

**CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.**

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FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

(With Independent Auditor's Report Thereon)

YEARS ENDED DECEMBER 31, 2015 AND 2014

**CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.  
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# Clauson, Mouser & Co., PSC

CERTIFIED PUBLIC ACCOUNTANTS

KENNETH D. CLAUSON, CPA  
SUSAN C. MOUSER, 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 – modified cash basis as of December 31, 2015 and 2014, and the related statements of support, revenue and expenses, and changes in net assets – 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 auditor's 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 entity's 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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, 2015 and 2014, and its support, revenue and expenses, and 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 this matter.

### **Report on Supplementary Information**

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 – 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 directly 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 15, 2016

**CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.**  
**STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS -**  
**MODIFIED CASH BASIS**  
**DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 244,048	\$ 217,634
Investments	16,574,495	15,869,323
Property and equipment, net	<u>234,409</u>	<u>247,960</u>
TOTAL ASSETS	<u>\$ 17,052,952</u>	<u>\$ 16,334,917</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Agency fund liabilities	\$ 309,149	\$ 102,518
Deferred gift liabilities for split-interest agreements	<u>604,464</u>	<u>718,824</u>
TOTAL LIABILITIES	<u>913,613</u>	<u>821,342</u>
 <b>NET ASSETS</b>		
Unrestricted	<u>1,636,708</u>	<u>1,792,449</u>
Temporarily restricted		
Endowed	1,626,584	1,914,530
Non-endowed	<u>2,409,931</u>	<u>2,377,603</u>
Total temporarily restricted	<u>4,036,515</u>	<u>4,292,133</u>
Permanently restricted - endowed	<u>10,466,116</u>	<u>9,428,993</u>
TOTAL NET ASSETS	<u>16,139,339</u>	<u>15,513,575</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,052,952</u>	<u>\$ 16,334,917</u>

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, 2015 AND 2014**

	2015				2014			
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<b>SUPPORT AND REVENUE</b>								
Contributions and bequests	\$ 4,950	\$ 509,621	\$ 1,115,678	\$ 1,630,249	\$ 1,050	\$ 186,355	\$ 269,587	\$ 456,992
Less amounts received for agency funds	-	(87,698)	(128,555)	(216,253)	-	(10,000)	-	(10,000)
Grants and contracts	-	54,500	-	54,500	-	31,750	-	31,750
Investment return, net	(420)	(136,670)	-	(137,090)	46,531	849,575	-	896,106
Less net investment return on agency funds	-	5,122	-	5,122	-	(3,284)	-	(3,284)
Less change in value of split interest agreements	-	(22,713)	-	(22,713)	-	(18,611)	-	(18,611)
Other income	-	11,207	-	11,207	7,685	-	-	7,685
In-kind	-	-	-	-	5,681	-	-	5,681
Administered fund fees	224,785	(224,785)	-	-	208,984	(208,984)	-	-
Net assets released from restrictions	434,202	(434,202)	-	-	345,482	(345,482)	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>663,517</b>	<b>(325,618)</b>	<b>987,123</b>	<b>1,325,022</b>	<b>615,413</b>	<b>481,319</b>	<b>269,587</b>	<b>1,366,319</b>
<b>EXPENSES</b>								
<b>PROGRAM SERVICES</b>								
Grants awarded and distributions	304,380	-	-	304,380	236,406	-	-	236,406
Less amounts awarded for agency funds	(4,500)	-	-	(4,500)	-	-	-	-
Scholarships	105,910	-	-	105,910	78,561	-	-	78,561
Awarded grant and contract expenditures	24,657	-	-	24,657	27,245	-	-	27,245
Split interest agreement expenditures	3,755	-	-	3,755	3,270	-	-	3,270
Other program services	152,873	-	-	152,873	167,199	-	-	167,199
<b>TOTAL PROGRAM SERVICES</b>	<b>587,075</b>	<b>-</b>	<b>-</b>	<b>587,075</b>	<b>512,681</b>	<b>-</b>	<b>-</b>	<b>512,681</b>
<b>SUPPORT SERVICES</b>								
Management and general	67,063	-	-	67,063	65,222	-	-	65,222
Fundraising	45,120	-	-	45,120	40,337	-	-	40,337
<b>TOTAL SUPPORT SERVICES</b>	<b>112,183</b>	<b>-</b>	<b>-</b>	<b>112,183</b>	<b>105,559</b>	<b>-</b>	<b>-</b>	<b>105,559</b>
<b>TOTAL EXPENSES</b>	<b>699,258</b>	<b>-</b>	<b>-</b>	<b>699,258</b>	<b>618,240</b>	<b>-</b>	<b>-</b>	<b>618,240</b>
<b>EXCESS SUPPORT AND REVENUE OVER (UNDER) EXPENSES</b>	<b>(35,741)</b>	<b>(325,618)</b>	<b>987,123</b>	<b>625,764</b>	<b>(2,827)</b>	<b>481,319</b>	<b>269,587</b>	<b>748,079</b>
Gain on sale of capital assets	-	-	-	-	870,457	-	-	870,457
Transfers of net assets	(120,000)	70,000	50,000	-	-	-	-	-
<b>NET ASSETS, beginning of year</b>	<b>1,792,449</b>	<b>4,292,133</b>	<b>9,428,993</b>	<b>15,513,575</b>	<b>924,819</b>	<b>3,810,814</b>	<b>9,159,406</b>	<b>13,895,039</b>
<b>NET ASSETS, end of year</b>	<b>\$ 1,636,708</b>	<b>\$ 4,036,515</b>	<b>\$ 10,466,116</b>	<b>\$ 16,139,339</b>	<b>\$ 1,792,449</b>	<b>\$ 4,292,133</b>	<b>\$ 9,428,993</b>	<b>\$ 15,513,575</b>

