



Consolidated Financial Statements

for

Central Kentucky Community Foundation, Inc.

Years Ended December 31, 2021 and 2020
with Report of Independent Auditors

CONTENTS

	<u>Pages</u>
Report of Independent Auditors.....	1 - 2
Consolidated Financial Statements:	
Statements of Financial Position.....	3 - 4
Statements of Activities.....	5 - 6
Statements of Functional Expenses.....	7 - 8
Statements of Cash Flows.....	9
Notes to the Consolidated Financial Statements.....	10 - 24

Report of Independent Auditors

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

Opinion

We have audited the consolidated financial statements of Central Kentucky Community Foundation, Inc. (the Foundation), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, 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 (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Dean Dotson Allen Ford, PLLC

Louisville, Kentucky
July 14, 2022

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Consolidated Statements of Financial Position

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current assets:		
Cash	\$ 1,112,776	\$ 954,964
Contributions receivable	<u>600</u>	<u>30,881</u>
Total current assets	1,113,376	985,845
Long-term assets:		
Investments	33,706,505	29,879,234
Property and equipment, net	<u>2,032,276</u>	<u>2,314,240</u>
Total long-term assets	<u>35,738,781</u>	<u>32,193,474</u>
Total assets	<u>\$ 36,852,157</u>	<u>\$ 33,179,319</u>

	<u>2021</u>	<u>2020</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 4,455	\$ 984
Payroll related liabilities	6,961	5,689
Agency fund liabilities	506,806	482,903
Current portion of deferred gift liabilities for split-interest agreements	<u>65,606</u>	<u>61,852</u>
Total current liabilities	583,828	551,428
Long-term liabilities:		
Deferred gift liabilities for split-interest agreements, net of current portion	762,395	693,360
Line of credit loan	<u>754,884</u>	<u>804,884</u>
Total long-term liabilities	<u>1,517,279</u>	1,498,244
Total liabilities	2,101,107	2,049,672
Net assets:		
Without donor restrictions:		
Undesignated	914,849	730,278
Invested in property and equipment, net of related debt	1,277,392	1,509,356
Designated by the Board for endowment	<u>110,225</u>	<u>110,225</u>
	2,302,466	2,349,859
With donor restrictions:		
Endowed	27,841,624	24,251,461
Non-endowed	<u>4,606,960</u>	<u>4,528,327</u>
	<u>32,448,584</u>	<u>28,779,788</u>
Total net assets	<u>34,751,050</u>	<u>31,129,647</u>
Total liabilities and net assets	\$ <u>36,852,157</u>	\$ <u>33,179,319</u>

See accompanying notes.

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Consolidated Statement of Activities

Year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support, gains and revenue:			
Contributions and bequests	\$ 170,994	\$ 1,791,907	\$ 1,962,901
Investment income, net	16,231	3,705,295	3,721,526
Change in value of split-interest agreements	-	(134,643)	(134,643)
Other income (loss)	<u>443,508</u>	<u>(8,854)</u>	<u>434,654</u>
	630,733	5,353,705	5,984,438
Net assets released from restriction	<u>1,684,909</u>	<u>(1,684,909)</u>	<u>-</u>
Total support, gains and revenue	2,315,642	3,668,796	5,984,438
Expenses:			
Program services:			
Grants awarded and distributions	1,391,305	-	1,391,305
Scholarships	207,725	-	207,725
Awarded grant and contract expenditures	15,445	-	15,445
Split-interest agreement expenditures	2,100	-	2,100
Other expense allocated to program services	<u>427,953</u>	<u>-</u>	<u>427,953</u>
Total program services	2,044,528	-	2,044,528
Support services:			
Management and general	243,645	-	243,645
Fundraising	<u>74,862</u>	<u>-</u>	<u>74,862</u>
Total support services	<u>318,507</u>	<u>-</u>	<u>318,507</u>
Total expenses	<u>2,363,035</u>	<u>-</u>	<u>2,363,035</u>
Change in net assets	(47,393)	3,668,796	3,621,403
Net assets, beginning of year	<u>2,349,859</u>	<u>28,779,788</u>	<u>31,129,647</u>
Net assets, end of year	<u>\$ 2,302,466</u>	<u>\$ 32,448,584</u>	<u>\$ 34,751,050</u>

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Consolidated Statement of Activities, continued

Year ended December 30, 2020

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Support, gains 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 (PPP Loan)	<u>40,300</u>	<u>-</u>	<u>40,300</u>
	620,738	5,019,139	5,639,877
Net assets released from restriction	<u>1,078,692</u>	<u>(1,078,692)</u>	<u>-</u>
Total support, gains and revenue	1,699,430	3,940,447	5,639,877
Expenses:			
Program services:			
Grants awarded and distributions	819,795	-	819,795
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>

See accompanying notes.

