



**COMMUNITY FOUNDATION OF WEST KENTUCKY, INC.
AND AFFILIATES**

(A Not-For-Profit Organization)

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

Affiliated Organizations Include:

Western Kentucky Community Development, Inc
Community Improvement Foundation
Murray-Calloway County Community Foundation
Community Foundation of Henderson
Glasgow-Barren County Community Foundation
Marshall County Community Foundation
Livingston County Community Foundation

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
COMMUNITY FOUNDATION OF WEST KENTUCKY, INC.
Paducah, Kentucky

I have audited the accompanying consolidated financial statements of Community Foundation of West Kentucky, Inc. (a not-for-profit organization) and affiliates as of December 31, 2020 and 2019 which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and change in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

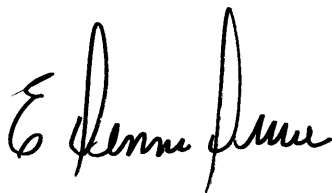
Opinion

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

Other Matter

New Accounting Pronouncement

As discussed in Note B, effective for the year ended December 31, 2020, the Organization adopted Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*. My opinion is not modified with respect to this matter.



April 20, 2021
Paducah, Kentucky

COMMUNITY FOUNDATION OF WEST KENTUCKY, INC.
AND AFFILIATES
(A Not-For-Profit Organization)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and short-term investments	\$ 3,630,969	\$ 3,709,962
Accrued investment income	16,290	38,020
Accounts Receivable	1,881	1,533
Investments with readily determinable values	32,317,393	27,080,072
Other investments	-	33,423
Furniture, equipment and software	37,107	36,787
Less accumulated depreciation	(35,025)	(34,328)
Prepaid expenses	<u>7,732</u>	<u>7,437</u>
TOTAL ASSETS	<u>\$ 35,976,347</u>	<u>\$ 30,872,906</u>
LIABILITIES		
Agency funds	\$ 4,548,845	\$ 3,597,044
Liability to beneficiaries	66,636	61,821
Accounts payable	1,965	566
Salaries and payroll taxes payable	36,701	24,447
Liability under split-interest agreement	<u>112,610</u>	<u>97,710</u>
TOTAL LIABILITIES	4,766,757	3,781,588
Net Assets		
Retained earnings	(1,793)	(1,423)
Without donor restrictions:		
Undesignated	303,849	214,771
Invested in furniture, equipment and software	<u>2,082</u>	<u>2,459</u>
Total net assets without donor restrictions	305,931	217,230
With donor restrictions:		
Endowed	28,243,817	25,066,907
Non-endowed	<u>2,661,635</u>	<u>1,808,604</u>
Total net assets with donor restrictions	<u>30,905,452</u>	<u>26,875,511</u>
TOTAL NET ASSETS	<u>31,209,590</u>	<u>27,091,318</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 35,976,347</u>	<u>\$ 30,872,906</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

COMMUNITY FOUNDATION OF WEST KENTUCKY, INC.
AND AFFILIATES
(A Not-For-Profit Organization)

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

	2020			
	Without Donor Restrictions	With Donor Restrictions	Retained Earnings	Total
Support and revenue				
Contributions	\$ 5,062	\$ 4,274,260	\$ -	\$ 4,279,322
Less received for agency funds	-	(406,966)	-	(406,966)
Investment income (loss), net	-	3,504,464	-	3,504,464
Change in value of split-interest agreement	-	2,562	-	2,562
Administrative fee revenue	30,951	-	-	30,951
Other income	26,625	-	-	26,625
PPP loan forgiveness	35,500	-	-	35,500
Net assets released from restrictions	3,344,379	(3,344,379)	-	-
Total support and revenue	3,442,517	4,029,941	-	7,472,458
Direct program services				
Grants awarded	2,790,899	-	-	2,790,899
Less amounts awarded for agency funds	(51,241)	-	-	(51,241)
Scholarships	145,960	-	-	145,960
Projects	167,982	-	-	167,982
Total direct program expenses	3,053,600	-	-	3,053,600
Expenses				
Support services				
Management and general	220,612	-	370	220,982
Fund raising	79,604	-	-	79,604
Total support services	300,216	-	370	300,586
Total expenses	3,353,816	-	370	3,354,186
Change in net assets	88,701	4,029,941	(370)	4,118,272
Net assets, beginning of the year	217,230	26,875,511	(1,423)	27,091,318
Net assets, end of year	\$ 305,931	\$ 30,905,452	\$ (1,793)	\$ 31,209,590

The Notes to Consolidated Financial Statements are an integral part of this statement.

