The Community Foundation of Louisville, Inc.

Consolidated Financial Statements

Years Ended June 30, 2019 and 2018

The Community Foundation of Louisville, Inc.
Table of Contents
Years Ended June 30, 2019 and 2018

CPAs & ADVISORS

Independent Auditor's Report

To the Board of Directors
The Community Foundation of Louisville, Inc.
Louisville, Kentucky

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Community Foundation of Louisville, Inc. (a not-for-profit organization), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of The Louisville Orchestra Foundation, Inc. as of and for the year ended June 30, 2018, which statements reflect total assets constituting 2% of consolidated assets as of June 30, 2018, and total revenues, gains, and other support constituting 1% of consolidated revenues, gains, and other support for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for The Louisville Orchestra Foundation Inc. as of and for the year ended June 30, 2018, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, based on our audits and the report of the other auditor, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Community Foundation of Louisville, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note B to the consolidated financial statements, The Community Foundation of Louisville, Inc. adopted Financial Accounting Standards Board Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

MCM CPAs & Advisors LLP

Louisville, Kentucky
December 11, 2019

The Community Foundation of Louisville, Inc.
Consolidated Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Cash	$ 3,769,458	$ 4,551,959
Investments	530,197,462	499,523,180
Accounts receivable	67,961	69,029
Contributions receivable	7,282,081	10,560,288
Notes receivable	11,715,870	3,893,507
Other receivable	-	3,600,000
Beneficial interests in charitable remainder trusts	3,076,498	2,991,088
Cash surrender value of life insurance	443,870	439,245
Property and equipment, net	274,525	297,546
Other assets	1,197,870	1,141,252
Total assets	$ 558,025,595	$ 527,067,094
Liabilities and net assets		
Liabilities		
Accounts payable	$ 101,220	$ 191,325
Grants payable	5,467,434	2,786,460
Accrued expenses and other current liabilities	119,520	37,275
Depository liabilities		
Depository	18,505,135	18,738,132
Corporate Depository	13,914,316	14,782,825
Agency endowment liabilities	19,843,706	20,754,142
Deferred gift liabilities for split-interest agreements	7,093,247	7,467,790
Other liabilities	-	44,244
Total liabilities	65,044,578	64,802,193
Net assets		
Without donor restrictions		
Operations	2,252,316	1,990,580
Depositories	(33,139)	(200,568)
Endowments	288,002,800	281,691,659
Non-controlling interest (see Note M)	-	1,672,545
Total net assets without donor restrictions	290,221,977	285,154,216
With donor restrictions		
Purpose restrictions		
Endowments	201,249,985	167,189,992
Donor restricted other assets	1,050,000	1,050,000
Total net assets with purpose restrictions	202,299,985	168,239,992
Perpetual in nature		
Endowments	459,055	8,059,055
Non-controlling interest (see Note M)	-	811,638
Total pepetual in nature net assets	459,055	8,870,693
Total net assets with donor restrictions	202,759,040	177,110,685
Total net assets	492,981,017	462,264,901
Total liabilities and net assets	$ 558,025,595	$ 527,067,094

See accompanying notes.

The Community Foundation of Louisville, Inc.
Consolidated Statements of Activities
Years Ended June 30, 2019 and 2018

	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenues, gains, and other support						
Contributions	$ 1,932,325	$ 36,637,806	$ 38,570,131	$ 2,756,281	$ 28,180,077	$ 30,936,358
Less amounts received for agency endowments	-	(380,124)	(380,124)	-	(296,632)	(296,632)
Investment income, net	3,494,117	10,122,066	13,616,183	2,919,912	8,446,772	11,366,684
Net realized and unrealized gains on investments	3,828,965	17,383,128	21,212,093	4,357,647	22,470,883	26,828,530
Realized gain on beneficial interest in real estate	-	-	-	-	200,000	200,000
Administered fund fees						
Depository and Corporate Depository	48,058	-	48,058	62,406	-	62,406
Endowment and deferred funds	57,731	-	57,731	72,988	-	72,988
Other income	81,070	-	81,070	87,863	-	87,863
	9,442,266	63,762,876	73,205,142	10,257,097	59,001,100	69,258,197
Net assets released from restrictions	38,114,521	(38,114,521)	-	46,001,575	(46,001,575)	-
Total revenues, gains, and other support	47,556,787	25,648,355	73,205,142	56,258,672	12,999,525	69,258,197
Expenses						
Program services	39,739,174	-	39,739,174	33,877,276	-	33,877,276
Management and general	1,967,688	-	1,967,688	1,837,811	-	1,837,811
Fundraising	782,164	-	782,164	714,765	-	714,765
Total expenses	42,489,026	-	42,489,026	36,429,852	-	36,429,852
Change in net assets	5,067,761	25,648,355	30,716,116	19,828,820	12,999,525	32,828,345
Net assets, beginning of year	285,154,216	177,110,685	462,264,901	265,325,396	164,111,160	429,436,556
Net assets, end of year	$ 290,221,977	$ 202,759,040	$ 492,981,017	$ 285,154,216	$ 177,110,685	$ 462,264,901

See accompanying notes.

The Community Foundation of Louisville, Inc.
Consolidated Statement of Functional Expenses
Year Ended June 30, 2019

	Program services	Management and general	Fundraising	Total
Grants	$ 39,327,071	$ -	$ -	$ 39,327,071
Less amounts granted from agency endowments	(2,155,664)			(2,155,664)
Special programs	217,532	-	-	217,532
Income distributions from Depositories to donors' funds	735,959	-	-	735,959
Distributions from deferred funds	633,455	-	-	633,455
Salaries, payroll taxes, and benefits	741,256	1,323,751	456,670	2,521,677
Legal, audit, and other professional services	64,635	248,274	27,515	340,424
Rent, utilities, and office expenses	98,887	198,089	41,546	338,522
Marketing and communications	4,921	-	182,744	187,665
Travel, entertainment, and conference expenses	27,060	49,091	9,578	85,729
Memberships and reference materials and continuing education	3,834	49,359	8,403	61,596
Software maintenance contracts and upgrades	14,487	31,658	7,511	53,656
Depreciation and amortization	12,982	33,465	6,731	53,178
Other miscellaneous expenses	3,695	22,192	12,193	38,080
Development and stewardship	-	-	26,471	26,471
Postage, printing, and publications	5,404	11,809	2,802	20,015
Mission and impact	3,660	-	-	3,660
Totals	$ 39,739,174	$ 1,967,688	$ 782,164	$ 42,489,026

See accompanying notes.