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Consolidated Statement of Functional Expenses

Year ended December 31, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Direct program services:				
Grants awarded and distributions	\$ 931,493	\$ -	\$ -	\$ 931,493
Scholarships	207,725	-	-	207,725
Awarded grant and contract expenditures	15,445	-	-	15,445
Program expenses	459,812	-	-	459,812
Split-interest agreement expenditures	<u>2,100</u>	<u>-</u>	<u>-</u>	<u>2,100</u>
	1,616,575	-	-	1,616,575
Functional expenses:				
Personnel	137,445	78,581	32,601	248,627
Contract Labor	3,831	3,831	-	7,662
Depreciation	155,080	98,687	28,196	281,963
Insurance	4,108	2,876	1,232	8,216
Interest	13,783	13,783	-	27,566
Kentucky Gives Day expenses	1,322	-	-	1,322
Marketing and public relations	23,154	-	-	23,154
Office space and telephone	40,205	9,276	2,650	52,131
Office supplies and expenses	3,566	2,270	648	6,484
Other disbursements	-	7,901	-	7,901
Professional enhancement	3,843	1,537	2,306	7,686
Professional fees	9,502	11,877	2,375	23,754
Service agreements and contracts	18,991	12,085	3,453	34,529
Program expenses	9,829	-	-	9,829
Travel	<u>3,294</u>	<u>941</u>	<u>471</u>	<u>4,706</u>
	427,953	243,645	73,932	745,530
Direct fundraising expenses	<u>-</u>	<u>-</u>	<u>930</u>	<u>930</u>
Total functional expenses	<u>\$ 2,044,528</u>	<u>\$ 243,645</u>	<u>\$ 74,862</u>	<u>\$ 2,363,035</u>

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Consolidated Statement of Functional Expenses, continued

Year ended December 30, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Direct program services:				
Grants awarded and distributions	\$ 453,938	\$ -	\$ -	\$ 453,938
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
Kentucky 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>

See accompanying notes.

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Consolidated Statements of Cash Flows

Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,621,403	\$ 3,885,419
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	281,963	281,522
Gain on forgiveness of PPP Loan	-	(40,300)
Realized and unrealized gain on investments	(3,082,137)	(3,149,764)
Loss (gain) on sale of property	15,173	(27,097)
Long-term contributions	(947,269)	(613,996)
Actuarial change in deferred gift liabilities	134,643	138,341
Increase (decrease) in cash due to changes in:		
Contributions receivable	30,281	(25,781)
Accounts payable	3,471	88
Payroll related liabilities	1,272	(4,485)
Agency fund liabilities	<u>23,903</u>	<u>44,939</u>
Net cash provided by operating activities	82,703	488,886
Cash flows from investing activities:		
Purchase of property and equipment	-	(213,309)
Proceeds from sale of property	57,825	227,051
Increase in investments, net	<u>(818,131)</u>	<u>(460,511)</u>
Net cash used in investing activities	(760,306)	(446,769)
Cash flows from financing activities:		
Payments on deferred gift liabilities	(61,854)	(57,629)
Long-term contributions received	947,269	613,996
Proceeds from line of credit loan	-	804,884
Payments on line of credit loan	(50,000)	(1,199,872)
Proceeds from PPP Loan	<u>-</u>	<u>40,300</u>
Net cash provided by financing activities	835,415	201,679
Net increase in cash	157,812	243,796
Cash, beginning of year	<u>954,964</u>	<u>711,168</u>
Cash, end of year	\$ <u>1,112,776</u>	\$ <u>954,964</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 27,566	\$ 42,008

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:

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:

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.

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Notes to the Consolidated Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

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.

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, 2021 and 2020 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 contributed assets placed in trust at fair value, and the actuarially determined present value of the liability payable 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. 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.

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. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as donor restricted revenue. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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.

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.

