



Consolidated Financial Statements

for

**Central Kentucky Community Foundation, Inc.**

Years Ended December 31, 2023 and 2022  
with Independent Auditor's Report

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## **Independent Auditor's Report**

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, 2023 and 2022, 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, 2023 and 2022, 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 18, 2024

**CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.**

Consolidated Statements of Financial Position

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Current assets:		
Cash	\$ 245,961	\$ 1,100,426
Contributions receivable	<u>-</u>	<u>50</u>
Total current assets	<b>245,961</b>	1,100,476
Long-term assets:		
Investments	<b>33,512,485</b>	27,496,761
Property and equipment, net	<u>2,296,489</u>	<u>2,378,165</u>
Total long-term assets	<u><b>35,808,974</b></u>	<u>29,874,926</u>
Total assets	<u><b>\$ 36,054,935</b></u>	<u>\$ 30,975,402</u>

	<u>2023</u>	<u>2022</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 16,040	\$ 46,697
Payroll related liabilities	18,102	5,372
Agency fund liabilities	454,324	408,411
Current portion of note payable	41,217	39,852
Current portion of deferred gift liabilities for split-interest agreements	<u>52,898</u>	<u>48,913</u>
Total current liabilities	<b>582,581</b>	549,245
Long-term liabilities:		
Deferred gift liabilities for split-interest agreements, net of current portion	688,218	607,359
Note payable, net of current portion	<u>649,353</u>	<u>690,569</u>
Total long-term liabilities	<u>1,337,571</u>	<u>1,297,928</u>
Total liabilities	<b>1,920,152</b>	1,847,173
Net assets:		
Without donor restrictions:		
Undesignated	790,732	905,787
Invested in property and equipment, net of related debt	1,605,919	1,647,744
Designated by the Board for endowment	<u>110,225</u>	<u>110,225</u>
	<b>2,506,876</b>	2,663,756
With donor restrictions:		
Endowed	26,803,089	22,898,065
Non-endowed	<u>4,824,818</u>	<u>3,566,408</u>
	<u>31,627,907</u>	<u>26,464,473</u>
Total net assets	<u>34,134,783</u>	<u>29,128,229</u>
Total liabilities and net assets	<b>\$ <u>36,054,935</u></b>	<b>\$ <u>30,975,402</u></b>

See accompanying notes.

**CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.**

Consolidated Statements of Activities

Year ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support, gains and revenue:			
Contributions and bequests	\$ 105,668	\$ 3,253,051	\$ 3,358,719
Investment income, net	79,587	4,166,808	4,246,395
Change in value of split-interest agreements	-	(133,756)	(133,756)
Other income (loss)	<u>562,842</u>	<u>(44,007)</u>	<u>518,835</u>
	748,097	7,242,096	7,990,193
Net assets released from restriction	<u>2,078,662</u>	<u>(2,078,662)</u>	<u>-</u>
Total support, gains and revenue	2,826,759	5,163,434	7,990,193
Expenses:			
Program services:			
Grants awarded and distributions	1,939,642	-	1,939,642
Scholarships	249,895	-	249,895
Awarded grant and contract expenditures	123,195	-	123,195
Split-interest agreement expenditures	2,650	-	2,650
Other expense allocated to program services	<u>375,340</u>	<u>-</u>	<u>375,340</u>
Total program services	2,690,722	-	2,690,722
Support services:			
Management and general	227,309	-	227,309
Fundraising	<u>65,608</u>	<u>-</u>	<u>65,608</u>
Total support services	<u>292,917</u>	<u>-</u>	<u>292,917</u>
Total expenses	<u>2,983,639</u>	<u>-</u>	<u>2,983,639</u>
Change in net assets	(156,880)	5,163,434	5,006,554
Net assets, beginning of year	<u>2,663,756</u>	<u>26,464,473</u>	<u>29,128,229</u>
Net assets, end of year	<u>\$ 2,506,876</u>	<u>\$ 31,627,907</u>	<u>\$ 34,134,783</u>

**CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.**

Consolidated Statements of Activities, continued

Year ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support, gains and revenue:			
Contributions and bequests	\$ 95,802	\$ 1,573,874	\$ 1,669,676
Grants and contracts	100,000	-	100,000
Investment loss, net	(13,410)	(6,250,117)	(6,263,527)
Change in value of split-interest agreements	-	106,122	106,122
Other income (loss)	<u>924,766</u>	<u>(23,899)</u>	<u>900,867</u>
	1,107,158	(4,594,020)	(3,486,862)
Net assets released from restriction	<u>1,390,091</u>	<u>(1,390,091)</u>	<u>-</u>
Total support, gains and revenue	2,497,249	(5,984,111)	(3,486,862)
Expenses:			
Program services:			
Grants awarded and distributions	1,213,316	-	1,213,316
Scholarships	194,825	-	194,825
Awarded grant and contract expenditures	81,748	-	81,748
Split-interest agreement expenditures	2,550	-	2,550
Other expense allocated to program services	<u>365,438</u>	<u>-</u>	<u>365,438</u>
Total program services	1,857,877	-	1,857,877
Support services:			
Management and general	210,436	-	210,436
Fundraising	<u>67,646</u>	<u>-</u>	<u>67,646</u>
Total support services	<u>278,082</u>	<u>-</u>	<u>278,082</u>
Total expenses	<u>2,135,959</u>	<u>-</u>	<u>2,135,959</u>
Change in net assets	361,290	(5,984,111)	(5,622,821)
Net assets, beginning of year	<u>2,302,466</u>	<u>32,448,584</u>	<u>34,751,050</u>
Net assets, end of year	<u>\$ 2,663,756</u>	<u>\$ 26,464,473</u>	<u>\$ 29,128,229</u>

See accompanying notes.



**CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.**

Consolidated Statements of Functional Expenses

Year ended December 31, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Direct program services:				
Grants awarded and distributions	\$ 1,450,140	\$ -	\$ -	\$ 1,450,140
Scholarships	249,895	-	-	249,895
Awarded grant and contract expenditures	123,195	-	-	123,195
Program expenses	489,502	-	-	489,502
Split-interest agreement expenditures	<u>2,650</u>	<u>-</u>	<u>-</u>	<u>2,650</u>
	<b>2,315,382</b>	<b>-</b>	<b>-</b>	<b>2,315,382</b>
Functional expenses:				
Personnel	172,941	89,262	37,010	299,213
Contract Labor	17,784	41,496	-	59,280
Depreciation	46,742	29,744	8,498	84,984
Insurance	5,919	4,143	1,776	11,838
Interest	12,601	12,601	-	25,202
Kentucky Gives Day expenses	1,000	-	-	1,000
Marketing and public relations	26,248	-	-	26,248
Utilities and maintenance	20,269	12,898	3,685	36,852
Office supplies and expenses	1,572	1,000	286	2,858
Other disbursements	-	7,620	-	7,620
Professional enhancement	3,936	1,575	2,362	7,873
Professional fees	16,757	13,406	3,352	33,515
Service agreements and contracts	2,707	1,723	492	4,922
Information technology	16,782	10,679	3,051	30,512
Program expenses	26,017	-	-	26,017
Travel	<u>4,065</u>	<u>1,162</u>	<u>581</u>	<u>5,808</u>
	<b>375,340</b>	<b>227,309</b>	<b>61,093</b>	<b>663,742</b>
Direct fundraising expenses	<u>-</u>	<u>-</u>	<u>4,515</u>	<u>4,515</u>
Total functional expenses	<b><u>\$ 2,690,722</u></b>	<b><u>\$ 227,309</u></b>	<b><u>\$ 65,608</u></b>	<b><u>\$ 2,983,639</u></b>

**CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.**

Consolidated Statements of Functional Expenses, continued

Year ended December 31, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Direct program services:				
Grants awarded and distributions	\$ 740,201	\$ -	\$ -	\$ 740,201
Scholarships	194,825	-	-	194,825
Awarded grant and contract expenditures	81,748	-	-	81,748
Program expenses	473,115	-	-	473,115
Split-interest agreement expenditures	<u>2,550</u>	<u>-</u>	<u>-</u>	<u>2,550</u>
	1,492,439	-	-	1,492,439
Functional expenses:				
Personnel	161,045	82,775	34,967	278,787
Contract Labor	28,255	28,255	-	56,510
Depreciation	47,661	30,330	8,666	86,657
Insurance	5,316	3,721	1,595	10,632
Interest	12,957	12,957	-	25,914
Kentucky Gives Day expenses	1,800	-	-	1,800
Marketing and public relations	19,124	-	-	19,124
Utilities and maintenance	15,326	9,753	2,787	27,866
Office space and telephone	2,795	1,779	508	5,082
Other disbursements	-	10,169	-	10,169
Professional enhancement	14,390	5,756	8,634	28,780
Professional fees	9,200	11,500	2,300	23,000
Service agreements and contracts	19,102	12,156	3,473	34,731
Program expenses	23,970	-	-	23,970
Travel	<u>4,497</u>	<u>1,285</u>	<u>643</u>	<u>6,425</u>
	365,438	210,436	63,573	639,447
Direct fundraising expenses	<u>-</u>	<u>-</u>	<u>4,073</u>	<u>4,073</u>
Total functional expenses	<u>\$ 1,857,877</u>	<u>\$ 210,436</u>	<u>\$ 67,646</u>	<u>\$ 2,135,959</u>

See accompanying notes.

**CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.**

Consolidated Statements of Cash Flows

Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 5,006,554	\$ (5,622,821)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	84,984	86,657
Accumulated depreciation adjustment - see note 2	-	(443,703)
Realized and unrealized loss (gain) on investments	(3,522,276)	6,796,234
Loss on sale of property	-	15,098
Contributed stock	(334,081)	-
Long-term contributions	(1,154,091)	(853,344)
Actuarial change in deferred gift liabilities	137,742	(128,636)
Increase (decrease) in cash due to changes in:		
Contributions receivable	50	550
Accounts payable	(30,657)	42,242
Payroll related liabilities	12,730	(1,589)
Agency fund liabilities	45,913	(98,395)
	246,868	(207,707)
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(3,308)	(3,941)
Purchase of investments, net	(2,159,367)	(586,490)
	(2,162,675)	(590,431)
<b>Cash flows from financing activities:</b>		
Payments on deferred gift liabilities	(52,898)	(43,093)
Proceeds from note payable	-	756,166
Payments on note payable	(39,851)	(25,745)
Long-term contributions received	1,154,091	853,344
Payments on line of credit loan	-	(754,884)
	1,061,342	785,788
Net cash provided by financing activities	1,061,342	785,788
Net decrease in cash	(854,465)	(12,350)
Cash, beginning of year	1,100,426	1,112,776
Cash, end of year	\$ 245,961	\$ 1,100,426
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the year for interest	\$ 25,202	\$ 25,914

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. There was no allowance as of December 31, 2023 and 2022.

#### 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 significant 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, 2023 and 2022 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.

#### 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.

## CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Notes to the Consolidated Financial Statements, continued

### 2. Summary of Significant Accounting Policies, continued

#### Revenue and Revenue Recognition, continued

The Foundation had two donors that totaled \$848,399 and 25% of total contribution and bequest revenue for the year ended December 31, 2023. There were no significant concentrations of donors for the year ended December 31, 2022.

#### 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.

#### 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. The Foundation's management does not believe the Foundation has any unrelated business income. Accordingly, no provision for income taxes has been made.

#### Accumulated Depreciation Adjustment

During 2022, the Foundation discovered that the useful lives of certain building assets were historically inappropriate, which resulted in an incorrect calculation of accumulated depreciation related to those assets. Due to the insignificant impact on the total assets and net assets a correction of \$443,703 was accounted for as other income and a decrease to accumulated depreciation during 2022.

#### Subsequent Events

Management has evaluated subsequent events for accounting and disclosure requirements through July 18, 2024, the date that the consolidated financial statements were available to be issued.

