The Community Foundation of Louisville, Inc.

Consolidated Financial Statements

June 30, 2023 and 2022

Cherry Bekaert LLP
Your Guide Forward

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Cherry Bekaert LLP
Your Guide Forward

Independent Auditor's Report

Board of Directors
The Community Foundation of Louisville, Inc.

Opinion

We have audited the 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, 2023 and 2022, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The Community Foundation of Louisville, Inc. as of June 30, 2023 and 2022, 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.

Basis for Opinion

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

Change in Accounting Principle

As discussed in Note B.17. to the consolidated financial statements, effective July 1, 2022, The Community Foundation of Louisville, Inc. adopted Accounting Standards Update 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Prior Year Consolidated Financial Statements

The consolidated financial statements as of and for the year ended June 30, 2022, were audited by MCM CPAs & Advisors LLP, which was acquired by Cherry Bekaert LLP effective October 31, 2023, and whose report dated December 14, 2022, expressed an unmodified opinion on those financial statements.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Community Foundation of Louisville, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Community Foundation of Louisville, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Cherry Bekaert LLP

Louisville, Kentucky
December 13, 2023

The Community Foundation of Louisville, Inc.
Consolidated Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Cash	$ 6,540,171	$ 8,218,550
Investments	743,730,548	733,505,857
Accounts receivable	25,259	-
Contributions receivable	1,155,203	256,867
Notes receivable	8,206,810	8,919,160
Beneficial interests in charitable remainder trusts	3,463,968	3,025,542
Cash surrender value of life insurance	231,071	312,097
Property and equipment, net	334,045	201,761
Operating lease right-of-use asset	996,118	-
Other assets	1,090,077	1,367,315
Total assets	$ 765,773,270	$ 755,807,149
Liabilities and net assets		
Liabilities		
Accounts payable	$ 261,709	$ 128,327
Grants payable	5,252,252	4,030,036
Accrued expenses and other current liabilities	151,429	95,544
Operating lease liability	1,026,624	-
Depository liabilities		
Depository	25,154,352	26,287,137
Corporate Depository	8,806,551	17,622,812
Agency endowment liabilities	23,973,118	22,007,217
Deferred gift liabilities for split-interest agreements	6,546,471	6,588,511
Total liabilities	71,172,506	76,759,584
Net assets		
Without donor restrictions		
Operations	2,546,187	2,637,919
Depositories	(1,845,794)	(1,596,334)
Endowments	486,102,405	364,373,784
Total net assets without donor restrictions	486,802,798	365,415,369
With donor restrictions		
Purpose restrictions		
Endowments	207,338,911	313,173,141
Perpetual in nature		
Endowments	459,055	459,055
Total net assets with donor restrictions	207,797,966	313,632,196
Total net assets	694,600,764	679,047,565
Total liabilities and net assets	$ 765,773,270	$ 755,807,149

See accompanying notes.

The Community Foundation of Louisville, Inc.
Consolidated Statements of Activities
Years Ended June 30, 2023 and 2022

	2023			2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenues, gains, and other support						
Contributions	$ 1,783,962	$ 56,683,732	$ 58,467,694	$ 2,085,927	$ 71,657,053	$ 73,742,980
Less amounts received for agency endowments	-	(110,653)	(110,653)	-	(2,913,469)	(2,913,469)
Investment income, net	3,560,789	15,309,418	18,870,207	3,124,768	13,385,167	16,509,935
Net realized and unrealized gains on investments	9,632,338	53,295,529	62,927,867	-	-	-
Administered fund fees	167,335	-	167,335	218,282	-	218,282
Other income	159,560	-	159,560	164,174	-	164,174
	15,303,984	125,178,026	140,482,010	5,593,151	82,128,751	87,721,902
Net assets released from restrictions	231,012,256	(231,012,256)	-	25,371,304	(25,371,304)	-
Total revenues, gains, and other support	246,316,240	(105,834,230)	140,482,010	30,964,455	56,757,447	87,721,902
Expenses and losses						
Program services	121,135,162	-	121,135,162	47,608,216	-	47,608,216
Management and general	2,608,272	-	2,608,272	2,488,582	-	2,488,582
Fundraising	1,185,377	-	1,185,377	945,833	-	945,833
	124,928,811	-	124,928,811	51,042,631	-	51,042,631
Net realized and unrealized losses on investments	-	-	-	19,624,224	82,057,769	101,681,993
Total expenses and losses	124,928,811	-	124,928,811	70,666,855	82,057,769	152,724,624
Change in net assets	121,387,429	(105,834,230)	15,553,199	(39,702,400)	(25,300,322)	(65,002,722)
Net assets, beginning of year	365,415,369	313,632,196	679,047,565	405,117,769	338,932,518	744,050,287
Net assets, end of year	$ 486,802,798	$ 207,797,966	$ 694,600,764	$ 365,415,369	$ 313,632,196	$ 679,047,565

