CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

(With Independent Auditor’s Report Thereon)

YEARS ENDED DECEMBER 31, 2013 AND 2012

CONTENTS

Clauson, Mouser & Co., PSC

CERTIFIED PUBLIC ACCOUNTANTS

KENNETH D. CLAUSON, CPA
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MELISSA S. MARTIN, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Central Kentucky Community Foundation, Inc.
Elizabethtown, Kentucky

We have audited the accompanying financial statements of Central Kentucky Community Foundation, Inc. (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets ï modified cash basis as of December 31, 2013 and 2012, and the related statements of support, revenue and expenses, and changes in net assetsð modified cash basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditorõs judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entityõs preparation and fair presentation of the 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 entityõs 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Central Kentucky Community Foundation, Inc. as of December 31, 2013 and 2012, and its support, revenue and expenses, and other changes in net assets for the years then ended in accordance with the modified cash basis of accounting as described in Note A.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of direct program services, fundraising expenses and functional expenses ï modified cash basis on page 15 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Clauson, Mouser & Co.

Certified Public Accountants

July 10, 2014

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS

DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Cash and cash equivalents	$ 243,251	$ 226,390
Investments	14,425,832	13,256,240
Other receivables	-	1,325
Property and equipment, net	275,442	260,475
TOTAL ASSETS	$ 14,944,525	$ 13,744,430
LIABILITIES AND NET ASSETS		
LIABILITIES		
Payroll related liabilities	$ -	$ 6,282
Deferred revenue - deposit on land sale	250,000	-
Agency fund liabilities	89,234	62,434
Deferred gift liabilities for split-interest agreements	710,252	675,189
TOTAL LIABILITIES	1,049,486	743,905
NET ASSETS		
Unrestricted	924,819	943,950
Temporarily restricted:		
Endowed	1,573,389	826,515
Nonendowed	2,237,425	2,388,866
Total temporarily restricted	3,810,814	3,215,381
Permanently restricted - Endowed	9,159,406	8,841,194
TOTAL NET ASSETS	13,895,039	13,000,525
TOTAL LIABILITIES AND NET ASSETS	$ 14,944,525	$ 13,744,430

See accompanying notes to financial statements.

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

STATEMENTS OF SUPPORT, REVENUE AND EXPENSES AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013				2012			
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
SUPPORT AND REVENUE:								
Contributions and bequests	$ 5,055	$ 198,005	$ 318,212	$ 521,272	$ 3,150	$ 527,369	$ 2,808,252	$ 3,338,771
Less amounts received for agency funds	-	(20,000)	-	(20,000)	-	(10,800)	-	(10,800)
Grants and contracts	-	3,250	-	3,250	16,000	44,900	-	60,900
Investment return, net	63,747	1,321,967	-	1,385,714	80,186	344,282	-	424,468
Less net investment return on agency funds	-	(7,930)	-	(7,930)	-	(1,175)	-	(1,175)
Less change in value of split interest agreements	-	(94,589)	-	(94,589)	-	-	-	-
Other income	914	-	-	914	2,463	-	-	2,463
Administered fund fees	161,184	(161,184)	-	-	72,995	(72,995)	-	-
Net assets released from restrictions	527,179	(527,179)	-	-	284,821	(284,821)	-	-
TOTAL SUPPORT AND REVENUE	758,079	712,340	318,212	1,788,631	459,615	546,760	2,808,252	3,814,627
EXPENSES:								
PROGRAM SERVICES:								
Grants awarded and distributions	415,655	-	-	415,655	80,108	-	-	80,108
Less amounts awarded for agency funds	(1,130)	-	-	(1,130)	(1,627)	-	-	(1,627)
Scholarships	77,361	-	-	77,361	72,673	-	-	72,673
Awarded grant and contract expenditures	30,395	-	-	30,395	31,283	-	-	31,283
Split interest agreement expenditures	4,898	-	-	4,898	-	-	-	-
Other program services	139,756	-	-	139,756	132,608	-	-	132,608
TOTAL PROGRAM SERVICES	666,935	-	-	666,935	315,045	-	-	315,045
SUPPORT SERVICES:								
Management & general	63,132	-	-	63,132	65,247	-	-	65,247
Fundraising	47,143	-	-	47,143	27,407	-	-	27,407
TOTAL SUPPORT SERVICES	110,275	-	-	110,275	92,654	-	-	92,654
TOTAL EXPENSES	777,210	-	-	777,210	407,699	-	-	407,699
EXCESS SUPPORT AND REVENUE OVER (UNDER) EXPENSES	(19,131)	712,340	318,212	1,011,421	51,916	546,760	2,808,252	3,406,928
Assets acquired in acquisitions and transfers	-	(116,907)	-	(116,907)	8,883	837,672	5,029,757	5,876,312
NET ASSETS, beginning of year	943,950	3,215,381	8,841,194	13,000,525	883,151	1,830,949	1,003,185	3,717,285
NET ASSETS, end of year	$ 924,819	$ 3,810,814	$ 9,159,406	$ 13,895,039	$ 943,950	$ 3,215,381	$ 8,841,194	$ 13,000,525

