McPherson County Community Foundation

Consolidated Financial Statements
As of June 30, 2023 and 2022
and For the Years Then Ended

With Report by Independent Auditors

KIENTZ & PENICK
CPAs, LLC

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KIENTZ & PENICK
CPAs, LLC

To the Board of Directors
McPherson County Community Foundation
1233 N Main
McPherson, KS 67460

September 26, 2023

Independent Auditor's Report

Opinion

We have audited the accompanying financial statements of the McPherson County Community Foundation (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements (collectively, "the financial statements").

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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, including omissions, are considered material if there is a substantial

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likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 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 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 Foundation'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 financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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.

Kientz & Penick, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	$ 326,102	$ 85,599
Contributions receivable	7,257	33,800
Accounts receivable	1,846	-
Programmatic notes receivable	24,252	-
Total Current Assets	359,457	119,399
Noncurrent Assets		
Investments	41,873,491	38,046,994
Programmatic notes receivable	351,038	-
Life insurance policy	604,010	515,023
Property and equipment, net	1,034,608	557,597
Total Noncurrent Assets	43,863,147	39,119,614
Total Assets	$ 44,222,604	$ 39,239,013
Liabilities and Net Assets		
Current Liabilities		
Accounts and grants payable	$ 18,695	$ 1,375
Annuities payable	68,957	68,957
Note payable	350,275	439,777
Total Current Liabilities	437,927	510,109
Noncurrent Liabilities		
Annuities payable	206,023	280,330
Agency funds	6,511,034	5,931,752
Total Noncurrent Liabilities	6,717,057	6,212,082
Total Liabilities	7,154,984	6,722,191
Net Assets		
Without donor restrictions	1,917,482	1,696,565
With donor restrictions	35,150,138	30,820,257
Total Net Assets	37,067,620	32,516,822
Total Liabilities and Net Assets	$ 44,222,604	$ 39,239,013

	Without Donor Restriction	With Donor Restriction	Total
Operating Revenues			
Financial contributions – spendable	$ 132,000	$ 3,046,500	$ 3,178,500
Satisfaction of purpose restrictions	3,504,025	(3,504,025)	-
Foundation management fees	426,217	(388,198)	38,019
Other	175,523	16,779	192,302
Total Operating Revenues	4,237,765	(828,944)	3,408,821
Operating Expenses			
Program services	3,664,487	-	3,664,487
Supporting services	533,245	-	533,245
Total Operating Expenses	4,197,732	-	4,197,732
Net Operating Revenue (Expense)	40,033	(828,944)	(788,911)
Other Changes in Net Assets			
Net investment return	180,884	4,040,587	4,221,471
Financial contributions – nonspendable	-	829,251	829,251
Nonfinancial contributions – held for use	-	200,000	200,000
Financing gain on life insurance policy	-	88,987	88,987
Total of Other Changes in Net Assets	180,884	5,158,825	5,339,709
Total Changes in Net Assets	220,917	4,329,881	4,550,798
Net Assets – Beginning	1,696,565	30,820,257	32,516,822
Net Assets – Ending	$ 1,917,482	$ 35,150,138	$ 37,067,620

	Without Donor Restriction	With Donor Restriction	Total
Operating Revenues			
Financial contributions – spendable	$ 82,887	$ 2,631,698	$ 2,714,585
Satisfaction of purpose restrictions	3,029,138	(3,029,138)	-
Foundation management fees	462,261	(421,452)	40,809
Other	120	323	443
Total Operating Revenues	3,574,406	(818,569)	2,755,837
Operating Expenses			
Program services	3,212,795	-	3,212,795
Supporting services	436,496	-	436,496
Total Operating Expenses	3,649,291	-	3,649,291
Net Operating Expense	(74,885)	(818,569)	(893,454)
Other Changes in Net Assets			
Net investment loss	(317,724)	(4,352,774)	(4,670,498)
Financial contributions – nonspendable	-	684,134	684,134
Financing loss	-	(134,689)	(134,689)
Total of Other Changes in Net Assets	(317,724)	(3,803,329)	(4,121,053)
Total Changes in Net Assets	(392,609)	(4,621,898)	(5,014,507)
Net Assets – Beginning	2,089,174	35,442,155	37,531,329
Net Assets – Ending	$ 1,696,565	$ 30,820,257	$ 32,516,822

