



Consolidated Financial Statements

for

Central Kentucky Community Foundation, Inc.

Years Ended December 31, 2020 and 2019
with Report of Independent Auditors

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Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Central Kentucky Community Foundation, Inc. (the Foundation) which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Board of Directors
Central Kentucky Community Foundation, Inc.
Report of Independent Auditors, continued

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Central Kentucky Community Foundation, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Dean Dotson Allen Ford, PLLC

Lexington, Kentucky
July 12, 2021

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Consolidated Statements of Financial Position

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets:		
Cash	\$ 954,964	\$ 711,168
Contributions receivable	<u>30,881</u>	<u>5,100</u>
Total current assets	985,845	716,268
Long-term assets:		
Investments	29,879,234	26,268,959
Property and equipment, net	<u>2,314,240</u>	<u>2,582,407</u>
Total long-term assets	<u>32,193,474</u>	<u>28,851,366</u>
Total assets	<u>\$ 33,179,319</u>	<u>\$ 29,567,634</u>

	<u>2020</u>	<u>2019</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 984	\$ 896
Payroll related liabilities	5,689	10,174
Agency fund liabilities	482,903	437,964
Current portion of deferred gift liabilities for split-interest agreements	<u>61,852</u>	<u>57,628</u>
Total current liabilities	551,428	506,662
Long-term liabilities:		
Deferred gift liabilities for split-interest agreements, net of current portion	693,360	616,872
Construction loan	-	1,199,872
Line of credit loan	<u>804,884</u>	<u>-</u>
Total long-term liabilities	<u>1,498,244</u>	<u>1,816,744</u>
Total liabilities	2,049,672	2,323,406
Net assets:		
Without donor restrictions:		
Undesignated	730,278	912,127
Invested in property and equipment, net of related debt	1,509,356	1,382,535
Designated by the Board for endowment	<u>110,225</u>	<u>110,225</u>
	2,349,859	2,404,887
With donor restrictions:		
Endowed	24,251,461	21,079,284
Non-endowed	<u>4,528,327</u>	<u>3,760,057</u>
	<u>28,779,788</u>	<u>24,839,341</u>
Total net assets	<u>31,129,647</u>	<u>27,244,228</u>
Total liabilities and net assets	<u>\$ 33,179,319</u>	<u>\$ 29,567,634</u>

See accompanying notes.

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Consolidated Statement of Activities

Year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions and bequests	\$ 179,073	\$ 986,648	\$ 1,165,721
Grants and contracts	-	446,955	446,955
Investment income, net	14,854	3,696,780	3,711,634
Change in value of split interest agreements	-	(138,341)	(138,341)
Other income	386,511	27,097	413,608
Gain on forgiveness of Paycheck Protection Program loan	40,300	-	40,300
Net assets released from restriction	<u>1,078,692</u>	<u>(1,078,692)</u>	<u>-</u>
Total support and revenue	1,699,430	3,940,447	5,639,877
Expenses:			
Program services:			
Grants awarded and distributions	824,502	-	824,502
Less amounts awarded for agency funds	(4,707)	-	(4,707)
Scholarships	186,140	-	186,140
Awarded grant and contract expenditures	44,906	-	44,906
Split interest agreement expenditures	2,000	-	2,000
Other expense allocated to program services	<u>393,063</u>	<u>-</u>	<u>393,063</u>
Total program services	1,445,904	-	1,445,904
Support services:			
Management and general	239,529	-	239,529
Fundraising	<u>69,025</u>	<u>-</u>	<u>69,025</u>
Total support services	<u>308,554</u>	<u>-</u>	<u>308,554</u>
Total expenses	<u>1,754,458</u>	<u>-</u>	<u>1,754,458</u>
Change in net assets	(55,028)	3,940,447	3,885,419
Net assets, beginning of year	<u>2,404,887</u>	<u>24,839,341</u>	<u>27,244,228</u>
Net assets, end of year	<u>\$ 2,349,859</u>	<u>\$ 28,779,788</u>	<u>\$ 31,129,647</u>