See accompanying notes to financial statements.

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - Central Kentucky Community Foundation, Inc. (the Foundation), a non-profit organization, is a regional leader, promoter and innovator of education, philanthropic, economic and community development initiatives. The Foundation collaborates with educational entities and organizations in the private, public and civic sectors to increase our residents' standard of living and quality of life. The Foundation receives contributions and bequests, most of which are placed into endowment funds to achieve the organizational mission stated above. The distribution of grants to meet community needs is made in accordance with the Foundation's spending policies, as approved by the Foundation's Board of Directors.

Summary of Significant Accounting Policies

Basis of Accounting - The accompanying financial statements have been prepared on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles.

Basis of Presentation - Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Community Foundation and changes therein are classified and reported as follows:

> Unrestricted net assets - represent resources whose use is not limited or restricted by donors. They generally arise as a result of unrestricted contributions or restricted contributions whose restrictions have expired.
>
> Temporarily restricted net assets - represent resources whose use is limited by donors for the purpose and/or time in which they may be expended. Temporarily restricted net assets are reclassified to unrestricted as their time and/or purpose requirements are met as net assets released from restriction. The investment return on temporarily restricted net assets may be unrestricted or may be restricted according to donor's wishes.
>
> Permanently restricted net assets - represent resources whose use by the Foundation is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. The investment return on permanently restricted net assets may be unrestricted or may be restricted according to donor's wishes.

Estimates - The presentation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include all checking accounts and certificates of deposit.

Investments - The Foundation invests in a combination of publicly-traded stocks, mutual funds, fixed-income securities, and alternative investments. The fixed-income securities include U.S. government and government agency securities, corporate bonds/notes, and municipal bonds. All investment securities are subject to the risks common to financial markets, including interest rate risk, credit risk, and overall market risk. Due to the level of risk associated with all investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

The Foundation's investments are stated at fair value. 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.

Purchases and sales of investments are recorded on a trade-date basis. Investments are generally administered as pools of commingled assets. Accordingly, investment income is allocated to individual funds on a pro-rata basis. Investment income includes interest and dividend income, net realized gain (losses) which represent the gains (losses) on investments sold during the year, net unrealized gains (losses) which represent the gain (losses) on investments held throughout the year, and investment expenses.

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

Property and Equipment - If an expenditure results in an asset having an estimated useful life that extends beyond the year of acquisition, the expenditure is capitalized. Property and equipment are recorded at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. Property and equipment is presented in the accompanying statements of assets, liabilities and net assets - modified cash basis net of accumulated depreciation

Agency Fund Liabilities - The Foundation establishes, manages, and invests funds on behalf of governmental and non-profit organizations. The funds are the property of the Foundation. Distributions are made in accordance with the agency agreements. Under the applicable provisions of the ASC, the unexpended portion of such funds is reported as a liability instead of as a net asset of the Foundation.

Deferred Gift Liabilities for Split-Interest Agreements - Deferred gift liabilities for split-interest agreements are stated at their estimated fair value, the calculated present value of the income distributions to the designated beneficiaries of the respective split interest agreements.

Contributions and Bequests - Contributions and bequests are recognized as revenue in the period they are received and are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions.

Functional Allocation of Expenses - The costs of providing the various programs and other activities of the Foundation are summarized on a functional basis in the accompanying statements of support, revenue and expenses and changes in net assets - modified cash basis. Directly identifiable expenses are charged to the applicable program and supporting services. Expenses related to more than one function are allocated among the programs and supporting services benefitted based on management's time and service estimates. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Foundation.