The Community Foundation of Louisville, Inc.
Consolidated Statement of Functional Expenses
Year Ended June 30, 2018

	Program services	Management and general	Fundraising	Total
Grants	$ 31,851,564	$ -	$ -	$ 31,851,564
Less amounts granted from agency endowments	(382,735)	-	-	(382,735)
Special programs	208,288	-	-	208,288
Income distributions from Depositories to donors' funds	523,369	-	-	523,369
Distributions from deferred funds	787,443	-	-	787,443
Salaries, payroll taxes, and benefits	640,173	1,196,372	412,715	2,249,260
Legal, audit, and other professional services	84,983	287,741	37,717	410,441
Rent, utilities, and office expenses	91,464	180,310	39,290	311,064
Marketing and communications	3,211	-	159,231	162,442
Travel, entertainment, and conference expenses	26,532	47,001	8,218	81,751
Memberships and reference materials and continuing education	2,531	32,118	5,352	40,001
Software maintenance contracts and upgrades	10,381	22,686	5,383	38,450
Depreciation and amortization	14,678	37,364	7,611	59,653
Other miscellaneous expenses	4,788	18,504	11,433	34,725
Development and stewardship	-	-	24,086	24,086
Postage, printing, and publications	7,192	15,715	3,729	26,636
Mission and impact	3,414	-	-	3,414
Totals	$ 33,877,276	$ 1,837,811	$ 714,765	$ 36,429,852

See accompanying notes.

The Community Foundation of Louisville, Inc.
Consolidated Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Cash receipts		
Contributions	$ 41,008,261	$ 31,726,463
Contributions/additions to Depository and agency endowment liability funds	24,877,651	22,310,792
Investment income	15,942,329	13,522,752
Other income	123,243	216,903
Cash payments		
Grants	(34,490,432)	(31,366,820)
Grants/distributions of Depository and agency endowment liability funds	(28,485,401)	(20,276,867)
Distributions of deferred gift liability funds	(633,455)	(787,443)
Personnel expenses	(2,484,961)	(2,262,033)
Investment management and other fees	(1,744,947)	(1,726,571)
Other expenses	(1,454,480)	(1,184,436)
Net cash provided by operating activities	12,657,808	10,172,740
Cash flows from investing activities		
Proceeds from sales and maturities of investments	112,008,689	174,691,227
Principal payments received on notes receivable	1,606,722	630,067
Payment received on other receivable	3,600,000	-
Purchases of investments	(130,065,563)	(181,156,486)
Additional notes receivable	(560,000)	(3,457,409)
Purchases of property and equipment	(30,157)	(117,376)
Net cash used in investing activities	(13,440,309)	(9,409,977)
Change in cash	(782,501)	762,763
Cash, beginning of year	4,551,959	3,789,196
Cash, end of year	$ 3,769,458	$ 4,551,959

Supplemental disclosure of non-cash investing activities

	2019	2018
Increase in contributions receivable associated with the decrease in beneficial interests in charitable remainder trusts	$ -	$ 5,047,778
Other receivable attributable to the liquidation of the beneficial interest in real estate	$ -	$ 3,600,000
Note receivable attributable to the liquidation of an investment	$ 8,869,085	$ -

See accompanying notes.

Note A - Nature of Organization/Consolidated Financial Statements

The accompanying consolidated financial statements include the accounts of The Community Foundation of Louisville, Inc., The Community Foundation of Louisville Depository, Inc., The Community Foundation of Louisville Corporate Depository, Inc., the Real Estate Asset Legacy Foundation of Kentucky, Inc., the Felix E. Martin, Jr. Foundation, Inc., the John B. and Mary Bell Pirtle Endowment Fund, the Louisville Preservation Fund, Inc., Finzer Street 2015, LLC, and The Louisville Orchestra Foundation, Inc. (collectively, the Foundation). All significant inter-organization accounts and transactions have been eliminated in consolidation.

The Community Foundation of Louisville, Inc. (Community Foundation) was organized as a successor to the Louisville Foundation, Inc. The Community Foundation's primary purpose is to receive contributions and bequests, most of which are placed into endowment funds. The distributions of grants to meet community needs are made in accordance with the Community Foundation's spending policies, as approved by the Community Foundation's Board of Directors.

The Community Foundation of Louisville Depository, Inc. (Depository) and The Community Foundation of Louisville Corporate Depository, Inc. (Corporate Depository) consist of pooled funds which are designed to receive assets contributed from multiple donors. Both the Depository and the Corporate Depository (collectively, the Depositories) distribute grants, in accordance with the individual or corporate depositor's direction, to not-for-profit organizations throughout the United States. Distributions can be made at any time during the donor's lifetime or the corporate depositor's existence. Within one year of the death of the donor (or surviving spouse) or dissolution of the corporate donor, any undistributed funds will be granted either to charitable organizations, if specified by the donor agreement, or to the general endowment of the Community Foundation.

The Real Estate Asset Legacy Foundation of Kentucky, Inc. (REAL Foundation) was organized to receive contributions of real estate. The REAL Foundation holds such donated property until it is sold, the proceeds from which, depending on the nature of the arrangements made with the donor when the contribution was made, are either granted to the Community Foundation or to the Depositories.

The Felix E. Martin, Jr. Foundation, Inc. (Martin Foundation) was established as a Type I supporting organization (as described in Section 509(a)(3) of the Internal Revenue Code) to the Community Foundation. The Martin Foundation was formed to receive and maintain the funds bequeathed by Felix E. Martin, Jr. to be used exclusively for charitable, scientific, literary, or educational purposes for the benefit of the residents of Muhlenberg County, Kentucky, either directly or by contributions to organizations that qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code.

The John B. and Mary Bell Pirtle Endowment Fund (Pirtle Endowment Fund) was established to benefit the Louisville Foundation, Inc., which, as noted above, was the precursor to the Community Foundation. The Internal Revenue Service ultimately approved the designation of the Pirtle Endowment Fund as a Type I supporting organization to the Community Foundation. The Pirtle Endowment Fund's assets consist of an investment account comprised of marketable securities. The terms of the related agreement specify that all income generated by such assets be distributed to the Community Foundation. At June 30, 2019 and 2018, the fair value of the Pirtle Endowment Fund's assets total $2,103,923 and $2,109,038, respectively, and are included with the Community Foundation's investments.

The Louisville Preservation Fund (LPF) was established to revitalize historic places through direct real estate action and partnerships to enhance community and promote economic development. The Internal Revenue Service ultimately approved the designation of LPF as a Type I supporting organization to the Community Foundation. LPF's assets primarily consist of a total of $1,000,000 due under the terms of two separate notes receivable (see also Note G).

Note A - Nature of Organization/Consolidated Financial Statements (Continued)

Finzer Street 2015, LLC (Finzer), a single member limited liability company of which the REAL Foundation is the single member, was formed solely to receive the contributions of a specific parcel of real estate ($1,050,000 included in other assets at June 30, 2019 and 2018). Explicit donor stipulations specify how the property must be used, therefore the contributions are reflected in net assets with purpose restrictions at June 30, 2019 and 2018.

