

**The Community Foundation of Louisville, Inc.**  
**Consolidated Financial Statements**  
**Years Ended June 30, 2021 and 2020**

**The Community Foundation of Louisville, Inc.**  
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**Years Ended June 30, 2021 and 2020**

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## **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, 2021 and 2020, 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 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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## Independent Auditor's Report (Continued)

### Opinion

In our opinion, 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, 2021 and 2020, 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.

A handwritten signature in black ink that reads "MCM CPAs & Advisors LLP". The signature is stylized, with the letters "MCM" being particularly prominent and bold.

Louisville, Kentucky  
December 8, 2021

**The Community Foundation of Louisville, Inc.**  
**Consolidated Statements of Financial Position**  
**June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Cash	\$ 8,386,265	\$ 5,677,937
Investments	791,684,797	599,022,184
Accounts receivable	16,547	169,543
Contributions receivable	246,730	5,141,353
Notes receivable	10,968,039	11,349,370
Beneficial interests in charitable remainder trusts	3,419,756	2,833,443
Cash surrender value of life insurance	327,535	324,176
Property and equipment, net	184,714	239,448
Other assets	<u>1,563,076</u>	<u>1,466,373</u>
Total assets	<u>\$ 816,797,459</u>	<u>\$ 626,223,827</u>
<b>Liabilities and net assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 682,738	\$ 209,441
Grants payable	1,800,424	1,796,322
Accrued expenses and other current liabilities	103,527	102,674
Depository liabilities		
Depository	22,046,508	20,743,588
Corporate Depository	16,954,992	15,743,847
Agency endowment liabilities	23,451,619	19,752,395
Deferred gift liabilities for split-interest agreements	<u>7,707,364</u>	<u>6,726,849</u>
Total liabilities	<u>72,747,172</u>	<u>65,075,116</u>
<b>Net assets</b>		
Without donor restrictions		
Operations	3,032,044	2,678,597
Depositories	402,445	(327,501)
Endowments	<u>401,683,280</u>	<u>305,445,754</u>
Total net assets without donor restrictions	<u>405,117,769</u>	<u>307,796,850</u>
With donor restrictions		
Purpose restrictions		
Endowments	337,223,463	251,642,806
Donor restricted other assets	<u>1,250,000</u>	<u>1,250,000</u>
Total net assets with purpose restrictions	<u>338,473,463</u>	<u>252,892,806</u>
Perpetual in nature		
Endowments	<u>459,055</u>	<u>459,055</u>
Total perpetual in nature net assets	<u>459,055</u>	<u>459,055</u>
Total net assets with donor restrictions	<u>338,932,518</u>	<u>253,351,861</u>
Total net assets	<u>744,050,287</u>	<u>561,148,711</u>
Total liabilities and net assets	<u>\$ 816,797,459</u>	<u>\$ 626,223,827</u>

See accompanying notes.

**The Community Foundation of Louisville, Inc.**  
**Consolidated Statements of Activities**  
**Years Ended June 30, 2021 and 2020**

	<b>2021</b>			<b>2020</b>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues, gains, and other support						
Contributions	\$ 405,562	\$ 34,048,473	\$ 34,454,035	\$ 1,992,468	\$ 96,484,750	\$ 98,477,218
Less amounts received for agency endowments	-	(40,850)	(40,850)	-	(165,075)	(165,075)
Investment income, net	2,826,529	9,904,779	12,731,308	3,257,138	10,665,054	13,922,192
Net realized and unrealized gains on investments	28,304,216	145,454,070	173,758,286	-	-	-
Administered fund fees	159,914	-	159,914	136,136	-	136,136
Other income	41,542	-	41,542	195,142	-	195,142
	<u>31,737,763</u>	<u>189,366,472</u>	<u>221,104,235</u>	<u>5,580,884</u>	<u>106,984,729</u>	<u>112,565,613</u>
Net assets released from restrictions	<u>103,785,815</u>	<u>(103,785,815)</u>	<u>-</u>	<u>55,593,660</u>	<u>(55,593,660)</u>	<u>-</u>
Total revenues, gains, and other support	<u>135,523,578</u>	<u>85,580,657</u>	<u>221,104,235</u>	<u>61,174,544</u>	<u>51,391,069</u>	<u>112,565,613</u>
Expenses and losses						
Program services	35,230,722	-	35,230,722	41,098,660	-	41,098,660
Management and general	2,163,976	-	2,163,976	2,048,367	-	2,048,367
Fundraising	807,961	-	807,961	807,023	-	807,023
	<u>38,202,659</u>	<u>-</u>	<u>38,202,659</u>	<u>43,954,050</u>	<u>-</u>	<u>43,954,050</u>
Net realized and unrealized losses on investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>(354,379)</u>	<u>798,248</u>	<u>443,869</u>
Total expenses and losses	<u>38,202,659</u>	<u>-</u>	<u>38,202,659</u>	<u>43,599,671</u>	<u>798,248</u>	<u>44,397,919</u>
Change in net assets	97,320,919	85,580,657	182,901,576	17,574,873	50,592,821	68,167,694
Net assets, beginning of year	<u>307,796,850</u>	<u>253,351,861</u>	<u>561,148,711</u>	<u>290,221,977</u>	<u>202,759,040</u>	<u>492,981,017</u>
Net assets, end of year	<u>\$ 405,117,769</u>	<u>\$ 338,932,518</u>	<u>\$ 744,050,287</u>	<u>\$ 307,796,850</u>	<u>\$ 253,351,861</u>	<u>\$ 561,148,711</u>

