



Financial Statements

for

**KENTUCKY SCHOOL FOR THE BLIND
CHARITABLE FOUNDATION, INC.**

Years Ended June 30, 2022 and 2021
with Report of Independent Auditors

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Report of Independent Auditors

Board of Directors
Kentucky School for the Blind Charitable Foundation, Inc.
Louisville, Kentucky

Opinion

We have audited the financial statements of Kentucky School for the Blind Charitable Foundation, Inc. (the Foundation), which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Dean Dotson Allen Ford, PLLC

Louisville, Kentucky
April 18, 2023

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Statements of Financial Position

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash	\$ 102,555	\$ 29,923
Investments	10,487,954	13,216,554
Investments, the use of which is limited	7,609,625	7,440,031
Interest receivable	11,570	11,060
Pledges receivable	-	1,690
Prepaid expenses and other assets	-	3,652
Total assets	<u>\$ 18,211,704</u>	<u>\$ 20,702,910</u>
Liabilities and Net Assets		
Liabilities:		
Grants payable	\$ 48,181	\$ 100,286
Accrued expenses	<u>43,276</u>	<u>29,845</u>
Total liabilities	91,457	130,131
Net assets:		
Without donor restrictions	10,277,183	11,873,763
With donor restrictions	<u>7,843,064</u>	<u>8,699,016</u>
Total net assets	<u>18,120,247</u>	<u>20,572,779</u>
Total liabilities and net assets	<u>\$ 18,211,704</u>	<u>\$ 20,702,910</u>

See accompanying notes.

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Statement of Activities

Year ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, support, and investment returns:			
Contributions and bequests	\$ 141,686	\$ 196,209	\$ 337,895
In-kind contributions	16,600	-	16,600
Golf scramble	22,605	-	22,605
Investment loss, net	(1,297,019)	(782,350)	(2,079,369)
Net assets released from restrictions	<u>269,811</u>	<u>(269,811)</u>	<u>-</u>
Total revenue, support, and investment returns	(846,317)	(855,952)	(1,702,269)
Expenses:			
General and administrative	138,837	-	138,837
Program services	561,938	-	561,938
Fund-raising and development	<u>49,488</u>	<u>-</u>	<u>49,488</u>
Total expenses	<u>750,263</u>	<u>-</u>	<u>750,263</u>
Decrease in net assets	(1,596,580)	(855,952)	(2,452,532)
Net assets, beginning of year	<u>11,873,763</u>	<u>8,699,016</u>	<u>20,572,779</u>
Net assets, end of year	<u>\$ 10,277,183</u>	<u>\$ 7,843,064</u>	<u>\$ 18,120,247</u>

See accompanying notes.

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Statement of Activities

Year ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, support, and investment returns:			
Contributions and bequests	\$ 1,550,591	\$ 181,506	\$ 1,732,097
In-kind contributions	6,820	-	6,820
Golf scramble	15,255	-	15,255
Investment return, net	2,984,859	1,069,007	4,053,866
Net assets released from restrictions	<u>184,238</u>	<u>(184,238)</u>	<u>-</u>
Total revenue, support, and investment returns	4,741,763	1,066,275	5,808,038
Expenses:			
General and administrative	113,451	-	113,451
Program services	685,020	-	685,020
Fund-raising and development	<u>42,686</u>	<u>-</u>	<u>42,686</u>
Total expenses	<u>841,157</u>	<u>-</u>	<u>841,157</u>
Increase in net assets	3,900,606	1,066,275	4,966,881
Net assets, beginning of year	<u>7,973,157</u>	<u>7,632,741</u>	<u>15,605,898</u>
Net assets, end of year	<u>\$ 11,873,763</u>	<u>\$ 8,699,016</u>	<u>\$ 20,572,779</u>

See accompanying notes.