COMMUNITY FOUNDATION OF WEST KENTUCKY, INC.
AND AFFILIATES
(A Not-For-Profit Organization)

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

	2019			
	Without Donor Restrictions	With Donor Restrictions	Retained Earnings	Total
Support and revenue				
Contributions	\$ 8,705	\$ 2,891,019	\$ -	\$ 2,899,724
Less received for agency funds	-	(584,296)	-	(584,296)
Investment income (loss), net	-	3,837,939	-	3,837,939
Change in value of split-interest agreement	-	2,865	-	2,865
Administrative fee revenue	26,732	-	-	26,732
Other income	3,580	-	-	3,580
Net assets released from restrictions	1,975,373	(1,975,373)	-	-
Total support and revenue	2,014,390	4,172,154	-	6,186,544
Direct program services				
Grants awarded	1,552,728	-	-	1,552,728
Less amounts awarded for agency funds	(29,549)	-	-	(29,549)
Scholarships	122,050	-	-	122,050
Projects	15,147	-	-	15,147
Total direct program expenses	1,660,376	-	-	1,660,376
Expenses				
Support services				
Management and general	209,121	-	370	209,491
Fund raising	92,545	-	-	92,545
Total support services	301,666	-	370	302,036
Total expenses	1,962,042	-	370	1,962,412
Change in net assets	52,348	4,172,154	(370)	4,224,132
Net assets, beginning of the year	164,882	22,703,357	(1,053)	22,867,186
Net assets, end of year	\$ 217,230	\$ 26,875,511	\$ (1,423)	\$ 27,091,318

The Notes to Consolidated Financial Statements are an integral part of this statement.

COMMUNITY FOUNDATION OF WEST KENTUCKY, INC.
AND AFFILIATES
(A Not-For-Profit Organization)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020

	2020				
	Program Services	Management and General	Fund Raising	Retained Earnings	Total
Direct program services					
Grants awarded	\$ 2,790,899	\$ -	\$ -	\$ -	\$ 2,790,899
Less amounts awarded for agency funds	(51,241)	-	-	-	(51,241)
Scholarships	145,960	-	-	-	145,960
Projects	167,982	-	-	-	167,982
Total direct program expenses	3,053,600	-	-		3,053,600
Functional expenses					
Personnel	-	163,286	53,016	-	216,302
Professional fees	-	13,875	-	180	14,055
Office supplies	-	2,524	-	-	2,524
Telephone	-	4,439	-	-	4,439
Rent	-	11,711	-	-	11,711
Postage	-	1,699	-	-	1,699
Printing	-	-	745	-	745
Dues and subscriptions	-	1,247	-	-	1,247
Computer and web site support	-	7,647	-	-	7,647
Insurance	-	5,551	-	-	5,551
Other expenses	-	5,761	-	-	5,761
Conferences and meetings	-	-	635	-	635
Travel	-	-	445	-	445
Advertising	-	-	13,252	-	13,252
Depreciation	-	697	-	-	697
Income taxes	-	2,175	-	190	2,365
Total functional expenses	-	220,612	68,093	370	289,075
Direct fund raising expenses	-	-	11,511	-	11,511
Total expenses	\$ 3,053,600	\$ 220,612	\$ 79,604	\$ 370	\$ 3,354,186

The Notes to Consolidated Financial Statements are an integral part of this statement.

COMMUNITY FOUNDATION OF WEST KENTUCKY, INC.
AND AFFILIATES
(A Not-For-Profit Organization)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