			Supporting Services		
		Program Services	Management and General	Fundraising	Total Operating Expenses
Grants to organizations		$ 3,295,831	$ -	$ -	$ 3,295,831
Grants to individuals		38,445	-	-	38,445
Salaries and wages	*	205,287	251,751	37,763	494,801
Employee retirement	*	2,413	1,710	-	4,123
Other employee benefits	*	19,771	20,415	3,062	43,248
Payroll taxes	*	16,615	21,030	3,154	40,799
Fees for legal services		-	1,370	-	1,370
Fees for accounting services		-	23,254	-	23,254
Fees for other services		16,393	-	-	16,393
Advertising and promotion		15,284	-	-	15,284
Supply and office expense	*	21,617	40,055	-	61,672
Information technology		-	30,497	-	30,497
Occupancy		-	34,053	-	34,053
Travel	*	4,686	2,380	-	7,066
Conferences and meetings	*	28,145	2,976	-	31,121
Interest		-	23,494	-	23,494
Depreciation		-	36,281	-	36,281
Total Operating Expenses		$ 3,664,487	$ 489,266	$ 43,979	$ 4,197,732

* Each of these expense lines contains joint costs that are attributed to more than one program or supporting service and these joint costs have been allocated to the services on the basis of estimates of time and effort.

			Supporting Services		
		Program Services	**Management and General**	**Fundraising**	**Total Operating Expenses**
Grants to organizations		$ 2,893,300	$ -	$ -	$ 2,893,300
Grants to individuals		40,741	-	-	40,741
Salaries and wages	*	189,506	232,418	34,863	456,787
Employee retirement	*	1,048	1,554	-	2,602
Other employee benefits	*	14,433	19,538	2,931	36,902
Payroll taxes	*	15,740	20,092	3,014	38,846
Fees for accounting services		-	14,467	-	14,467
Fees for other services		17,816	-	-	17,816
Advertising and promotion		10,531	-	-	10,531
Supply and office expense	*	14,494	29,388	-	43,882
Information technology		-	36,730	-	36,730
Occupancy		-	23,878	-	23,878
Travel	*	4,927	1,231	-	6,158
Conferences and meetings	*	10,259	3,978	-	14,237
Interest		-	4,063	-	4,063
Depreciation		-	8,351	-	8,351
Total Operating Expenses		$ 3,212,795	$ 395,688	$ 40,808	$ 3,649,291

* Each of these expense lines contains joint costs that are attributed to more than one program or supporting service and these joint costs have been allocated to the services on the basis of estimates of time and effort.

	2023	2022
Cash Flows from Operating Activities		
Total changes in net assets	$ 4,550,798	$ (5,014,507)
Adjustments to Reconcile to Net Operating Cash Flow		
Depreciation	36,281	8,351
Net investment (return) loss	(4,221,471)	4,670,498
Financial contributions – nonspendable	(829,251)	(684,134)
Nonfinancial contributions – held for use	(200,000)	-
Financing (gain) loss on life insurance policy	(88,987)	93,167
Financing loss on annuities payable	-	41,522
Net Operating Changes in:		
Contributions receivable	26,543	60,400
Accounts receivable	(1,846)	-
Accounts and grants payable	17,320	(12,480)
Annuities payable	-	24,100
Agency funds	(269,329)	1,325,644
Net Cash Provided by (Used In) Operating Activities	(979,942)	512,561
Cash Flows from Investing Activities		
Sale of investments	3,210,963	2,262,864
Purchase of investments	(1,967,378)	(3,556,013)
Purchase of property and equipment	(313,292)	(561,907)
Principal disbursed under programmatic notes receivable	(420,000)	-
Principal received under programmatic notes receivable	44,710	-
Net Cash Provided by (Used in) Investing Activities	555,003	(1,855,056)
Cash Flows from Financing Activities		
Financial contributions – nonspendable	829,251	684,134
Payments to annuitants	(74,307)	(70,317)
Principal received on note payable	194,198	457,278
Principal repaid on note payable	(283,700)	(17,501)
Net Cash Provided by Financing Activities	665,442	1,053,594
Net Change in Cash and Cash Equivalents	240,503	(288,901)
Cash and Cash Equivalents – Beginning	85,599	374,500
Cash and Cash Equivalents – Ending	$ 326,102	$ 85,599
Supplementary Cash Flow Information		
Cash paid for interest expense	$ 23,494	$ 4,063
Increase (decrease) in investments and simultaneous increase (decrease) in the agency fund liability attributable to interest, dividends, investment fees, gains and losses.	$ 848,611	$ (991,119)