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Consolidated Statement of Activities, continued

Year ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Contributions and bequests	\$ 409,164	\$ 2,188,787	\$ 2,597,951
Grants and contracts	-	22,877	22,877
Investment income, net	34,351	4,462,828	4,497,179
Change in value of split interest agreements	-	(160,903)	(160,903)
Other income	441,950	-	441,950
Net assets released from restriction	<u>1,362,687</u>	<u>(1,362,687)</u>	<u>-</u>
Total support and revenue	2,248,152	5,150,902	7,399,054
Expenses:			
Program services:			
Grants awarded and distributions	838,244	-	838,244
Less amounts awarded for agency funds	(4,614)	-	(4,614)
Scholarships	189,363	-	189,363
Awarded grant and contract expenditures	59,481	-	59,481
Split interest agreement expenditures	2,000	-	2,000
Other expense allocated to program services	<u>354,319</u>	<u>-</u>	<u>354,319</u>
Total program services	1,438,793	-	1,438,793
Support services:			
Management and general	172,684	-	172,684
Fundraising	<u>78,737</u>	<u>-</u>	<u>78,737</u>
Total support services	<u>251,421</u>	<u>-</u>	<u>251,421</u>
Total expenses	<u>1,690,214</u>	<u>-</u>	<u>1,690,214</u>
Change in net assets	557,938	5,150,902	5,708,840
Net assets, beginning of year	<u>1,846,949</u>	<u>19,688,439</u>	<u>21,535,388</u>
Net assets, end of year	<u>\$ 2,404,887</u>	<u>\$ 24,839,341</u>	<u>\$ 27,244,228</u>

See accompanying notes.

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Consolidated Statement of Functional Expenses

Year ended December 31, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Direct program services:				
Grants awarded and distributions	\$ 458,645	\$ -	\$ -	\$ 458,645
Less amounts granted for agency funds	(4,707)	-	-	(4,707)
Scholarships	186,140	-	-	186,140
Awarded grant and contract expenditures	44,906	-	-	44,906
Program expenses	365,857	-	-	365,857
Split interest agreement expenditures	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
	1,052,841	-	-	1,052,841
Functional expenses:				
Personnel	136,795	85,513	31,069	253,377
Contract Labor	2,250	2,250	-	4,500
Depreciation	154,837	98,533	28,152	281,522
Insurance	4,841	3,389	1,452	9,682
Interest	21,004	21,004	-	42,008
KY Gives Day expenses	935	-	-	935
Marketing and public relations	27,483	-	-	27,483
Office space and telephone	11,636	7,405	2,116	21,157
Office supplies and expenses	1,895	1,206	344	3,445
Other disbursements	-	6,138	-	6,138
Professional enhancement	3,316	1,326	1,989	6,631
Professional fees	6,139	7,674	1,535	15,348
Service agreements and contracts	5,654	3,732	1,066	10,452
Program expenses	11,521	-	-	11,521
Travel	<u>4,757</u>	<u>1,359</u>	<u>680</u>	<u>6,796</u>
	393,063	239,529	68,403	700,995
Direct fundraising expenses	<u>-</u>	<u>-</u>	<u>622</u>	<u>622</u>
Total functional expenses	<u>\$ 1,445,904</u>	<u>\$ 239,529</u>	<u>\$ 69,025</u>	<u>\$ 1,754,458</u>

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Consolidated Statement of Functional Expenses, continued