See accompanying notes.

**The Community Foundation of Louisville, Inc.**  
**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2021**

	Program services	Management and general	Fundraising	Total
Grants	\$ 32,168,588	\$ -	\$ -	\$ 32,168,588
Less amounts granted from agency endowments	(1,519,312)	-	-	(1,519,312)
Special programs	205,893	-	-	205,893
Income distributions from Depositories to donors' funds	2,186,218	-	-	2,186,218
Distributions from deferred funds	937,558	-	-	937,558
Salaries, benefits, and payroll taxes	971,799	1,581,076	545,431	3,098,306
Rent, utilities, and office expenses	83,024	179,300	41,382	303,706
Legal, audit, and other professional services	78,608	168,826	13,427	260,861
Software maintenance contracts	46,980	102,661	24,360	174,001
Marketing and communications	1,470	-	138,264	139,734
Depreciation and amortization	18,677	45,138	9,684	73,499
Other miscellaneous expenses	16,309	31,928	4,657	52,894
Memberships, subscriptions, and continuing education	4,359	33,984	5,947	44,290
Development and stewardship	-	-	21,258	21,258
Postage, printing, and publications	5,717	12,491	2,964	21,172
Mission and impact	17,649	-	-	17,649
Travel, entertainment, and conference expenses	7,185	8,572	587	16,344
Totals	<u>\$ 35,230,722</u>	<u>\$ 2,163,976</u>	<u>\$ 807,961</u>	<u>\$ 38,202,659</u>

See accompanying notes.

**The Community Foundation of Louisville, Inc.**  
**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2020**

	Program services	Management and general	Fundraising	Total
Grants	\$ 39,019,558	\$ -	\$ -	\$ 39,019,558
Less amounts granted from agency endowments	(765,843)	-	-	(765,843)
Special programs	184,935	-	-	184,935
Income distributions from Depositories to donors' funds	462,668	-	-	462,668
Distributions from deferred funds	1,055,523	-	-	1,055,523
Salaries, benefits, and payroll taxes	868,431	1,381,984	476,768	2,727,183
Rent, utilities, and office expenses	95,250	175,964	39,910	311,124
Legal, audit, and other professional services	82,265	257,552	35,841	375,658
Software maintenance contracts	45,146	98,655	23,409	167,210
Marketing and communications	1,359	-	172,296	173,655
Depreciation and amortization	18,532	45,402	9,609	73,543
Other miscellaneous expenses	4,297	13,486	23,149	40,932
Memberships, subscriptions, and continuing education	2,195	34,784	5,766	42,745
Development and stewardship	-	-	12,326	12,326
Postage, printing, and publications	4,556	9,958	2,363	16,877
Mission and impact	1,985	-	-	1,985
Travel, entertainment, and conference expenses	17,803	30,582	5,586	53,971
Totals	<u>\$ 41,098,660</u>	<u>\$ 2,048,367</u>	<u>\$ 807,023</u>	<u>\$ 43,954,050</u>

See accompanying notes.



**The Community Foundation of Louisville, Inc.**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Cash receipts		
Contributions	\$ 39,702,010	\$ 34,329,528
Contributions/additions to Depository and agency endowment liability funds	27,095,186	43,265,267
Investment income	14,490,887	16,269,769
Other income	250,062	248,883
Cash payments		
Grants	(30,645,174)	(41,924,827)
Grants/distributions of Depository and agency endowment liability funds	(26,802,895)	(40,296,192)
Distributions of deferred gift liability funds	(2,456,870)	(1,055,523)
Personnel expenses	(3,075,974)	(2,719,853)
Investment management and other fees	(1,375,132)	(1,788,837)
Other expenses	<u>(801,656)</u>	<u>(1,265,369)</u>
Net cash provided by operating activities	<u>16,380,444</u>	<u>5,062,846</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	159,961,414	169,801,904
Principal payments received on notes receivable	1,481,331	1,191,500
Purchases of investments	(173,996,096)	(173,284,305)
Additional notes receivable	(1,100,000)	(825,000)
Purchases of property and equipment	<u>(18,765)</u>	<u>(38,466)</u>
Net cash used in investing activities	<u>(13,672,116)</u>	<u>(3,154,367)</u>
Change in cash	2,708,328	1,908,479
Cash, beginning of year	<u>5,677,937</u>	<u>3,769,458</u>
Cash, end of year	<u>\$ 8,386,265</u>	<u>\$ 5,677,937</u>
Supplemental disclosure of non-cash investing activities		
Non-cash contribution of an interest in a limited liability company	<u>\$ -</u>	<u>\$ 66,000,000</u>

See accompanying notes.