Note 1: Summary of Significant Accounting Policies

Organization and Principles of Consolidation

The consolidated financial statements include the accounts of the following organizations:

McPherson County Community Foundation (the Organization). The Organization was established in 2001 as a Kansas nonprofit corporation that builds charitable endowments and serves donors. The Organization fulfills its mission by helping donors create funds that reflect their charitable goals. The Organization is governed by a local board of directors and is administered by a full-time executive director. Through long-term investment of capital given by individuals, organizations, and corporations, the Organization makes grants to enhance the quality of life in the community.

MCCF, Inc (the Holding Company). The Holding Company is a Kansas nonprofit corporation organized in 2022 primarily to hold real property interests separate from the assets of the Organization for legal liability purposes. The Holding Company is wholly owned by the Organization. Under guidance from the IRS, the Holding Company is a disregarded entity, and its activities are exempt from income tax under the IRS approval which the Organization operates.

These consolidated financial statements include the accounts of the Holding Company because the Organization has both control and an economic interest in the Holding Company. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are referred to collectively as The Foundation.

The Foundation fulfills its mission by managing the following types of funds on behalf of the public:

- *Agency*. These funds are used to track resources provided to the Foundation by a nonprofit organization who names themselves as the beneficiary of the fund.
- *Charitable Gift Annuity*. A charitable gift annuity is a way for a donor to make a contribution in support of a charitable cause while also receiving annuity payments. These payment are fixed for the donor’s life and are financed by the earnings received by the Foundation for investing the donor’s contribution. Upon the passing of the donor, the remainder of the fund resources are redirected to a charitable cause established by the donor in the charitable gift annuity fund agreement.
- *Designated Purpose*. Donors often wish to provide ongoing support to a favorite agency or charitable cause. In such instances, a designated fund at the Foundation can provide charitable support, professional management, and grant monitoring.
- *Donor Advised*. With a donor advised fund, the donor and his or her heirs may choose to recommend grants for a different charitable purpose each year. This type of fund provides great flexibility to the donor while avoiding the costs and demands of a private foundation.
- *Field of Interest*. A donor who has no preference for a particular charitable organization may establish a named fund in a general area of interest such as arts, youth services, health, or other interest. He or she may suggest grant recipients, or may ask the Foundation to make grants to the most appropriate programs within that specific area. Donors can also pool their gifts together into a common fund that will generate perpetual support for a shared area of interest. Income from these funds is then distributed to agencies and programs working within each fund's scope of interest.
- *Fiscal Sponsorship.* The Foundation acts as a fiscal sponsor for certain nonprofit organizations in the McPherson County area in order to support charitable causes which are not yet recognized as tax-exempt under Internal Revenue Code Section 501(c)(3). In essence the Foundation serves as the administrative "home" of the cause. Charitable contributions are given to the fiscal sponsor, which then grants them to support the cause.

Note 1: Summary of Significant Accounting Policies (Continued)

Organization and Principles of Consolidation (Continued)

- *General (Unrestricted) Grants*. With ever-changing community needs and priorities, general grant funds are the most valuable and enduring for a community. These funds are provided by donors who have broad community interests but no specific priorities. These funds provide the Foundation the most flexibility in directing resources toward challenges and opportunities in the community.

- *Operating*. Operating funds provide current and future resources which benefit the ongoing programs and administration of the Foundation.

- *Scholarship*. Scholarship funds support those who want to pursue education, whether they are high school graduates pursuing a college degree, young athletes seeking assistance with additional training or nontraditional students who are returning to the work force.

Basis of Accounting and Financial Reporting

The Foundation's policy is to prepare its financial statements on the accrual basis of accounting in accordance with financial reporting provisions prescribed by the Financial Accounting Standards Board. This basis of accounting is commonly known as U.S. Generally Accepted Accounting Principles (U.S. GAAP).

Cash and Cash Equivalents

The Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Investments

The Foundation records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Financial Institution Risk

The Foundation manages deposit concentration risk by placing banking deposits with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses related to this type of risk. Investments are made by diversified investment managers whose performance is monitored by the Foundation and the investment committee of the Foundation's board of directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Foundation and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

Life Insurance Policies

A life insurance policy has been established by a donor designating the Foundation as the owner and beneficiary of the policy. The policy premiums were funded at inception of the policy and there are no commitments to fund the policy with new premiums on a prospective basis.