	2019				
	Program Services	Management and General	Fund Raising	Retained Earnings	Total
Direct program services					-
Grants awarded	\$ 1,552,728	\$ -	\$ -	\$ -	\$ 1,552,728
Less amounts awarded for agency funds	(29,549)	-	-	-	(29,549)
Scholarships	122,050	-	-	-	122,050
Projects	15,147	-	-	-	15,147
Total direct program expenses	1,660,376	-	-		1,660,376
Functional expenses					
Personnel	-	153,867	50,772	-	204,639
Professional fees	-	13,700	-	180	13,880
Office supplies	-	2,964	-	-	2,964
Telephone	-	3,295	-	-	3,295
Rent	-	13,324	-	-	13,324
Postage	-	1,559	-	-	1,559
Printing	-	-	826	-	826
Dues and subscriptions	-	601	-	-	601
Computer and web site support	-	7,921	-	-	7,921
Insurance	-	5,447	-	-	5,447
Other expenses	-	2,628	-	-	2,628
Conferences and meetings	-	-	1,664	-	1,664
Travel	-	-	2,787	-	2,787
Advertising	-	-	21,480	-	21,480
Depreciation	-	584	-	-	584
Income taxes	-	3,231	-	190	3,421
Total functional expenses	-	209,121	77,529	370	287,020
Direct fund raising expenses	-	-	15,016	-	15,016
Total expenses	\$ 1,660,376	\$ 209,121	\$ 92,545	\$ 370	\$ 1,962,412

The Notes to Consolidated Financial Statements are an integral part of this statement.

COMMUNITY FOUNDATION OF WEST KENTUCKY, INC.
AND AFFILIATES
(A Not-For-Profit Organization)

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,118,272	\$ 4,224,132
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	697	584
Net (gain) loss on investments	(3,504,464)	(3,837,939)
Non-cash contributions	(447,325)	(460,819)
(Increase) Decrease in:		
Accrued investment income	21,730	(929)
Grants and other receivables	(348)	(1,534)
Prepaid expenses	(295)	(440)
(Decrease) Increase in:		
Agency funds	951,801	964,479
Liability to beneficiaries	4,815	(98,406)
Accounts payable	1,399	(40)
Grants payable	-	(7,500)
Salaries and payroll taxes payable	12,254	610
Liability under split-interest agreement	14,900	15,429
NET CASH USED IN OPERATING ACTIVITIES	1,173,436	797,627
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	14,677,431	7,021,227
Acquisition of investments	(16,354,753)	(8,185,309)
Acquisition of capital outlay	(320)	(2,061)
Proceeds from sales of donated assets	425,213	404,774
NET CASH USED IN INVESTING ACTIVITIES	(1,252,429)	(761,369)
INCREASE IN CASH AND SHORT-TERM INVESTMENTS	(78,993)	36,258
CASH AND SHORT-TERM INVESTMENTS, beginning of year	3,709,962	3,673,704
CASH AND SHORT-TERM INVESTMENTS, end of year	\$ 3,630,969	\$ 3,709,962
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for:		
Income taxes	\$ 2,365	\$ 3,436

The Notes to Consolidated Financial Statements are an integral part of these statements.

**COMMUNITY FOUNDATION OF WEST KENTUCKY, INC.
AND AFFILIATES**

(A Not-For-Profit Organization)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

NOTE A: THE ORGANIZATION

Nature of Organization

Community Foundation of West Kentucky, Inc. is a not-for-profit organization building a community-based permanent endowment that matches philanthropic interests of donors with unmet community needs. The Foundation is organized exclusively for charitable, literary, educational and scientific purposes and to receive, hold, administer and invest money and property received by gift, devise, payments, bequest or appointment for charitable purposes, primarily in, or for the benefit of, the people of the Commonwealth of Kentucky, in particular the City of Paducah, Kentucky, the County of McCracken, and other counties of the Jackson Purchase area.

Community Foundation of West Kentucky, Inc. effectively controls all operational aspects of the affiliate organizations described below. The financial activity of the affiliate has been consolidated in the accompanying financial statements. All significant inter-affiliate transactions and balances have been eliminated. Community Foundation and affiliate are collectively referred to as the "Community Foundation" in these consolidated notes.

Western Kentucky Community Development, Inc. is a for-profit entity organized by the Community Foundation to receive income subject to unrelated business income tax generated by the Community Foundation and to provide advice and counsel, on a fee basis, to local not-for-profit organizations to assist them in marketing and fund raising efforts to expand their financial basis.