Income Taxes - The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, the Foundation qualifies for the charitable deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

The Foundation has adopted the provisions of FASB ASC 740-10-25, which clarifies accounting for uncertainty in income taxes, tax positions and a process for recognition and measurement of uncertain tax positions. Tax positions are evaluated on whether they meet the "more likely than not" standard for sustainability on examination by tax authorities. No liability for uncertain tax positions has been reflected in the accompanying financial statements. The Foundation's 2010 through 2013 tax years remain open and subject to examination

Accounting for Not-for-Profit Acquisition - The ASC provides authoritative guidance on a not-for-profit entity's accounting and reporting for the acquisition of a business or nonprofit activity by the not-for-profit entity.

The guidance includes principles for determining whether a combination transaction is a merger accounted for using the carryover method, or an acquisition accounted for using the acquisition method. The acquisition method requires the acquirer to measure and recognize the identifiable assets acquired, liabilities assumed, and any non-controlling ownership interest in the acquiree at the acquisition date fair values, with some exceptions. The acquisition method requires the not-for-profit acquirer to recognize either goodwill or an inherent contribution received in the acquisition. However, if the acquirer expects the operations of the acquiree to be predominately supported by contributions and returns on investments, then the acquirer recognizes an immediate charge in the statement of activities instead of a goodwill asset. See Note I for additional information.

Reclassifications - Certain amounts for 2012 have been reclassified to conform to the 2013 presentation. These reclassifications had no effect on the previously reported 2012 change in net assets.

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

Subsequent Events - The Foundation has evaluated events occurring subsequent to year end through the date of the Independent Auditor's Report, the date the accompanying financial statements were available to be issued.

NOTE B - CONCENTRATION OF CREDIT RISK

Central Kentucky Community Foundation, Inc. maintains deposits at several financial institutions. Amounts at an institution are insured by Federal Deposit Insurance Corporation (FDIC) up to $250,000. Amounts in excess of the FDIC limit are either covered by collateral held by the financial institutions and pledged to the Foundation or are uninsured and uncollateralized.

At December 31, 2013 the carrying amount of the Foundation's deposits was $243,251 and the respective financial institution balances totaled $257,138. Deposits in the amount of $257,138 were covered by FDIC.

At December 31, 2012 the carrying amount of the Foundation's deposits was $226,390 and the respective financial institution balances totaled $235,337. Deposits in the amount of $235,215 were covered by FDIC, with deposits in the amount of $122 either collateralized or insured by others.

The balances of the Foundation's money market mutual funds included in investments are uninsured.

NOTE C - INVESTMENTS

The investment portfolio consists of the following:

	December 31, 2013			December 31, 2012		
	Cost	Unrealized Appreciation (Depreciation)	Market Value	Cost	Unrealized Appreciation (Depreciation)	Market Value
Money Market Mutual Funds	$ 2,197,630	$ -	$ 2,197,630	$ 624,649	$ -	$ 624,649
Equity mutual funds	3,463,521	582,351	4,045,872	2,755,914	131,098	2,887,012
Fixed income mutual funds	5,009,616	(97,602)	4,912,014	5,213,571	(6,718)	5,206,853
Exchange traded funds-equity	2,290,450	188,209	2,478,659	-	-	-
Marketable equity securities	525,665	114,752	640,417	2,200,711	(62,844)	2,137,867
U.S. Government and government agency obligations	-	-	-	863,545	246,905	1,110,450
Municipal bonds	100,082	324	100,406	771,165	2,151	773,316
Corporate bonds and notes	-	-	-	439,521	8,029	447,550
Alternative investments	46,609	4,225	50,834	65,407	3,136	68,543
TOTAL	$ 13,633,573	$ 792,259	$ 14,425,832	$ 12,934,483	$ 321,757	$ 13,256,240

Alternative investments include other mutual fund investments in commodities, real estate, hard assets and real estate investment trusts.

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

The following schedule summarizes the investment return and its classification in the statement of support, revenue and expenses - modified cash basis. Investment return is segregated as unrestricted or temporarily restricted, based upon the funds on which the investment return is earned.

	2013	2012
UNRESTRICTED		
Interest and dividend income	$ 24,877	$ 23,623
Realized gains (losses) on investments	43,698	41,375
Unrealized gains (losses) on investments	140	19,580
Investment expenses	(4,968)	(4,392)
Investment return	$ 63,747	$ 80,186
TEMPORARILY RESTRICTED		
Interest and dividend income	$ 420,903	$ 263,262
Realized gains (losses) on investments	505,368	194,959
Unrealized gains (losses) on investments	472,697	(76,356)
Investment expenses	(77,001)	(37,583)
Investment return	$ 1,321,967	$ 344,282