See accompanying notes.

The Community Foundation of Louisville, Inc.
Consolidated Statement of Functional Expenses
Year Ended June 30, 2023

	Program services	Management and general	Fundraising	Total
Grants	$ 118,846,868	$ -	$ -	$ 118,846,868
Less amounts granted from agency endowments	(447,295)	-	-	(447,295)
Special programs	279,056	-	-	279,056
Income distributions from Depositories to donors' funds	258,525	-	-	258,525
Distributions from deferred funds	643,478	-	-	643,478
Salaries, benefits, and payroll taxes	1,134,294	1,902,431	656,315	3,693,040
Rent, utilities, and office expenses	131,905	259,156	59,661	450,722
Marketing and communications	2,001	-	327,600	329,601
Legal, audit, and other professional services	43,969	160,903	23,727	228,599
Software maintenance contracts	58,867	128,636	30,524	218,027
Community leadership	120,941	-	-	120,941
Travel, entertainment, and conference expenses	22,374	40,360	7,804	70,538
Depreciation and amortization	15,780	39,840	8,183	63,803
Development and stewardship	1,669	-	52,465	54,134
Memberships, subscriptions, and continuing education	6,076	39,682	6,913	52,671
Other miscellaneous expenses	11,261	25,501	5,839	42,601
Postage, printing, and publications	5,393	11,763	2,791	19,947
Foundation advancement	-	-	3,555	3,555
Totals	$ 121,135,162	$ 2,608,272	$ 1,185,377	$ 124,928,811

See accompanying notes.

The Community Foundation of Louisville, Inc.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2022

	Program services	Management and general	Fundraising	Total
Grants	$ 46,848,619	$ -	$ -	$ 46,848,619
Less amounts granted from agency endowments	(757,483)	-	-	(757,483)
Special programs	214,316	-	-	214,316
Loss distributions from Depositories to donors' funds	(1,024,876)	-	-	(1,024,876)
Distributions from deferred funds	924,619	-	-	924,619
Salaries, benefits, and payroll taxes	1,037,708	1,713,540	591,142	3,342,390
Rent, utilities, and office expenses	106,232	175,581	39,002	320,815
Marketing and communications	1,711	-	162,868	164,579
Legal, audit, and other professional services	128,788	345,553	57,852	532,193
Software maintenance contracts	55,192	120,606	28,619	204,417
Travel, entertainment, and conference expenses	17,352	29,865	5,475	52,692
Depreciation and amortization	15,279	37,714	7,923	60,916
Development and stewardship	6,263	-	13,880	20,143
Memberships, subscriptions, and continuing education	3,493	36,531	6,103	46,127
Other miscellaneous expenses	5,176	20,981	31,021	57,178
Postage, printing, and publications	3,757	8,211	1,948	13,916
Mission and impact	22,070	-	-	22,070
Totals	$ 47,608,216	$ 2,488,582	$ 945,833	$ 51,042,631

See accompanying notes.

