WICHITA STATE UNIVERSITY FOUNDATION
AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2019

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Wichita State University Foundation and Affiliate (collectively referred to as the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2019, 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.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wichita State University Foundation and Affiliate as of June 30, 2019, 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, as of July 1, 2018, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Presenting Financial Statements for Not-for-Profit Entities.* The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, methods used to allocate costs to programmatic and other support information, and direction for consistency about information provided on investment return. The adoption of the standard resulted in additional footnote disclosures and changes to the classification of net assets and the disclosures related to net assets. The ASU has been applied retrospectively to the summarized comparative information, with the exception of the omission of certain information as permitted by the ASU. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 28, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Swindoll, Janzen, Hawk & Loyd, LLC

September 30, 2019
Wichita, Kansas

WICHITA STATE UNIVERSITY FOUNDATION
AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2019
(With Summarized Financial Information at June 30, 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	$ 19,076,972	$ 21,909,387
Pledges receivable, less allowance for uncollectible pledges (2019, $758,628; 2018, $846,863)	27,754,267	31,916,934
Investments	286,982,415	259,061,571
Investment at equity	2,922,529	2,930,789
Mortgage receivable	-	32,683
Real estate	597,175	597,175
Buildings, equipment, furniture and software, at cost, less accumulated depreciation	634,647	377,767
Cash surrender value of life insurance	4,485,292	4,908,214
Collections	16,064,075	15,907,324
Other assets	3,195,433	3,008,110
TOTAL ASSETS	$ 361,712,805	$ 340,649,954
LIABILITIES		
Accounts payable and accrued expenses	$ 670,515	$ 590,396
Annuities payable	933,723	671,976
Due to WSU Alumni Association	1,803,198	2,002,003
Due to WSU Board of Trustees	7,771,685	7,739,931
Due to WSU Departments	149,523	338,955
Due to WSU Intercollegiate Athletic Association, Inc.	9,275,177	10,272,136
TOTAL LIABILITIES	20,603,821	21,615,397
NET ASSETS		
Net assets without donor restrictions:		
Undesignated	10,243,759	7,416,704
Board designated quasi-endowment	846,725	861,001
Total net assets without donor restrictions	11,090,484	8,277,705
Net assets with donor restrictions	330,018,500	310,756,852
TOTAL NET ASSETS	341,108,984	319,034,557
TOTAL LIABILITIES AND NET ASSETS	$ 361,712,805	$ 340,649,954

See Notes to Consolidated Financial Statements

WICHITA STATE UNIVERSITY FOUNDATION
AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES

Year Ended June 30, 2019
(With Summarized Financial Information for the Year Ended June 30, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	TOTAL	TOTAL
REVENUE, GAINS, AND OTHER SUPPORT				
Contributions	$ 999,749	$ 23,361,325	$ 24,361,074	$ 38,949,170
Net investment return	2,543,744	9,259,332	11,803,076	15,242,761
Gain (loss) on collection item	-	-	-	251,500
Other income	1,466,431	1,464,407	2,930,838	3,256,488
Net assets released from restriction	18,823,416	(18,823,416)	-	-
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	23,833,340	15,261,648	39,094,988	57,699,919
EXPENSES				
Program Services:				
Scholarships	5,811,337	-	5,811,337	5,738,528
University support	9,902,621	-	9,902,621	8,984,088
Supporting activities:				
Management and general	2,498,700	-	2,498,700	2,378,572
Fundraising	2,807,903	-	2,807,903	2,615,321
TOTAL EXPENSES	21,020,561	-	21,020,561	19,716,509
Increase in net assets before transfers from Wichita State University	2,812,779	15,261,648	18,074,427	37,983,410
Transfers from Wichita State University	-	4,000,000	4,000,000	-
INCREASE IN NET ASSETS	2,812,779	19,261,648	22,074,427	37,983,410
NET ASSETS, BEGINNING OF YEAR	8,277,705	310,756,852	319,034,557	281,051,147
NET ASSETS, END OF YEAR	$ 11,090,484	$ 330,018,500	$ 341,108,984	$ 319,034,557

See Notes to Consolidated Financial Statements

WICHITA STATE UNIVERSITY FOUNDATION AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