NOTE D - PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	December 31,	
	2013	2012
Land held for investment	$ 41,682	$ 41,682
Land, building & improvements	246,388	246,388
Vehicle	18,865	18,865
Office equipment, furniture & fixtures	44,177	19,177
	351,112	326,112
Less accumulated depreciation	(75,670)	(65,637)
TOTAL	$ 275,442	$ 260,475

NOTE E - SPLIT-INTEREST AGREEMENTS

The Foundation is party to two irrevocable split-interest agreements. A split-interest agreement is a gift that is partially for the Foundation's benefit and partially for an individual's benefit. Upon acceptance of a split-interest agreement, the Foundation records the contributed asset and the present value of the liability payable to the beneficiary. These agreements consist of charitable remainder trusts. Charitable remainder trusts are arrangements in which a donor establishes and funds a trust with specified distributions to be made to designated beneficiaries over the trust's term. Upon termination of the trust, the Foundation receives the assets remaining in the trust. Obligations to the beneficiaries are limited to the trust's assets. Amounts subject to split-interest agreements include the following:

	December 31	
	2013	2012
Charitable remainder trusts:		
Assets	$1,173,063	$1,083,179
Liabilities	$ 710,252	$ 675,189

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE F - FAIR VALUE MEASUREMENTS

The ASC provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as described below:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs such as quoted prices in active markets for similar assets or liabilities or quoted prices for identical or similar assets or liabilities in markets that are not active or unobservable inputs that are derived principally from or corroborated by observable market data. If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 - Unobservable inputs that are based on the Foundation's own assumptions as to how knowledgeable parties would price assets or liabilities that are not corroborated by market data.

The following is a description of the valuation methodologies used for the assets and liabilities measured at fair value. There have been no changes in the methodologies used to determine fair value at December 31, 2013 and 2012.

Mutual funds: Valued at the net asset value of the shares held by the Foundation at year-end.

Exchange traded funds: Valued at the quoted market price of the shares held by the Foundation at year-end.

Marketable equity securities: Valued at the quoted market price of the shares held by the Foundation at year-end.

U.S. government and government agency obligations: Valued using a yield curve matrix derived from quoted prices for similar assets in active markets.

Municipal bonds: Valued using a yield curve matrix derived from quoted prices for similar assets in active markets.

Corporate bonds and notes: Valued using a yield curve matrix derived from quoted prices for similar assets in active markets.

Alternative investments: Valued at the net asset value of the shares held by the Foundation at year-end.

Deferred gift liabilities for split-interest agreements: The estimated fair value is based on the calculated present value of the income distributions or other payments to the designated beneficiaries during the terms of the respective split-interest agreements. The actuarial related assumptions used in calculating the respective present values include the beneficiary's age, the date of the gift, the fair value of the amount gifted, the estimated rate of return, the payout rate, the payment schedule, and the discount rate.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

The following table sets forth by level within the fair value hierarchy, the Foundation's investments at fair value at December 31, 2013:

	Level 1	Level 2	Level 3	Total
Marketable equity securities				
Consumer discretionary	$ 106,968	$ -	$ -	$ 106,968
Consumer staples	60,098	-	-	60,098
Energy	41,169	-	-	41,169
Financial	130,797	-	-	130,797
Health care	97,077	-	-	97,077
Industrials	96,026	-	-	96,026
Information technology	75,552	-	-	75,552
Other	32,730	-	-	32,730
	640,417	-	-	640,417
Exchange traded funds-equity	2,478,659	-	-	2,478,659
Mutual funds				
Money market	2,197,630	-	-	2,197,630
Equity	4,045,872	-	-	4,045,872
Fixed income	4,912,014	-	-	4,912,014
	11,155,516	-	-	11,155,516
Municipal bonds				
Rated AA	-	100,406	-	100,406
Alternative Investments				
Other mutual funds	50,834	-	-	50,834
	$14,325,426	$ 100,406	$ -0-	$14,425,832

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

The following table sets forth by level within the fair value hierarchy, the Foundation's investments at fair value at December 31, 2012:

	Level 1	Level 2	Level 3	Total
Marketable equity securities				
Consumer discretionary	$ 249,045	$ -	$ -	$ 249,045
Consumer staples	247,884	-	-	247,884
Energy	204,577	-	-	204,577
Financial	403,738	-	-	403,738
Health care	293,197	-	-	293,197
Industrials	192,970	-	-	192,970
Information technology	315,895	-	-	315,895
Other	230,561	-	-	230,561
	2,137,867	-	-	2,137,867
Mutual funds				
Money market	624,649	-	-	624,649
Equity	2,887,012	-	-	2,887,012
Fixed income	5,206,853	-	-	5,206,853
	8,718,514	-	-	8,718,514
U.S. government and government agency obligations				
Rated AAA	-	727,146	-	727,146
Rated A	-	383,304	-	383,304
	-	1,110,450	-	1,110,450
Municipal bonds				
Rated AA	-	773,316	-	773,316
Corporate bonds and notes				
Rated A	-	296,926	-	296,926
Rated BBB	-	150,624	-	150,624
	-	447,550	-	447,550
Alternative Investments				
Other mutual funds	68,543	-	-	68,543
	$10,924,924	$2,331,316	$ -0-	$13,256,240

The following table sets forth by level within the fair value hierarchy, the Foundation's liabilities (deferred gift liabilities) at fair value at December 31, 2013:

	Level 1	Level 2	Level 3	Total
Charitable remainder trusts				
Unitrusts	$ -0-	$ -0-	$710,252	$710,252

The following table sets forth by level within the fair value hierarchy, the Foundation's liabilities (deferred gift liabilities) at fair value at December 31, 2012:

	Level 1	Level 2	Level 3	Total
Charitable remainder trusts				
Unitrusts	$ -0-	$ -0-	$675,189	$675,189

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

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The years ended December 31, 2013 and 2012 activity of the liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3 deferred gift liabilities per the previous tables) is as follows:

	2013	2012
Beginning of the year	$675,189	$ -
New deferred gifts	-	675,189
Actuarial change	94,589	-
Payment obligations	(59,526)	-
Transfers in/out of Level 3	-	-
End of the year	$710,252	$675,189

NOTE G - Endowment Funds

In August 2008, the FASB issued ASC 958-208-45-28, *Classification of Donor-Restricted Endowment Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act.* This pronouncement provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The pronouncement also improves disclosures about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

In March 2010, the state of Kentucky enacted UPMIFA legislation, the effective date of which was July 15, 2010. Accordingly, the Foundation adopted ASC 958-205-45-28 and the enacted state of Kentucky UPMIFA legislation for the year ended December 31, 2012. In connection therewith, management performed a comprehensive review of the Foundation's endowment funds.

The Foundation's endowments consist of approximately 31 donor-restricted endowment funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of relevant law:

Management and the Board have determined that the majority of the Foundation's net assets meet the definition of endowment funds under UPMIFA. The Foundation is governed subject to its bylaws and most contributions are received subject to the terms of the fund agreements.

Under the terms of the Foundation's standard fund agreements, the Board had the ability to distribute as much of the corpus of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. In accordance with UPMIFA, the Foundation considers the following factors in making a determination on donor-restricted endowment funds outside the standing investment and spending policy:

1. the purposes of the organization and the respective donor-restricted endowment fund
2. other resources of the organization
3. the investment policies of the organization
4. the duration and preservation of the fund
5. general economic conditions
6. the possible effect of inflation and deflation
7. the expected total return from income and the appreciation of investments

Generally if the corpus of a contribution can at some point in the future become available for spending it is recorded as temporarily restricted. If the corpus never becomes available for spending it is reported as permanently restricted.

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

At December 31, 2013 endowment net assets consist of the following:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	$ -0 -	$1,573,389	$9,159,406	$10,732,795

At December 31, 2012 endowment net assets consist of the following:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	$ -0 -	$ 826,515	$8,841,194	$ 9,667,709

Changes in endowment net assets during the year ended December 31, 2013 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Beginning of the year	$ -	$ 826,515	$ 8,841,194	$ 9,667,709
Contributions	-	30,764	318,212	348,976
Investment return				
Net investment income	-	164,515	-	164,515
Net realized and unrealized gains (losses)	-	787,381	-	787,381
Administered fund fees	-	(124,473)	-	(124,473)
Net assets released from restrictions		(111,313)	-	(111,313)
End of the year	$ -	$1,573,389	$ 9,159,406	$ 10,732,795

Changes in endowment net assets during the year ended December 31, 2012 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Beginning of the year	$ -	$ (116,419)	$ 1,003,185	$ 886,766
Contributions	-	5,000	2,808,252	2,813,252
Acquisitions and transfers	-	837,072	5,029,757	5,866,829
Investment return				
Net investment income	-	101,145	-	101,145
Net realized and unrealized gains (losses)	-	47,330	-	47,330
Administered fund fees	-	(27,847)	-	(27,847)
Net assets released from restrictions	-	(19,766)	-	(19,766)
End of the year	$ -	$ 826,515	$ 8,841,194	$ 9,667,709

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

Funds with deficiencies:

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature are reported in temporarily restricted net assets when they occur.