The Community Foundation of Louisville, Inc.
Consolidated Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Cash receipts		
Contributions	$ 56,978,239	$ 68,585,190
Contributions/additions to Depository and agency endowment liability funds	24,809,976	38,153,178
Investment income	20,613,271	17,964,245
Other	592,171	906,201
Cash payments		
Grants	(117,177,356)	(42,611,524)
Grants/distributions of Depository and agency endowment liability funds	(35,348,670)	(30,059,441)
Distributions of deferred gift liability funds	(643,478)	(924,619)
Personnel	(3,713,282)	(3,385,836)
Investment management and other fees	(1,277,211)	(926,556)
Other	(1,852,648)	(2,203,848)
Net cash provided by (used in) operating activities	(57,018,988)	45,496,990
Cash flows from investing activities		
Proceeds from sales and maturities of investments	490,570,250	239,292,725
Principal payments received on notes receivable	1,786,350	2,548,879
Purchases of investments	(435,745,904)	(286,928,346)
Additional notes receivable	(1,074,000)	(500,000)
Purchases of property and equipment	(196,087)	(77,963)
Net cash provided by (used in) investing activities	55,340,609	(45,664,705)
Change in cash	(1,678,379)	(167,715)
Cash, beginning of year	8,218,550	8,386,265
Cash, end of year	$ 6,540,171	$ 8,218,550

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., Real Estate Asset Legacy Foundation of Kentucky, Inc., Felix E. Martin, Jr. Foundation, Inc., the John B. and Mary Bell Pirtle Endowment Fund, 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.

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.

Felix E. Martin, Jr. Foundation, Inc. (Martin, Jr. Foundation), 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 Martin, Jr. Foundation's assets principally consist of an investment account comprised of marketable securities.

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, 2023 and 2022, the fair value of the Pirtle Endowment Fund's assets total $2,102,326 and $2,036,285, respectively, and are included with the Community Foundation's investments.

Louisville Preservation Fund, Inc. (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).

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 $1,250,000 contribution (in total) of a specific parcel of real estate during the years ended June 30, 2016 and 2015. Explicit donor stipulations specified how the property was to be used, therefore the contribution was reflected in net assets with purpose restrictions. During 2022, the property was transferred to two not-for-profit organizations under the terms of a "Land Grant Agreement(s)." Net assets released from restrictions per the accompanying consolidated statement of activities for the year ended June 30, 2022 includes the impact of the $1,250,000 of non-cash grants expense.

Note B - Summary of Significant Accounting Policies

1. <u>Basis of Accounting</u>

   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. <u>Use of Estimates</u>

   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. <u>Donor-imposed Restrictions</u>

   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.

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, 2023 and 2022, 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 1.00% to 4.25%.

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

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. The related net realized and unrealized appreciation/ depreciation and actuarial change is included in net realized and unrealized gains/losses on investments per the accompanying consolidated statements of activities ($545,050 of net gains with respect to the year ended June 30, 2023 and $290,597 of net losses with respect to the year ended June 30, 2022).

9. Property and Equipment, Net

Property and equipment is stated at cost at the date of acquisition or at an estimate of 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

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.

Note B - Summary of Significant Accounting Policies (Continued)

13. Contributions (Continued)

Included in contributions revenue for the year ended June 30, 2022 is $1,200,000 attributable to the contribution of real estate (included in other assets at June 30, 2023 and 2022). The contribution without donor restrictions was recorded at an estimate of fair value based on an independent third-party appraisal/comparative market analysis of the property. The Foundation intends to sell the property and to use the proceeds therefrom for program services.

Also included in contributions revenue for the year ended June 30, 2022 is $309,545 attributable to the contribution of a second parcel of real estate. The contribution without donor restrictions was recorded at an estimate of fair value based on an independent third-party appraisal/comparative market analysis of the property. The Foundation sold the property prior to June 30, 2022 for the property's $309,545 carrying value and used the proceeds therefrom for program services.

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:

Expense	Method of allocation
Salaries, benefits, and payroll taxes	Time and effort
Rent, utilities, and office expenses	Time and effort/asset use
Marketing and communications	Time and effort
Legal, audit, and other professional services	Time and effort
Software maintenance contracts	Time and effort/asset use
Travel, entertainment, and conference expenses	Time and effort
Depreciation and amortization	Asset use
Memberships, subscriptions, and continuing education	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.

