Central Kansas Community Foundation, Inc.

Financial Statements
As of December 31, 2022
and For the Year Then Ended

With Report by Independent Auditors

KIENTZ & PENICK
CPAs, LLC

Table of Contents

	Page
Independent Auditor's Report on Financial Statements	1 – 2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 16

To the Board of Directors
Central Kansas Community Foundation, Inc.
301 N Main, Suite 200
Newton, KS 67114

May 23, 2023

Independent Auditor's Report

Opinion
We have audited the accompanying financial statements of Central Kansas Community Foundation, Inc. (the Foundation), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to 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 December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 audit. 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 likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Eric Kientz
CPA, CMA, CNAP
Senior Audit Partner
(785) 477-9053
Eric@KPMHK.CPA

PO Box 754
Manhattan, KS 66505

KPMHK.CPA

Taylor Penick
CPA, CNAP
Managing Partner
(785) 817-7716
Taylor@KPMHK.CPA

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

Assets	
Current Assets	
Cash and cash equivalents	$ 708,693
Prepaid expense	15,069
Total Current Assets	723,762
Noncurrent Assets	
Investments	27,017,692
Programmatic note receivable	45,876
Segregated assets held under split-interest annuity agreements	388,386
Life insurance policy	43,075
Property and equipment, net	110
Total Noncurrent Assets	27,495,139
Total Assets	$ 28,218,901
Liabilities and Net Assets	
Liabilities	
Current Liabilities	
Accounts payable and accrued expenses	$ 14,457
Noncurrent Liabilities	
Liabilities under split-interest annuity agreements	266,367
Liabilities under agency fund agreements	2,105,727
Total Noncurrent Liabilities	2,372,094
Total Liabilities	2,386,551
Net Assets	
Without donor restrictions	398,550
With donor restrictions	25,433,800
Total Net Assets	25,832,350
Total Liabilities and Net Assets	$ 28,218,901

	Without Donor Restriction	With Donor Restriction	Total
Operating Revenues			
Financial contributions - spendable	$ 155,980	$ 2,667,554	$ 2,823,534
Nonfinancial contributions - spendable	-	95,000	95,000
Satisfaction of purpose and time restrictions	1,466,183	(1,466,183)	-
Foundation management fees	336,726	(314,221)	22,505
Other income	21,931	24,610	46,541
Total Operating Revenues	1,980,820	1,006,760	2,987,580
Operating Expenses			
Program services	1,582,924	-	1,582,924
Supporting services	405,608	-	405,608
Total Operating Expenses	1,988,532	-	1,988,532
Net Operating Revenue (Expense)	(7,712)	1,006,760	999,048
Other Changes in Net Assets			
Net investment loss	(13,887)	(3,467,649)	(3,481,536)
Financial contributions - nonspendable	1,242	1,474,648	1,475,890
Other losses	-	(50,513)	(50,513)
Total of Other Changes in Net Assets	(12,645)	(2,043,514)	(2,056,159)
Total Changes in Net Assets	(20,357)	(1,036,754)	(1,057,111)
Net Assets – Beginning	418,907	26,470,554	26,889,461
Net Assets – Ending	$ 398,550	$ 25,433,800	$ 25,832,350

		Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total Operating Expenses
Grants to organizations		$ 1,334,260	$ -	$ -	$ 1,334,260
Grants to individuals		124,325	-	-	124,325
Salaries and wages	*	54,012	138,889	64,300	257,201
Retirement benefit	*	1,614	4,151	1,922	7,687
Other employee benefits	*	1,777	4,570	2,116	8,463
Payroll taxes	*	4,304	11,066	5,124	20,494
Fees for legal services	*	1,872	4,813	2,229	8,914
Fees for accounting services	*	4,788	12,312	5,700	22,800
Fees for other services	*	9,282	23,869	11,050	44,201
Advertising and promotion	*	571	1,467	679	2,717
Supply and office expense	*	7,011	18,026	8,348	33,385
Information technology	*	5,394	13,870	6,422	25,686
Occupancy	*	1,029	2,646	1,225	4,900
Travel	*	1,357	3,488	1,615	6,460
Conferences and meetings	*	27,859	-	41,998	69,857
Depreciation		-	663	-	663
Insurance	*	1,668	4,288	1,985	7,941
Dues	*	1,801	4,632	2,145	8,578
Total Operating Expenses		$ 1,582,924	$ 248,750	$ 156,858	$ 1,988,532