**The Community Foundation of Louisville, Inc.  
Notes to the Consolidated Financial Statements  
Years Ended June 30, 2021 and 2020**

**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., and Finzer Street 2015, LLC, (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, 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., a Type I supporting organization (as described in Section 509(a)(3) of the Internal Revenue Code) to the Community 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, 2021 and 2020, the fair value of the Pirtle Endowment Fund's assets total \$2,410,691 and \$2,071,334, respectively, and are included with the Community Foundation's investments.

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

**The Community Foundation of Louisville, Inc.**  
**Notes to the Consolidated Financial Statements (Continued)**  
**Years Ended June 30, 2021 and 2020**

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

Finzer Street 2015, LLC, a single member limited liability company of which the REAL Foundation is the single member, was formed solely to receive the contribution of a specific parcel of real estate (\$1,250,000 included in other assets at June 30, 2021 and 2020). Explicit donor stipulations specify how the property must be used, therefore the contribution is reflected in net assets with purpose restrictions at June 30, 2021 and 2020.

**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.

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 that have no time or purpose restrictions. Net assets without donor restrictions also include net assets which have been designated by the Foundation's Board of Directors to function as endowments, as well as the funds available or spendable portion of endowment net assets subject to donor fund agreements.

Board designated endowment net assets may be used at the discretion of the Foundation's Board of Directors. The distributions from endowments subject to donor fund agreements represent the portion of such endowment funds that have been appropriated for expenditure and may be granted to charitable organizations at any time upon donor request. Such distributions are subject to approval by the Foundation's 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 accompanying consolidated statements of activities as net assets released from restriction.

**The Community Foundation of Louisville, Inc.**  
**Notes to the Consolidated Financial Statements (Continued)**  
**Years Ended June 30, 2021 and 2020**

**Note B - Summary of Significant Accounting Policies (Continued)**

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.

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, 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, 2021 and 2020, 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 receivable 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.

**The Community Foundation of Louisville, Inc.**  
**Notes to the Consolidated Financial Statements (Continued)**  
**Years Ended June 30, 2021 and 2020**

**Note B - Summary of Significant Accounting Policies (Continued)**

8. Beneficial Interests in Charitable Remainder Trusts

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.

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 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

The Foundation recognizes contributions when cash, investments, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Contributions are recorded at fair value when received. An unconditional promise to give (contribution receivable) is recognized in the year the pledge is made. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

**The Community Foundation of Louisville, Inc.**  
**Notes to the Consolidated Financial Statements (Continued)**  
**Years Ended June 30, 2021 and 2020**

**Note B - Summary of Significant Accounting Policies (Continued)**

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.

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

<u>Expense</u>	<u>Method of allocation</u>
Salaries, benefits, and payroll taxes	Time and effort
Rent, utilities, and office expenses	Time and effort/asset use
Legal, audit, and other professional services	Time and effort
Software maintenance contracts	Time and effort/asset use
Marketing and communications	Time and effort
Depreciation and amortization	Asset use
Other miscellaneous expenses	Time and effort
Memberships, subscriptions, and continuing education	Time and effort
Postage, printing, and publications	Time and effort
Travel, entertainment, and conference expenses	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. See Note M.

17. Reclassifications

Certain amounts presented in the accompanying 2020 consolidated financial statements have been reclassified to conform to the 2021 presentation. There have been no changes to the 2020 total change (increase) in net assets or total net assets as of June 30, 2020 as a result of these reclassifications.

**The Community Foundation of Louisville, Inc.**  
**Notes to the Consolidated Financial Statements (Continued)**  
**Years Ended June 30, 2021 and 2020**

**Note B - Summary of Significant Accounting Policies (Continued)**

18. Recently Issued Accounting Standards Updates

The Foundation adopted Accounting Standards Update (ASU) 2014-09, *Revenue From Contracts With Customers (Topic 606)*, as of and for the year ended June 30, 2020. ASU 2014-09 was adopted using the modified retrospective method. The Foundation applied the provisions of ASU 2014-09 to all contracts with customers at the July 1, 2019 effective date and all contracts with customers entered into thereafter. The Foundation did not record any material impact related to the adoption of ASU 2014-09. The Foundation's primary sources of revenue/support are contributions (see Note B.13.), net income from investments, and net realized and unrealized gains (losses) on investments. Such sources of revenue/support are all scoped out of ASU 2014-09.