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Notes to the Consolidated Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

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 14, 2022, the date that the consolidated financial statements were available to be issued. Except as disclosed in Note 9, there were no events during the evaluation period that require recognition or disclosure in the consolidated financial statements.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, requiring all leases to be recognized on the Foundation's consolidated statements of financial position as a right-of-use asset and a lease liability, unless the lease is a short term lease (generally a lease with a term of twelve months or less). At the commencement date of the lease, the Foundation will recognize: 1) a lease liability for Foundation's obligation to make payments under the lease agreement, measured on a discounted basis; and 2) a right-of-use asset that represents the Foundation's right to use, or control the use of, the specified asset for the lease term. The ASU originally required recognition and measurement of leases at the beginning of the earliest period presented using a modified retrospective transition method. In July 2018, the FASB issued ASU 2018-11, which provided an additional (and optional) transition method that permits application of the updated standard at the adoption date with recognition of a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. In June 2020, the FASB issued ASU 2020-05, which deferred the effective date of ASU 2016-02. The updated standard will be effective for the Foundation for the year ending December 31, 2022. The Foundation has not yet selected a transition method and is currently evaluating the effect that the new standard will have on its consolidated financial statements.

In September 2020, the FASB released ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires a not-for-profit organization to present, apart from contributions of cash or other financial assets, contributed nonfinancial assets as a separate line item within its statement of activities. The ASU also requires additional quantitative and qualitative disclosures. The ASU requires a not-for-profit to disaggregate the non-financial gift, presented in the statement of activities, by asset category and disclose the category type and corresponding asset value. The ASU should be applied retroactively and will be effective for the Foundation for the year ending December 31, 2022. The Foundation has not yet selected a transition method but does not anticipate the implementation of the ASU to have a material impact to the consolidated financial statements.

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Notes to the Consolidated Financial Statements, continued

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 \$1,112,776 and \$954,964 as of December 31, 2021 and 2020, 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.

4. Investments

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

	<u>2021</u>		
	<u>Cost</u>	<u>Unrealized Gain (loss)</u>	<u>Fair Value</u>
Money market funds	\$ 1,482,601	\$ -	\$ 1,482,601
Mutual funds - fixed	9,092,126	162,419	9,254,545
Mutual funds - equity	2,781,479	405,076	3,186,555
Exchange traded funds	1,493,049	585,963	2,079,012
Marketable equity securities	12,150,856	5,427,586	17,578,442
Real property	105,000	-	105,000
Mortgage backed securities	<u>20,823</u>	<u>(473)</u>	<u>20,350</u>
	<u>\$ 27,125,934</u>	<u>\$ 6,580,571</u>	<u>\$ 33,706,505</u>
	<u>2020</u>		
	<u>Cost</u>	<u>Unrealized Gain</u>	<u>Fair 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>

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>2021</u>		<u>2020</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	\$ 2,250	\$ 806,407	\$ 2,660	\$ 696,431
Realized gain on investments	683	1,991,196	58	393,102
Unrealized gain on investments	13,797	1,076,461	12,573	2,744,031
Investment expenses	<u>(499)</u>	<u>(168,769)</u>	<u>(437)</u>	<u>(136,784)</u>
Investment income, net	<u>\$ 16,231</u>	<u>\$ 3,705,295</u>	<u>\$ 14,854</u>	<u>\$ 3,696,780</u>

5. Property and Equipment

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

	<u>2021</u>	<u>2020</u>
Land held for investment	\$ 8,493	\$ 8,493
Office equipment, furniture and fixtures	170,359	176,306
Home for Philanthropy	<u>2,623,071</u>	<u>2,623,071</u>
	2,801,923	2,807,870
Less accumulated depreciation	<u>(769,647)</u>	<u>(493,630)</u>
Property and equipment, net	<u>\$ 2,032,276</u>	<u>\$ 2,314,240</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>2021</u>	<u>2020</u>
Charitable remainder trusts:		
Assets	\$ 1,312,126	\$ 1,237,108
Liabilities	828,001	755,212

7. Fair Value Measurements

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

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, 2021 or 2020.

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.

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Notes to the Consolidated Financial Statements, continued

7. Fair Value Measurements, continued

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.

Deferred gift liabilities: The estimated fair value is based on the present value of the income distributions or other payments to the donors or other 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 and life expectancies using the applicable mortality tables, the date of the gift, the fair value of the amount gifted, the estimated rate of return, the payout schedule, and discount rate.