See accompanying notes to financial statements.

**CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**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 and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the 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 net assets released from restriction, as their time and/or purpose requirements are met. 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 assets, liabilities and net assets – modified cash basis.

(continued)

**CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 gains (losses) on investments held throughout the year and investment expenses.

Property and Equipment - If an expense results in an asset having an estimated useful life that extends beyond the year of acquisition, the expense 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 Accounting Standards Codification (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.

Contributed Services - The Foundation records the value of donated services when there is an objective basis available to measure their value.

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).

(continued)

**CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 2012 through 2015 tax years remain open and subject to examination.

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 two 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, 2015 the carrying amount of the Foundation’s deposits was \$244,048 and the respective financial institution balances totaled \$249,492. Deposits in the amount of \$249,492 were covered by FDIC.

At December 31, 2014 the carrying amount of the Foundation’s deposits was \$217,634 and the respective financial institution balances totaled \$234,753. Deposits in the amount of \$234,753 were covered by FDIC.

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



**CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE C - INVESTMENTS**

The investment portfolio consists of the following:

	2015			2014		
	Cost	Unrealized Appreciation (Depreciation)	Market Value	Cost	Unrealized Appreciation (Depreciation)	Market Value
Money market mutual funds	\$ 892,693	\$ -	\$ 892,693	\$ 386,800	\$ -	\$ 386,800
Equity mutual funds	4,913,964	(81,302)	4,832,662	4,900,803	345,289	5,246,092
Fixed income mutual funds	6,104,092	(283,380)	5,820,712	6,258,696	(94,636)	6,164,060
Exchange traded funds-equity	1,257,690	60,923	1,318,613	3,086,329	534,260	3,620,589
Marketable equity securities	3,288,161	37,113	3,325,274	338,106	72,604	410,710
Alternative investments	400,000	(15,459)	384,541	46,609	(5,537)	41,072
<b>TOTAL</b>	<b>\$ 16,856,600</b>	<b>\$ (282,105)</b>	<b>\$ 16,574,495</b>	<b>\$ 15,017,343</b>	<b>\$ 851,980</b>	<b>\$ 15,869,323</b>

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

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

	2015	2014
<b>UNRESTRICTED</b>		
Interest and dividend income	\$ 44,324	\$ 41,327
Realized gains (losses) on investments	26,700	9,804
Unrealized gains (losses) on investments	(64,090)	1,748
Investment expenses	(7,354)	(6,348)
Investment return, net	<u>\$ (420)</u>	<u>\$ 46,531</u>
<b>TEMPORARILY RESTRICTED</b>		
Interest and dividend income	\$ 479,212	\$ 652,144
Realized gains (losses) on investments	552,042	234,038
Unrealized gains (losses) on investments	(1,069,994)	57,980
Investment expenses	(97,930)	(94,587)
Investment return, net	<u>\$ (136,670)</u>	<u>\$ 849,575</u>

**NOTE D - PROPERTY AND EQUIPMENT**

A summary of property and equipment is as follows:

	2015	2014
Land held for investment	\$ 8,493	\$ 8,493
Land, building and improvements	246,388	246,388
Office equipment, furniture and fixtures	62,175	61,205
	<u>317,056</u>	<u>316,086</u>
Less accumulated depreciation	(82,647)	(68,126)
Property and equipment, net	<u>\$ 234,409</u>	<u>\$ 247,960</u>

**CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**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:

	<u>2015</u>	<u>2014</u>
Charitable remainder trusts:		
Assets	<u>\$ 1,078,098</u>	<u>\$ 1,245,678</u>
Liabilities	<u>\$ 604,464</u>	<u>\$ 718,824</u>

**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.

(continued)

**CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE F - FAIR VALUE MEASUREMENTS (continued)**

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, 2015 and 2014.

*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.