Note B - Summary of Significant Accounting Policies (Continued)

16. Leases

The Foundation determines if an arrangement is a lease at inception. A contract/agreement is or contains a lease if the contract/agreement conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease right-of-use (ROU) assets and liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term, which is determined as the non-cancelable period, including periods for which termination options are reasonably certain of not being exercised, and periods for which renewal options are reasonably certain of being exercised. The lease liabilities are measured by discounting the future lease payments using either a risk-free rate or the Foundation’s collateralized incremental borrowing rate for financing instruments of a similar term unless an implicit rate is readily determinable.

Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. As applicable, a finance lease ROU asset is amortized over the shorter of the estimated useful life of the asset or the term of the related lease. Variable lease payments are not considered in the determination of the lease payments for purposes of measuring lease ROU assets and liabilities. Such variable lease payments are recognized as an expense in the period during which the related obligation is incurred.

17. Recently Issued Accounting Standards Updates

In February 2016, the FASB issued Accounting Standards Update (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 ROU 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 Foundation adopted the provisions of ASU 2016-02 effective July 1, 2022 using the optional transition method which allows entities to apply ASU 2016-02 at the adoption date and recognize a cumulative effect adjustment, if any, to the opening balance of net assets in the period of adoption.

Management elected to apply certain policy elections and practical expedients with respect to all classes of underlying assets as follows:

- To carry forward the historical lease classification of the Foundation’s existing leases, to not have to reassess whether expired or existing contracts/agreements are and/or contain leases, and to not have to re-assess initial direct costs for existing leases (collectively the "package of three" practical expedients).
- To not use hindsight with respect to renewals and/or purchase options.
- To combine the lease and the non-lease components.
- To exclude all short-term leases with an initial term of twelve months or less, recognizing lease expense for such leases on a straight-line basis over the lease term.
- To use a risk-free rate (the U.S. Department of the Treasury Daily Treasury Par Yield Curve Rate) as the discount rate.

Note B - Summary of Significant Accounting Policies (Continued)

17. Recently Issued Accounting Standards Updates (Continued)

Upon adoption, at July 1, 2022, the Foundation recognized an operating lease liability of $887,651, with a corresponding operating lease ROU asset. The adoption of ASU 2016-02 did not result in a cumulative effect adjustment to net assets at July 1, 2022, nor did the adoption of the standard have a material impact on the consolidated statements of activities and cash flows. See Note M.

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*. The standard 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 Foundation adopted the provisions of ASU 2020-07 as of and for the year ended June 30, 2022 with no material impact on the Foundation’s consolidated financial statements. See Note B.13.

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 Foundation does not currently anticipate a material impact to the consolidated financial statements upon the adoption of ASU 2016-13 effective with the fiscal year ending June 30, 2024.

18. 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.

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 consolidated 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, the Foundation 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, 2023 and 2022:

	2023	2022
Financial assets		
Cash	$ 6,540,171	$ 8,218,550
Investments	743,730,548	733,505,857
Accounts receivable	25,259	-
Contributions receivable	1,155,203	256,867
Notes receivable	8,206,810	8,919,160
Beneficial interests in charitable remainder trusts	3,463,968	3,025,542
	763,121,959	753,925,976
Less amounts not available to be used within one year or amounts not available without Board approval		
Non-current portion of notes receivable	(6,809,550)	(7,908,477)
Agency endowment liabilities	(23,973,118)	(22,007,217)
Deferred gift liabilities for split-interest agreements	(6,546,471)	(6,588,511)
Board designated endowment net assets	(109,190,284)	(100,386,058)
Endowment net assets subject to donor fund agreements		
Purpose restrictions	(207,338,911)	(313,173,141)
Perpetual in nature	(459,055)	(459,055)
Total financial assets available for general expenditure	$ 408,804,570	$ 303,403,517

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, 2023, uninsured bank balances, including invested certificates of deposit, total approximately $8,900,000. The balances of the Foundation's money market funds included in investments are uninsured.