Year ended December 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Direct program services:				
Grants awarded and distributions	\$ 493,075	\$ -	\$ -	\$ 493,075
Less amounts granted for agency funds	(4,614)	-	-	(4,614)
Scholarships	189,363	-	-	189,363
Awarded grant and contract expenditures	59,481	-	-	59,481
Program expenses	345,169	-	-	345,169
Split interest agreement expenditures	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
	1,084,474	-	-	1,084,474
Functional expenses:				
Personnel	127,690	80,743	31,165	239,598
Contract Labor	8,840	8,840	-	17,680
Depreciation	72,172	46,866	13,391	132,429
Insurance	3,568	2,272	649	6,489
Interest	7,338	7,339	-	14,677
KY Gives Day expenses	1,816	-	-	1,816
Marketing and public relations	21,389	-	-	21,389
Office space and telephone	5,651	3,596	1,027	10,274
Office supplies and expenses	3,140	1,998	571	5,709
Other disbursements	56,563	5,324	-	61,887
Professional enhancement	3,556	1,423	2,134	7,113
Professional fees	6,144	7,680	1,536	15,360
Service agreements and contracts	8,154	5,189	1,483	14,826
Program expenses	23,350	-	-	23,350
Travel	<u>4,948</u>	<u>1,414</u>	<u>707</u>	<u>7,069</u>
	354,319	172,684	52,663	579,666
Direct fundraising expenses	<u>-</u>	<u>-</u>	<u>26,074</u>	<u>26,074</u>
Total functional expenses	<u>\$ 1,438,793</u>	<u>\$ 172,684</u>	<u>\$ 78,737</u>	<u>\$ 1,690,214</u>

See accompanying notes.

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Consolidated Statements of Cash Flows

Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,885,419	\$ 5,708,840
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	281,522	132,429
Gain on forgiveness of PPP Loan	(40,300)	-
Realized gain on sale of investments	(393,160)	(442,473)
Unrealized gain on investments	(2,756,604)	(3,518,113)
Gain on sale of assets	(27,097)	(57,736)
Contributed stock	-	(88,407)
Long-term contributions	(613,996)	(1,565,185)
Actuarial change in deferred gift liabilities	138,341	160,903
Increase (decrease) in cash due to changes in:		
Contributions receivable	(25,781)	(5,100)
Accounts payable	88	(9,866)
Payroll related liabilities	(4,485)	2,598
Agency fund liabilities	44,939	62,710
Net cash provided by operating activities	<u>488,886</u>	<u>380,600</u>
Cash flows from investing activities:		
Purchase of property and equipment	(213,309)	(1,764,763)
Proceeds from sale of assets	227,051	176,420
Increase in investments, net	(460,511)	(1,342,049)
Net cash used in investing activities	<u>(446,769)</u>	<u>(2,930,392)</u>
Cash flows from financing activities:		
Payments on deferred gift liabilities	(57,629)	(49,970)
Long-term contributions received	613,996	1,565,185
Proceeds from line of credit loan	804,884	1,199,872
Payments on construction loan	(1,199,872)	-
Proceeds from PPP Loan	40,300	-
Net cash provided by financing activities	<u>201,679</u>	<u>2,715,087</u>
Net increase in cash	243,796	165,295
Cash, beginning of year	<u>711,168</u>	<u>545,873</u>
Cash, end of year	<u>\$ 954,964</u>	<u>\$ 711,168</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 42,008	\$ 21,029

See accompanying notes.

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Notes to the Consolidated Financial Statements

1. Description of the Organization

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 (the Board).

Central Kentucky Community Foundation Real Property Investment Corporation is a non-profit organization incorporated to hold real estate donations received by the Foundation. The entity's activity has been consolidated with the Foundation in the consolidated financial statements.

2. Summary of Significant Accounting Policies

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) which require management to make estimates and assumptions that affect the reported amounts and disclosures in the consolidated financial statements. Actual results could differ from those estimates. The following is a summary of the significant accounting policies consistently followed by the Foundation in the preparation of its consolidated financial statements:

Cash

The Foundation considers all highly liquid investments with a maturity, at time of purchase, of three months or less to be cash equivalents.

The Foundation has a concentration of credit risk in that it maintains bank accounts which, at times, may exceed the coverage provided by the Federal Deposit Insurance Corporation. The Foundation does not believe it is exposed to any significant credit risk with respect to such cash accounts.

Contributions Receivable

The Foundation records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. All amounts are expected to be fully collectible.

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Notes to the Consolidated Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Contributions Receivable, continued

In subsequent years, amortization of the discounts is included in contribution revenue in the consolidated statements of activities. As needed, the allowance for uncollectible contributions receivable is based on historical experience, an assessment of economic conditions, and a review of subsequent collections.