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Statement of Functional Expenses

Year ended June 30, 2022

	<u>General and Administrative</u>	<u>Program Services</u>	<u>Fund-Raising and Development</u>	<u>Total</u>
Grants	\$ -	\$ 518,364	\$ -	\$ 518,364
Salaries	59,615	29,807	29,807	119,229
Accounting	26,305	-	-	26,305
Development and promotions	6,299	-	8,575	14,874
Office	12,767	-	-	12,767
Payroll taxes	4,561	2,280	2,280	9,121
Golf scramble	-	-	8,826	8,826
Rent (in-kind)	3,600	-	-	3,600
Insurance	37	-	-	37
Other	<u>25,653</u>	<u>11,487</u>	<u>-</u>	<u>37,140</u>
Total functional expenses	<u>\$ 138,837</u>	<u>\$ 561,938</u>	<u>\$ 49,488</u>	<u>\$ 750,263</u>

See accompanying notes.

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Statement of Functional Expenses

Year ended June 30, 2021

	General and Administrative	Program Services	Fund-Raising and Development	Total
Grants	\$ -	\$ 638,342	\$ -	\$ 638,342
Salaries	57,088	28,544	28,544	114,176
Accounting	20,067	-	-	20,067
Development and promotions	2,358	-	4,547	6,905
Office	8,374	-	-	8,374
Payroll taxes	4,366	2,184	2,184	8,734
Golf scramble	-	-	7,411	7,411
Rent (in-kind)	3,600	-	-	3,600
Insurance	2,140	-	-	2,140
Other	<u>15,458</u>	<u>15,950</u>	<u>-</u>	<u>31,408</u>
Total functional expenses	<u>\$ 113,451</u>	<u>\$ 685,020</u>	<u>\$ 42,686</u>	<u>\$ 841,157</u>

See accompanying notes.

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Statements of Cash Flows

Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from supporters	\$ 362,190	\$ 1,747,352
Cash paid to suppliers, employees, and others	(339,477)	(310,973)
Grants paid	(570,469)	(748,134)
Interest and dividend income	<u>338,529</u>	<u>301,309</u>
Net cash (used in) provided by operating activities	(209,227)	989,554
Cash flows from investing activities:		
Proceeds from sale of investments	2,746,099	4,960,663
Purchase of investments	<u>(2,464,240)</u>	<u>(6,104,932)</u>
Net cash provided by (used in) investing activities	<u>281,859</u>	<u>(1,144,269)</u>
Increase (decrease) in cash	72,632	(154,715)
Cash, beginning of year	<u>29,923</u>	<u>184,638</u>
Cash, end of year	<u><u>\$ 102,555</u></u>	<u><u>\$ 29,923</u></u>
Supplemental schedule of non-cash operating activities:		
Contributed office space	\$ 3,600	\$ 3,600
Contributed professional services	13,000	3,220

See accompanying notes.

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

Description of the Organization

The Kentucky School for the Blind Charitable Foundation, Inc. (the Foundation) is a non-profit organization that was formed for the purpose of engaging in activities that further the education and employment opportunities of visually impaired and blind individuals living in Kentucky. The activities include providing Board-approved grants for programs and equipment to various organizations that serve these individuals.

Management's Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

General Accounting Principles

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

Without Donor Restrictions include the portion of expendable funds that are not subject to donor-imposed stipulations and are available for operation of the Foundation.

With Donor Restrictions include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions can be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Foundation treats donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

Cash

For purposes of the statements of cash flows, the Foundation considers investments with an initial maturity of three months or less to be cash equivalents.

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Notes to the Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Concentration of Credit Risk

The Foundation places its cash with financial institutions, and at times cash deposits may exceed the coverage provided by the Federal Deposit Insurance Corporation. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on bank deposits.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price 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. See Note 3 for discussion of fair value measurements. Receipts of donated investments are recorded at the quoted market value of the investments at the time of receipt.

The Foundation invests in fixed income securities, publicly-traded stocks and mutual funds. These investments are subject to the risks common to financial markets, including interest rate risks, credit risks, and overall market risks. Due to the level of risk associated with certain 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 statements of financial position.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Gain and losses on investments includes the Foundation's gains and losses on investments bought and sold as well as held during the year.