The Community Foundation of West Kentucky, Inc. has affiliation agreements with the following organizations:

Community Improvement Foundation
Murray-Calloway County Community Foundation
Community Foundation of Henderson
Glasgow-Barren County Community Foundation
Marshall County Community Foundation
Livingston County Community Foundation

These foundations are controlled by the board of The Community Foundation of West Kentucky, Inc. Each affiliate appoints one member to the board of directors.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States. Under generally accepted accounting principles, not-for-profit organizations are required to report information regarding their financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Under the Community Foundation's governing documents and applicable laws, the Community Foundation has the right and power to vary the use of certain gifts from their original donor-prescribed purpose.

Accounting standards provide that if the governing body of an organization has the ability to remove a donor restriction, the contribution should be classified as unrestricted. However, the assets are held as endowment funds until such time, if ever, as the governing body deems it prudent and appropriate under its variance power to redirect some part of the principal or appreciation.

Assets accepted subject to restrictions, including split-interest agreements and certain trusts, are classified as either without donor restrictions or with donor restrictions, depending on the restrictions.

Cash and Short-Term Investments

Cash and short-term investments include bank accounts, certificates of deposit and money market funds.

**COMMUNITY FOUNDATION OF WEST KENTUCKY, INC.
AND AFFILIATES**

(A Not-For-Profit Organization)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Net Assets

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

Net assets without donor restrictions - represent resources whose use is not limited or restricted by donors. They generally arise as a result of unrestricted contributions or restricted contributions whose restrictions have expired.

Net assets with donor restrictions - represent resources whose use by the Foundation are either limited by donors for the purpose and/or time in which they may be expended or limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. Net assets with donor restriction are reclassified to net assets without donor restriction as net assets released from restriction as their time and/or purpose requirements are met. The investment return on net assets with donor restriction may be restricted or unrestricted according to the donor's wishes.

Investments

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investment return includes interest, dividends and realized and unrealized gains and losses on investments.

The Foundation maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest in each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts. The amounts held for the benefit of others are also a component of the pooled investment fund and reflect the funds held by the Foundation for the benefit of outside parties.

Furniture and Equipment

Furniture and equipment are stated at cost (if purchased) or the fair value at the date of donation. The Community Foundation capitalizes assets with an initial cost greater than \$500 which have a useful life of three or more years. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets of five years. No assets were donated during the year.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as net assets with donor restrictions and then released from restriction.

Contributed Services

The Foundation records the value of donated services when there is an objective basis available to measure their value. For the years ended December 31, 2020 and 2019, the value of donated services totaled \$3,500 for each year.

**COMMUNITY FOUNDATION OF WEST KENTUCKY, INC.
AND AFFILIATES**

(A Not-For-Profit Organization)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Functional Allocation of Expenses

The costs of providing the various programs and other activities of the Foundation are summarized on a functional basis in the accompanying 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.

Grants

Grants are recorded as an expense of the Community Foundation when approved by the Board of Directors and after satisfaction by the recipients of any conditions associated with the payment.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, as amended, and has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Code. The Commonwealth of Kentucky exempts organizations from taxation that have been granted exemption by the Internal Revenue Service. The taxable affiliate consolidated in these financial statements had no taxable income during 2020 or 2019. A provision for income taxes of -0- is included in 2020 and 2019. The Western Kentucky Community Development, Inc. held no substantial assets at years-end for 2020 and 2019.

The Foundation has applied the provisions of Accounting Standards Codification (ASC) 740, *Income Taxes*. The Foundation uses an ASC 450-20, *Loss Contingencies*, approach for evaluating uncertain tax positions. The Foundation continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax and new authoritative rulings.

Tax years ended December 31, 2017, 2018, 2019 and 2020 remain open for examination by taxing authorities.

Internal Management Fees

The Community Foundation charges a quarterly maintenance fee internally for endowed and non-endowed funds under management. These fees help fund the general operations of the Community Foundation. These fees are recorded internally both as revenue and expense and have been eliminated in the consolidated financial statement presentation since the fees do not come from sources external to the Foundation.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is not permitted before 2019. The updated standard becomes effective for the Foundation for the year ending December 31, 2019. On May 20, 2020, the FASB delayed implementation of ASU 2014-09 for financial statements not yet issued until years beginning after December 15, 2019 due to the COVID-19 crisis.

**COMMUNITY FOUNDATION OF WEST KENTUCKY, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Recent Accounting Pronouncements, continued

Management implemented ASU 2014-09 in 2020, and the implementation did not have a significant or material effect on the Foundation's financial statements.