Note E - Investments

At June 30, 2023, investments consist of the following:

	Community Foundation	Depository	Corporate Depository	Martin Foundation	Consolidated
Cash equivalents	$ 84,200,643	$ 11,551,445	$ 5,476,704	$ 596,205	$ 101,824,997
U.S. government and government agency obligations	23,289,998	-	-	1,845,049	25,135,047
Corporate bonds and notes	8,912,380	-	-	14,192,701	23,105,081
Municipal bonds	47,507	-	-	1,890,228	1,937,735
Mutual funds	298,988,011	12,071,204	3,206,534	12,388,635	326,654,384
Common stock	168,031,681	-	-	39,635,181	207,666,862
Alternative investments	57,406,442	-	-	-	57,406,442
Totals	$ 640,876,662	$ 23,622,649	$ 8,683,238	$ 70,547,999	$ 743,730,548

At June 30, 2022, investments consist of the following:

	Community Foundation	Depository	Corporate Depository	Martin Foundation	Consolidated
Cash equivalents	$ 27,897,311	$ 12,097,975	$ 6,013,769	$ 812,007	$ 46,821,062
U.S. government and government agency obligations	1,628,071	-	121,208	1,508,683	3,257,962
Corporate bonds and notes	3,808,878	-	1,337,715	14,351,019	19,497,612
Municipal bonds	-	-	48,567	1,956,363	2,004,930
Mutual funds	294,818,024	14,092,520	1,584,360	11,542,295	322,037,199
Common stock	129,256,045	85,893	4,212,506	34,255,232	167,809,676
Alternative investments	170,081,852	1,995,564	-	-	172,077,416
Totals	$ 627,490,181	$ 28,271,952	$ 13,318,125	$ 64,425,599	$ 733,505,857

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, 2023 and 2022, notes receivable consist of the following:

	2023	2022
Community Foundation - Impact Investing program loans (see Note 1 below)	$ 2,118,330	$ 1,426,229
Community Foundation - attributable to the liquidations of certain investments (see Note 2 below)	4,768,480	6,012,931
Louisville Preservation Fund - uncollateralized/unsecured program loans	1,000,000	1,000,000
Martin Foundation - uncollateralized/unsecured program loans	320,000	480,000
Total notes receivable	$ 8,206,810	$ 8,919,160

Note 1 - At June 30, 2023, $119,330 of the total amount outstanding under the Impact Investing program loans ($165,066 at June 30, 2022) is principally collateralized/secured by first or second mortgages. The remaining portion, $1,999,000 at June 30, 2023 ($1,261,163 at June 30, 2022), is uncollateralized/unsecured.

Note 2 - At June 30, 2023, the $4,768,480 amount outstanding under the Community Foundation notes receivable attributable to the liquidations of certain investments ($6,012,931 at June 30, 2022) is collateralized by the respective liquidated investment.

Note G - Notes Receivable (Continued)

Notes receivable have maturity dates ranging from December 2023 to June 2030. At June 30, 2023, the estimated aggregate maturities required under notes receivable are as follows:

Year ending June 30	
2024	$ 1,397,260
2025	1,583,849
2026	1,299,151
2027	1,816,654
2028	1,636,694
Thereafter	473,202
Total estimated aggregate maturities	$ 8,206,810

Note H - Property and Equipment, Net

At June 30, 2023 and 2022, net property and equipment consists of the following:

	2023	2022
Land	$ 12,500	$ 12,500
Building	116,772	116,772
Leasehold improvements	302,924	258,559
Office furniture and equipment	396,994	343,284
Computer hardware and software	553,298	455,286
	1,382,488	1,186,401
Less accumulated depreciation and amortization	(1,048,443)	(984,640)
Total property and equipment, net	$ 334,045	$ 201,761

Depreciation and amortization expense totals $63,803 and $60,916 for the years ended June 30, 2023 and 2022, respectively.

