tax positions as of June 30, 2023.

**WICHITA STATE UNIVERSITY FOUNDATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(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 2022 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 consolidated 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. See Note 17 to the consolidated financial statements for additional information.

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. See Note 17 to the consolidated financial statements for additional information.

Donated assets - Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation. See Note 17 to the consolidated financial statements for additional information.

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 T-bill rate (3% at June 30, 2023). 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.

**WICHITA STATE UNIVERSITY FOUNDATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Cash equivalents - The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2023, cash equivalents consisted primarily of money market accounts.

License plate funds held by Wichita State University (WSU) - License plate funds held by WSU consist of donations collected by the State of Kansas for official WSU license plates. The funds are held by the State of Kansas through WSU until requested by the Organization for expenditure. Funds collected are split evenly between student scholarships and WSU alumni programming. License plate funds held by WSU are carried at net realizable value.

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 donation, if donated. Collection items have cultural, aesthetic, or historical value that is worth preserving perpetually, and the Organization 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. See Note 17 to the consolidated financial statements for additional information regarding donated collections.

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

<u>Assets</u>	<u>Useful Lives</u>
Property, equipment, furniture, and software	3 – 39 years

Property and equipment – Property and equipment includes buildings, equipment, furniture, and software that are carried at cost, if purchased or the approximate fair value at the date of donation, if donated. The Organization 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 consolidated statement of activities and the consolidated 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 accompanying consolidated statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements 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 consolidated statements of financial position.

**WICHITA STATE UNIVERSITY FOUNDATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

The Organization's management is responsible for the fair value measurement of investments reported in the consolidated 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%.

Recently adopted accounting pronouncement - Effective July 1, 2022, the Organization adopted Accounting Standards Update (ASU) 2016-02: Leases (Topic 842), as amended. The standard requires the recognition of operating lease assets and lease liabilities on the consolidated statement of financial position. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statement of activities. Under the new standard, disclosures are required to enable users of the consolidated financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The Organization utilized the modified retrospective approach in adopting ASU 2016-02. Under the modified retrospective approach, the Organization is required to recognize and measure leases at the beginning of the earliest period presented. Because the Organization's principal lease is an in-kind lease, there is no future cash flow obligations. The adoption of this accounting standard did not have a material impact on the consolidated financial statements and disclosures.

(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, 2023, financial assets and liquid resources available within one year for general expenditure, such as operating expenses, are as follows:

Cash and cash equivalents	\$ 13,957,835
Pledges receivable, net	14,236,388
License plate funds held by WSU	567,684
Investments	316,988,482
Equity method investment	2,481,342
Cash surrender value of life insurance	<u>5,714,848</u>
Total financial assets	<u>353,946,579</u>
Less those unavailable for general expenditure within one year:	
Pledges receivable to be collected in more than one year	8,931,967
Investments, net of projected payout	302,303,824
Equity method investment, net of projected payout	2,232,542
Cash surrender value of life insurance	<u>5,714,848</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 34,763,398</u></u>

**WICHITA STATE UNIVERSITY FOUNDATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(3) Investment return (loss)

Investment return for the year ended June 30, 2023 is comprised of the following:

Interest and dividend income	\$ 3,469,993
Realized gains	5,869,830
Change in unrealized gains	3,699,649
Investment management fees	<u>(298,145)</u>
	<u><u>\$ 12,741,327</u></u>

(4) Pledges receivable

Pledges receivable consists of unconditional promises to give as summarized below at June 30, 2023:

Due in less than one year	\$ 5,280,904
Due in one to five years	6,839,407
Due in more than five years	<u>3,360,000</u>
	<u>15,480,311</u>
Less:	
Allowance for uncollectible pledges	231,468
Unamortized discount (at effective rate of 3%)	<u>1,012,455</u>
	<u>1,243,923</u>
	<u><u>\$ 14,236,388</u></u>

Restricted pledges receivable with permanent donor restrictions total \$2,757,231 at June 30, 2023 and are included in pledges receivable above.

(5) Property and equipment

Property and equipment is carried at cost, if purchased, or fair market value, if donated. Property and equipment, net of accumulated depreciation is as follows at June 30, 2023:

Buildings, equipment, furniture and software	\$ 1,470,394
Construction in progress	86,938
Less accumulated depreciation	<u>(990,696)</u>
Property and equipment, net of accumulated depreciation	<u><u>\$ 566,636</u></u>

The Organization's policy is to depreciate capitalized buildings, equipment, furniture, and software over their remaining useful lives. The Organization 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 Organization believes it will recover the carrying value in future operations.