Investments

The Foundation records all investments at fair value with unrealized gains and losses recorded in the consolidated statements of activities. The Foundation invests in a combination of publicly-traded stocks, mutual funds, fixed-income securities and exchange traded funds. 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 consolidated statements of activities.

Management has elected not to further disaggregate the investments as displayed in Note 4 as additional risk information is not deemed material to the consolidated financial statements.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of the assets. The gain or loss on the sale of property and equipment is recorded in the year of disposition. The capitalization threshold used for both of the years ended December 31, 2020 and 2019 was \$5,000.

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Notes to the Consolidated Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Assets Held and Liabilities Under Split-Interest Agreements

Charitable Trusts

The Foundation acts as trustee for various revocable and irrevocable trusts. These trusts are governed by the respective trust agreements, which generally provide for either an income stream or a future distribution of cash or other assets to the Foundation, in whole or in part, for a specified period or upon the occurrence of a specific event, respectively. If a trust is revocable, or if the maker of the trust reserves the right to replace the Foundation as the beneficiary of the trust, the Foundation records the assets placed in trust at fair value, with an equal and offsetting liability until such time that the Foundation receives distributions from the trust in accordance with its terms. If the trust is irrevocable, the trust assets are recorded at fair value, and a 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 trust liability is recorded as a contribution with donor restrictions until such amount is received via trust distribution or is expended in satisfaction of the donor-restricted purpose stipulated by the trust agreement or both, if any. At that time, net assets with donor-imposed time or purpose restrictions are released to net assets without donor restrictions, and net assets with donor restrictions that are perpetual in nature are transferred to the endowment. In subsequent years, the liability for future trust 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 trust, the remaining liability is removed and recognized as income.

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 GAAP, the unexpended portion of such funds is reported as a liability instead of as a net asset of the Foundation.

Forgivable Loan

As described in Note 10, the Foundation received a Paycheck Protection Program loan (PPP loan) under the *Coronavirus Aid, Relief and Economic Security Act* (CARES Act) in the amount of \$40,300. Under the terms of the *CARES Act*, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the PPP loan, subject to limitations, based on the use of loan proceeds for payment of eligible expenses. The Foundation accounts for the PPP loan as a grant under *Accounting Standards Codification* (ASC) 958.

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Notes to the Consolidated Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Forgivable Loan, continued

As such, amounts expected to be forgiven are recognized as income when allowable expenses are incurred or paid. During the year ended December 31, 2020, \$40,300 was recognized as gain on forgiveness of PPP loan on the consolidated statements of activities.

Net Assets

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:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets invested in property and equipment and a board-designated endowment.

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 that 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.

Revenue and Revenue Recognition

All of the Foundation's revenue is recorded at a point in time when contributions are received or performance obligations are achieved. Specifically, the Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a 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 conditions on which they depend have been met.

A portion of the Foundation's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Foundation has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statements of financial position.

Contributed Services

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

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Notes to the Consolidated Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

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 consolidated statements of activities and functional expenses. 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 benefited 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 federal income tax under Section 501(c)(3) of the Internal Revenue Code, except for any unrelated business income activities. Accordingly, no provision for income taxes has been made.

Subsequent Events

Management has evaluated subsequent events for accounting and disclosure requirements through July 12, 2021, the date that the consolidated financial statements were available to be issued.

3. Liquidity and Availability

Financial assets available for general expenditure, that is without donor restrictions limiting their use, within one year of the statement of financial position date, comprise of cash totaling \$954,964 and \$711,168 as of December 31, 2020 and 2019, respectively.

As part of its liquidity management plan, the Foundation typically maintains more than 30 days of cash on hand. As of December 31, 2020 and 2019, days of cash on hand was approximately 225 days and 168 days, respectively.