	Program Services			Supporting Activities			
	Scholarships	University Support	Total Program Services	Management and General	Fundraising	Total Supporting Activities	Total Expenses
Books	$ -	$ 65,235	$ 65,235	$ -	$ -	$ -	$ 65,235
Change in the value of split interest agreements	-	309,379	309,379	-	-	-	309,379
Computer software and maintenance	-	48,701	48,701	106,362	-	106,362	155,063
Contract labor	-	24,993	24,993	-	-	-	24,993
Contributions	-	26,650	26,650	-	-	-	26,650
Depreciation	-	50,560	50,560	-	-	-	50,560
Donor development	-	-	-	-	440,608	440,608	440,608
Dues and subscriptions	-	87,257	87,257	17,458	-	17,458	104,715
Fellowships	-	233,263	233,263	-	-	-	233,263
Furniture, fixtures and equipment	-	297,213	297,213	-	-	-	297,213
Grants	-	5,861,448	5,861,448	-	-	-	5,861,448
Honorarium	-	78,351	78,351	-	-	-	78,351
Insurance	-	11,430	11,430	30,260	-	30,260	41,690
KMUW	-	337,816	337,816	-	-	-	337,816
Marketing and communication	-	59,346	59,346	67,763	-	67,763	127,109
Outside services	-	564,538	564,538	-	-	-	564,538
Professional fees	-	35,231	35,231	45,833	-	45,833	81,064
Recruitment	-	15,474	15,474	-	-	-	15,474
Registration	-	111,660	111,660	-	-	-	111,660
Rent, repairs and maintenance	-	3,334	3,334	300,494	-	300,494	303,828
Salaries and benefits	-	-	-	1,792,984	2,367,295	4,160,279	4,160,279
Scholarships	5,811,337	-	5,811,337	-	-	-	5,811,337
Seminar expenses	-	18,000	18,000	-	-	-	18,000
Staff development	-	3,403	3,403	7,040	-	7,040	10,443
Supplies and postage	-	219,006	219,006	57,441	-	57,441	276,447
Travel and entertainment	-	604,038	604,038	46,519	-	46,519	650,557
Trust distributions	-	696,672	696,672	-	-	-	696,672
Other	-	139,623	139,623	26,546	-	26,546	166,169
	$ 5,811,337	$ 9,902,621	$15,713,958	$ 2,498,700	$ 2,807,903	$ 5,306,603	$21,020,561

See Notes to Consolidated Financial Statements

WICHITA STATE UNIVERSITY FOUNDATION AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended June 30, 2019
(With Summarized Financial Information for the Year Ended June 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 22,074,427	$ 37,983,410
Adjustments to reconcile the increase in net assets to net cash flows from operating activities:		
Depreciation	50,560	44,020
Gain on collection item	-	(251,500)
Gain on equity method investment	(230,540)	(24,589)
Contributions received for permanent endowment	(8,694,628)	(10,326,838)
Net realized and unrealized gain on investments	(8,486,764)	(11,717,677)
Fair value of donated collection items	(156,751)	(446,001)
Fair value of donated investments and real estate	(3,696,569)	(1,551,309)
Donated facilities recorded as contributions	(158,316)	(198,308)
Donated facilities recorded as rent expense	158,316	198,308
Decrease (increase) in cash surrender value of life insuranc	422,922	(116,256)
Transfers from Wichita State University	(4,000,000)	-
Decrease (increase) in operating assets:		
Pledges receivable	4,162,667	(8,676,638)
Other assets	(187,323)	126,452
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	80,119	120,854
Annuities payable	261,747	(145,281)
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,599,867	5,018,647
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of buildings, equipment, furniture & software	(307,440)	(85,625)
Proceeds on sale of collections	-	625,000
Net purchases of investments	(15,737,511)	(9,372,658)
Distributions received from equity method investment	238,800	238,800
Principal payments received on mortgage receivable	32,683	3,096
NET CASH FLOWS FROM INVESTING ACTIVITIES	(15,773,468)	(8,591,387)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received for permanent endowment	8,694,628	10,326,838
Transfers from Wichita State University	4,000,000	-
Increase (decrease) in due to affiliated entities	(1,353,442)	1,692,034
NET CASH FLOWS FROM FINANCING ACTIVITIES	11,341,186	12,018,872
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,832,415)	8,446,132
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	21,909,387	13,463,255
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 19,076,972	$ 21,909,387

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, 2019.

(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 2018 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, 2019). 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, 2019, cash equivalents consisted primarily of money market accounts.

(1) Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

Reclassifications – Certain reclassifications have been made to the summarized financial information presented as of and for the year ending June 30, 2018 to conform to the June 30, 2019 presentation.