The Foundation reports the policy on its statements of financial position at the cash surrender value which represents the liquid value of the policy as of the reporting date. This value is determined by the insurance company in accordance with the terms of the underlying policy which primarily considers the fair market value of portfolio holdings and contractual cancellation costs. Because the life insurance policies are intended to be held long term and through the date of the insured events, these assets are reported as noncurrent.

Note 1: Summary of Significant Accounting Policies (Continued)

Property and Equipment, Net

The Foundation records property and equipment additions over $5,000 at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Foundation reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairments during the years ended June 30, 2023 and 2022.

Annuities Payable

The Foundation operates charitable gift annuity funds which are described previously within this Note 1. At origination, the donor's contributed resource is fair valued and is then split into a lead interest (the donor's interest) and a remainder interest (the Foundation's interest). The donor may receive an acknowledgement for a charitable contribution equal to the remainder interest whereas the lead interest is considered to be a portion that will be returned to the donor-annuitant over their estimated life.

A liability is estimated at origination equal to the lead interest. This liability is then reduced each year as the Foundation remits the required annuity payments to the donor-annuitant. If a donor-annuitant passes away prior to liquidating the liability, then the Foundation recognizes a financing gain on the annuity. If a donor-annuitant outlives the original estimate life, the Foundation recognizes a financing loss each year equal to the amount remitted.

Agency Fund Liabilities

The Foundation maintains certain funds on behalf of local nonprofit organizations who directly provide their own resources to establish an endowment fund and in turn name their own organization as the qualifying beneficiary of the fund. These funds are classified as agency fund endowments which are reported as a liability of the Foundation. As resources are contributed to the fund, the liability balance is increased. As resources are granted out of the fund, the liability balance is decreased. Other changes, such as net investment return, and fund management fees, also increase or decrease the balance of the liability.

The changes in agency fund liabilities are not reported on the statements of activities.

Net Assets

The Foundation reports the changes in its financial position according to two classes of net assets as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Note 1: Summary of Significant Accounting Policies (Continued)

Net Assets (Continued)

As a community foundation, in accordance with United States Treasury Regulations, the Foundation possesses variance power. Variance power is the unilateral right to remove donor-imposed restrictions upon a gift in response to changed circumstances. The Foundation interprets this variance power to apply to endowment restrictions as well as purpose restrictions. This power is exercisable only in narrowly defined circumstances and the Foundation's policy is to vary a donor's original intent by directing the funds to a new purpose or beneficiary that is as near as possible to the original intent, which is consistent with the legal precedence of cy pres. For this reason, the Foundation classifies the majority of its funds as donor restricted.

Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Functional Allocation of Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of these financial statements in conformity with generally accepted accounting principles requires the Foundation to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates, and those differences could be material.

Income Taxes

The Foundation is organized as a Kansas nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3). Further, the Foundation qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii) and has been determined not to be a private foundation under IRC Sections 509(a)(1).

The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. For the years ended June 30, 2023 and 2022, the Foundation has determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Returns filed by the Foundation are subject to IRS examination, generally for three years after each return is filed. No taxing authorities have commenced income tax examinations for open tax years.

Subsequent Events

The Foundation has evaluated subsequent events through September 26, 2023 which is the date the financial statements were available to be issued.

Note 2: Liquidity and Availability

The Foundation receives significant contributions to be used in accordance with associated purpose restrictions established by donors. The Foundation also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund grants and programs. The Foundation's primary source of general operating revenue is through the assessment of fund management fees. The Foundation's board of directors annually approves the operating budget, which makes consideration for anticipated fund management fee revenues. Most donor gifts, both with and without restrictions, are directed to community philanthropy and grant writing.

The Foundation consider investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated (quasi) endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to the Foundation's annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

1. Operating within a prudent range of financial soundness and stability.
2. Maintaining adequate liquid assets; and
3. Maintaining sufficient reserves to provide reasonable assurance that long term grant commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation's going concern.

The Foundation's grants committee (the Committee) meets to review and approve grant requests. Due to this timing, the Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses for administrative, general, and fundraising expenses plus an amount that represents the next expected payment for annual grant commitments approved by the Committee.