The Foundation's endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Although there is no intention to use investments designated by the Board for endowment, withdrawals are available if necessary and approved by the Board. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Notes to the Consolidated Financial Statements, continued

4. Investments

The Foundation's investment portfolio consists of the following as of December 31:

	<u>2020</u>		
	<u>Cost</u>	<u>Unrealized Gain</u>	<u>Market Value</u>
Money market funds	\$ 1,754,291	\$ -	\$ 1,754,291
Mutual funds - fixed	6,958,291	458,811	7,417,102
Mutual funds - equity	2,380,103	702,354	3,082,457
Exchange traded funds	1,783,715	485,298	2,269,013
Marketable equity securities	11,506,942	3,741,734	15,248,676
Real property	73,000	-	73,000
Mortgage backed securities	<u>33,499</u>	<u>1,196</u>	<u>34,695</u>
	<u>\$ 24,489,841</u>	<u>\$ 5,389,393</u>	<u>\$ 29,879,234</u>
	<u>2019</u>		
	<u>Cost</u>	<u>Unrealized Gain</u>	<u>Market Value</u>
Money market funds	\$ 2,191,756	\$ -	\$ 2,191,756
Mutual funds - fixed	6,668,789	149,227	6,818,016
Mutual funds - equity	2,073,257	198,317	2,271,574
Exchange traded funds	2,605,461	689,627	3,295,088
Marketable equity securities	9,904,727	1,540,796	11,445,523
Real property	200,100	-	200,100
Mortgage backed securities	<u>46,029</u>	<u>873</u>	<u>46,902</u>
	<u>\$ 23,690,119</u>	<u>\$ 2,578,840</u>	<u>\$ 26,268,959</u>

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Notes to the Consolidated Financial Statements, continued

4. Investments, continued

The following schedule summarizes the investment income and its classification in the consolidated statements of activities. Investment return is segregated as without donor restrictions or with donor restrictions, based upon the funds on which the investment return is earned for the years ended December 31:

	<u>2020</u>		<u>2019</u>	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Interest and dividend income	\$ 2,660	\$ 696,431	\$ 7,668	\$ 695,099
Realized gain (loss) on investments	58	393,102	(11,487)	453,960
Unrealized gain on investments	12,573	2,744,031	38,662	3,479,451
Investment expenses	<u>(437)</u>	<u>(136,784)</u>	<u>(492)</u>	<u>(165,682)</u>
Investment income, net	<u>\$ 14,854</u>	<u>\$ 3,696,780</u>	<u>\$ 34,351</u>	<u>\$ 4,462,828</u>

5. Property and Equipment

Property and equipment consists of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Land held for investment	\$ 8,493	\$ 8,493
Office equipment, furniture and fixtures	176,306	173,571
Home for Philanthropy	<u>2,623,071</u>	<u>2,612,451</u>
	2,807,870	2,794,515
Less accumulated depreciation	<u>(493,630)</u>	<u>(212,108)</u>
Property and equipment, net	<u>\$ 2,314,240</u>	<u>\$ 2,582,407</u>

6. 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 a third-party beneficiary'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. Trust assets are reported within investments on the Foundation's consolidated statements of financial position.

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Notes to the Consolidated Financial Statements, continued

6. Split-Interest Agreements, continued

Amounts subject to split-interest agreements include the following as of December 31:

	<u>2020</u>	<u>2019</u>
Charitable remainder trusts:		
Assets	\$ 1,237,108	\$ 1,152,554
Liabilities	755,212	674,500

7. Fair Value Measurements

GAAP 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 lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities

Level 2 Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability directly, for substantially the full term of the asset or liability

Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported by little or no market activity)

The following methods and assumptions were used by the Foundation in estimating the fair value of its assets and liabilities. There were no changes in the methodologies used to measure fair value during the years ended December 31, 2020 or 2019.

Money market funds: Valued at cost which approximates fair value.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

Exchange traded funds, marketable equity securities, mortgage backed securities: Valued at the quoted market price of the shares held by the Foundation at year-end.

Real Property: Valued at the appraised price of property and by comparison with other similar properties.

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Notes to the Consolidated Financial Statements, continued

7. Fair Value Measurements, continued

The methods described prior 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.