NOTE C: 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 the following:

Cash	\$249,527
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Based on historical transactions, the Foundation typically maintains more than 90 days of cash on hand. As of December 31, 2020, days of cash on hand was approximately 302 days.

NOTE D: CONCENTRATION OF CREDIT RISK

The Community Foundation maintains its cash balances at local banks, which at times exceed federally insured limits. The accounts in the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Community Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

The Foundation's investment portfolio consists of diversified investments, which are subject to market risk, but are not subject to concentrations in any sector.

NOTE E: INVESTMENTS

Investments are comprised of investments for Foundation purposes and funds held for others under agreements accounted for in accordance with Accounting Standards Codification (ASC) 958-605.

At December 31, 2020 and 2019, investments with readily determinable fair values consisted of:

	2020		
	Cost	Unrealized Gain (Loss)	Market Value
U S Government obligations	\$ 10,765,175	\$ 229,652	\$ 10,994,827
Corporate bonds, notes, equities and mutual funds	16,262,786	4,858,729	21,121,515
Real Estate	201,687	(636)	201,051
	\$ 27,229,648	\$ 5,087,745	\$ 32,317,393
	2019		
	Cost	Unrealized Gain (Loss)	Market Value
U S Government obligations	\$ 10,456,220	\$ 14,221	\$ 10,470,441
Corporate bonds, notes, equities and mutual funds	12,781,079	3,421,930	16,203,009
Real Estate	266,634	139,988	406,622
	\$ 23,503,933	\$ 3,576,139	\$ 27,080,072

**COMMUNITY FOUNDATION OF WEST KENTUCKY, INC.
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(A Not-For-Profit Organization)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

NOTE E: INVESTMENTS, continued

The following schedule summarizes the investment return and its classifications in the statement 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 as of December 31, 2020 and 2019:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest, dividends and royalties	\$ -	\$ 428,738	\$ 428,738
Realized gains on investments	-	1,852,457	1,852,457
Unrealized gains on investments	-	1,337,247	1,337,247
Investment expenses	-	(113,978)	(113,978)
Investment return, net	\$ -	\$ 3,504,464	\$ 3,504,464
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest, dividends and royalties	\$ -	\$ 609,633	\$ 609,633
Realized gains on investments	-	424,691	424,691
Unrealized gains on investments	-	2,909,514	2,909,514
Investment expenses	-	(105,899)	(105,899)
Investment return, net	\$ -	\$ 3,837,939	\$ 3,837,939

Other Investments

Other investments are comprised of ownership interests in a royalty interest, which is valued at its estimated fair market value.

NOTE F: GRANTS

Amounts raised for agency endowment funds are recorded as a liability, and grants made from those funds are reported as reductions to the liability. The following summarizes grants made for the years ended December 31, 2020 and 2019:

	2020	2019
Total grants made	\$ 2,936,859	\$ 1,674,778
Less scholarships included	(145,960)	(122,050)
	\$ 2,790,899	\$ 1,552,728

NOTE G: AGENCY AND TRUST FUNDS

The Community Foundation accepts funds from and holds funds for the benefit of other not-for-profit organizations. These funds are not considered net revenue to the Community Foundation and are shown as "Agency Funds" and trust funds are shown as "Liability to Beneficiaries" in the accompanying consolidated statements of financial position.

**COMMUNITY FOUNDATION OF WEST KENTUCKY, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

NOTE G: AGENCY AND TRUST FUNDS, continued

For the years ended December 31, 2020 and 2019, total agency and trust fund activity consisted of:

	Agency Funds		Trust Funds	
	2020	2019	2020	2019
Contributions	\$ 406,966	\$ 584,296	\$ -	\$ -
Investment income (loss)	481,862	440,344	6,659	11,534
Grants	(51,241)	(29,549)	(875)	(108,347)
Fees				
Administrative fees	(30,018)	(25,661)	(310)	(479)
Bank fees	(17,274)	(13,951)	(277)	(494)
Administrative expenses	-	-	(340)	(510)
Income taxes	-	-	(42)	(110)
Transferred from/(to) endowed funds	161,506	9,000	-	-
Net increase (decrease)	951,801	964,479	4,815	(98,406)
Balance, beginning of the year	3,597,044	2,632,565	61,821	160,227
Balance, end of the year	\$ 4,548,845	\$ 3,597,044	\$ 66,636	\$ 61,821