The Foundation, as a resource recipient, also adopted ASU 2018-08, *Not-for-Profit Entities (Topic 605): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as of and for the year ended June 30, 2020. ASU 2018-08 was adopted using the modified prospective method. ASU 2018-08 provides guidance with respect to (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 Foundation did not record any material impact related to the adoption of ASU 2018-08. As a resource provider, the Foundation adopted the provisions of ASU 2018-08 as of and for the year ended June 30, 2021 using the modified prospective method with no material impact on the Foundation's consolidated financial statements.

The Foundation adopted ASU 2018-13, *Fair Value Measurements (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurements*, as of and for the year ended June 30, 2021. ASU 2018-13, which added, modified, and removed certain fair value measurements related note disclosures, was adopted prospectively with no material impact on the Foundation's consolidated financial statements.

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, 2023.

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.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-financial Assets*. ASU 2020-07 requires contributed non-financial assets to be shown separate from contributions of cash and other financial assets and provides for qualitative disclosures regarding valuation techniques and categories of contributed non-financial assets and their use. The provisions of ASU 2020-07 will be effective for the fiscal year ending June 30, 2022.

**The Community Foundation of Louisville, Inc.**  
**Notes to the Consolidated Financial Statements (Continued)**  
**Years Ended June 30, 2021 and 2020**

**Note B - Summary of Significant Accounting Policies (Continued)**

18. Recently Issued Accounting Standards Updates (Continued)

The Foundation is currently in the process of evaluating the impact of the adoption of ASU 2016-02, ASU 2016-13, and ASU 2020-07 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, 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. 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, in the event of an unanticipated liquidity need, such funds could be expended for current operations at the discretion of the Foundation's Board of Directors.

Total financial assets available for general expenditure within one year of the statement of financial position date are as follows at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets		
Cash	\$ 8,386,265	\$ 5,677,937
Investments	791,684,797	599,022,184
Accounts receivable	16,547	169,543
Contributions receivable	246,730	5,141,353
Notes receivable	10,968,039	11,349,370
Beneficial interests in charitable remainder trusts	3,419,756	2,833,443
	<u>814,722,134</u>	<u>624,193,830</u>
Less amounts not available to be used within one year or amounts not available without Board approval		
Non-current portion of notes receivable	(8,951,736)	(10,389,472)
Agency endowment liabilities	(23,451,619)	(19,752,395)
Deferred gift liabilities for split-interest agreements	(7,707,364)	(6,726,849)
Board designated endowment net assets	(116,262,820)	(91,009,523)
Endowment net assets subject to donor fund agreements		
Purpose restrictions	(337,223,463)	(251,642,806)
Perpetual in nature	(459,055)	(459,055)
Total financial assets available for general expenditure	<u>\$ 320,666,077</u>	<u>\$ 244,213,730</u>



**The Community Foundation of Louisville, Inc.**  
**Notes to the Consolidated Financial Statements (Continued)**  
**Years Ended June 30, 2021 and 2020**

**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, 2021, uninsured bank balances, including invested certificates of deposit, total approximately \$9,100,000. The balances of the Foundation's money market funds included in investments are uninsured.

**Note E - Investments**

At June 30, 2021, investments consist of the following:

	Community Foundation	Depository	Corporate Depository	Martin Foundation	Consolidated
Cash equivalents	\$ 20,808,737	\$ 12,854,843	\$ 3,431,748	\$ 628,198	\$ 37,723,526
U.S. government and government agency obligations	1,764,151	-	101,274	1,524,830	3,390,255
Corporate bonds and notes	3,908,703	-	1,556,755	15,254,868	20,720,326
Municipal bonds	100,193	-	-	1,528,385	1,628,578
Mutual funds	337,706,586	12,061,385	408,319	15,449,108	365,625,398
Common stock	150,029,043	50,041	5,013,468	40,906,161	195,998,713
Alternative investments	164,179,732	2,418,269	-	-	166,598,001
Totals	<u>\$ 678,497,145</u>	<u>\$ 27,384,538</u>	<u>\$ 10,511,564</u>	<u>\$ 75,291,550</u>	<u>\$ 791,684,797</u>

At June 30, 2020, investments consist of the following:

	Community Foundation	Depository	Corporate Depository	Martin Foundation	Consolidated
Cash equivalents	\$ 11,779,513	\$ 10,696,782	\$ 3,259,798	\$ 844,440	\$ 26,580,533
U.S. government and government agency obligations	2,264,833	-	128,397	2,070,560	4,463,790
Corporate bonds and notes	3,790,858	-	1,068,338	11,998,012	16,857,208
Municipal bonds	301,547	-	30,000	1,548,555	1,880,102
Mutual funds	278,460,047	11,645,861	1,477,763	11,917,469	303,501,140
Common stock	107,281,985	63,776	3,769,179	30,718,120	141,833,060
Alternative investments	102,009,855	1,896,496	-	-	103,906,351
Totals	<u>\$ 505,888,638</u>	<u>\$ 24,302,915</u>	<u>\$ 9,733,475</u>	<u>\$ 59,097,156</u>	<u>\$ 599,022,184</u>

**The Community Foundation of Louisville, Inc.**  
**Notes to the Consolidated Financial Statements (Continued)**  
**Years Ended June 30, 2021 and 2020**

**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, 2021 and 2020, notes receivable consist of the following:

	2021	2020
Community Foundation - Impact Investing program loans (see Note 1 below)	\$ 1,731,607	\$ 1,567,949
Community Foundation - attributable to the liquidations of certain investments (see Note 2 below)	7,596,432	8,281,421
Louisville Preservation Fund - uncollateralized/unsecured program loans	1,000,000	1,000,000
Martin Foundation - uncollateralized/unsecured program loans	640,000	500,000
Total notes receivable	<u>\$ 10,968,039</u>	<u>\$ 11,349,370</u>

Note 1 - At June 30, 2021, \$691,568 of the total amount outstanding under the Impact Investing program loans (\$1,130,307 at June 30, 2020) is principally collateralized/secured by first or second mortgages. The remaining portion, \$1,040,039 at June 30, 2021 (\$437,642 at June 30, 2020), is uncollateralized/unsecured.

Note 2 - At June 30, 2021, \$6,727,032 of the total amount outstanding under the Community Foundation notes receivable attributable to the liquidations of certain investments (\$7,412,021 at June 30, 2020) is collateralized by the respective liquidated investment. The remaining portion, \$869,400 at June 30, 2021 (\$869,400 at June 30, 2020), is uncollateralized/unsecured.

**The Community Foundation of Louisville, Inc.**  
**Notes to the Consolidated Financial Statements (Continued)**  
**Years Ended June 30, 2021 and 2020**

**Note G - Notes Receivable (Continued)**

Notes receivable have maturity dates ranging from July 2021 to December 2028. At June 30, 2021, the estimated aggregate maturities required under notes receivable are as follows:

<u>Year ending June 30</u>	
2021	\$ 2,016,303
2022	1,052,547
2023	1,809,788
2024	1,579,015
2025	974,899
Thereafter	<u>3,535,487</u>
Total estimated aggregate maturities	<u>\$ 10,968,039</u>

**Note H - Property and Equipment, Net**

At June 30, 2021 and 2020, net property and equipment consists of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 12,500	\$ 12,500
Building	116,772	116,772
Leasehold improvements	251,338	251,338
Office furniture and equipment	286,735	286,735
Computer hardware and software	<u>441,093</u>	<u>422,328</u>
	1,108,438	1,089,673
Less accumulated depreciation and amortization	<u>923,724</u>	<u>850,225</u>
Total property and equipment, net	<u>\$ 184,714</u>	<u>\$ 239,448</u>

Depreciation and amortization expense totals \$73,499 and \$73,543 for the years ended June 30, 2021 and 2020, respectively.

**Note I - Depository Liabilities**

A progression of depository liabilities for the years ended June 30, 2021 and 2020 is as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Depository</u>	<u>Corporate Depository</u>	<u>Depository</u>	<u>Corporate Depository</u>
Beginning of the year	\$ 20,743,588	\$ 15,743,847	\$ 18,505,135	\$ 13,914,316
Additions	17,840,718	9,327,633	20,020,869	23,079,323
Net investment income (loss) retained	(13,178)	71,810	2,181	145,595
Net realized and unrealized appreciation	269,893	1,820,084	131,051	219,314
Distributions	<u>(16,794,513)</u>	<u>(10,008,382)</u>	<u>(17,915,648)</u>	<u>(21,614,701)</u>
End of the year	<u>\$ 22,046,508</u>	<u>\$ 16,954,992</u>	<u>\$ 20,743,588</u>	<u>\$ 15,743,847</u>

**The Community Foundation of Louisville, Inc.**  
**Notes to the Consolidated Financial Statements (Continued)**  
**Years Ended June 30, 2021 and 2020**

**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 term of the trust. 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, 2021:

	Charitable remainder trusts	Pooled income fund	Charitable gift annuities	Total
Assets	\$ 16,368,186	\$ 734,529	\$ 1,545,445	\$ 18,648,160
Liabilities	6,578,026	580,273	549,065	7,707,364

**The Community Foundation of Louisville, Inc.**  
**Notes to the Consolidated Financial Statements (Continued)**  
**Years Ended June 30, 2021 and 2020**

**Note J - Split-interest Agreements (Continued)**

Amounts subject to split-interest agreements include the following at June 30, 2020:

	Charitable remainder trusts	Pooled income fund	Charitable gift annuities	Total
Assets	\$ 13,440,026	\$ 838,310	\$ 1,336,663	\$ 15,614,999
Liabilities	5,630,360	633,203	463,286	6,726,849

**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, 2021 and 2020.

*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.