Contributions and Bequests

Contributions and bequests are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

In-Kind Contributions

In-kind contributions of \$16,600 and \$6,820 are included as contributions in the financial statements for the years ended June 30, 2022 and 2021, respectively, and are offset by rent expense of \$3,600 in both years and accounting expense of \$13,000 and \$3,220 for the years ended June 30, 2022 and 2021, respectively. The office and conference room space is provided by the Kentucky School for the Blind.

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Notes to the Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Functional Allocation of Expenses

The costs of providing the various programs and other activities of the Foundation are summarized on a functional basis in the accompanying statements of activities and functional expenses. Directly identifiable expenses are charged to the applicable program or supporting services. Certain expenses are not directly identifiable with any other specific function, but provide for the overall support and direction of the Foundation, and require allocation between functions on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and payroll related expenses (such as payroll taxes). Salaries are allocated based upon the time the respective individual dedicates to program activities, administrative duties and fundraising. Payroll related expenses are allocated in accordance with the allocation of salaries.

Grants Payable

Grants are recorded as approved by the Board of Directors and are generally not-to-exceed the requested amounts. The grants are paid shortly after approval, providing the recipients have substantiated the expenditures related thereto.

Income Taxes

The Foundation is a non-profit entity exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Although the Foundation is exempt from income taxes, any income generated from activities unrelated to its exempt purpose is subject to tax under IRC Section 511. There was no unrelated business income for the years ended June 30, 2022 and 2021, accordingly, the financial statements include no provision for income taxes.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, requiring all leases to be recognized on the Foundation's statement of financial position as a right-of-use asset and a lease liability, unless the lease is a short term lease (generally a lease with a term of twelve months or less). At the commencement date of the lease, the Foundation will recognize: 1) a lease liability for the Foundation's obligation to make payments under the lease agreement, measured on a discounted basis; and 2) a right-of-use asset that represents the Foundation's right to use, or control the use of, the specified asset for the lease term. The ASU originally required recognition and measurement of leases at the beginning of the earliest period presented using a modified retrospective transition method. In July 2018, the FASB issued ASU 2018-11, which provided an additional (and optional) transition method that permits application of the updated standard at the adoption date with recognition of a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. In June 2020, the FASB issued ASU 2020-05, which deferred the effective date of ASU 2016-02. The updated standard will be effective for the Foundation for the year ending June 30, 2023. The Foundation has not yet selected a transition method and is currently evaluating the effect that the new standard will have on its financial statements.

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Notes to the Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Subsequent Events

Management has evaluated subsequent events for recognition or disclosure in the financial statements through April 18, 2023, which was the date at which the financial statements were available to be issued.

2. Liquidity and Availability

As of June 30, 2022, the Foundation had the following financial assets available at year end to meet its general expenditures over the twelve months:

Cash	\$ 102,555
Investments	18,097,579
Interest receivable	<u>11,570</u>
	18,211,704
Less: Donor-restricted net assets	<u>(7,843,064)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>10,368,640</u>

Donor-restricted net assets includes donor-restricted endowment funds. Income from donor-restricted endowments is available for general use, subject to the Foundation's spending policy.

3. Fair Value Measurements

The Foundation classifies its investments based on a hierarchy consisting of: Level 1 (valued using quoted prices from active markets for identical assets), Level 2 (not traded on an active market but for which observable market inputs are readily available), and Level 3 (valued based on significant unobservable inputs). The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used to determine fair values at June 30, 2022 and 2021.

Money market funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate stocks: Valued at unadjusted quoted prices for identical assets in active markets.

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Notes to the Financial Statements, continued

3. Fair Value Measurements, continued

Government securities: Valued at unadjusted quoted prices for similar assets in active markets or valued at unadjusted quoted prices for identical assets in inactive markets.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

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, although 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.

To assess the appropriate classification of assets and liabilities within the fair value hierarchy, the availability of market data is monitored. Changes in economic conditions or valuation techniques may require the transfer of assets and liabilities from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. The Foundation's management evaluates the significance of transfers between levels based upon the nature of the assets and liabilities and size of the transfer relative to total net assets. For the years ended June 30, 2022 and 2021, there were no significant transfers in or out of Level 3.