Note I - Depository Liabilities

A progression of depository liabilities for the years ended June 30, 2023 and 2022 is as follows:

	2023		2022	
	Depository	Corporate Depository	Depository	Corporate Depository
Beginning of the year	$ 26,287,137	$ 17,622,812	$ 22,046,508	$ 16,954,992
Additions	16,558,467	8,140,856	22,387,640	12,852,068
Net investment income (loss) retained	(2,561)	23,508	1,791	85,890
Net realized and unrealized appreciation (depreciation)	126,046	106,013	(303,250)	(813,732)
Distributions	(17,814,737)	(17,086,638)	(17,845,552)	(11,456,406)
End of the year	$ 25,154,352	$ 8,806,551	$ 26,287,137	$ 17,622,812

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, 2023:

	Charitable remainder trusts	Pooled income fund	Charitable gift annuities	Total
Assets	$ 11,755,223	$ 528,854	$ 2,273,687	$ 14,557,764
Liabilities	5,080,948	385,322	1,080,201	6,546,471

Note J - Split-interest Agreements (Continued)

Amounts subject to split-interest agreements include the following at June 30, 2022:

	Charitable remainder trusts	Pooled income fund	Charitable gift annuities	Total
Assets	$ 11,301,117	$ 587,041	$ 2,194,504	$ 14,082,662
Liabilities	5,023,729	434,479	1,130,303	6,588,511

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, 2023 and 2022.

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, 2023:

	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 101,824,997	$ -	$ -	$ 101,824,997
U.S. government and government agency obligations				
Rated AAA	-	25,135,047	-	25,135,047
Corporate bonds and notes			-	
Rated AAA	-	1,627,240	-	1,627,240
Rated AA- to AA+	-	1,383,567	-	1,383,567
Rated A- to A+	-	16,082,339	-	16,082,339
Rated BB+ to BBB+	-	4,011,935	-	4,011,935
	-	23,105,081	-	23,105,081
Municipal bonds				
Rated AA- to AA+	-	530,632	-	530,632
Rated A- to A+	-	1,407,103	-	1,407,103
	-	1,937,735	-	1,937,735
Mutual funds				
Equity	33,547,619	-	-	33,547,619
Fixed income	60,093,251	-	-	60,093,251
Index and exchange traded funds	159,880,135	-	-	159,880,135
International	61,225,095	-	-	61,225,095
Other	11,908,284	-	-	11,908,284
	326,654,384	-	-	326,654,384
Common stock				
Consumer discretionary	25,348,699	-	-	25,348,699
Consumer staples	14,928,704	-	-	14,928,704
Energy	2,827,113	-	-	2,827,113
Financial	32,603,222	-	-	32,603,222
Healthcare	28,221,768	-	-	28,221,768
Industrials	30,807,922	-	-	30,807,922
Information technology	47,793,152	-	-	47,793,152
Other	25,136,282	-	-	25,136,282
	207,666,862	-	-	207,666,862
Alternative investments				
Limited liability companies	-	-	34,403,843	34,403,843
Limited partnerships	-	-	22,428,169	22,428,169
Closely-held corporations	-	-	574,430	574,430
	-	-	57,406,442	57,406,442
Notes receivable	-	-	8,206,810	8,206,810
Beneficial interests in charitable remainder trusts				
Unitrusts	-	-	2,742,331	2,742,331
Annuity trust	-	-	721,637	721,637
	-	-	3,463,968	3,463,968
Totals	$ 636,146,243	$ 50,177,863	$ 69,077,220	$ 755,401,326

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Notes to the Consolidated Financial Statements (Continued)
June 30, 2023 and 2022

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, 2022:

	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 46,821,062	$ -	$ -	$ 46,821,062
U.S. government and government agency obligations				
Rated AAA	-	3,257,962	-	3,257,962
Corporate bonds and notes			-	
Rated AAA	-	1,423,565	-	1,423,565
Rated AA- to AA+	-	1,802,981	-	1,802,981
Rated A- to A+	-	12,076,509	-	12,076,509
Rated BB+ to BBB+	-	4,194,557	-	4,194,557
	-	19,497,612	-	19,497,612
Municipal bonds				
Rated AA- to AA+	-	1,109,693	-	1,109,693
Rated A- to A+	-	895,237	-	895,237
	-	2,004,930	-	2,004,930
Mutual funds				
Equity	83,180,046	-	-	83,180,046
Fixed income	84,213,655	-	-	84,213,655
Index and exchange traded funds	86,598,697	-	-	86,598,697
International	56,037,914	-	-	56,037,914
Other	12,006,887	-	-	12,006,887
	322,037,199	-	-	322,037,199
Common stock				
Consumer discretionary	20,187,063	-	-	20,187,063
Consumer staples	13,997,884	-	-	13,997,884
Energy	2,597,763	-	-	2,597,763
Financial	28,533,045	-	-	28,533,045
Healthcare	24,783,928	-	-	24,783,928
Industrials	21,872,026	-	-	21,872,026
Information technology	32,977,367	-	-	32,977,367
Other	22,860,600	-	-	22,860,600
	167,809,676	-	-	167,809,676
Alternative investments				
Limited liability companies	-	-	157,600,864	157,600,864
Limited partnerships	-	-	13,989,352	13,989,352
Closely-held corporations	-	-	487,200	487,200
	-	-	172,077,416	172,077,416
Notes receivable	-	-	8,919,160	8,919,160
Beneficial interests in charitable remainder trusts				
Unitrusts	-	-	2,524,948	2,524,948
Annuity trust	-	-	500,594	500,594
	-	-	3,025,542	3,025,542
Totals	$ 536,667,937	$ 24,760,504	$ 184,022,118	$ 745,450,559

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, 2023 and 2022 are as follows:

	2023	2022
Beginning of the year	$ 184,022,118	$ 180,985,796
Purchases/contributions/additions	11,832,425	7,560,000
Sales/payments	(136,695,362)	(4,123,610)
Net realized and unrealized appreciation	9,700,656	79,444
Actuarial change	217,383	(479,512)
End of the year	$ 69,077,220	$ 184,022,118

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, 2023:

	Level 1	Level 2	Level 3	Total
Charitable remainder trusts				
Unitrusts	$ -	$ -	$ 5,080,948	$ 5,080,948
Annuity trust	-	-	-	-
Pooled income fund	-	-	385,322	385,322
Charitable gift annuities	-	-	1,080,201	1,080,201
Totals	$ -	$ -	$ 6,546,471	$ 6,546,471

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, 2022:

	Level 1	Level 2	Level 3	Total
Charitable remainder trusts				
Unitrusts	$ -	$ -	$ 5,020,288	$ 5,020,288
Annuity trust	-	-	3,441	3,441
Pooled income fund	-	-	434,479	434,479
Charitable gift annuities	-	-	1,130,303	1,130,303
Totals	$ -	$ -	$ 6,588,511	$ 6,588,511

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, 2023 and 2022 are as follows:

	2023	2022
Beginning of the year	$ 6,588,511	$ 7,707,364
Actuarial change	751,438	(194,234)
Payment obligations	(793,478)	(924,619)
End of the year	$ 6,546,471	$ 6,588,511

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, 2023 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	$ 17,342,472	$ -	daily	2 days
Limited liability companies - marketable securities	8,700,000	-	N/A	N/A
Limited liability companies - marketable securities	8,141,371	-	monthly	30 days
Limited liability companies - commercial real estate	220,000	-	N/A	N/A
Limited partnerships - marketable securities	1,585,998	-	quarterly	45 days
Limited partnerships - marketable securities	1,358,360	-	monthly	15 days
Limited partnerships - marketable securities	34,000	-	N/A	N/A
Limited partnerships - marketable securities and private equity	39,965	-	quarterly	65 days
Limited partnerships - private equity	160,830	260,429	N/A	N/A
Limited partnerships - real estate	5,724,820	450,000	N/A	N/A
Limited partnerships - floating rate and broadly syndicated loans	6,535,902	1,600,000	N/A	N/A
Limited partnerships - distressed debt	6,988,294	2,800,000	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 960 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.