(continued)

**CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE F - FAIR VALUE MEASUREMENTS (continued)**

The following table sets forth by level within the fair value hierarchy, the Foundation's investments at fair value at December 31, 2015:

	Level 1	Level 2	Level 3	Total
Marketable equity securities				
Consumer discretionary	\$ 502,890	\$ -	\$ -	\$ 502,890
Consumer staples	353,748	-	-	353,748
Energy	141,420	-	-	141,420
Financial	544,650	-	-	544,650
Health care	442,515	-	-	442,515
Industrials	471,879	-	-	471,879
Information technology	594,849	-	-	594,849
Other	273,323	-	-	273,323
	<u>3,325,274</u>	<u>-</u>	<u>-</u>	<u>3,325,274</u>
Exchange traded funds - equity	<u>1,318,613</u>	<u>-</u>	<u>-</u>	<u>1,318,613</u>
Mutual Funds				
Money market	892,693	-	-	892,693
Equity	4,832,662	-	-	4,832,662
Fixed income	5,820,712	-	-	5,820,712
	<u>11,546,067</u>	<u>-</u>	<u>-</u>	<u>11,546,067</u>
Alternative investments				
Other mutual funds	384,541	-	-	384,541
	<u>384,541</u>	<u>-</u>	<u>-</u>	<u>384,541</u>
	<u>\$ 16,574,495</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,574,495</u>

The following table sets forth by level within the fair value hierarchy, the Foundation's investments at fair value at December 31, 2014:

	Level 1	Level 2	Level 3	Total
Marketable equity securities				
Consumer discretionary	\$ 75,719	\$ -	\$ -	\$ 75,719
Consumer staples	44,327	-	-	44,327
Energy	24,654	-	-	24,654
Financial	65,693	-	-	65,693
Health care	68,828	-	-	68,828
Industrials	33,147	-	-	33,147
Information technology	80,585	-	-	80,585
Other	17,757	-	-	17,757
	<u>410,710</u>	<u>-</u>	<u>-</u>	<u>410,710</u>
Exchange traded funds - equity	<u>3,620,589</u>	<u>-</u>	<u>-</u>	<u>3,620,589</u>
Mutual Funds				
Money market	386,800	-	-	386,800
Equity	5,246,091	-	-	5,246,091
Fixed income	6,164,060	-	-	6,164,060
	<u>11,796,951</u>	<u>-</u>	<u>-</u>	<u>11,796,951</u>
Alternative investments				
Other mutual funds	41,073	-	-	41,073
	<u>41,073</u>	<u>-</u>	<u>-</u>	<u>41,073</u>
	<u>\$ 15,869,323</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,869,323</u>

(continued)

**CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE F - FAIR VALUE MEASUREMENTS (continued)**

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, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Charitable remainder trusts				
Unitrusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 604,464</u>	<u>\$ 604,464</u>

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, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Charitable remainder trusts				
Unitrusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 718,824</u>	<u>\$ 718,824</u>

The years ended December 31, 2015 and 2014 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:

	<u>2015</u>	<u>2014</u>
Beginning of year	\$ 718,824	\$ 710,252
New deferred gifts	-	48,615
Actuarial change	22,713	18,610
Payment obligations	<u>(137,073)</u>	<u>(58,653)</u>
End of year	<u>\$ 604,464</u>	<u>\$ 718,824</u>

**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 Commonwealth 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 Commonwealth 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 50 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.

(continued)

**CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE G – ENDOWMENT FUNDS (continued)**

*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.

At December 31, 2015 endowment net assets consist of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	<u>\$ -</u>	<u>\$ 1,626,584</u>	<u>\$ 10,466,116</u>	<u>\$ 12,092,700</u>

At December 31, 2014 endowment net assets consist of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	<u>\$ -</u>	<u>\$ 1,914,530</u>	<u>\$ 9,428,993</u>	<u>\$ 11,343,523</u>

(continued)

**CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE G – ENDOWMENT FUNDS (continued)**

Changes in endowment net assets during the year ended December 31, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	\$ -	\$ 1,914,530	\$ 9,428,993	\$ 11,343,523
Contributions	-	128,957	987,123	1,116,080
Transfers of net assets	-	70,000	50,000	120,000
Investment return				
Net investment income	-	221,549	-	221,549
Net realized and unrealized gains (losses)	-	(255,097)	-	(255,097)
Administered fund fees	-	(250,162)	-	(250,162)
Net assets released from restriction	-	(203,193)	-	(203,193)
End of year	<u>\$ -</u>	<u>\$ 1,626,584</u>	<u>\$ 10,466,116</u>	<u>\$ 12,092,700</u>

Changes in endowment net assets during the year ended December 31, 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	\$ -	\$ 1,573,389	\$ 9,159,406	\$ 10,732,795
Contributions	-	46,476	269,587	316,063
Investment return				
Net investment income	-	238,917	-	238,917
Net realized and unrealized gains (losses)	-	497,988	-	497,988
Administered fund fees	-	(231,651)	-	(231,651)
Net assets released from restriction	-	(210,589)	-	(210,589)
End of year	<u>\$ -</u>	<u>\$ 1,914,530</u>	<u>\$ 9,428,993</u>	<u>\$ 11,343,523</u>

*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 rate-of-return objectives within prudent risk parameters.