The table below presents liquid financial assets as of June 30, 2023 which are available for general expenditures during the year ended June 30, 2024:

	Liquid	Not Available	Liquid and Available
Cash and cash equivalents	$ 326,102	$ (324,751)	$ 1,351
Contributions receivable	7,257	(7,257)	-
Accounts receivable	1,846	-	1,846
Programmatic notes receivable	375,290	(366,890)	8,400
Investments	41,873,491	(40,710,596)	1,162,895
Life insurance policy	604,010	(604,010)	-
	$ 43,187,996	$ (42,013,504)	$ 1,174,492

As part of the Foundation's liquidity management plan, liquid and available cash in excess of daily requirements is maintained on deposit with interest bearing bank deposits and invested in marketable securities.

Liquid resources which are not available are primarily attributable to the board-designated administrative endowment and donor restrictions (see Notes 6 and 7). Of the amount that is liquid and available, $71,177 represents accumulated earnings of the administrative endowment which are subject to spending approval and oversight by the Foundation's board of directors (see Note 7).

Note 3: Fair Value Measurements and Disclosures

The Foundation reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
- Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset, or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

A significant portion of the Foundation's investment assets are classified within Level 1 because they comprise marketable securities with readily determinable fair values based on active exchange prices. The Foundation's life insurance is valued according to the fair value of marketable policy assets (level 1) but then limited by the contractual terms of the policy (level 3). The liability for agency endowments is categorized as level 2 because each organizational endowment fund is assigned a unitized value according to the number of pooled units owned by the fund multiplied by the fair value of the underlying investment assets which are categorized as level 1.

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30,:

	Fair Value Level	2023	2022
Assets Measured at Fair Value			
Investments			
Cash and cash equivalents	Level 1	$ 3,644,640	$ 1,135,314
Stocks	Level 1	871,612	450,176
Exchange traded and closed end funds	Level 1	4,696,960	5,202,228
Mutual funds	Level 1	32,660,279	31,259,276
Total investments		41,873,491	38,046,994
Life insurance policy	Level 3	604,010	515,023
Total Assets Measured at Fair Value		$ 42,477,501	$ 38,562,017
Liabilities Measured at Fair Value			
Agency funds	Level 2	$ 6,511,034	$ 5,931,752

Note 3: Fair Value Measurements and Disclosures (Continued)

The following table presents the changes in the life insurance policy asset, which is measured on a recurring basis using level 1 and level 3 inputs to the measurement of fair value for the years ended June 30,:

	2023	2022
Beginning Balance	$ 515,023	$ 608,190
Insurance premium	-	26,921
Gain (loss) due to revaluation	88,987	(120,088)
Ending Balance	$ 604,010	$ 515,023

Note 4: Property and Equipment, Net

Property and equipment assets are presented net of accumulated depreciation on the statements of financial position as follows at June 30,:

	2023	2022
Land	$ 56,600	$ 56,600
Building	1,004,835	324,646
Equipment	-	42,925
Construction in Process	-	176,214
Cost Basis of Property and Equipment	1,061,435	600,385
Accumulated Depreciation	(26,827)	(42,788)
Property and Equipment, Net	$ 1,034,608	$ 557,597

Note 5: Note Payable

During the years ended June 30, 2023 and 2022, the Foundation utilized a line of credit associated with its investment brokerage account through Edward Jones in order to finance the acquisition and necessary improvements for an office building. The line of credit is secured by the Foundation's investment brokerage account and bears interest at a floating monthly rate which ranged from 2.75% to 7.00% during the years ended June 30, 2023 and 2022. The terms of the line of credit do not require payments of principal so long as monthly interest payments are maintained.