The Louisville Orchestra Foundation, Inc. (Orchestra Foundation) is a not-for-profit organization formed for the specific purpose of supporting orchestral music in Louisville, Kentucky. The Community Foundation transferred certain assets to the Orchestra Foundation to provide its initial funding. Subsequent to its formation, resources for the Orchestra Foundation's activities were primarily provided by contributions and income from its investments. The Orchestra Foundation's original articles of incorporation stated that in the event of the Orchestra Foundation's dissolution (see below), the lesser of its net assets or an amount equal to the remainder of the Community Foundation's initial transfer to the Orchestra Foundation would be distributed to the Community Foundation with the restriction that the funds be used to support orchestral music.

During the year ended June 30, 2019, the Orchestra Foundation's Board of Directors consented to formally dissolving the Orchestra Foundation. In conjunction therewith, the Orchestra Foundation's articles of incorporation were amended to permit the Orchestra Foundation to distribute the entirety of its net assets to the Community Foundation (versus the lesser of its net assets or an amount equal to the remainder of the Community Foundation's initial transfer to the Orchestra Foundation as described above). Pursuant to a "fund agreement," the Orchestra Foundation established a designated endowment fund to support the presentations of classical and other musical performances by the Louisville Orchestra, Inc. The designated endowment fund was established with a transfer from the Orchestra Foundation of its net assets totaling approximately $9,200,000.

Note B - Summary of Significant Accounting Policies

1. Basis of Accounting

   The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) is the sole source of authoritative GAAP.

   In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 changes the presentation and disclosure requirements for not-for-profit organizations to provide more relevant information about an entity's resources (and the changes in those resources) to donors, grantors, creditors, and other users of the financial statements. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: 1) net asset classifications, 2) liquidity and the availability of resources, 3) investment returns, 4) expenses, and 5) the presentation of operating cash flows. The Foundation adopted ASU 2016-14 as of and for the year ended June 30, 2019 and has thus adjusted the presentation of the accompanying consolidated financial statements accordingly. ASU 2016-14 has been applied retrospectively to all periods presented. As a result, certain amounts presented in the 2018 consolidated financial statements have been reclassified to conform to the 2019 presentation. There have been no changes to the 2018 increase in net assets or total net assets as of June 30, 2018 as a result of these reclassifications.

Note B - Summary of Significant Accounting Policies (Continued)

2. Use of Estimates

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

3. Donor-imposed Restrictions

The Foundation records and reports its assets, liabilities, net assets, revenues and other support, expenses, and gains and losses based on the existence or absence of donor-imposed restrictions according to the two classes of net assets as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation, including endowment net assets which have been designated by the Foundation's Board of Directors. Such net assets may be used at the discretion of management and/or the Board of Directors. While the Foundation does not currently intend to expend Board designated endowment net assets for purposes other than those for which the funds have been designated, if necessary, such funds could be expended for current operations at the discretion of the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors or grantors. Certain donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

When a donor restriction expires, that is, when a 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 statement of activities as net assets released from restriction.

4. Cash

Cash consists of funds not otherwise held in custodial investment accounts or certificates of deposit.

5. Investments

The Foundation invests in a combination of cash equivalent funds, publicly-traded common stocks, mutual funds, fixed-income securities, and alternative investments. 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 financial position.

The Foundation's investments are stated at fair value. Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Note B - Summary of Significant Accounting Policies (Continued)

5. Investments (Continued)

Purchases and sales of investments are recorded on a trade-date basis. Investment income, which is reflected net of related investment management and custodial fees pursuant to ASU 2016-14, includes both interest and dividend income. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net realized gains (losses) represent the gains (losses) on investments sold during the year. Net unrealized gains (losses) represent the gains (losses) on investments held throughout the year and are included in the change in net assets in the accompanying consolidated statements of activities.

6. Contributions Receivable

Contributions receivable consist principally of assets which have been bequeathed to the Community Foundation. When contribution receivable amounts are expected to have collection periods in excess of a year, such amounts have generally been recorded after discounting them to the present value of future cash flows using a risk-free interest rate. At June 30, 2019 and 2018, management expects all contribution receivable amounts to be collected within the subsequent fiscal year.

No allowance for uncollectible contributions receivable is reflected in the accompanying consolidated financial statements as management considers all contributions receivables to be fully collectible.

7. Notes Receivable

The estimated fair values of notes receivable represent the outstanding principal balances under the terms of the respective loan agreements. Interest income is recognized over the terms of the notes receivable as calculated on the outstanding principal amounts. Notes receivable generally bear interest at interest rates ranging from 1% to 8%.

No allowance for uncollectible notes receivable is reflected in the accompanying consolidated financial statements as management considers all notes receivable to be fully collectible.

8. Beneficial Interests in Charitable Remainder Trusts and Real Estate

Beneficial interests in charitable remainder trusts, under which the Community Foundation is not the trustee, are stated at fair value which has been estimated based on the calculated present value of the estimated future benefits expected to be received.

At June 30, 2017, the REAL Foundation had an irrevocable beneficial interest in residential real estate whereby the donor retained the right to use the property for life. Upon the donor's passing, the REAL Foundation had the right to sell the property. The REAL Foundation also had the right to sell the remainder interest during the donor's lifetime. The $3,400,000 beneficial interest at June 30, 2017 was stated at an estimate of fair value based upon the discounted appraised fair value of the property. During 2018, the REAL foundation liquidated its beneficial interest for which a $3,600,000 other receivable was recorded as of June 30, 2018. The other receivable amount was collected in-full during the year ended June 30, 2019.

Note B - Summary of Significant Accounting Policies (Continued)

9. Property and Equipment, Net

Property and equipment is stated at cost at the date of acquisition or fair value at the date of donation in the case of donated real estate or other assets. Property and equipment is presented in the accompanying consolidated statements of financial position net of accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the depreciable assets, which range from to three to ten years.

The Foundation capitalizes all expenditures for property and equipment which are in excess of $1,000. Repairs and maintenance that do not improve or extend the useful lives of the respective assets are expensed as incurred.

10. Depository Liabilities

Depository liabilities represent the unexpended portion of funds contributed by donors (individual or corporate) who direct the distribution of such funds for specified charitable purposes.

11. Agency Endowment Liabilities

Agency endowment liabilities represent the unexpended portion of funds received from various not-for-profit organizations which have designated themselves the beneficiary of grants made from the distributable portion of the funds transferred to the Community Foundation. Under the applicable provisions of the ASC, the unexpended portion of such funds is reported as a liability instead of as a net asset of the Community Foundation.