**WICHITA STATE UNIVERSITY FOUNDATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(6) Annuities and trust payable

The Organization has entered into agreements with individuals whereby the individuals have deposited a sum of money with the Organization. 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 expenses as "University support" on the consolidated statements of activities.

(7) Collections

Accessions and deaccessions for collections during the year ended June 30, 2023 are summarized as follows:

Collections, beginning of year	\$ 18,445,694
Accessions	389,171
Deaccessions	(37,690)
	<u>\$ 18,797,175</u>

(8) Retirement plan

The Organization has a defined contribution retirement plan covering all full-time employees after one year of service. The Organization'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, 2023 totaled \$328,800.

(9) Net assets

Net assets with donor restrictions are available for the following purposes at June 30, 2023:

	Net Assets with Donor Restrictions		
	Expendable Net Assets	Nonexpendable* Net Assets	Total
Scholarships	\$ 28,668,424	\$ 139,170,191	\$ 167,838,615
Educational support	16,284,568	52,526,079	68,810,647
Athletics	2,763,912	170,009	2,933,921
Buildings and grounds	6,948,469	1,901,384	8,849,853
Museum support	22,901,829	4,336,921	27,238,750
Library support	578,882	2,620,781	3,199,663
Other	33,639,224	27,988,969	61,628,193
	<u>\$ 111,785,308</u>	<u>\$ 228,714,334</u>	<u>\$ 340,499,642</u>

*Nonexpendable net assets are held in perpetuity.

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(9) Net assets (continued)

Board designated quasi-endowment net assets without donor restrictions at June 30, 2023 are available for the following purposes:

Scholarships	\$ 472,012
Educational support	406,234
Alumni membership support	1,544,917
	<hr/>
	\$ 2,423,163
	<hr/> <hr/>

(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 at (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 or loss from income and the appreciation or depreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

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.

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(10) Endowment funds (continued)

The primary objective for the portfolio is for total return to be greater than the Consumer Price Index plus spending policy and 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 Organization has a policy of appropriating for distribution each year a payout based on the following criteria:

All Endowed Funds:

- A payout of 4% calculated on a twenty-quarter rolling market value average.
- If at June 30 a fund's estimated market value is less than 100% of the historical gift value less gift fees (net gift value), the fund will be monitored through December 31 to determine the payout as follows:
 - If a fund's market value declines less than 10% from the prior fiscal year-end (i.e. June 30 through December 31), the payout will be determined by the tiered chart below. The fiscal year end value (June 30) will be the end of the 20-quarter rolling calculation.
 - If the fund's market value declines more than 10% from the prior fiscal year end (i.e. June 30 through December 31), the 20-quarter rolling average calculation will be reset, using the December 31 valuation as the 20th quarter. The payout will then be determined by the tiered chart below. These payouts will be approved by the Board of Directors of the Organization prior to any notification being provided to Wichita State University.

<u>If the fund's estimated market value is:</u>	<u>Payout</u>	<u>Fee</u>
Greater than 100% of the net gift value	100%	1.65%
90% to 100% of the net gift value	100%	1.65%
80% to 89% of the net gift value	90%	1.65%
76% to 79% of the net gift value	80%	1.50%
Equal to or less than 75% of the net gift value	No payout	No fee

New endowment funds must reach and maintain an estimated fair market value of 110% of the net gift value by the end of 12 months and/or the measurement of the endowment pool at fiscal year-end prior to being included in the normal payout calculation cycle.

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(10) Endowment funds (continued)

Endowment net asset composition by type of fund as of June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$281,096,123	\$281,096,123
Board-designated endowment funds	2,423,164	-	2,423,164
Total funds	<u>\$ 2,423,164</u>	<u>\$281,096,123</u>	<u>\$283,519,287</u>

Endowment funds with donor restrictions that are required to be retained permanently either by explicit donor stipulations or UPMIFA totaled \$225,957,102 at June 30, 2023 (net of restricted pledges receivable of \$2,757,232).

The endowment 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, 2023, donor restricted endowment funds totaling approximately \$17,352,000 were below the level required by the donors resulting in an endowment deficiency of approximately \$1,090,000. When donor endowment deficiencies exist, they are classified as a reduction of net assets with donor restrictions.