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

Cash Flows from Operating Activities	
Change in net assets	$ (1,057,111)
Adjustments to Reconcile to Net Operating Cash Flow	
Depreciation	663
Nonfinancial contributions – spendable	(95,000)
Net investment loss	3,481,536
Change in value of life insurance policy	(16,607)
Change in value of liabilities under split-interest annuity agreements	34,970
Financial contributions – nonspendable	(1,475,890)
Net Operating Changes in:	
Prepaid expense	(8,831)
Accounts payable and accrued expenses	4,181
Liabilities under agency fund agreements	(42,519)
Net Cash Provided by Operating Activities	825,392
Cash Flows from Investing Activities	
Sale of investments	4,233,919
Purchase of investments	(6,676,837)
Principal disbursed under programmatic note receivable	(48,763)
Principal received under programmatic note receivable	2,887
Net Cash Used in Investing Activities	(2,488,794)
Cash Flows from Financing Activities	
Contributions – nonspendable	1,475,890
Payments disbursed under split-interest annuity agreement	(44,226)
Net Cash Provided by Financing Activities	1,431,664
Net Change in Cash and Cash Equivalents	(231,738)
Cash and Cash Equivalents – Beginning	940,431
Cash and Cash Equivalents – Ending	$ 708,693
Supplemental Cash Flow Disclosure	
Decrease in investments and simultaneous decrease in the liability for agency fund agreements attributable to interest, dividends, gains and losses	$ 310,073

Note 1: Summary of Significant Accounting Policies

Organization

Central Kansas Community Foundation (the Foundation) is a Kansas 501(c)(3) non-profit corporation organized in 1999 whose purpose is building stronger communities through charitable giving. The Foundation operates in a six county region within central Kansas that includes 19 affiliated community foundations. The governing body of the Foundation is composed of 20 members with representation from each county within the Foundation's service region.

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

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

- *Agency*. Agency type funds are used to track resources provided to the Foundation by a nonprofit organization who names themselves as the beneficiary of the fund.

- *Donor Designated*. 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.

- *Education.* These funds are distributed to a college or university to use for a donor-specified purpose such as new facilities or general operations.

- *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.

- *General Unrestricted*. With ever-changing community needs and priorities, these 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.

- *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).

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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, if readily available, in the statement of financial position. If fair value information is not readily available, investments are carried at cost and are separately reported from investments carried at fair value.

Net investment return/(loss) is reported in the statement 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. During the year ended December 31, 2022, the Foundation did not experience 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.

Assets and Liabilities Under Split-Interest Annuity Agreements

Under charitable gift annuity agreements, the Foundation receives immediate and unrestricted title to contributed assets and agrees to make fixed recurring payments over a stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as a contribution with donor restrictions according to the purpose specified by the donor in the annuity agreement.

In subsequent years, the liability for future payments to the donor is reduced by payments made to the donor and is adjusted to reflect changes in the fair value of the liability at the end of the year. Upon termination of the annuity agreement, the remaining liability is removed and recognized as revenue.

Liabilities Under Agency Fund Agreements

The Foundation maintains certain funds on behalf of local nonprofit organizations who directly provide their own resources to establish a fund and in turn name their own organization as the qualifying beneficiary of the fund. These funds are classified as agency funds 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 interest, dividends, gains, losses, and fund management fees, also increase or decrease the balance of the liability. The changes in agency fund liabilities are not reported on the statement of activities.

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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. Nonfinancial contributions are ordinarily liquidated with the sales proceeds used to purchase marketable securities as part of the Foundation’s investment pool.