**The Community Foundation of Louisville, Inc.**  
**Notes to the Consolidated Financial Statements (Continued)**  
**Years Ended June 30, 2021 and 2020**

**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.

**The Community Foundation of Louisville, Inc.**  
**Notes to the Consolidated Financial Statements (Continued)**  
**Years Ended June 30, 2021 and 2020**

**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, 2021:

	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 37,723,526	\$ -	\$ -	\$ 37,723,526
U.S. government and government agency obligations				
Rated AAA	-	3,390,255	-	3,390,255
Corporate bonds and notes				
Rated AAA	-	759,400	-	759,400
Rated AA- to AA+	-	2,031,565	-	2,031,565
Rated A- to A+	-	11,239,035	-	11,239,035
Rated BB+ to BBB+	-	6,690,326	-	6,690,326
	<u>-</u>	<u>20,720,326</u>	<u>-</u>	<u>20,720,326</u>
Municipal bonds				
Rated AA- to AA+	-	658,158	-	658,158
Rated A- to A+	-	970,420	-	970,420
	<u>-</u>	<u>1,628,578</u>	<u>-</u>	<u>1,628,578</u>
Mutual funds				
Equity	100,456,912	-	-	100,456,912
Fixed income	91,313,567	-	-	91,313,567
Index and exchange traded funds	92,612,983	-	-	92,612,983
International	68,684,032	-	-	68,684,032
Other	12,557,904	-	-	12,557,904
	<u>365,625,398</u>	<u>-</u>	<u>-</u>	<u>365,625,398</u>
Common stock				
Consumer discretionary	27,994,236	-	-	27,994,236
Consumer staples	11,610,359	-	-	11,610,359
Energy	1,678,273	-	-	1,678,273
Financial	33,096,838	-	-	33,096,838
Healthcare	26,694,798	-	-	26,694,798
Industrials	24,649,437	-	-	24,649,437
Information technology	40,296,260	-	-	40,296,260
Other	29,978,512	-	-	29,978,512
	<u>195,998,713</u>	<u>-</u>	<u>-</u>	<u>195,998,713</u>
Alternative investments				
Limited liability companies	-	-	157,713,298	157,713,298
Limited partnerships	-	-	8,397,502	8,397,502
Closely-held corporations	-	-	487,201	487,201
	<u>-</u>	<u>-</u>	<u>166,598,001</u>	<u>166,598,001</u>
Notes receivable	-	-	10,968,039	10,968,039
Beneficial interests in charitable remainder trusts				
Unitrusts	-	-	3,004,460	3,004,460
Annuity trust	-	-	415,296	415,296
	<u>-</u>	<u>-</u>	<u>3,419,756</u>	<u>3,419,756</u>
Totals	\$ <u>599,347,637</u>	\$ <u>25,739,159</u>	\$ <u>180,985,796</u>	\$ <u>806,072,592</u>

**The Community Foundation of Louisville, Inc.**  
**Notes to the Consolidated Financial Statements (Continued)**  
**Years Ended June 30, 2021 and 2020**

**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, 2020:

	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 26,580,533	\$ -	\$ -	\$ 26,580,533
U.S. government and government agency obligations				
Rated AAA	-	4,172,612	-	4,172,612
Rated AA- to AA+	-	291,178	-	291,178
	<u>-</u>	<u>4,463,790</u>	<u>-</u>	<u>4,463,790</u>
Corporate bonds and notes				
Rated AAA	-	724,555	-	724,555
Rated AA- to AA+	-	1,968,946	-	1,968,946
Rated A- to A+	-	8,132,346	-	8,132,346
Rated BB+ to BBB+	-	6,031,361	-	6,031,361
	<u>-</u>	<u>16,857,208</u>	<u>-</u>	<u>16,857,208</u>
Municipal bonds				
Rated AA- to AA+	-	908,137	-	908,137
Rated A- to A+	-	971,965	-	971,965
	<u>-</u>	<u>1,880,102</u>	<u>-</u>	<u>1,880,102</u>
Mutual funds				
Equity	76,526,559	-	-	76,526,559
Fixed income	98,091,122	-	-	98,091,122
Index and exchange traded funds	69,436,727	-	-	69,436,727
International	49,810,362	-	-	49,810,362
Other	9,636,370	-	-	9,636,370
	<u>303,501,140</u>	<u>-</u>	<u>-</u>	<u>303,501,140</u>
Common stock				
Consumer discretionary	18,732,391	-	-	18,732,391
Consumer staples	9,813,052	-	-	9,813,052
Energy	1,410,073	-	-	1,410,073
Financial	21,923,154	-	-	21,923,154
Healthcare	19,978,233	-	-	19,978,233
Industrials	18,722,937	-	-	18,722,937
Information technology	31,063,754	-	-	31,063,754
Other	20,189,466	-	-	20,189,466
	<u>141,833,060</u>	<u>-</u>	<u>-</u>	<u>141,833,060</u>
Alternative investments				
Limited liability companies	-	-	94,989,477	94,989,477
Limited partnerships	-	-	8,429,673	8,429,673
Closely-held corporations	-	-	487,201	487,201
	<u>-</u>	<u>-</u>	<u>103,906,351</u>	<u>103,906,351</u>
Notes receivable	-	-	11,349,370	11,349,370
Beneficial interests in charitable remainder trusts				
Unitrusts	-	-	2,326,595	2,326,595
Annuity trust	-	-	506,848	506,848
	<u>-</u>	<u>-</u>	<u>2,833,443</u>	<u>2,833,443</u>
Totals	\$ <u>471,914,733</u>	\$ <u>23,201,100</u>	\$ <u>118,089,164</u>	\$ <u>613,204,997</u>