Note L - Endowment Funds (Continued)

At June 30, 2023, endowment net assets consist of the following:

	Without donor restrictions	With donor restrictions: Purpose restrictions	With donor restrictions: In perpetuity	Total
Board designated	$ 109,190,284	$ -	$ -	$ 109,190,284
Endowments subject to donor fund agreements	376,912,121	207,338,911	459,055	584,710,087
Totals	$ 486,102,405	$ 207,338,911	$ 459,055	$ 693,900,371

At June 30, 2022, endowment net assets consist of the following:

	Without donor restrictions	With donor restrictions: Purpose restrictions	With donor restrictions: In perpetuity	Total
Board designated	$ 100,386,058	$ -	$ -	$ 100,386,058
Endowments subject to donor fund agreements	263,987,726	313,173,141	459,055	577,619,922
Totals	$ 364,373,784	$ 313,173,141	$ 459,055	$ 678,005,980

Changes in endowment net assets during the year ended June 30, 2023 are as follows:

	Without donor restrictions	With donor restrictions: Purpose restrictions	With donor restrictions: In perpetuity	Total
Beginning of the year	$ 364,373,784	$ 313,173,141	$ 459,055	$ 678,005,980
Contributions	2,353,279	56,573,079	-	58,926,358
Investment return				
Net investment income	2,169,922	15,309,418	-	17,479,340
Net realized and unrealized appreciation	9,571,754	53,295,529	-	62,867,283
Net assets released from restrictions	231,012,256	(231,012,256)	-	-
Appropriation of endowment assets for expenditure	(123,378,590)	-	-	(123,378,590)
End of the year	$ 486,102,405	$ 207,338,911	$ 459,055	$ 693,900,371

Note L - Endowment Funds (Continued)

Changes in endowment net assets during the year ended June 30, 2022 are as follows:

	Without donor restrictions	With donor restrictions: Purpose restrictions	With donor restrictions: In perpetuity	Total
Beginning of the year	$ 401,683,280	$ 337,223,463	$ 459,055	$ 739,365,798
Contributions	2,533,852	68,743,584	-	71,277,436
Investment return				
Net investment income	2,372,612	13,385,167	-	15,757,779
Net realized and unrealized depreciation	(16,488,734)	(82,057,769)	-	(98,546,503)
Net assets released from restrictions	24,121,304	(24,121,304)	-	-
Appropriation of endowment assets for expenditure	(49,848,530)	-	-	(49,848,530)
End of the year	$ 364,373,784	$ 313,173,141	$ 459,055	$ 678,005,980

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, 2023. There are no deficiencies which management considers to be significant at June 30, 2022.

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 - Office Space Lease

The Community Foundation leases its office space under an operating lease with a lease term through April 2027. The Community Foundation currently pays rent in the amount of $22,709 per month (thereafter increases to $23,546 per month effective May 2024, $24,725 per month effective May 2025, and $25,315 per month effective May 2026), inclusive of utilities. Rent expense totals approximately $238,000 and $137,000 for the years ended June 30, 2023 and 2022, respectively.

The Community Foundation’s operating lease does not include any material residual value guarantees or restrictive covenants.

At June 30, 2023, the future minimum lease payments under the operating lease and the net present value of the future minimum lease payments, as discounted at 3.94% (the U.S. Department of the Treasury Daily Treasury Par Yield Curve Rate), are as follows:

Year ending June 30		
2024	$	274,186
2025		284,910
2026		297,881
2027		253,148
		1,110,125
Less amounts representing imputed interest		(83,501)
Net present value of future minimum lease payments	$	1,026,624
Current portion	$	237,790
Non-current portion		788,834
	$	1,026,624

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, 2023 and 2022, investment management and other fees paid total approximately $1,227,000 and $927,000, respectively, of which approximately $1,163,000 and $813,000, respectively, represent investment management and custodial fees which are netted against investment income per the accompanying consolidated statements of activities.

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, 2023 and 2022 totals approximately $80,000 and $74,000, respectively.