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.

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 year ended December 31, 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 May 23, 2023 which is the date the financial statements were available to be issued.

Note 2: Future 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 recommended by the Committee.

The table below presents liquid financial assets as of December 31, 2022 which are available for general expenditures during 2023:

	Liquid	Not Available	Liquid and Available
Cash and cash equivalents	$ 708,693	$ (149,413)	$ 559,280
Investments	27,017,692	(27,017,692)	-
Programmatic note receivable	45,876	(37,476)	8,400
Assets held under split-interest annuity agreements	388,386	(388,386)	-
Life insurance policy	43,075	(43,075)	-
	$ 28,203,722	$ (27,636,042)	$ 567,680

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 attributable to the donor restrictions (see notes 6 and 7). Resources which are liquid and available include the board-designated endowment (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.

The following table presents assets and liabilities measured at fair value on a recurring basis at December 31, 2022.

	Fair Value Level	Balance at December 31, 2022
Assets Measured at Fair Value		
Investments		
Cash and cash equivalents	Level 1	$ 377,798
Stocks	Level 1	4,732,636
Fixed income funds	Level 1	2,435,213
Mutual funds	Level 1	18,604,681
Alternative investments	Level 1	867,364
Total Investments		27,017,692
Assets held under Split-Interest Annuity Agreements		
Mutual funds	Level 1	388,386
Life Insurance Policy		
Mutual Funds	Level 3	43,075
Total Assets Measured at Fair Value		$ 27,449,153
Liabilities Measured at Fair Value		
Liabilities under split-interest annuity agreements	Level 3	$ 266,367
Liabilities under agency fund agreements	Level 2	2,105,727
Total Liabilities Measured at Fair Value		$ 2,372,094

Note 3: Fair Value Measurements and Disclosures (Continued)

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 the 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 an assessment of the quality, risk, or liquidity profile of the asset or liability.

The liabilities under agency fund agreements are categorized as level 2 because each agency 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 predominantly categorized as level 1.

The life insurance policy asset is categorized as level 3 because the underlying mutual fund assets are contractually limited to a cash surrender value according to the terms of the policy. The liabilities under split-interest annuity agreements is categorized as level 3 because these liabilities are annually adjusted for actuarial changes in the number of years of payments remaining for each beneficiary, which is based on the age of the annuitants and current economic conditions, such as short and long term rates of return.

The following is a reconciliation of the beginning and ending balance of assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2022:

	Life Insurance Policy Asset	Liabilities under Split-Interest Annuity Agreements
Beginning balance	$ 26,468	$ 275,623
Cash payments to annuitants	-	(44,226)
Valuation change	16,607	34,970
Ending balance	$ 43,075	$ 266,367

Note 4: Composition of Assets held under Split-Interest Annuity Agreements

At December 31, 2022, the Foundation's assets held under split-interest annuity agreements were composed of cash, investments and segregated assets as follows:

Cash	$ (222)
Investments	196,163
Segregated assets	388,386
Total Assets held under Split-Interest Annuity Agreements	$ 584,327

Note 5: Contributed Nonfinancial Assets

During the year ended December 31, 2022, the Foundation received a gift of land valued at $95,000 which was immediately sold with the proceeds of $90,197 credited to the donor's fund. The difference of $4,803 was recognized as part of net investment loss reported on the statement of activities.

Note 6: Net Assets with Donor Restrictions

Net assets with donor restrictions are composed of the following on December 31, 2022:

Net Assets with Donor Restrictions	
Subject to Passage of Time	
Split-interest annuity agreements	$ 317,960
Fully Spendable for a Specified Purpose	
Affiliate operations and administration	297,419
Designated purpose	3,134,776
Donor advised	1,113,513
Education	20,168
Field of interest	231,359
General unrestricted	(1,430)
Scholarship	414,104
Total of Fully Spendable for a Specified Purpose	5,209,909
Endowments	
Designated purpose	9,970,103
Donor advised	1,710,058
Education	1,260,903
Field of interest	3,002,696
General unrestricted	1,973,012
Scholarship	1,989,159
Total Endowments	19,905,931
Total Net Assets with Donor Restrictions	$ 25,433,800