Note 6: Net Assets with Donor Restrictions

Net assets with donor restrictions are composed of the following on June 30,:

	2023	2022
Fully Spendable for a Specified Purpose		
Donor advised	$ 4,322,364	$ 1,499,800
Donor designated	1,197,238	839,618
Other	590,608	80,371
Total of Fully Spendable for a Specified Purpose	6,110,210	2,419,789
Endowments		
Field of interest	11,874,608	12,283,730
Donor designated	8,372,467	6,934,871
Donor advised	5,256,781	6,736,835
Other	2,452,964	1,545,674
Total Endowments	27,956,820	27,501,110
Charitable gift annuities and life insurance policy	1,083,108	899,358
Total Net Assets with Donor Restrictions	$ 35,150,138	$ 30,820,257

Note 6: Net Assets with Donor Restrictions (Continued)

Net assets were released from donor restrictions during the years ended June 30,:

	2023	2022
Satisfaction of Purpose Restrictions		
Donor designated	$ 1,638,423	$ 925,827
Donor advised	848,006	980,342
Field of interest	589,529	744,248
Other	428,067	378,721
Total Satisfaction of Purpose Restrictions	3,504,025	3,029,138
Foundation Management Fees		
Field of interest	173,318	210,112
Donor advised	106,070	113,226
Donor designated	65,683	64,383
Other	43,127	33,731
Total Foundation Management Fees	388,198	421,452
Total Net Assets Released from Donor Restrictions	$ 3,892,223	$ 3,450,590

Note 7: Endowments

The Foundation's endowments (the Endowment) consists of approximately 181 individual funds established by donors to provide annual funding for community grant writing purposes. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

The Foundation's Board of Directors has interpreted the Kansas Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2023 and 2022, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added.

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Investing and Spending Policies

The Foundation has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. The target minimum rate of return is the Consumer Price Index plus 5 percent on an annual basis. Actual returns in any given year may vary from this amount.

Note 7: Endowments (Continued)

To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time. The Foundation uses an endowment spending-rate formula to determine the maximum amount to spend from the Endowment, including those endowments deemed to be underwater, each year. The rate, determined and adjusted from time to time by the Board of Directors, is applied to the average fair value of the Endowment investments for the prior 12 quarters at June 30 of each year to determine the spending amount for the upcoming year.

During the years ended June 30, 2023 and 2022, the spending rate maximum was 5.0 percent. In establishing this policy, the Foundation considered the long-term expected return on the Endowment and set the rate with the objective of maintaining the purchasing power of the Endowment over time. For the year ended June 30, 2024, the board of directors approved a spending rate maximum of 5.0%.

Changes in board-designated endowment net assets for the years ended June 30, 2023 and 2022 are as follows:

	Board-Designated Endowment		
	Nonspendable Principal	Accumulated Earnings	Total
Balance at June 30, 2021	$ 264,000	$ 113,754	$ 377,754
Net investment loss	-	(52,525)	(52,525)
Grants and scholarships	-	(15,990)	(15,990)
Balance at June 30, 2022	264,000	45,239	309,239
Contributions	-	3,340	3,340
Net investment return	-	42,598	42,598
Grants and scholarships	-	(20,000)	(20,000)
Balance at June 30, 2023	$ 264,000	$ 71,177	$ 335,177

Changes in donor-restricted endowment net assets for the years ended June 30, 2023 and 2022 are as follows:

	Donor-Restricted Endowment		
	Nonspendable Principal	Accumulated Earnings	Total
Balance at June 30, 2021	$ 19,868,985	$ 9,397,580	$ 29,266,565
Contributions	684,134	605,117	1,289,251
Net investment loss	-	(4,077,639)	(4,077,639)
Grants and scholarships	-	(2,070,798)	(2,070,798)
Foundation management fees	-	(390,410)	(390,410)
Fund reclassifications	1,180,462	2,818,705	3,999,167
Balance at June 30, 2022	21,733,581	6,282,555	28,016,136
Contributions	829,251	56,349	885,600
Net investment return	-	3,824,979	3,824,979
Grants and scholarships	-	(986,651)	(986,651)
Foundation management fees	-	(311,900)	(311,900)
Fund reclassifications	(1,081,530)	(2,389,814)	(3,471,344)
Balance at June 30, 2023	$ 21,481,302	$ 6,475,518	$ 27,956,820

During the years ended June 30, 2023 and 2022, the Foundation posted fund reclassifications to recognize changes in donor intentions with respect to the endowed purpose of certain funds.

Amounts listed above may not articulate with amounts reported on the statements of financial position and activities due to differences created by interfund activity.

Note 7: Endowments (Continued)

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. The following table summarizes underwater funds for each of the years ended June 30,:

	2023	2022
Nonspendable principal	$ 450,686	$ 1,439,043
Deficit of accumulated earnings	(65,043)	(357,432)
Total of Underwater Endowment Funds	$ 385,643	$ 1,081,611
Number of Underwater Endowment Funds	14	30