Changes in endowment net assets during the year ended June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	<u>\$ 893,160</u>	<u>\$272,264,763</u>	<u>\$273,157,923</u>
Investment return:			
Interest and dividend income	12,815	1,714,929	1,727,744
Realized and unrealized gains	77,582	9,920,070	9,997,652
Total investment return	<u>90,397</u>	<u>11,634,999</u>	<u>11,725,396</u>
Contributions	-	10,993,466	10,993,466
Transfers	1,509,176	413,808	1,922,984
Appropriation of endowment assets for expenditure	<u>(69,569)</u>	<u>(14,210,913)</u>	<u>(14,280,482)</u>
Endowment net assets, end of year	<u>\$ 2,423,164</u>	<u>\$281,096,123</u>	<u>\$283,519,287</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(11) Concentrations

One donor accounted for 29% of undiscounted pledges receivable at June 30, 2023.

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 and fair value measurements

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 Organization 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. Investments meeting the criteria to utilize net asset value are also not required to be classified in one of the levels within the fair value hierarchy.

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 (if any) between levels in the fair value hierarchy at the end of the reporting period.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(12) Investments and fair value measurements (continued)

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. 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 consolidated financial statements.

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).

The fair value of beneficial interests in trusts is estimated at the Organization'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).

The fair value of hedge funds and venture capital/private equity (investments at NAV) 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.

The classification of investments by level within the valuation hierarchy and measured on a recurring basis as of June 30, 2023 is as follows:

	Fair Value	Level 1	Level 2	Level 3
Equity stocks				
Domestic	\$ 9,108,252	\$ 9,108,252	\$ -	\$ -
International	48,259	48,259	-	-
Mutual funds				
Treasury	10,266,646	10,266,646	-	-
Diversified	2,454,256	2,454,256	-	-
Domestic equities	15,048,450	15,048,450	-	-
International equities	10,400,613	10,400,613	-	-
Fixed income securities				
U.S. Government Treasury and agency	7,403,736	7,403,736	-	-
Corporate bonds and debentures	31,181,056	-	31,181,056	-
Municipal bonds	3,274,248	-	3,274,248	-
Mortgage and asset-backed securities	2,776,528	-	2,776,528	-
Beneficial interests in trusts	22,106,083	-	-	22,106,083
	<u>\$114,068,127</u>	<u>\$ 54,730,212</u>	<u>\$ 37,231,832</u>	<u>\$ 22,106,083</u>
Investments at NAV (Practical Expedient)	<u>202,920,355</u>			
Total Investments	<u>\$316,988,482</u>			

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(12) Investments and fair value measurements (continued)

Activity for investments categorized as level 3 within the fair value hierarchy for the year ended June 30, 2023 is as follows:

Balance July 1, 2022	\$ 21,031,106
Change in fair value	2,244,738
Distributions	<u>(1,169,761)</u>
Balance June 30, 2023	<u><u>\$ 22,106,083</u></u>

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)	\$ 10,674,660	\$ -	Monthly - 25% Calendar Quarter	30 - 180 Days
Event driven hedge funds (b)	7,703,291	-	12.5% - 25% Calendar Quarter	67 - 90 Days
Multi-strategy hedge funds (c)	15,982,936	-	12.5% - 25% Calendar Quarter	90 Days
Global macro (d)	9,512,229	-	Monthly - 25% Calendar Quarter	31 - 60 Days
Venture capital (e)	28,595,918	10,212,096	Illiquid	N/A
Growth / private equity (f)	57,029,591	19,857,446	Illiquid	N/A
Real assets (g)	15,762,077	2,294,878	Illiquid	N/A
Public equity (h)	57,659,653	-	Monthly	30 - 60 Days
Total	<u>\$202,920,355</u>	<u>\$ 32,364,420</u>		

- 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.
- 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(12) Investments and fair value measurements (continued)

- 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 owns 49.75% of the shares of Maize Avenue, Inc. The Organization uses the equity method to account for its financial interest in Mazie Avenue, Inc. The following presents the activity of the Organization's equity method investment for the year ended June 30, 2023:

Balance July 1, 2022	\$ 2,626,079
Equity in earnings of subsidiary	183,613
Distributions received	<u>(328,350)</u>
Balance June 30, 2023	<u><u>\$ 2,481,342</u></u>

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(13) Equity method investment (continued)

Summarized unaudited financial information for Maize Avenue, Inc., which is accounted for under the equity method, as of June 30, 2023, is as follows:

Total assets	\$ 3,644,868
Less: total liabilities	<u>170,969</u>
Total equity	<u>\$ 3,473,899</u>
Income	\$ 1,167,046
Less: expenses	<u>797,976</u>
Net income	<u>\$ 369,070</u>

(14) Fair value of financial instruments

Financial instruments for which the Organization did not elect the fair value option includes cash and cash equivalents, pledges receivable, license plate funds held by WSU, the cash surrender value of life insurance, accounts payable and accrued expenses, and annuities payable.