12. Deferred Gift Liabilities for Split-Interest Agreements

Deferred gift liabilities for split-interest agreements are stated at estimated fair value, which is based upon the calculated present value of the income distributions or other payments to the donor or other designated beneficiaries during the terms of the split-interest agreements.

13. Contributions and Bequests

Contributions and bequests, including unconditional promises to give (contributions receivable), are recognized as revenue in the period when they are received or unconditionally pledged and are recorded as support with or without donor restrictions depending on the existence and nature of any donor restrictions. Gifts of donated real estate or other assets are reported as contribution revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the contribution is reported as contribution revenue and net assets with donor restrictions.

14. Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis in the accompanying consolidated statements of 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 on an equitable basis. 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.

Note B - Summary of Significant Accounting Policies (Continued)

14. Functional Allocation of Expenses (Continued)

The expenses that are allocated are generally allocated by management as follows:

Expense	Method of allocation
Salaries, payroll taxes, and benefits	Time and effort
Legal, audit, and other professional fees	Time and effort
Rent, utilities, and office expenses	Time and effort
Marketing and communications	Time and effort
Travel, entertainment, and conference expenses	Time and effort
Memberships and reference materials and continuing education	Time and effort
Software maintenance contracts and upgrades	Time and effort
Depreciation and amortization	Time and effort
Other miscellaneous expenses	Time and effort
Postage, printing, and publications	Time and effort

15. Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (Code). Additionally, the Foundation has been determined by the Internal Revenue Service not to be a private foundation within the context of Section 509(a) of the Code.

When applicable, the Foundation recognizes uncertain income tax positions using the “more-likely-than-not” approach as defined in the ASC. No liability for uncertain tax positions has been recorded in the accompanying consolidated financial statements.

16. Subsequent Events

The Foundation has evaluated events occurring subsequent to year-end through the date of the Independent Auditor’s Report, the date the accompanying consolidated financial statements were available to be issued.

17. Recently Issued Accounting Standards Updates

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 should assist entities in 1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and 2) determining whether a contribution is conditional. The provisions of ASU 2018-08 will be effective for the fiscal year ending June 30, 2020. The Foundation evaluated the impact of the adoption of ASU 2018-08 on the consolidated financial statements and did not record any material impact from the adoption of ASU 2018-08 as of July 1, 2019.

Note B - Summary of Significant Accounting Policies (Continued)

17. Recently Issued Accounting Standards Updates (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to improve financial reporting with respect to leasing transactions. ASU 2016-02 requires all leases with lease terms over twelve months to be capitalized as a right-of-use asset and lease liability on the consolidated statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the consolidated statement of activities. The provisions of ASU 2016-02 will be effective for the fiscal year ending June 30, 2022.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 requires a financial asset (including "trade" receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the consolidated statement of activities will reflect the measurement of credit losses for newly-recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. The provisions of ASU 2016-13 will be effective for the fiscal year ending June 30, 2024.

The Foundation is currently in the process of evaluating the impact of adoption of ASU 2016-02 and ASU 2016-13 on the consolidated financial statements.

Note C - Liquidity and Availability of Resources

The below table reflects the Foundation’s financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date. Financial assets are considered to be unavailable for general expenditure when they are illiquid, not convertible to cash within one year, trust assets, agency endowment assets, deferred gift assets under split-interest agreements, a non-controlling interest, Board designated endowment net assets, or endowment net assets subject to donor fund agreements with donor restrictions.

The Foundation is substantially supported by contributions with donor restrictions. Because a donor’s restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Accordingly, financial assets may not be available for general expenditure within one year. As part of the Foundation’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments. In the event of an unanticipated liquidity need, the Foundation could draw upon its Board designated endowment net assets.

Note C - Liquidity and Availability of Resources (Continued)

Total financial assets available for general expenditure within one year of the statement of financial position date is as follows at June 30, 2019 and 2018:

	2019	2018
Financial assets		
Cash	$ 3,769,458	$ 4,551,959
Investments	530,197,462	499,523,180
Accounts receivable	67,961	69,029
Contributions receivable	7,282,081	10,560,288
Notes receivable	11,715,870	3,893,507
Other receivable	-	3,600,000
Beneficial interests in charitable remainder trusts	3,076,498	2,991,088
	556,109,330	525,189,051
Less amounts not available to be used within one year or amounts not available without Board approval		
Non-current portion of notes receivable	(10,609,905)	(3,565,637)
Agency endowment liabilities	(19,843,706)	(20,754,142)
Deferred gift liabilities for split-interest agreements	(7,093,247)	(7,467,790)
Non-controlling interest	-	(2,484,183)
Board designated endowment net assets	(88,823,002)	(87,686,060)
Endowment net assets subject to donor fund agreements		
Purpose restrictions	(201,249,985)	(167,189,992)
Perpetual in nature	(459,055)	(8,059,055)
Total financial assets available for general expenditure	$ 228,030,430	$ 227,982,192

Note D - Concentration of Credit Risk

The Foundation maintains its deposits (cash and cash equivalents and certificates of deposit included as investments) with several financial institutions. The federal deposit insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC) currently amounts to $250,000 per depositor at each FDIC insured U.S. depository institution. At June 30, 2019, uninsured balances, including invested certificates of deposit, total approximately $5,100,000. The balances of the Foundation’s money market funds included in investments are uninsured.

Note E - Investments

At June 30, 2019, investments consist of the following:

	Community Foundation	Depository	Corporate Depository	Martin Foundation	Consolidated
Cash equivalents	$ 14,934,958	$ 11,923,736	$ 934,256	$ 496,813	$ 28,289,763
U.S. government and government agency obligations	2,917,822	194	206,973	2,562,765	5,687,754
Corporate bonds and notes	3,735,310	-	921,624	11,954,955	16,611,889
Municipal bonds	358,378	-	30,664	1,490,481	1,879,523
Mutual funds	279,529,124	12,037,942	1,818,308	15,918,234	309,303,608
Common stock	94,918,887	245,407	3,829,090	29,950,546	128,943,930
Alternative investments	38,532,418	948,577	-	-	39,480,995
Totals	$ 434,926,897	$ 25,155,856	$ 7,740,915	$ 62,373,794	$ 530,197,462

At June 30, 2018, investments consist of the following:

	Community Foundation	Depository	Corporate Depository	Martin Foundation	Orchestra Foundation	Consolidated
Cash equivalents	$ 6,676,290	$ 8,197,067	$ 2,850,937	$ 275,229	$ 8,262	$ 18,007,785
U.S. government and government agency obligations	3,021,732	204	227,786	1,559,850	-	4,809,572
Corporate bonds and notes	2,693,821	-	896,555	13,232,839	-	16,823,215
Municipal bonds	358,291	-	66,173	733,785	-	1,158,249
Mutual funds	272,503,627	11,695,827	2,056,755	17,256,900	9,993,696	313,506,805
Common stock	88,457,778	134,199	3,413,164	27,368,421	-	119,373,562
Alternative investments	25,135,929	625,838	-	-	82,225	25,843,992
Totals	$ 398,847,468	$ 20,653,135	$ 9,511,370	$ 60,427,024	$ 10,084,183	$ 499,523,180

Note F - Alternative Investments

The Foundation invests in various types of alternative investments, investments which result from direct purchases as well as contributions from donors. Such alternative investments include limited liability companies, limited partnerships, and closely-held corporations.