(1) Summary of significant accounting policies (continued)

Recent Accounting Pronouncements - In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities ("ASU 2016-14"). ASU 2016-14 modifies net asset reporting and requires additional disclosures. The standard requires the Organization to reclassify its net assets (formerly unrestricted, temporarily restricted and permanently restricted) into two categories: net assets without donor restrictions and net assets with donor restrictions. It requires the Organization to change when it releases donor restrictions on capital contributions for construction to when the asset is placed in service, rather than when the donation is spent. It requires recognition of underwater endowment funds as a reduction of net assets with donor restrictions and requires disclosure of expenses by both their functional and natural classification. The Organization adopted the ASU within its 2019 consolidated financial statements. The 2018 summarized financial information has been reclassified to conform to the 2019 presentation with the exception of the Consolidated Statement of Functional Expenses as allowed by the ASU.

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, 2019, financial assets and liquid resources available within one year for general expenditure, such as operating expenses, are as follows:

Cash and cash equivalents	$ 19,076,972
Pledges receivable, net	27,754,267
Investments	286,982,415
Investments at equity	2,922,529
Cash surrender value of life insurance	4,485,292
Total financial assets	341,221,475
Less those unavailable for general expenditure within one year:	
Pledges receivable to be collected in more than one year	19,503,785
Investments, net of projected payout	274,800,141
Investments at equity, net of projected payout	2,683,729
Cash surrender value of life insurance	4,485,292
Financial assets available to meet cash needs for general expenditures within one year	$ 39,748,528

(3) Investment return

Investment returns for the year ended June 30, 2019 is comprised of the following:

Interest and dividend income	$ 3,558,250
Realized gains	32,976,924
Change in unrealized gains (losses)	(24,490,160)
Investment management fees	(241,938)
	$ 11,803,076

(4) Pledges receivable

Pledges receivable consists of unconditional promises to give as summarized below at June 30, 2019:

Due in less than one year	$ 8,461,245
Due in one to five years	17,164,615
Due in more than five years	4,750,000
	30,375,860
Less:	
Allowance for uncollectible pledges	758,628
Unamortized discount (at effective rate of 3%)	1,862,965
	2,621,593
	$ 27,754,267

Restricted pledges receivable with permanent donor restrictions total $4,055,585 at June 30, 2019 and are included in pledges receivable above.

(5) Buildings, equipment, furniture and software

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

Buildings, equipment, furniture and software	$ 1,437,870
Less accumulated depreciation	(803,223)
Net buildings, equipment, furniture and software	$ 634,647

The Foundation's policy is to depreciate buildings, equipment and software over their remaining useful lives. The Foundation periodically evaluates the remaining useful life and recoverability of such buildings, software and equipment in light of current circumstances, and believes it will recover the carrying amount 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, 2019 are summarized as follows:

Collections, beginning of year	$ 15,907,324
Accessions	156,751
Deaccessions	-
Collections, end of year	$ 16,064,075

(8) Other assets

The Foundation entered into a memorandum of understanding during the year ended June 30, 2017 with Wichita State University Intercollegiate Athletic Association, Inc. (ICAA) in which The Foundation advanced $2.5 million to ICAA which is to be repaid to The Foundation no later than when construction commences on the Student Athlete Success Center (targeted for fiscal year ending June 30, 2020). This amount has been included within “other assets” on the statements of financial position.

(9) Retirement plan

The Foundation has a defined contribution retirement plan covering substantially all salaried employees. The Foundation’s contributions to the plan are 8.5% of total compensation paid to participants during the plan year. Participants are immediately fully vested in their plan interests. Contributions to the plan for the year ended June 30, 2019 totaled $219,000.

(10) Net assets

Board designated quasi-endowment net assets without donor restrictions at June 30, 2019 are available for the following purposes:

Scholarships	$ 454,322
Educational support	392,403
	$ 846,725

Net assets with donor restrictions are available for the following purposes at June 30, 2019:

	Net Assets with Donor Restrictions		
	Expendable Net Assets	Nonexpendable* Net Assets	Total
Scholarships	$ 16,355,180	$ 108,749,711	$ 125,104,891
Educational support	15,862,947	53,772,295	69,635,242
Athletics	239,487	170,009	409,496
Buildings and grounds	37,168,723	1,901,336	39,070,059
Museum support	20,443,478	4,307,823	24,751,301
Library support	483,781	2,334,610	2,818,391
Other	39,628,157	28,600,963	68,229,120
	$ 130,181,753	$ 199,836,747	$ 330,018,500

*Nonexpendable net assets are held in perpetuity.