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

<u>2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 1,754,291	\$ -	\$ -	\$ 1,754,291
Mutual funds - fixed	7,417,102	-	-	7,417,102
Mutual funds - equity	3,082,457	-	-	3,082,457
Exchange traded funds	2,269,013	-	-	2,269,013
Marketable equity securities	15,248,676	-	-	15,248,676
Real property	-	73,000	-	73,000
Mortgage backed securities	34,695	-	-	34,695
	<u>\$ 29,806,234</u>	<u>\$ 73,000</u>	<u>\$ -</u>	<u>\$ 29,879,234</u>
<u>2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 2,191,756	\$ -	\$ -	\$ 2,191,756
Mutual funds - fixed	6,818,016	-	-	6,818,016
Mutual funds - equity	2,271,574	-	-	2,271,574
Exchange traded funds	3,295,088	-	-	3,295,088
Marketable equity securities	11,445,523	-	-	11,445,523
Real Property	-	200,100	-	200,100
Mortgage backed securities	46,902	-	-	46,902
	<u>\$ 26,068,859</u>	<u>\$ 200,100</u>	<u>\$ -</u>	<u>\$ 26,268,959</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:

<u>2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Charitable remainder trusts	\$ -	\$ -	\$ 755,212	\$ 755,212

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Notes to the Consolidated Financial Statements, continued

7. Fair Value Measurements, continued

<u>2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Charitable remainder trusts	\$ -	\$ -	\$ 674,500	\$ 674,500

The 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 for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Beginning of year	\$ 674,500	\$ 563,567
Actuarial change	138,341	160,903
Payment obligations	<u>(57,629)</u>	<u>(49,970)</u>
End of year	\$ <u>755,212</u>	\$ <u>674,500</u>

8. Endowment Funds

The Foundation's endowments consist of approximately 99 donor-restricted 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 the *Uniform Prudent Management of Institutional Funds Act of 2006* (UPMIFA). The Foundation is governed subject to its bylaws and most contributions are received subject to the terms of the fund agreements.

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Notes to the Consolidated Financial Statements, continued

8. Endowment Funds, continued

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 purpose 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

Changes in endowment net assets during the year ended December 31, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	\$ 110,225	\$ 21,079,284	\$ 21,189,509
Contributions	-	613,996	613,996
Investment return (loss):			
Net investment income	2,635	434,933	437,568
Net realized and unrealized gains	-	2,857,856	2,857,856
Administered fund fees	-	(435,032)	(435,032)
Net assets utilized/released from restrictions	<u>(2,635)</u>	<u>(299,576)</u>	<u>(302,211)</u>
End of year	\$ <u>110,225</u>	\$ <u>24,251,461</u>	\$ <u>24,361,686</u>

Changes in endowment net assets during the year ended December 31, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	\$ 110,225	\$ 16,347,902	\$ 16,458,127
Contributions	-	1,565,185	1,565,185
Investment return:			
Net investment income	2,635	447,308	449,943
Net realized and unrealized gains	-	3,415,259	3,415,259
Administered fund fees	-	(406,049)	(406,049)
Net assets utilized/released from restrictions	<u>(2,635)</u>	<u>(290,321)</u>	<u>(292,956)</u>
End of year	\$ <u>110,225</u>	\$ <u>21,079,284</u>	\$ <u>21,189,509</u>

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Notes to the Consolidated Financial Statements, continued

8. Endowment Funds, continued

Funds with deficiencies:

From time to time, the fair value of assets associated with 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 net assets with donor restriction.

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 while 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.

9. Construction and Line of Credit Loans

In October 2018, the Foundation obtained a \$1.2 million draw loan to finance the construction of a new office building. Interest only payments with an interest rate of 3.875% on the unpaid principal balance were due monthly beginning in November 2018. On October 1, 2020, the loan was refinanced with a revised interest rate of 3.375% until November 12, 2021 when the interest rate will increase to 4.5%. On October 12, 2023, the principal balance and any remaining interest are due. The loan is collateralized by a first mortgage on the building. As of December 31, 2020 and 2019, \$0 and \$1,199,872 was outstanding on the loan, respectively.