NOTE H: SPLIT-INTEREST AGREEMENT

The Community Foundation entered into a charitable remainder trust with a donor in 2005. The agreement obligates the Community Foundation to pay to the donor the net income of the trust, but not to exceed 8% of the fair market value of the trust assets, as of the last day of the previous year. The initial and subsequent contributions and all earnings thereon are restricted for use to satisfy annuity payments until the death of annuitant and successor annuitant at which time all related assets become temporarily restricted net assets of the Community Foundation. A liability has been recorded in an amount that approximates the net present value of the annuity to the donor based upon assumptions of the annuitant's mortality and a discount rate to calculate return on assets. The discount rate utilized is 8% based upon the "Annuity 2000 Mortality Table." The net difference between the initial contribution and the estimated present value of the obligation was recorded as a charitable contribution. The liability is revalued annually for changes in assumptions, and the resulting change is charged or credited to operations as "change in value of split-interest agreement liability." As of December 31, 2020 and 2019, the split-interest agreement assets totaled \$144,279 and \$126,817, respectively, and its liabilities totaled \$112,610 and \$97,710, respectively.

NOTE I: AFFILIATION AGREEMENTS

The Community Foundation entered into an affiliation agreement with the Hopkins County Community Improvement Foundation (an unincorporated entity), effective January 10, 2006. During 2011, the Foundation entered into affiliation agreements with Murray-Calloway County Community Foundation and the Community Foundation of Henderson. During 2018, the Foundation entered into an affiliation agreement with Marshall County Community Foundation. During 2019, the Foundation entered into an affiliation agreement with Livingston County Community Foundation. The affiliation agreement with the Hopkins County Community Improvement Foundation was terminated in 2020.

The agreements stipulate that one member of the advisory board of each affiliate will be added to the board of the Community Foundation. The affiliates will make donations to the Community Foundation for management, subject to normal fees, as defined in the agreements. In exchange for the fees paid, the Community Foundation is responsible for all accounting fees, liability and errors and omissions insurance and all other corporate materials.

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NOTE I: AFFILIATION AGREEMENTS, continued

Termination of the agreements requires consent of two-thirds of each affiliate's board and the board of the Community Foundation.

Transfers from the affiliates to the Community Foundation are accounted for as contributions in the consolidated statement of activities in these financial statements.

NOTE J: INSURANCE AND RELATED ACTIVITIES

The Foundation is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The Foundation has purchased certain policies that are retrospectively rated, which includes worker's compensation insurance.

NOTE K: TRUSTEESHIP

In December, 2009, the Foundation was appointed as successor trustee to four trusts previously managed by a bank in Marion, Kentucky. In 2010, the Foundation was appointed as successor trustee to a cemetery trust previously managed by a bank in Paducah, Kentucky. In 2009, the Foundation assumed trusteeship for \$676,883. In 2010, the Foundation assumed trusteeship for an additional \$88,033, which is shown on the financial statements as liability to beneficiaries. Other than trustee fees to be earned in future years, the trusteeship will result in no significant change in the operations of the Foundation.

Four of the trusts have terminated their relationship with the Foundation.

NOTE L: ENDOWMENT

The Foundation's endowments consist of approximately 209 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

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NOTE L: ENDOWMENT, continued

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	\$ -	\$ 25,066,907	\$ 25,066,907
Investment return			
Investment income	-	2,166,659	2,166,659
Net appreciation (depreciation)	-	1,277,099	1,277,099
Total investment return	-	3,443,758	3,443,758
Gifts and other income	-	1,218,749	1,218,749
Distributions	-	(956,890)	(956,890)
Investment fees and other expenses	-	(367,201)	(367,201)
Net assets released from restriction	-	(161,506)	(161,506)
Endowment net assets, end of the year	\$ -	\$ 28,243,817	\$ 28,243,817

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	\$ -	\$ 21,621,864	\$ 21,621,864
Investment return			
Investment income	-	944,950	944,950
Net appreciation (depreciation)	-	2,804,006	2,804,006
Total investment return	-	3,748,956	3,748,956
Gifts and other income	-	1,355,459	1,355,459
Distributions	-	(771,919)	(771,919)
Investment fees and other expenses	-	(344,735)	(344,735)
Net assets released from restriction	-	(542,718)	(542,718)
Endowment net assets, end of the year	\$ -	\$ 25,066,907	\$ 25,066,907