(11) Endowment funds

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

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

(11) Endowment funds (continued)

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.

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 4.25%, 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, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$232,405,725	$ 232,405,725
Board-designated endowment funds	846,725	-	846,725
Total funds	$ 846,725	$232,405,725	$ 233,252,450

Endowment funds with donor restrictions that are required to be retained permanently either by explicit donor stipulations or UPMIFA totaled $195,781,162 at June 30, 2019.

(11) Endowment funds (continued)

Changes in endowment net assets as of June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 861,001	$225,522,584	$ 226,383,585
Investment return:			
Interest and dividend income	6,068	1,782,508	1,788,576
Realized and unrealized gains	27,129	6,954,744	6,981,873
Total investment return	33,197	8,737,252	8,770,449
Contributions	-	8,992,443	8,992,443
Appropriation of endowment assets for expenditure	(47,473)	(10,846,554)	(10,894,027)
Endowment net assets, end of year	$ 846,725	$232,405,725	$ 233,252,450

The Foundation's net assets with donor restrictions include various endowment funds established by donors. Fair value of the assets of some of these funds was approximately $2,203,378 less than the level required by donor stipulation or law at June 30, 2019. When donor endowment deficits exist, they are classified as a reduction of net assets with donor restrictions.

(12) Concentrations

Two donors along with organizations affiliated with the donors accounted for 35% of undiscounted pledges receivable at June 30, 2019.

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

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

(13) Investments

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

(13) <u>Investments (continued)</u>

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 a number of 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 financial statements.

(13) Investments (continued)

The classification of investments by level within the valuation hierarchy as of June 30, 2019 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	$ 7,976,770	$ 7,976,770	$ -	$ -
International	2,304,785	2,304,785	-	-
Mutual funds	-	-		
Treasury	21,125,794	21,125,794	-	-
Diversified	2,194,626	2,194,626	-	-
Domestic equities	4,603,202	4,603,202	-	-
International equities	15,648,659	15,648,659	-	-
Fixed income securities				
U.S. Government Treasury and agency	9,659,508	9,659,508	-	-
Corporate bonds and debentures	37,531,910	-	37,531,910	-
Municipal bonds	2,605,794	-	2,605,794	-
Mortgage and asset-backed securities	6,540,338	-	6,540,338	-
Futures contracts				
Emerging markets index	15,303	15,303	-	-
Foreign markets index	16,185	16,185	-	-
S&P Index	16,030	16,030	-	-
Commodity index	120,438	120,438	-	-
U.S. Treasury index	8,508	8,508	-	-
Beneficial interests in trusts	18,650,321	-	-	18,650,321
	$ 129,018,171	$ 63,689,808	$ 46,678,042	$ 18,650,321
Investments at NAV (Practical Expedient)				
Hedge funds	86,201,575			
Venture Capital / Private equity	71,762,669			
Total Investments	$ 286,982,415			

Activity for investments categorized as level 3 within the fair value hierarchy for the year ended June 30, 2019 is as follows:

Balance July 1, 2018	$ 15,313,381
Contributions	3,340,152
Change in fair value	692,252
Distributions	(695,464)
Balance June 30, 2019	$ 18,650,321

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

(13) Investments (continued)

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

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

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

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Northgate III (a)	$ 1,328,909	$ 50,400	n/a	n/a
Northgate IV (b)	2,019,033	277,500	n/a	n/a
Sigular Guff (c)	461,287	90,000	n/a	n/a
Varde Fund (d)	609,175	-	n/a	n/a
Venture Investment Assoc. I (e)	484,116	120,000	n/a	n/a
Venture Investment Assoc. II (e)	1,290,522	400,000	n/a	n/a
Venture Investment Assoc. III (e)	2,186,265	1,920,000	n/a	n/a
WCP Real Estate Fund III GP, LLC (f)	1,121,484	210,800	n/a	n/a
Great Jone Offshore Fund, Ltd. (g)	6,250,681	-	n/a	n/a
AQR Global Risk & Style Premia Offshore (h)	4,215,167	-	n/a	n/a
HBK Offshore, Ltd. (i)	6,529,606	-	n/a	n/a
OZ Overseas Fund II (i)	450,090	-	n/a	n/a
GSO Special Situations Overseas Fund, Ltd. (j)	32,874	-	n/a	n/a
Palo Alto Healthcare Offshore II, Ltd. (k)	980,682	-	n/a	n/a
Graham Global Investment Fund II, Ltd. (l)	8,708,761	-	n/a	n/a
Falcon Strategic Partners IV, L.P. (m)	2,563,927	494,953	n/a	n/a
Falcon Strategic Partners V, L.P. (m)	2,933,892	1,787,408	n/a	n/a
Olympus Peak Offshore Ltd. (n)	3,213,617	-	n/a	n/a
Parametric Global Defensive Fund LLC (o)	3,338,370	-	n/a	n/a
Renaissance Institutional Fund LLC (p)	5,088,886	-	n/a	n/a
FEG Priv. Opp. Fund II - Series B (q)	8,828,107	2,300,000	n/a	n/a
FEG Priv. Opp. Fund II - Series C (q)	10,052,002	250,000	n/a	n/a
FEG Priv. Opp. Fund III (q)	9,002,549	8,700,000	n/a	n/a
Harvest - MLP (r)	4,941,069	-	n/a	n/a
NGP Natural Resources (s)	1,835,744	327,548	n/a	n/a
Governors Lane Offshore (t)	2,908,955	-	n/a	n/a
Indaba Capital Partners (u)	1,739,494	-	n/a	n/a
Indus Capital Partners (v)	80,963	-	n/a	n/a
Atalan Offshore, Ltd. (w)	4,812,931	-	n/a	n/a
Elliott International, Ltd. (x)	4,957,720	5,000,000	n/a	n/a