## 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 consolidated statement of financial position date, comprise of cash totaling \$245,961 and \$1,100,426 as of December 31, 2023 and 2022, 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>2023</u>		
	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Fair Value</u>
Money market funds	\$ 3,971,183	\$ -	\$ 3,971,183
Mutual funds - fixed	9,120,498	(583,772)	8,536,726
Mutual funds - equity	989,655	(7,870)	981,785
Exchange traded funds	7,233,415	1,195,913	8,429,328
Marketable equity securities	9,089,382	2,359,866	11,449,248
Real property	129,846	-	129,846
Mortgage backed securities	<u>16,611</u>	<u>(2,242)</u>	<u>14,369</u>
	<u>\$ 30,550,590</u>	<u>\$ 2,961,895</u>	<u>\$ 33,512,485</u>
	<u>2022</u>		
	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Fair Value</u>
Money market funds	\$ 3,056,597	\$ -	\$ 3,056,597
Mutual funds - fixed	7,457,649	(876,807)	6,580,842
Mutual funds - equity	2,343,264	(483,437)	1,859,827
Exchange traded funds	2,603,810	6,089	2,609,899
Marketable equity securities	12,017,500	1,354,131	13,371,631
Mortgage backed securities	<u>20,703</u>	<u>(2,738)</u>	<u>17,965</u>
	<u>\$ 27,499,523</u>	<u>\$ (2,762)</u>	<u>\$ 27,496,761</u>



## CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.

Notes to the Consolidated Financial Statements, continued

### 4. Investments, continued

The following schedule summarizes the investment income (loss) 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>2023</u>		<u>2022</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	\$ 47,632	\$ 813,760	\$ 6,879	\$ 667,671
Realized gain (loss) on investments	2,198	556,074	(1,823)	(216,602)
Unrealized gain (loss) on investments	30,444	2,934,213	(17,902)	(6,559,907)
Investment expenses	<u>(687)</u>	<u>(137,239)</u>	<u>(564)</u>	<u>(141,279)</u>
Investment income (loss), net	<u>\$ 79,587</u>	<u>\$ 4,166,808</u>	<u>\$ (13,410)</u>	<u>\$ (6,250,117)</u>

### 5. Property and Equipment

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

	<u>2023</u>	<u>2022</u>
Land	\$ 8,493	\$ 8,493
Office equipment, furniture and fixtures	128,327	125,019
Home for Philanthropy	<u>2,612,410</u>	<u>2,612,410</u>
	<b>2,749,230</b>	2,745,922
Less accumulated depreciation	<u>(452,741)</u>	<u>(367,757)</u>
Property and equipment, net	<u>\$ 2,296,489</u>	<u>\$ 2,378,165</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>2023</u>	<u>2022</u>
Charitable remainder trusts:		
Assets	\$ 1,057,962	\$ 978,268
Liabilities	\$ 741,116	\$ 656,272

### 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, 2023 or 2022.

*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>2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 3,971,183	\$ -	\$ -	\$ 3,971,183
Mutual funds - fixed	8,536,726	-	-	8,536,726
Mutual funds - equity	981,785	-	-	981,785
Exchange traded funds	8,429,328	-	-	8,429,328
Marketable equity securities	11,449,248	-	-	11,449,248
Real property	-	129,846	-	129,846
Mortgage backed securities	<u>14,369</u>	<u>-</u>	<u>-</u>	<u>14,369</u>
	<u>\$ 33,382,639</u>	<u>\$ 129,846</u>	<u>\$ -</u>	<u>\$ 33,512,485</u>
<u>2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 3,056,597	\$ -	\$ -	\$ 3,056,597
Mutual funds - fixed	6,580,842	-	-	6,580,842
Mutual funds - equity	1,859,827	-	-	1,859,827
Exchange traded funds	2,609,899	-	-	2,609,899
Marketable equity securities	13,371,631	-	-	13,371,631
Mortgage backed securities	<u>17,965</u>	<u>-</u>	<u>-</u>	<u>17,965</u>
	<u>\$ 27,496,761</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,496,761</u>

**CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.**

Notes to the Consolidated Financial Statements, continued

**7. Fair Value Measurements, continued**

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

<u>2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Deferred gift liabilities	\$ -	\$ -	\$ 741,116	\$ 741,116