Limited liability companies: The Foundation's limited liability company investments consist of entities which invest in marketable securities with a readily determinable fair value, as well as entities which invest in securities for which there is no public market or readily determinable fair value. The Foundation is only liable for losses to the extent of its invested capital.

Limited partnerships: The Foundation's limited partnership investments consist of entities which invest in marketable securities with a readily determinable fair value, as well as entities which invest in securities for which there is no public market or readily determinable fair value. The Foundation is a limited partner in each of these investments. Under the terms of the respective limited partnership agreements, the limited partners are only liable for losses to the extent of their invested capital.

Closely-held corporations: The Foundation is a shareholder in a bank holding company, as well as certain other closely-held corporations for which there is no public market or readily determinable fair values.

The Foundation's methodologies for determining the fair values of its investments in each of these alternative investments are described in Note K.

Note G - Notes Receivable

At June 30, 2019 and 2018, notes receivable consist of the following:

	2019	2018
Community Foundation - Impact Investing program loans (see Note 1 below)	$ 1,752,385	$ 1,919,107
Community Foundation - attributable to the liquidations of certain investments (see Note 2 below)	8,938,485	869,400
Louisville Preservation Fund - uncollateralized/unsecured program loans	1,000,000	1,000,000
Martin Foundation - uncollateralized/unsecured program loan	25,000	105,000
Total notes receivable	$ 11,715,870	$ 3,893,507

Note 1 - At June 30, 2019, $1,309,266 of the total amount outstanding under the Impact Investing program loans ($946,812 at June 30, 2018) are collateralized/secured principally with mortgages. The remaining portion, $443,119 at June 30, 2019 ($972,295 at June 30, 2018), is uncollateralized/unsecured.

Note 2 - At June 30, 2019, $8,069,085 of the total amount outstanding under the Community Foundation notes receivable attributable to the liquidations of certain investments ($0 at June 30, 2018) are collateralized by the respective liquidated investment. The remaining portion, $869,400 at June 30, 2019 ($869,400 at June 30, 2018), is uncollateralized/unsecured.

Note G - Notes Receivable (Continued)

Notes receivable have maturity dates ranging from March 2020 to December 2028. At June 30, 2019, the estimated aggregate maturities required under notes receivable are as follows:

Year ending June 30		
2020	$	1,105,965
2021		868,497
2022		1,004,482
2023		1,778,386
2024		1,371,560
Thereafter		5,586,980
Total estimated aggregate maturities	$	11,715,870

Note H - Property and Equipment, Net

At June 30, 2019 and 2018, net property and equipment consists of the following:

		2019		2018
Land	$	12,500	$	12,500
Building		116,772		116,772
Leasehold improvements		248,563		248,563
Office furniture and equipment		284,952		278,263
Computer hardware and software		490,610		467,142
		1,153,397		1,123,240
Less accumulated depreciation and amortization		878,872		825,694
Total property and equipment, net	$	274,525	$	297,546

Depreciation and amortization expense totals $53,178 and $59,653 for the years ended June 30, 2019 and 2018, respectively.

Note I - Depository Liabilities

A progression of depository liabilities for the years ended June 30, 2019 and 2018 is as follows:

	2019		2018	
	Depository	Corporate Depository	Depository	Corporate Depository
Beginning of the year	$ 18,738,132	$ 14,782,825	$ 17,956,355	$ 12,921,205
Additions	13,696,364	10,801,163	13,076,806	8,937,354
Investment income (loss) retained	4,300	124,145	(23,692)	113,008
Net unrealized and realized appreciation	17,645	584,614	108,270	325,784
Distributions	(13,951,306)	(12,378,431)	(12,379,607)	(7,514,526)
End of the year	$ 18,505,135	$ 13,914,316	$ 18,738,132	$ 14,782,825

Note J - Split-interest Agreements

The Community Foundation is party to various irrevocable split-interest agreements. A split-interest agreement is a gift that is partially for the Community Foundation's benefit and partially for an individual's benefit. Upon acceptance of a split-interest agreement, the Community Foundation records the contributed asset and the present value of the liability payable to the beneficiary. These agreements include charitable remainder trusts, a pooled income fund, and charitable gift annuities.

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 Community Foundation receives the assets remaining in the trust. Obligations to the beneficiaries are limited to the trust's assets.

The Community Foundation manages a pooled income fund in which contributions of multiple donors' life income gifts are pooled and invested as a group. Each donor is assigned a specific number of units based on the proportion of the fair value of the contributions to the total fair value of the pooled income fund on the date of the donor's gift. Until the beneficiary's death, the beneficiary (either the donor or the donor's designated beneficiary) is paid the actual income earned on the donor's assigned units. Upon the beneficiary's death, the value of these assigned units reverts to the Community Foundation. Obligations to the beneficiaries are limited to the income earned by the pooled income fund.

A charitable gift annuity is an arrangement between a donor and the Community Foundation in which the donor contributes assets to the Community Foundation in exchange for a contractual commitment by the Community Foundation to pay a fixed amount to the beneficiary (either the donor or to others designated by the donor) until the beneficiary's death. Upon the beneficiary’s death, the remaining amount of assets, if any, reverts to the Community Foundation.

These assets are reported at fair value in the same manner as all Foundation investments. The income or loss recognized under these trusts is included in net assets with purpose restrictions. Discount rates are determined in accordance with the Internal Revenue Code and represent the rate at the date of the contribution. The actuarial assumptions used in calculating the present values of the related liabilities include the beneficiary’s age, the date of the gift, the fair value of the amount gifted, the estimated rate of return, the payout rate, the payment schedule, and the discount rate.

Amounts subject to split-interest agreements include the following at June 30, 2019:

	Charitable remainder trusts	Pooled income fund	Charitable gift annuities	Total
Assets	$ 14,030,230	$ 728,071	$ 1,796,807	$ 16,555,108
Liabilities	6,053,285	557,461	482,501	7,093,247

Note J - Split-interest Agreements (Continued)

Amounts subject to split-interest agreements include the following at June 30, 2018:

	Charitable remainder trusts	Pooled income fund	Charitable gift annuities	Total
Assets	$ 14,156,548	$ 668,924	$ 1,770,939	$ 16,596,411
Liabilities	6,252,914	518,902	695,974	7,467,790

Note K - Fair Value Measurements

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

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs such as quoted prices in active markets for similar assets or liabilities or quoted prices for identical or similar assets or liabilities in markets that are not active or unobservable inputs that are derived principally from or corroborated by observable market data. If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 - Unobservable inputs that are based on the Foundation's own assumptions as to how knowledgeable parties would price assets or liabilities that are not corroborated by market data.