(13) Investments (continued)

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Pelham Long/Short Fund, Ltd. (y)	3,804,144	-	n/a	n/a
Accolade Partners VII LP (z)	215,484	-	n/a	n/a
Clear Ventures II LP (aa)	42,000	-	n/a	n/a
D E Shaw World Alpha Fund LLC (bb)	20,351,959	-	n/a	n/a
Focused Investor Fund LP (cc)	9,355,951	-	n/a	n/a
Global Alpha Inter. Small Cap Fund LP (dd)	4,657,446	-	n/a	n/a
Gqg Partners Emerging Markets Eq Fd LLC (ee)	4,212,898	-	n/a	n/a
Marathon London International (ff)	12,241,333	-	n/a	n/a
Strategic Partners Offshore VIII LP (gg)	116,151	-	n/a	n/a
Total	$ 157,964,244	$ 16,928,609		

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

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

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

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

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

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

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

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

(13) <u>Investments (continued)</u>

i) These two hedge funds use a multi strategy approach to diversify risk and reduce volatility. Investments can be made in various securities and asset classes. All lock up periods have expired for HBK and OZ. Withdrawals can be made quarterly with 90 days notice (HBK) or 30 days notice (OZ).

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

k) Palo Alto Healthcare Offshore II, Ltd. is a healthcare focused hedge fund investing in equities. There is a two year lockup period that has since expired and redemptions are semi-annual with 30 days notice.

l) Graham Global Investment Fund II, Ltd. is a global macro hedge fund. There is no lockup period and redemptions are weekly with 3 days notice.

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

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

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

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

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

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

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

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

(13) Investments (continued)

u) Indaba is an Asian-focused hedge fund. There is a one year lockup period and then quarterly redemptions with a 90 day notice.

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

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

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

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

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

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

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

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

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

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

ff) Marathon London International invests in international public equities. There is no lockup period and redemptions are monthly with 10 days notice.

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

(14) Investment at equity

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

Maize Avenue, Inc.

Balance July 1, 2018	$	2,930,789
Equity in earnings of subsidiary		230,540
Distributions received		(238,800)
Balance June 30, 2019	$	2,922,529

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, 2019, consists of the following:

Total assets	$	4,209,554
Total liabilities		142,089
Total equity		4,067,465
Income	$	1,077,138
Expenses before depreciation		453,048
Net income before depreciation		624,090
Depreciation expense		160,890
Net income	$	463,200

(15) Fair value of financial instruments

Fair values of financial instruments for which the Organization did not elect the fair value option includes cash and cash equivalents, mortgage receivable, accounts payable and accrued expenses. The fair value of such instruments was determined to approximate carrying value given the short term nature of these instruments using level 2 fair value methods. Net realizable values could be materially different from estimates at June 30, 2019. In addition these estimates are only indicative of the value of the individual financial instruments and should not be considered an indication of the fair value of the Organization.

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

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

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

(16) Agency transactions

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

(17) Transfers from Wichita State University

During the year ended June 30, 2019, Wichita State University was awarded a grant for scholarships in the amount of $4,000,000. Wichita State University 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.

(18) Subsequent events

An evaluation of subsequent events was completed by management through September 30, 2019, 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.