The fair value of the Organization's cash and cash equivalents, license plate funds held by WSU, and accounts payable and accrued expenses was determined to approximate carrying value given the short-term nature of these instruments using level 2 fair value inputs. Net realizable values could be materially different from estimates at June 30, 2023. 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 was determined to approximate carrying value which 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 measurement.

The fair value of the Organization's cash surrender value of life insurance was determined to approximate carrying value and 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 measurement.

The fair value of annuities payable was determined to approximate carrying value and 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 measurement.

(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 estimated fair market value of the net cumulative transfers of these entities to the Organization, as well as earnings thereon.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(15) Agency transactions (continued)

As discussed in Note 1 to the consolidated financial statements, effective July 1, 2022, the assets, liabilities, net assets and operations of the WSU Alumni Association were assumed by the Organization. The liability account "Due to WSU Alumni Association" was eliminated as part of the transaction. See Note 16 for additional information.

(16) Transfers from Wichita State University, WSU Board of Trustees and WSU Alumni Association

Wichita State University, the WSU Board of Trustees and the WSU Alumni Association are considered financially interrelated entities with the Organization. In accordance with accounting guidance, certain transactions between these financially interrelated entities and the Organization are considered equity transactions and presented as transfers on the consolidated statement of activities.

During the year ended June 30, 2023, the Organization received \$730,500 from Wichita State University for various purposes including alumni engagement, fundraising services, legal stipends, and general contributions.

Effective June 30, 2022, the lease for the Woodman Alumni Center owned by Wichita State University utilized by the Organization for its operations was terminated and a new lease was executed effective July 1, 2022. The new lease provides the Organization with additional space and has a two-year term through June 30, 2024 with two consecutive options to renew the lease for two years each. The rent within the lease agreement is set at \$1. The Organization recognizes donated facility usage in conjunction with the lease agreement. See Note 17 to the consolidated financial statements for additional information on donated facility usage.

As discussed in Note 1 to the consolidated financial statements, effective July 1, 2022, the Organization assumed the operations of the WSU Alumni Association. As part of this transaction, the WSU Alumni Association transferred its assets and liabilities to the Organization resulting in a transfer of net assets totaling \$2,615,823 at July 1, 2022.

The following assets and liabilities were transferred by the WSU Alumni Association to the Organization on July 1, 2022:

Assets	
Cash and cash equivalents	\$ 247,028
Receivables	8,420
Investments	2,089,784
License plate funds held by the WSU	461,532
Property and equipment	5,050
Other assets	5,357
Liabilities	
Accounts payable and accrued expenses	<u>(201,348)</u>
Transfers of net assets from WSU Alumni Association	<u>\$ 2,615,823</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(17) Contributions of nonfinancial assets

Contributions of nonfinancial assets reported in the consolidated statement of activities at estimated fair value for the year ended June 30, 2023 include the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Donated facility usage	\$ 326,147	\$ -	\$ 326,147
Collections	-	149,650	149,650
Total	\$ 326,147	\$ 149,650	\$ 475,797

It is the Organization's policy to sell contributed nonfinancial assets immediately upon receipt unless restricted for use in a specific program by the donor, determined to have sufficient educational utility for use by Wichita State University, or the asset is expected to significantly appreciate in value based on market conditions. The Organization did not sell or otherwise dispose of contributed nonfinancial assets during the year ended June 30, 2023.

The donated facility usage is contributed by Wichita State University for use of the Woodman Alumni Center by the Organization for its operating location. The fair value of the donated facility usage is estimated utilizing market data for office space per square foot in the Wichita, Kansas geographic area. The donated facility usage is recognized as contributions of nonfinancial assets and management and general expenses on the consolidated statement of activities.

The contributed collections are restricted by the donors for display within the Organization's museums and are reported within collections on the consolidated statement of financial position. The collections can only be sold if the Organization's Board of Directors determines the purpose is no longer in the best interest of Wichita State University. The fair value of collections is estimated utilizing appraised values for similar assets in markets for which collection items are bought and sold for use in museums and/or private collections.

(18) Subsequent events

An evaluation of subsequent events was completed by management through September 28, 2023, which represents the date the financial statements were available to be issued.