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>2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 1,482,601	\$ -	\$ -	\$ 1,482,601
Mutual funds - fixed	9,254,545	-	-	9,254,545
Mutual funds - equity	3,186,555	-	-	3,186,555
Exchange traded funds	2,079,012	-	-	2,079,012
Marketable equity securities	17,578,442	-	-	17,578,442
Real property	-	105,000	-	105,000
Mortgage backed securities	<u>20,350</u>	<u>-</u>	<u>-</u>	<u>20,350</u>
	<u>\$ 33,601,505</u>	<u>\$ 105,000</u>	<u>\$ -</u>	<u>\$ 33,706,505</u>

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Notes to the Consolidated Financial Statements, continued

7. Fair Value Measurements, continued

<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	<u>34,695</u>	<u>-</u>	<u>-</u>	<u>34,695</u>
	<u>\$ 29,806,234</u>	<u>\$ 73,000</u>	<u>\$ -</u>	<u>\$ 29,879,234</u>

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

<u>2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Deferred gift liabilities	\$ -	\$ -	\$ 828,001	\$ 828,001

<u>2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Deferred gift liabilities	\$ -	\$ -	\$ 755,212	\$ 755,212

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>2021</u>	<u>2020</u>
Beginning of year	\$ 755,212	\$ 674,500
Actuarial change	134,643	138,341
Payment obligations	<u>(61,854)</u>	<u>(57,629)</u>
End of year	<u>\$ 828,001</u>	<u>\$ 755,212</u>

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Notes to the Consolidated Financial Statements, continued

8. Endowment Funds

The Foundation's endowments consist of approximately 116 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.

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, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	\$ 110,225	\$ 24,251,461	\$ 24,361,686
Contributions	-	947,269	947,269
Investment return:			
Net investment income	2,635	743,547	746,182
Net realized and unrealized gains	-	2,608,723	2,608,723
Administered fund fees	-	(381,508)	(381,508)
Net assets utilized/released from restrictions	(2,635)	(327,868)	(330,503)
End of year	\$ 110,225	\$ 27,841,624	\$ 27,951,849

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Notes to the Consolidated Financial Statements, continued

8. Endowment Funds, continued

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:			
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>

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. As of December 31, 2021, there were no funds with deficiencies.

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.

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Notes to the Consolidated Financial Statements, continued

8. 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.

9. Line of Credit Loan and Note Payable

The Foundation has a \$1,200,000 line of credit with an expiration date of October 12, 2023 and interest rate of 4.5% as of December 31, 2021. The loan is collateralized by a first mortgage on the building. As of December 31, 2021 and 2020, \$754,884 and \$804,884 was outstanding on the loan, respectively. This line of credit was paid in full in April 2022.

On April 20, 2022, the Foundation entered into a note payable for \$756,166. Principal and interest are payable monthly and the note matures on April 20, 2037. The loan is collateralized by a first mortgage on the building.

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.

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

CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Notes to the Consolidated Financial Statements, continued

10. COVID-19, continued

Paycheck Protection Program Loan, continued

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.

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 \$7,175 and \$8,016 for the years ended December 31, 2021 and 2020, respectively.

12. Net Assets With Donor Restrictions

Net assets with donor restrictions are as follows:

	2021	2020
Subject to expenditure for specified purpose:		
Donor advised	\$ 979,316	\$ 1,165,755
Scholarships	2,011,251	1,784,487
Designated	554,062	892,482
Educational programs	93,885	86,644
Geographic Fund	5,296	5,397
Field of interest	479,025	111,638
Total subject to expenditure for specified purpose	4,122,835	4,046,403
Subject to passage of time:		
Charitable remainder trusts	484,125	481,924
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Scholarships	11,188,944	11,038,759
Designated	6,140,874	5,322,809
Field of interest	6,106,962	4,295,101
Unrestricted (M.A.D.E)	171,196	56,443
Donor advised	4,233,648	3,538,349
Total endowments	27,841,624	24,251,461
Total net assets with donor restriction	\$ 32,448,584	\$ 28,779,788

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>2021</u>	<u>2020</u>
Satisfaction of restrictions		
Donor advised	\$ 526,746	\$ 327,697
Support fee	450,105	330,609
Scholarships	457,944	189,363
Designated	146,736	124,783
Field of interest	74,089	34,490
Educational	15,482	59,480
Scholarship administrative fee	9,707	10,270
Distributions from charitable remainder trusts	<u>4,100</u>	<u>2,000</u>
Total net assets released from restriction	<u>\$ 1,684,909</u>	<u>\$ 1,078,692</u>