The following is a description of the valuation methodologies used for the assets and liabilities measured at fair value. There have been no changes in the methodologies used to determine fair value at June 30, 2019 and 2018.

Cash equivalents: Valued at the net asset value of the units held by the Foundation at year-end.

U.S. government and government agency obligations: Valued using a yield curve matrix derived from quoted prices for similar assets in active markets.

Corporate bonds and notes: Valued using a yield curve matrix derived from quoted prices for similar assets in active markets.

Municipal bonds: Valued using a yield curve matrix derived from quoted prices for similar assets in active markets.

Mutual funds: Valued at the net asset value of the shares held by the Foundation at year-end.

Common stock: Valued at the quoted market price of the shares held by the Foundation at year-end.

Note K - Fair Value Measurements (Continued)

Limited liability companies: The estimated fair values are based on information provided by the managing member of each of the limited liability companies. The fair values of the limited liability companies which invest primarily in publicly traded securities with readily determinable fair values are determined by allocating the aggregate fair values of the underlying securities to each member based on the number of units held by the member, and are equivalent to net asset value. The fair values of the limited liability companies which invest primarily in securities for which there are no readily available market quotations are estimated based on the initial cost of the investment adjusted for changes in the managing members' estimates of the fair values of the underlying assets, and are equivalent to net asset value.

Limited partnerships: The estimated fair values are based on information provided by the general partner of each of the limited partnerships. The fair values of the limited partnerships which invest primarily in publicly traded securities with readily determinable fair values are determined by allocating the aggregate fair values of the underlying securities to each limited partner based on the number of units held by the partner, and are equivalent to net asset value. The fair values of the limited partnerships which invest primarily in securities for which there are no readily available market quotations are estimated based on the initial cost of the investment adjusted for changes in the general partners' estimates of the fair values of the underlying assets, and are equivalent to net asset value.

Closely-held corporations: The estimated fair values of the investments in the stock of closely-held corporations are based on the initial costs of the investments, adjusted for changes in the fair values of the underlying assets, if any, as reported to the shareholders by the corporations' management.

Notes receivable: The estimated fair values of notes receivable represent the outstanding principal balances under the terms of the respective loan agreements.

Beneficial interests in charitable remainder trusts: The estimated fair values of the beneficial interests are based on the calculated present value of the estimated future benefits expected to be received. The actuarial assumptions used in calculating the present values include the beneficiary's age, the date of the gift, the fair value of the amount gifted, the estimated rate of return, the payout rate, the payment schedule, and the discount rate. The Community Foundation is also the sole beneficiary of a trust which holds mineral rights. The estimated fair value of this charitable remainder trust is based on information provided by the trustee and is determined based on production from the mineral producing properties owned by the trust multiplied by a factor that is based on related lease terms and/or industry averages.

Deferred gift liabilities for split-interest agreements: The estimated fair value is based on the calculated present value of the income distributions or other payments to the donor or other designated beneficiaries during the terms of the split-interest agreements. The actuarial assumptions used in calculating the present values include the beneficiary's age, the date of the gift, the fair value of the amount gifted, the estimated rate of return, the payout rate, the payment schedule, and the discount rate.

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

Note K - Fair Value Measurements (Continued)

The following table sets forth by level within the fair value hierarchy, the Foundation's assets at fair value at June 30, 2019:

	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 28,289,763	$ -	$ -	$ 28,289,763
U.S. government and government agency obligations				
Rated AAA	-	4,742,899	-	4,742,899
Rated AA- to AA+		478,252		478,252
Rated BB+ to BBB+	-	466,603	-	466,603
	-	5,687,754	-	5,687,754
Corporate bonds and notes	-		-	
Rated AAA	-	756,422	-	756,422
Rated AA- to AA+	-	1,955,014	-	1,955,014
Rated A- to A+	-	8,085,209	-	8,085,209
Rated BB+ to BBB+	-	5,815,244		5,815,244
	-	16,611,889	-	16,611,889
Municipal bonds				
Rated AA- to AA+	-	1,454,647	-	1,454,647
Rated A- to A+	-	424,876	-	424,876
	-	1,879,523	-	1,879,523
Mutual funds				
Equity	74,754,748	-	-	74,754,748
Fixed income	103,897,683	-	-	103,897,683
Index and exchange traded funds	65,076,465	-	-	65,076,465
International	56,750,133	-	-	56,750,133
Other	8,824,579	-	-	8,824,579
	309,303,608	-	-	309,303,608
Common stock				
Consumer discretionary	17,563,208	-	-	17,563,208
Consumer staples	10,567,949	-	-	10,567,949
Energy	2,238,129	-	-	2,238,129
Financial	20,933,393	-	-	20,933,393
Healthcare	17,701,344	-	-	17,701,344
Industrials	16,311,345	-	-	16,311,345
Information technology	25,925,736	-	-	25,925,736
Other	17,702,826	-	-	17,702,826
	128,943,930	-	-	128,943,930
Alternative investments				
Limited liability companies	-	-	33,673,325	33,673,325
Limited partnerships	-	-	5,099,176	5,099,176
Closely-held corporations	-	-	708,494	708,494
	-	-	39,480,995	39,480,995
Notes receivable	-	-	11,715,870	11,715,870
Beneficial interests in charitable remainder trusts				
Unitrusts	-	-	2,505,274	2,505,274
Annuity trust	-	-	571,224	571,224
	-	-	3,076,498	3,076,498
Totals	$ 466,537,301	$ 24,179,166	$ 54,273,363	$ 544,989,830

Note K - Fair Value Measurements (Continued)

The following table sets forth by level within the fair value hierarchy, the Foundation's assets at fair value at June 30, 2018:

	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 18,007,785	$ -	$ -	$ 18,007,785
U.S. government and government agency obligations				
Rated AAA	-	3,739,609	-	3,739,609
Rated AA- to AA+	-	567,505	-	567,505
Rated BB+ to BBB+	-	502,458	-	502,458
	-	4,809,572	-	4,809,572
Corporate bonds and notes				
Rated AAA	-	1,194,948	-	1,194,948
Rated AA- to AA+	-	2,603,283	-	2,603,283
Rated A- to A+	-	8,526,832	-	8,526,832
Rated BB+ to BBB+	-	4,498,152	-	4,498,152
	-	16,823,215	-	16,823,215
Municipal bonds				
Rated AA- to AA+	-	608,081	-	608,081
Rated A- to A+	-	550,168	-	550,168
	-	1,158,249	-	1,158,249
Mutual funds				
Equity	69,799,727	-	-	69,799,727
Fixed income	100,019,129	-	-	100,019,129
Index and exchange traded funds	58,430,658	-	-	58,430,658
International	74,248,061	-	-	74,248,061
Other	11,009,230	-	-	11,009,230
	313,506,805	-	-	313,506,805
Common stock				
Consumer discretionary	19,636,306	-	-	19,636,306
Consumer staples	8,750,266	-	-	8,750,266
Energy	2,847,396	-	-	2,847,396
Financial	21,188,388	-	-	21,188,388
Healthcare	14,245,500	-	-	14,245,500
Industrials	15,644,600	-	-	15,644,600
Information technology	29,643,245	-	-	29,643,245
Other	7,417,861	-	-	7,417,861
	119,373,562	-	-	119,373,562
Alternative investments				
Limited liability companies	-	-	22,153,614	22,153,614
Limited partnerships	-	-	3,287,118	3,287,118
Closely-held corporations	-	-	403,260	403,260
	-	-	25,843,992	25,843,992
Notes receivable	-	-	3,893,507	3,893,507
Beneficial interests in charitable remainder trusts				
Unitrusts	-	-	2,419,973	2,419,973
Annuity trust	-	-	571,115	571,115
	-	-	2,991,088	2,991,088
Totals	$ 450,888,152	$ 22,791,036	$ 32,728,587	$ 506,407,775

Note K - Fair Value Measurements (Continued)

The changes in the Level 3 assets measured at fair value on a recurring basis using significant unobservable inputs during the years ended June 30, 2019 and 2018 are as follows:

	2019	2018
Beginning of the year	$ 32,728,587	$ 29,920,569
Purchases/contributions/additions	16,436,000	8,157,409
Sales/payments	(1,869,947)	(9,216,585)
Net unrealized and realized appreciation	6,893,422	3,771,608
Actuarial change	85,301	95,586
End of the year	$ 54,273,363	$ 32,728,587

The following table sets forth by level within the fair value hierarchy, the Foundation's liabilities (deferred gift liabilities for split-interest agreements) at fair value at June 30, 2019:

	Level 1	Level 2	Level 3	Total
Charitable remainder trusts				
Unitrusts	$ -	$ -	$ 6,011,787	$ 6,011,787
Annuity trust	-	-	41,498	41,498
Pooled income fund	-	-	557,461	557,461
Charitable gift annuities	-	-	482,501	482,501
Totals	$ -	$ -	$ 7,093,247	$ 7,093,247

The following table sets forth by level within the fair value hierarchy, the Foundation's liabilities (deferred gift liabilities for split-interest agreements) at fair value at June 30, 2018:

	Level 1	Level 2	Level 3	Total
Charitable remainder trusts				
Unitrusts	$ -	$ -	$ 6,199,953	$ 6,199,953
Annuity trust	-	-	52,961	52,961
Pooled income fund	-	-	518,902	518,902
Charitable gift annuities	-	-	695,974	695,974
Totals	$ -	$ -	$ 7,467,790	$ 7,467,790

Note K - Fair Value Measurements (Continued)

The changes in the Level 3 liabilities measured at fair value on a recurring basis using significant unobservable inputs during the years ended June 30, 2019 and 2018 are as follows:

	2019	2018
Beginning of the year	$ 7,467,790	$ 6,680,486
Actuarial change	258,912	1,574,747
Payment obligations	(633,455)	(787,443)
End of the year	$ 7,093,247	$ 7,467,790

The following table sets forth the unfunded commitments, redemption frequencies, and redemption notice periods related to the Foundation's limited liability company and limited partnership investments for which the fair values at June 30, 2019 are determined using a net asset value per share or its equivalent:

	Fair value	Unfunded commitment	Redemption frequency	Redemption notice period
Limited liability companies - marketable securities	$ 24,900,000	$ -	N/A	N/A
Limited liability companies - marketable securities	5,998,346	-	monthly	30 days
Limited liability companies - commercial real estate	1,274,979	-	N/A	N/A
Limited liability companies - commercial and residential real estate	1,500,000	-	N/A	N/A
Limited partnerships - marketable securities	644,343	-	quarterly	45 days
Limited partnerships - marketable securities	28,000	-	N/A	N/A
Limited partnerships - marketable securities and private equity	65,379	-	quarterly	65 days
Limited partnerships - private equity	288,355	26,000	N/A	N/A
Limited partnerships - distressed debt	4,073,099	540,000	N/A	N/A

Note L - Endowment Funds

The ASC provides guidance on the net asset classification of donor-restricted endowment funds that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA).

The Foundation's endowments consist of approximately 760 funds established for a variety of purposes. Such endowments include both donor-restricted endowment funds and funds designated by the Board of Directors (Board) to function as endowments. These endowment funds also include various charitable remainder trusts and charitable gift annuities, some of which are administered by outside parties. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law:

Management and the Board, on the advice of legal counsel, have determined the majority of the Foundation's net assets meet the definition of endowment funds under UPMIFA. The Foundation is governed subject to its bylaws and most contributions are received subject to the terms of fund agreements.

Under the terms of the Foundation's standard fund agreements**,** the Board has 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 to appropriate or accumulate donor-restricted endowment funds:

- the purposes of the organization and the respective endowment fund
- other resources of the organization
- the investment policies of the organization
- the duration and preservation of the endowment fund
- the expected total return from income and the appreciation of investments
- general economic conditions
- the possible effect of inflation and deflation

As a result of the ability to distribute corpus, management has determined that all contributions received subject to the standard fund agreements**,** and subject to UPMIFA, are classified as net assets with purpose restrictions until appropriated, at which time the appropriation is reclassified to net assets without donor restrictions. Contributions that are subject to fund agreements which are modified may be recorded as net assets with donor restrictions in perpetuity, net assets with purpose restrictions, or net assets without donor restrictions, depending on the specific terms of the respective fund agreement.

Generally, if the corpus of a contribution can at some point in the future become available for spending it is recorded as net assets with purpose restrictions. If the corpus never becomes available for spending it is reported as net assets with donor restrictions in perpetuity. In addition, contributions that are promised to be given in a future period are presented as net assets with purpose restrictions until the payments are received.