**The Community Foundation of Louisville, Inc.**  
**Notes to the Consolidated Financial Statements (Continued)**  
**Years Ended June 30, 2021 and 2020**

**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, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Beginning of the year	\$ 118,089,164	\$ 54,273,363
Purchases/contributions/additions	22,166,630	70,187,037
Sales/payments	(3,491,474)	(2,570,513)
Net realized and unrealized appreciation (depreciation)	43,543,611	(3,622,044)
Actuarial change	677,865	(178,679)
End of the year	<u>\$ 180,985,796</u>	<u>\$ 118,089,164</u>

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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Charitable remainder trusts				
Unitrusts	\$ -	\$ -	\$ 6,561,248	\$ 6,561,248
Annuity trust	-	-	16,778	16,778
Pooled income fund	-	-	580,273	580,273
Charitable gift annuities	-	-	549,065	549,065
Totals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,707,364</u>	<u>\$ 7,707,364</u>

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, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Charitable remainder trusts				
Unitrusts	\$ -	\$ -	\$ 5,600,905	\$ 5,600,905
Annuity trust	-	-	29,455	29,455
Pooled income fund	-	-	633,203	633,203
Charitable gift annuities	-	-	463,286	463,286
Totals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,726,849</u>	<u>\$ 6,726,849</u>

**The Community Foundation of Louisville, Inc.**  
**Notes to the Consolidated Financial Statements (Continued)**  
**Years Ended June 30, 2021 and 2020**

**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, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Beginning of the year	\$ 6,726,849	\$ 7,093,247
Actuarial change	1,918,073	689,125
Payment obligations	<u>(937,558)</u>	<u>(1,055,523)</u>
End of the year	<u>\$ 7,707,364</u>	<u>\$ 6,726,849</u>

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, 2021 are determined using a net asset value per share or its equivalent:

	<u>Fair value</u>	<u>Unfunded commitment</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Limited liability companies - marketable securities	\$ 127,100,000	\$ -	N/A	N/A
Limited liability companies - marketable securities	20,597,488	-	daily	2 days
Limited liability companies - marketable securities	8,040,810	-	monthly	30 days
Limited liability companies - commercial real estate	375,000	-	N/A	N/A
Limited liability companies - commercial and residential real estate	1,600,000	-	N/A	N/A
Limited partnerships - marketable securities	2,418,269	-	quarterly	45 days
Limited partnerships - marketable securities	1,134,189	-	monthly	15 days
Limited partnerships - marketable securities	32,000	-	N/A	N/A
Limited partnerships - marketable securities and private equity	41,341	-	quarterly	65 days
Limited partnerships - private equity	172,482	26,000	N/A	N/A
Limited partnerships - distressed debt	2,928,317	-	N/A	N/A
Limited partnerships - real estate	1,670,904	4,470,000	N/A	N/A

**The Community Foundation of Louisville, Inc.**  
**Notes to the Consolidated Financial Statements (Continued)**  
**Years Ended June 30, 2021 and 2020**

**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 890 funds established for a variety of purposes. Such endowments include both donor-restricted endowment funds and funds designated by the Foundation's 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 standard 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.