(continued)

**CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE G – ENDOWMENT FUNDS (continued)**

*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, 2015, the Foundation incurred functional expenses of \$251,303 for payroll, supplies, informational material and activities that included fundraising appeals. The functional expenses were allocated \$152,873 to program services, \$67,063 to management and general and \$31,367 to fundraising.

For the year ended December 31, 2014, the Foundation incurred functional expenses of \$262,868 for payroll, supplies, informational materials and activities that included fundraising appeals. The functional expenses were allocated \$167,199 to program services, \$65,222 to management and general and \$30,447 to fundraising.

**NOTE I - TRANSFERS OF NET ASSETS**

Unrestricted net assets in the amount of \$120,000 transferred to temporarily restricted endowed net assets; and, temporarily restricted net assets in the amount of \$50,000 transferred to permanently restricted endowed net assets are reported as transfers between funds in the statements of support, revenue and expenses and changes in net assets - modified cash basis for the year ended December 31, 2015.

**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, 2015 and 2014 totals \$3,117 and \$2,583, respectively.

**NOTE K - CONTRIBUTED SERVICES**

Volunteers provide services to the Foundation for events such as receptions, luncheons and community programs. Services provided by volunteers in the form of direct contact with community program participants are measured at an average hourly rate. During the year ended December 31, 2014, an estimated \$5,681 of services was recognized by the Foundation in the accompanying financial statements. The Foundation received an additional \$3,287 in administrative and other volunteer services that did not meet the criteria for recognition under FASB ASC 958-605-50-1 and thus, have not been reflected in the accompanying financial statements.



**CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.**  
**SCHEDULES OF DIRECT PROGRAM SERVICES, FUNDRAISING EXPENSES**  
**AND FUNCTIONAL EXPENSES - MODIFIED CASH BASIS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015				2014			
	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUNDRAISING	TOTAL	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUNDRAISING	TOTAL
<b>DIRECT PROGRAM SERVICES</b>								
Grants awarded and distributions	\$ 304,380	\$ -	\$ -	\$ 304,380	\$ 236,406	\$ -	\$ -	\$ 236,406
Less amounts granted for agency funds	(4,500)	-	-	(4,500)	-	-	-	-
Scholarships	105,910	-	-	105,910	78,561	-	-	78,561
Awarded grant and contract expenditures	24,657	-	-	24,657	27,245	-	-	27,245
Split interest agreement expenditures	3,755	-	-	3,755	3,270	-	-	3,270
	<u>434,202</u>	<u>-</u>	<u>-</u>	<u>434,202</u>	<u>345,482</u>	<u>-</u>	<u>-</u>	<u>345,482</u>
<b>FUNCTIONAL EXPENSES</b>								
Personnel	95,080	47,412	24,510	167,002	101,654	45,989	24,401	172,044
Depreciation	7,987	5,082	1,452	14,521	6,227	3,962	1,132	11,321
Insurance	1,846	1,175	336	3,357	1,549	986	282	2,817
Marketing and public relations	25,328	-	-	25,328	35,042	-	-	35,042
Non-profit endowment match	1,000	-	-	1,000	2,000	-	-	2,000
Office space and telephone	3,454	2,198	628	6,280	3,466	2,206	630	6,302
Office supplies and expenses	5,880	3,742	1,069	10,691	5,321	3,386	967	9,674
Other disbursements	-	1,835	-	1,835	-	2,993	-	2,993
Professional enhancement	3,107	1,243	1,864	6,214	2,380	937	1,421	4,738
Professional fees	4,991	3,176	908	9,075	5,627	3,580	1,023	10,230
Travel	4,200	1,200	600	6,000	3,933	1,183	591	5,707
	<u>152,873</u>	<u>67,063</u>	<u>31,367</u>	<u>251,303</u>	<u>167,199</u>	<u>65,222</u>	<u>30,447</u>	<u>262,868</u>
<b>DIRECT FUNDRAISING EXPENSES</b>	<u>-</u>	<u>-</u>	<u>13,753</u>	<u>13,753</u>	<u>-</u>	<u>-</u>	<u>9,890</u>	<u>9,890</u>
<b>TOTALS</b>	<u>\$ 587,075</u>	<u>\$ 67,063</u>	<u>\$ 45,120</u>	<u>\$ 699,258</u>	<u>\$ 512,681</u>	<u>\$ 65,222</u>	<u>\$ 40,337</u>	<u>\$ 618,240</u>