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Notes to the Consolidated Financial Statements, continued

9. Construction and Line of Credit Loans, continued

A summary of interest cost during the years ended December 31 follows:

	<u>2020</u>	<u>2019</u>
Interest cost		
Charged to operations	\$ 42,008	\$ 14,677
Capitalized	<u>-</u>	<u>6,352</u>
Total	<u>\$ 42,008</u>	<u>\$ 21,029</u>

Capitalized interest is reported within property and equipment in the Foundation's consolidated statements of financial position.

10. COVID-19

Business Disruption

During March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak to be a pandemic. COVID-19 continues to impact worldwide economic activity and financial markets. For the year ended December 31, 2020, the Foundation experienced significant disruption in its operations. The continued spread of the disease also represents a significant risk that the Foundation's operations could be disrupted in the near future. The extent to which COVID-19 impacts the Foundation will depend on future developments, which are highly uncertain and cannot be predicted.

Paycheck Protection Program Loan

The *Coronavirus Aid, Relief, and Economic Security (CARES) Act* outlines the provisions of the Paycheck Protection Program (the PPP). In addition, the *Paycheck Protection Program and Health Care Enhancement Act* were signed into law on April 24, 2020, which increased funding provided by the CARES Act. Terms and conditions associated with the PPP have been subsequently revised by the *Paycheck Protection Programs Flexibility Act of 2020*, the *Consolidated Appropriations Act of 2021* and the *PPP Extension Act of 2021*, which were enacted on June 5, 2020, December 27, 2020 and March 30, 2021, respectively. The PPP application deadline was extended until May 31, 2021 and enables certain eligible borrowers to apply for and potentially receive a second PPP loan if certain eligibility criteria are met.

In June 2020, the Foundation received a PPP loan from The Cecilian Bank in the amount of \$40,300.

Under the provisions of the CARES Act, the Foundation submitted a PPP loan forgiveness application to The Cecilian Bank seeking full forgiveness. On October 14, 2020, the PPP loan forgiveness application was approved. For the year ended December 31, 2020, \$40,300 was recognized as a gain on forgiveness of PPP loan which is included as income on the consolidated statements of activities.

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Notes to the Consolidated Financial Statements, continued

11. Retirement Plan

The Foundation sponsors a 401(k) retirement plan covering employees who meet eligibility requirements and choose to participate. The Foundation's expense was \$8,016 and \$7,027 for the years ended December 31, 2020 and 2019, respectively.

12. Net Assets With Donor Restrictions

Net assets with donor restrictions are as follows:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Donor advised	\$ 1,165,755	\$ 975,517
Scholarships	1,784,487	1,663,962
Designated	892,482	469,987
Educational programs	86,644	79,048
Geographic Fund	5,397	-
Field of interest	<u>111,638</u>	<u>93,489</u>
Total subject to expenditure for specified purpose	4,046,403	3,282,003
Subject to passage of time:		
Charitable remainder trusts	481,924	478,054
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Scholarships	11,038,759	9,703,830
Designated	5,322,809	4,592,488
Field of interest	4,295,101	3,755,021
Unrestricted (M.A.D.E)	56,443	38,981
Donor advised	<u>3,538,349</u>	<u>2,988,964</u>
Total endowments	<u>24,251,461</u>	<u>21,079,284</u>
Total net assets with donor restriction	<u>\$ 28,779,788</u>	<u>\$ 24,839,341</u>

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Notes to the Consolidated Financial Statements, continued

12. Net Assets With Donor Restrictions, continued

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Satisfaction of restrictions		
Donor advised	\$ 327,697	\$ 611,691
Support fee	330,609	330,609
Scholarships	189,363	189,363
Designated	124,783	124,783
Field of interest	34,490	34,490
Educational	59,480	59,481
Scholarship administrative fee	10,270	10,270
Distributions from charitable remainder trusts	<u>2,000</u>	<u>2,000</u>
Total net assets released from restriction	<u>\$ 1,078,692</u>	<u>\$ 1,362,687</u>