**The Community Foundation of Louisville, Inc.**  
**Notes to the Consolidated Financial Statements (Continued)**  
**Years Ended June 30, 2021 and 2020**

**Note L - Endowment Funds (Continued)**

At June 30, 2021, endowment net assets consist of the following:

	Without donor restrictions	With donor restrictions		Total
		Purpose restrictions	In perpetuity	
Board designated	\$ 116,262,820	\$ -	\$ -	\$ 116,262,820
Endowments subject to donor fund agreements	<u>285,420,460</u>	<u>337,223,463</u>	<u>459,055</u>	<u>623,102,978</u>
Totals	<u>\$ 401,683,280</u>	<u>\$ 337,223,463</u>	<u>\$ 459,055</u>	<u>\$ 739,365,798</u>

At June 30, 2020, endowment net assets consist of the following:

	Without donor restrictions	With donor restrictions		Total
		Purpose restrictions	In perpetuity	
Board designated	\$ 91,009,523	\$ -	\$ -	\$ 91,009,523
Endowments subject to donor fund agreements	<u>214,436,231</u>	<u>251,642,806</u>	<u>459,055</u>	<u>466,538,092</u>
Totals	<u>\$ 305,445,754</u>	<u>\$ 251,642,806</u>	<u>\$ 459,055</u>	<u>\$ 557,547,615</u>

Changes in endowment net assets during the year ended June 30, 2021 are as follows:

	Without donor restrictions	With donor restrictions		Total
		Purpose restrictions	In perpetuity	
Beginning of the year	\$ 305,445,754	\$ 251,642,806	\$ 459,055	\$ 557,547,615
Contributions	241,301	34,007,623	-	34,248,924
Investment return				
Net investment income	1,911,647	9,904,779	-	11,816,426
Net realized and unrealized appreciation	25,607,838	145,454,070	-	171,061,908
Net assets released from restrictions	103,785,815	(103,785,815)	-	-
Appropriation of endowment assets for expenditure	<u>(35,309,075)</u>	<u>-</u>	<u>-</u>	<u>(35,309,075)</u>
End of the year	<u>\$ 401,683,280</u>	<u>\$ 337,223,463</u>	<u>\$ 459,055</u>	<u>\$ 739,365,798</u>

**The Community Foundation of Louisville, Inc.**  
**Notes to the Consolidated Financial Statements (Continued)**  
**Years Ended June 30, 2021 and 2020**

**Note L - Endowment Funds (Continued)**

Changes in endowment net assets during the year ended June 30, 2020 are as follows:

	Without donor restrictions	With donor restrictions		Total
		Purpose restrictions	In perpetuity	
Beginning of the year	\$ 288,002,800	\$ 201,249,985	\$ 459,055	\$ 489,711,840
Contributions	1,967,760	96,319,675	-	98,287,435
Investment return				
Net investment income	2,267,368	10,665,054	-	12,932,422
Net realized and unrealized appreciation (depreciation)	339,510	(998,248)	-	(658,738)
Net assets released from restrictions	55,593,660	(55,593,660)	-	-
Appropriation of endowment assets for expenditure	(42,725,344)	-	-	(42,725,344)
End of the year	<u>\$ 305,445,754</u>	<u>\$ 251,642,806</u>	<u>\$ 459,055</u>	<u>\$ 557,547,615</u>

*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, 2021 and 2020.

*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. 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.

**The Community Foundation of Louisville, Inc.**  
**Notes to the Consolidated Financial Statements (Continued)**  
**Years Ended June 30, 2021 and 2020**

**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 - Office Space Lease**

The Community Foundation leases its office space under an operating lease. Effective October 2021, the Foundation renewed the office space lease through April 2027. The Community Foundation currently pays rent in the amount of \$14,901 per month (increases to \$16,224 per month effective May 2022; thereafter increases to \$16,471 per month effective May 2024), inclusive of utilities. Rent expense totals approximately \$179,000 and \$177,000 for the years ended June 30, 2021 and 2020, respectively.

At June 30, 2021 (includes the impact of the October 2021 renewal of the lease agreement which previously expired in September 2021), the future minimum lease payments under this operating lease are as follows:

<u>Year ending June 30</u>	
2022	\$ 136,755
2023	194,688
2024	195,182
2025	197,652
2026	197,652
Thereafter	<u>164,710</u>
Total future minimum lease payments	<u>\$ 1,086,639</u>

**Note N - 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, 2021 and 2020, investment management and other fees paid total approximately \$1,375,000 and \$1,789,000, respectively, of which approximately \$1,249,000 and \$1,646,000, respectively, represent investment management and custodial fees which are netted against investment income per the accompanying consolidated statements of activities.

**The Community Foundation of Louisville, Inc.**  
**Notes to the Consolidated Financial Statements (Continued)**  
**Years Ended June 30, 2021 and 2020**

**Note O - Retirement Plan**

The Community Foundation has a defined contribution retirement 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. Effective August 2020, the monthly employer contributions are based on 3% of the participant's compensation (5% through July 2020). Retirement plan expense for the years ended June 30, 2021 and 2020 totals approximately \$70,000 and \$93,000, respectively.