Return objectives and risk parameters:

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through the diversification of asset classes.

Strategies employed for achieving return objectives:

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

Spending policy and how the investment objectives relate to the spending policy:

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds for grant making and administration. The current spending policy is to make available for distribution 3% of the average balance over twelve rolling quarters. Accordingly, over the long term, the Foundation expects its current spending policy to allow its endowment assets to grow. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment returns.

NOTE H - ALLOCATION OF COSTS

For the year ended December 31, 2013, the Foundation incurred functional expenses of $241,008 for payroll, supplies, informational materials and activities that included fundraising appeals. The functional expenses were allocated $139,756 to program services, $63,132 to management and general and $38,120 to fundraising.

For the year ended December 31, 2012, the Foundation incurred functional expenses of $223,140 for payroll, supplies, informational material and activities that included fundraising appeals. The functional expenses were allocated $132,608 to program services, $65,247 to management and general and $25,285 to fundraising.

NOTE I - ACQUISITIONS AND TRANSFERS OF ASSETS

In April 2013, temporarily restricted net assets in the amount of $116,907 were transferred to a 501(c)(3) private foundation at the donor's request and is recognized as a transfer out in the statement of support, revenue and expenses and changes in net assets - modified cash basis for the year ended December 31, 2013.

On September 20, 2011, the Foundation acquired The Heartland Community Foundation (THCF) in an arrangement accounted for as an acquisition. THCF is a group of citizens that shares the Foundation's mission. Assets of THCF were previously held by The Community Foundation of Louisville, Inc. Furthermore, other donors with funds held for the benefit of the Central Kentucky region transferred funds held by The Community Foundation of Louisville, Inc. The Foundation did not transfer any consideration as part of this acquisition and recognized an inherent contribution received of $5,876,312 in the statement of support, revenue and expenses and changes in net assets - modified cash basis for the year ended December 31, 2012.

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

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NOTE J – RETIREMENT PLAN

The Foundation sponsors a SIMPLE retirement plan covering employees who meet eligibility requirements and choose to participate. Employer contributions for the years ended December 31, 2013 and 2012 totals $3,832 and $3,741, respectively.

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

SCHEDULES OF DIRECT PROGRAM SERVICES, FUNDRAISING EXPENSES AND FUNCTIONAL EXPENSES - MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2013 AND 2012

	2013				2012			
	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUNDRAISING	TOTAL	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUNDRAISING	TOTAL
DIRECT PROGRAM SERVICES:								
Grants awarded and distributions	$ 415,655	$ -	$ -	$ 415,655	$ 80,108	$ -	$ -	$ 80,108
Less amounts granted for agency funds	(1,130)	-	-	(1,130)	(1,627)	-	-	(1,627)
Scholarships	77,361	-	-	77,361	72,673	-	-	72,673
Awarded grant and contract expenditures	30,395	-	-	30,395	31,283	-	-	31,283
Split interest agreement expenditures	4,898	-	-	4,898	-	-	-	-
	527,179	-	-	527,179	182,437	-	-	182,437
FUNCTIONAL EXPENSES:								
Personnel	105,636	41,297	19,042	165,975	107,297	39,772	14,256	161,325
Depreciation	7,023	2,007	1,003	10,033	5,216	1,490	745	7,451
Insurance	1,022	817	204	2,043	2,527	4,385	520	7,432
Marketing and public relations	16,278	-	16,278	32,556	8,540	4,270	8,540	21,350
Membership dues and meals	1,002	688	235	1,925	2,518	2,003	-	4,521
Office space and telephone	2,594	1,651	472	4,717	1,786	955	477	3,218
Office supplies	4,535	2,886	825	8,246	3,774	2,402	686	6,862
Other disbursements	-	1,110	-	1,110	95	478	-	573
Professional enhancement	1,252	313	-	1,565	427	107	-	534
Professional fees	-	12,240	-	12,240	-	9,260	-	9,260
Travel	414	123	61	598	428	125	61	614
	139,756	63,132	38,120	241,008	132,608	65,247	25,285	223,140
DIRECT FUNDRAISING EXPENSES	-	-	9,023	9,023	-	-	2,122	2,122
TOTALS	$ 666,935	$ 63,132	$ 47,143	$ 777,210	$ 315,045	$ 65,247	$ 27,407	$ 407,699