Net assets were released from donor restrictions during 2022 as follows:

Release of Donor Restrictions	
Satisfaction of Time Restrictions	
Split-interest annuity agreements	$ 700
Satisfaction of Purpose Restrictions	
Affiliate operations and administration	221,127
Designated purpose	425,606
Donor advised	344,546
Education	49,950
Field of interest	225,324
General unrestricted	68,306
Scholarship	130,624
Total Satisfaction of Purpose Restrictions	1,465,483
Foundation Management Fees	
Affiliate operations and administration	2,668
Designated purpose	134,537
Donor advised	36,887
Education	19,299
Field of interest	42,202
General unrestricted	24,516
Scholarship	51,294
Split-interest annuity agreements	2,818
Total Foundation Management Fees	314,221
Total Release of Donor Restrictions	$ 1,780,404

Note 7: Endowments

The Foundation's endowments (the Endowments) consists of approximately 288 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 December 31, 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 organization 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 organization
- The investment policies of the organization

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. 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 a five-year rolling average of the fair value of the Endowment investments.

During 2022, the spending rate maximum was 5.0 percent with a recommended rate of 4%. 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 2023, the board of directors approved maintaining the spending rate maximum of 5.0 percent with a recommended rate of 3%.

Note 7: Endowments (continued)

Endowment Activity

Changes in board-designated endowment net assets for the year ended December 31, 2022 is as follows:

	Board-Designated Endowment		
	Nonspendable Principal	Accumulated Earnings	Total
Beginning Balance	$ 115,146	$ 9,086	$ 124,232
Contributions	1,242	-	1,242
Net investment loss	-	(15,082)	(15,082)
Grants and scholarships	-	(4,495)	(4,495)
Foundation management fees	-	(587)	(587)
Other expense	-	(39)	(39)
Ending Balance	$ 116,388	$ (11,117)	$ 105,271

The board-designated endowment is maintained and accounted for in the Foundation's administrative fund, in which the Foundation's operating activities are recorded. For this reason, the Foundation management fees above are an additive item of income whereas in all other areas of reporting the Foundation management fees are reported as a subtractive item of expense (such is in the table below for the donor-restricted endowments).

Changes in donor-restricted endowment net assets for the year ended December 31, 2022 is as follows:

	Donor-Restricted Endowments		
	Nonspendable Principal	Accumulated Earnings	Total
Beginning Balance	$ 20,239,871	$ 2,111,592	$ 22,351,463
Contributions	1,474,648	-	1,474,648
Net investment loss	-	(3,011,962)	(3,011,962)
Grants and scholarships	-	(644,030)	(644,030)
Foundation management fees	-	(260,333)	(260,333)
Other expenses	-	(3,855)	(3,855)
Ending Balance	$ 21,714,519	$ (1,808,588)	$ 19,905,931

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

Underwater Endowment Funds

From time to time, certain 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 as of December 31, 2022:

Nonspendable principal	$ 19,509,265
Deficit of accumulated earnings	(3,039,169)
Total of Underwater Endowment Funds	$ 16,470,096
Number of Underwater Endowment Funds	193

Note 8: Prior Period Fund Reclassification

During 2022, the Foundation reviewed the classification of its net assets and determined that certain funds needed to be reclassified as with donor restriction whereas in prior reporting periods these funds were reported as without donor restrictions. The following is a reconciliation of the previously reported net assets to the currently restated net assets as of December 31, 2021:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Fund Balance
Balance as previously reported	$ 25,219,492	$ 1,618,193	$ 26,837,685
Fund reclassifications	(24,800,585)	24,852,361	51,776
Ending balance	$ 418,907	$ 26,470,554	$ 26,889,461

In total, there was a $51,776 net increase in fund balance which corresponds with a decrease in the previously reported balance for liabilities under agency fund agreements.