<u>2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Deferred gift liabilities	\$ -	\$ -	\$ 656,272	\$ 656,272

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>2023</u>	<u>2022</u>
Beginning of year	\$ 656,272	\$ 828,001
Actuarial change	137,742	(128,636)
Payment obligations	<u>(52,898)</u>	<u>(43,093)</u>
End of year	<u>\$ 741,116</u>	<u>\$ 656,272</u>

**8. Endowment Funds**

The Foundation's endowments consist of 135 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, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	\$ 110,225	\$ 22,898,065	\$ 23,008,290
Contributions	-	1,154,091	1,154,091
Investment return:			
Net investment income	8,875	3,631,094	3,639,969
Administered fund fees	-	(367,671)	(367,671)
Net assets utilized/released from restrictions	(8,875)	(512,490)	(521,365)
End of year	\$ 110,225	\$ 26,803,089	\$ 26,913,314

Changes in endowment net assets during the year ended December 31, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	\$ 110,225	\$ 27,841,624	\$ 27,951,849
Contributions	-	857,742	857,742
Investment return:			
Net investment income (loss)	2,635	(5,170,645)	(5,168,010)
Administered fund fees	-	(391,201)	(391,201)
Net assets utilized/released from restrictions	(2,635)	(239,455)	(242,090)
End of year	\$ 110,225	\$ 22,898,065	\$ 23,008,290

## 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. As of December 31, 2023 and 2022, 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.

#### *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.

**CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.**

Notes to the Consolidated Financial Statements, continued

**9. Note Payable**

Note payable consists of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Note payable with a financial institution maturing in April 2037 bearing a variable interest rate (3.490% at December 31, 2023 and December 31, 2022). Note is secured by a mortgage dated April 20, 2022, to the lender on real property located in Hardin County, Kentucky. Interest and principal payments of \$5,421 are due monthly through the maturity date, at which time any remaining principal becomes due.	\$ 690,570	\$ 730,421
Less: amounts due within one year	<u>(41,217)</u>	<u>(39,852)</u>
Long-term portion of debt	<u>\$ 649,353</u>	<u>\$ 690,569</u>

Future maturities of debt are as follows:

2024	\$ 41,217
2025	42,308
2026	43,697
2027	44,263
2028	45,632
Thereafter	<u>473,453</u>
Total principal payments	<u>\$ 690,570</u>

**10. 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 \$12,330 and \$6,882 for the years ended December 31, 2023 and 2022, respectively.

**CENTRAL KENTUCKY COMMUNITY FOUNDATION, INC.**

Notes to the Consolidated Financial Statements, continued

**11. Net Assets With Donor Restrictions**

Net assets with donor restrictions as of December 31 are as follows:

	<b>2023</b>	<b>2022</b>
Subject to expenditure for specified purpose:		
Donor advised	\$ 1,328,160	\$ 757,651
Scholarships	2,098,540	1,427,978
Designated	465,090	460,471
Educational programs	185,690	159,488
Geographic Fund	5,486	5,306
Field of interest	425,006	433,519
Total subject to expenditure for specified purpose	<b>4,507,972</b>	3,244,413
Subject to passage of time:		
Charitable remainder trusts	<b>316,846</b>	321,995
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Scholarships	10,309,821	9,076,189
Designated	6,371,598	5,167,300
Field of interest	5,584,533	4,955,934
Unrestricted (M.A.D.E)	135,202	120,328
Donor advised	4,401,935	3,578,314
Total endowments	<b>26,803,089</b>	22,898,065
Total net assets with donor restriction	<b>\$ 31,627,907</b>	<b>\$ 26,464,473</b>

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:

	<b>2023</b>	<b>2022</b>
Satisfaction of restrictions:		
Donor advised	\$ 373,660	\$ 358,858
Support fee	420,351	453,662
Scholarships	242,264	192,305
Designated	739,510	193,009
Field of interest	247,796	142,775
Educational	35,165	30,097
Scholarship administrative fee	17,266	16,835
Distributions from charitable remainder trusts	2,650	2,550
Total net assets released from restriction	<b>\$ 2,078,662</b>	<b>\$ 1,390,091</b>