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NOTE L: ENDOWMENT, 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, 2020, the fair values of endowment investments for 10 endowment funds were less than the value of the original gift. On December 31, 2020, the fair value of these endowments totaled \$377,321, and the values of the original gifts totaled \$416,732, which results in those endowments being underwater by \$39,411. No actions were taken regarding the underwater endowments. These are primarily new funds, the earnings on which have not had sufficient time to accumulate, however a single fund comprises over \$34,322 of this amount. This particular fund is invested in fixed income securities at the donor's request, which produces relatively low returns.

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 4% of the average balance over twelve rolling quarters. Accordingly, over the long-term, the Foundation expects its current spending policy to allow its endowment assets to grow. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment returns.

NOTE M: FAIR VALUE MEASUREMENTS

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

Level 1	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities
Level 2	Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability directly, for substantially the full term of the asset or liability
Level 3	Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported by little or no market activity)

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NOTE M: FAIR VALUE MEASUREMENTS, continued

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

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan 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 Plan are deemed to be actively traded

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

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

Fair value of assets measured on a recurring basis at December 31, 2020 and 2019 are:

	Fair Value	(Level 1)	(Level 2)	(Level 3)
2020				
Investment securities held for the production of income	\$ 32,317,393	\$ 32,317,393	\$ -	\$ -
	\$ 32,317,393	\$ 32,317,393	\$ -	\$ -
2019				
Investment securities held for the production of income	\$ 27,080,072	\$ 27,080,072	\$ -	\$ -
Royalty interests	33,423	-	-	33,423
	\$ 27,113,495	\$ 27,080,072	\$ -	\$ 33,423

Fair values for securities held for the production of income are determined by reference to quoted market prices and other relevant information generated by market transactions.

There was no change in assets whose fair value is measured on a recurring basis using Level 3 inputs during the years ended December 31, 2020 and 2019.

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NOTE N: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose		
Designated	\$ 927,707	\$ 644,763
Donor advised	1,412,872	993,600
Scholarships	251,594	108,979
Projects	<u>37,793</u>	<u>32,155</u>
Total subject to expenditure for specified purpose	2,629,966	1,779,497
Subject to passage of time		
Charitable remainder trusts	31,669	29,107
Endowments:		
Subject to appropriation and expenditure when a specified event occurs		
Designated	17,526,503	15,953,018
Donor advised	7,512,648	6,849,863
Scholarships	3,184,953	2,246,486
Projects	<u>19,713</u>	<u>17,540</u>
Total endowments	<u>28,243,817</u>	<u>25,066,907</u>
Total net assets with donor restrictions	<u>\$ 30,905,452</u>	<u>\$ 26,875,511</u>

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Satisfaction of restrictions		
Designated	\$ 1,830,423	\$ 1,153,368
Donor advised	887,250	340,764
Fees	313,867	339,115
Scholarships	145,960	122,050
Projects	165,966	19,000
Distributions from charitable remainder trusts	<u>913</u>	<u>1,076</u>
Total net assets released from restriction	<u>\$ 3,344,379</u>	<u>\$ 1,975,373</u>

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NOTE O: RENT

The Foundation rents office space in Paducah and Murray, Kentucky. The Paducah office is rented under an agreement effective May 1, 2020 for five years. The Murray office is rented under a lease effective July 1, 2020 for \$200 per month for one year. Total rent charged to operations was \$11,711 and \$13,324 for 2020 and 2019, respectively.

Required minimum rent payments are as follows:

Year	Paducah	Murray
2021	\$ 8,086	\$ 1,200
2022	8,194	-
2023	8,358	-
2024	8,526	-
2025	2,860	-
Total required minimum rent payments	\$ 36,024	\$ 1,200

NOTE P: PAYCHECK PROTECTION PROGRAM

On April 21, 2020, the Foundation received loan proceeds in the amount of \$35,500 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after either eight or twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The Foundation has met all forgiveness requirements, and the loan was forgiven on November 24, 2020.

NOTE Q: EVALUATION OF SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through April 20, 2021, the date on which the financial statements were available to be issued.