The following tables sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>June 30, 2022</u>				
Money market funds	\$ 1,033,201	\$ -	\$ -	\$ 1,033,201
Mutual funds	7,577,411	-	-	7,577,411
Government securities	2,191,085	-	-	2,191,085
Corporate stocks	<u>7,295,882</u>	<u>-</u>	<u>-</u>	<u>7,295,882</u>
Total investments at fair value	<u>\$ 18,097,579</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,097,579</u>

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Notes to the Financial Statements, continued

3. Fair Value Measurements, continued

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>June 30, 2021</u>				
Money market funds	\$ 1,653,329	\$ -	\$ -	\$ 1,653,329
Mutual funds	8,660,122	-	-	8,660,122
Government securities	2,202,959	-	-	2,202,959
Corporate stocks	<u>8,140,175</u>	<u>-</u>	<u>-</u>	<u>8,140,175</u>
Total investments at fair value	<u>\$ 20,656,585</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,656,585</u>

4. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Financial assistance to the Kentucky School for the Blind	\$ 28,175	\$ 28,175
Grants for capital expenditures for the Kentucky School for the Blind	-	51,225
Grants for technology	348,180	337,857
Other purpose restrictions	<u>33,808</u>	<u>66,508</u>
	410,163	483,765
Endowments:		
Subject to appropriation and expenditure, available for general use	(148,549)	854,620
Perpetual in nature, earnings from which are subject to the Foundation's endowment spending policy and appropriation	<u>7,581,450</u>	<u>7,360,631</u>
Total endowments	<u>7,432,901</u>	<u>8,215,251</u>
	<u>\$ 7,843,064</u>	<u>\$ 8,699,016</u>

Net assets released from restrictions during the years ended June 30, 2021 and 2020 are due to the fulfillment of the stipulated purpose for which the resources were restricted.

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Notes to the Financial Statements, continued

5. Endowment Funds

The Foundation's endowment fund consists of donor-imposed restricted funds. As required by GAAP, net assets associated with the endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the spending power of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation retains in perpetuity the original value of gifts donated to the endowment fund, the original value of subsequent gifts to the endowment fund, and accumulations to the endowment fund made in accordance with the direction of the applicable donor gift instrument or to maintain spending power. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the Foundation and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the Foundation; and (7) the investment and spending policies of the Foundation.

As of June 30, 2022 and 2021, the Foundation had the following endowment net asset composition by type of fund:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>June 30, 2022</u>			
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 7,581,450	\$ 7,581,450
Accumulated investment losses	-	(148,549)	(148,549)
Total	<u>\$ -</u>	<u>\$ 7,432,901</u>	<u>\$ 7,432,901</u>

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Notes to the Financial Statements, continued

5. Endowment Funds, continued

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>June 30, 2021</u>			
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 7,360,631	\$ 7,360,631
Accumulated investment gains	<u>-</u>	<u>854,620</u>	<u>854,620</u>
Total	<u>\$ -</u>	<u>\$ 8,215,251</u>	<u>\$ 8,215,251</u>

The changes in endowment net assets were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, July 1, 2020	\$ -	\$ 7,146,244	\$ 7,146,244
Investment return, net	<u>-</u>	<u>1,069,007</u>	<u>1,069,007</u>
Endowment net assets, June 30, 2021	-	8,215,251	8,215,251
Investment loss, net	<u>-</u>	<u>(782,350)</u>	<u>(782,350)</u>
Endowment net assets, June 30, 2022	<u>\$ -</u>	<u>\$ 7,432,901</u>	<u>\$ 7,432,901</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with the individual donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were deficiencies of \$148,549 as of June 30, 2022, there were no such deficiencies as of June 30, 2021.

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 endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a minimal level of investment risk.

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Notes to the Financial Statements, continued

5. Endowment Funds, continued

Strategies Employed for Achieving 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 constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating distributions based on the endowment fund's average fair value over the prior three years through the fiscal year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to maintain the fair value of the original gift. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.