Note L - Endowment Funds (Continued)

At June 30, 2019, endowment net assets consist of the following:

	Without donor restrictions	With donor restrictions: Purpose restrictions	With donor restrictions: In perpetuity	Total
Board designated	$ 88,823,002	$ -	$ -	$ 88,823,002
Endowments subject to donor fund agreements	199,179,798	201,249,985	459,055	400,888,838
Totals	$ 288,002,800	$ 201,249,985	$ 459,055	$ 489,711,840

At June 30, 2018, endowment net assets consist of the following:

	Without donor restrictions	With donor restrictions: Purpose restrictions	With donor restrictions: In perpetuity	Total
Board designated	$ 87,686,060	$ -	$ -	$ 87,686,060
Endowments subject to donor fund agreements	194,005,599	167,189,992	8,059,055	369,254,646
Totals	$ 281,691,659	$ 167,189,992	$ 8,059,055	$ 456,940,706

Changes in endowment net assets during the year ended June 30, 2019 are as follows:

	Without donor restrictions	With donor restrictions: Purpose restrictions	With donor restrictions: In perpetuity	Total
Beginning of the year	$ 281,691,659	$ 167,189,992	$ 8,059,055	$ 456,940,706
Contributions	1,813,998	36,257,682	-	38,071,680
Investment return				
Net investment income	2,210,334	10,122,066	-	12,332,400
Net unrealized and realized appreciation	4,234,331	17,383,128	-	21,617,459
Net assets released from restrictions	37,302,883	(37,302,883)	-	-
Net assets released from restrictions - Orchestra Foundation (see Note M)	-	7,600,000	(7,600,000)	-
Appropriation of endowment assets for expenditure	(39,250,405)	-	-	(39,250,405)
End of the year	$ 288,002,800	$ 201,249,985	$ 459,055	$ 489,711,840

Note L - Endowment Funds (Continued)

Changes in endowment net assets during the year ended June 30, 2018 are as follows:

		With donor restrictions		
	Without donor restrictions	Purpose restrictions	In perpetuity	Total
Beginning of the year	$ 263,031,367	$ 154,215,467	$ 8,059,055	$ 425,305,889
Contributions	1,623,712	27,858,445	-	29,482,157
Investment return				
Net investment income	1,903,875	8,446,772	-	10,350,647
Net unrealized and realized appreciation	3,697,541	22,670,883	-	26,368,424
Net assets released from restrictions	46,001,575	(46,001,575)	-	-
Appropriation of endowment assets for expenditure	(34,566,411)	-	-	(34,566,411)
End of the year	$ 281,691,659	$ 167,189,992	$ 8,059,055	$ 456,940,706

Funds with deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There are no such deficiencies at June 30, 2019 and 2018.

Return objectives and risk parameters:

The Foundation has adopted investment and spending polices 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. The current long-term return objective is to return 8% net of related investment management fees. Actual returns in any given year may vary from this objective.

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 return objectives within prudent risk parameters.

Note L - 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 standard spending policy is to make available for distribution an amount equal to 5% of a rolling twelve quarter average of the fair values of the endowment assets. Accordingly, over the long term, the Foundation expects its current spending policy to allow its endowment assets to grow annually at an average rate of 3%. 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 - Non-controlling Interest

As indicated in Note A, management has included the accounts of the Orchestra Foundation in the accompanying consolidated financial statements. As stated in the Orchestra Foundation's original articles of incorporation, should the Orchestra Foundation dissolve (see Note A), the Orchestra Foundation shall distribute the lesser of its net assets or an amount equal to the remainder of the Community Foundation’s initial transfer to the Orchestra Foundation. The remainder of the Community Foundation’s initial transfer was $7,600,000 at June 30, 2018.

The limitation stated in the Orchestra Foundation’s original articles of incorporation resulted in management of the Community Foundation determining the Community Foundation had less than an entire interest in the net assets of the Orchestra Foundation. As a result, until the Orchestra Foundation dissolved (see Note A), the difference between the Orchestra Foundation’s net assets and the amount to which the Community Foundation was entitled was reported as a non-controlling interest.

The following table summarizes the change in the remainder of the Community Foundation’s initial transfer amount and the non-controlling interest as of and for the year ended June 30, 2018:

	Remainder of the original transfer	Amount attributable to the non-controlling interest	Total Orchestra Foundation net assets
Balance, June 30, 2017	$ 7,600,000	$ 2,107,510	$ 9,707,510
Net change for the year ended June 30, 2018	-	376,673	376,673
Balance, June 30, 2018	$ 7,600,000	$ 2,484,183	$ 10,084,183

Note M - Non-controlling Interest (Continued)

The Community Foundation's non-controlling interest in the net assets of the Orchestra Foundation is presented in the accompanying consolidated statement of financial position as of June 30, 2018 under the following captions:

Non-controlling interest in net assets without donor restrictions	$ 1,672,545
Non-controlling interest in net assets with donor restrictions (perpetual in nature net assets)	811,638
Total non-controlling interest	$ 2,484,183

For the year ended June 30, 2018, the change in net assets attributable to the Community Foundation is as follows:

Total change in net assets per the accompanying consolidated statement of activities	$ 32,828,345
Less change in net assets attributable to the non-controlling interest	376,673
Change in net assets attributable to the Community Foundation	$ 32,451,672

Note N - Office Space Lease

The Community Foundation leases its office space under an operating lease. The lease agreement, under which the Community Foundation currently pays rent in the amount of $14,428 per month, inclusive of utilities, expires in September 2021. In October 2019, the monthly rent payment amount, inclusive of utilities, increased to $14,901. Rent expense totals approximately $172,000 and $167,000 for the years ended June 30, 2019 and 2018, respectively.

At June 30, 2019, the future minimum lease payments under this operating lease are as follows:

Year ending June 30	
2020	$ 177,391
2021	178,810
2022	44,702
Total future minimum lease payments	$ 400,903

Note O - Investment Management and Custodial Fees

As previously indicated, invested funds are primarily held in custodial investment accounts and are managed by professional investment advisors. Accordingly, the Foundation has entered into agreements with several professional investment advisors. Generally, such agreements are cancelable by either party upon written notice.

For the years ended June 30, 2019 and 2018, investment management and other fees paid total approximately $1,745,000 and $1,727,000, respectively, of which approximately $1,603,000 and $1,589,000, respectively, represent investment management and custodial fees which are netted against investment income per the accompanying consolidated statements of activities pursuant to ASU 2016-14.

Note P - Pension Plan

The Community Foundation has a defined contribution pension plan covering all employees who are at least twenty-one years old and have at least one year of service. Participants become fully vested upon completion of two years of service. Currently, the monthly employer contributions are based on 5% of the participant's compensation. Pension plan expense for the years ended June 30, 2019 and 2018 totals approximately $89,000 and $75,000, respectively.

Note Q - Revocable Beneficiary

During 2006, the Community Foundation was notified that it was the revocable beneficiary of a charitable lead trust. During 2018, the Community Foundation received distributions from the trust in the amount of approximately $2,400,000. In accordance with the terms of the related trust agreement, the Community Foundation received its final distribution from the trust in April 2018.