

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

Financial Statements

*Years Ended June 30, 2018 and 2017
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

Report on the Financial Statements

We have audited the accompanying financial statements of Kentucky School for the Blind Charitable Foundation, Inc. (the Foundation) which comprise the statements of financial position as of June 30, 2018 and 2017, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors
Kentucky School for the Blind Charitable Foundation, Inc.
Report of Independent Auditors, continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kentucky School for the Blind Charitable Foundation, Inc. as of June 30, 2018 and 2017, 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.

Dean Dotson Allen Ford, PLLC

Louisville, Kentucky
March 15, 2019

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Statements of Financial Position

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash	\$ 70,237	\$ 100,491
Investments	8,240,816	7,368,558
Investments, the use of which is limited	7,172,489	7,062,635
Interest receivable	16,597	13,526
Pledges receivable	1,690	-
Prepaid expenses and other assets	3,025	830
Property and equipment, net of accumulated depreciation	<u>210</u>	<u>490</u>
Total assets	<u>\$ 15,505,064</u>	<u>\$ 14,546,530</u>
Liabilities and Net Assets		
Liabilities:		
Grants payable	\$ 67,577	\$ 153,675
Accrued expenses	<u>34,308</u>	<u>17,542</u>
Total liabilities	101,885	171,217
Net assets:		
Unrestricted:		
Available for operations	8,058,338	7,178,845
Board-designated	-	2,119
Invested in property and equipment, net	<u>210</u>	<u>490</u>
Total unrestricted net assets	8,058,548	7,181,454
Temporarily restricted net assets	608,611	654,034
Permanently restricted net assets	<u>6,736,020</u>	<u>6,539,825</u>
Total net assets	<u>15,403,179</u>	<u>14,375,313</u>
Total liabilities and net assets	<u>\$ 15,505,064</u>	<u>\$ 14,546,530</u>

See accompanying notes.

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Statement of Activities

Year ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, support, and gains:				
Contributions and bequests	\$ 235,351	\$ 129,539	\$ -	\$ 364,890
Golf scramble	26,891	-	-	26,891
Interest and dividend income	170,779	-	162,554	333,333
Realized investment gains, net	884,302	-	33,641	917,943
Unrealized investment gains, net	10,117	-	-	10,117
Net assets released from restrictions	174,962	(174,962)	-	-
Total revenue, support, and gains	1,502,402	(45,423)	196,195	1,653,174
Expenses:				
General and administrative	86,560	-	-	86,560
Program services	302,098	-	-	302,098
Fund-raising and development	108,982	-	-	108,982
Investment fees	127,668	-	-	127,668
Total expenses	625,308	-	-	625,308
Increase (decrease) in net assets	877,094	(45,423)	196,195	1,027,866
Net assets, beginning of year	7,181,454	654,034	6,539,825	14,375,313
Net assets, end of year	\$ 8,058,548	\$ 608,611	\$ 6,736,020	\$ 15,403,179

See accompanying notes.

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Statement of Activities

Year ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, support, and gains:				
Contributions and bequests	\$ 564,938	\$ 114,290	\$ -	\$ 679,228
Golf scramble	27,268	-	-	27,268
Interest and dividend income	148,195	-	134,047	282,242
Realized investment gains, net	155,029	-	56,433	211,462
Unrealized investment gains, net	1,227,135	-	-	1,227,135
Net assets released from restrictions	199,464	(199,464)	-	-
Total revenue, support, and gains	2,322,029	(85,174)	190,480	2,427,335
Expenses:				
General and administrative	74,870	-	-	74,870
Program services	392,953	-	-	392,953
Fund-raising and development	104,952	-	-	104,952
Investment fees	117,584	-	-	117,584
Total expenses	690,359	-	-	690,359
Increase (decrease) in net assets	1,631,670	(85,174)	190,480	1,736,976
Net assets, beginning of year	5,549,784	739,208	6,349,345	12,638,337
Net assets, end of year	\$ 7,181,454	\$ 654,034	\$ 6,539,825	\$ 14,375,313

See accompanying notes.

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Statement of Functional Expenses

Year ended June 30, 2018

	General and Administrative	Program Services	Fund-Raising and Development	Total
Accounting	\$ 18,625	\$ -	\$ -	\$ 18,625
Advertising	379	-	-	379
Development and promotions	16,745	-	16,493	33,238
Golf scramble	-	-	10,538	10,538
Grants	-	275,101	-	275,101
Insurance	3,201	-	-	3,201
Depreciation	280	-	-	280
Office	9,854	-	-	9,854
Payroll taxes	1,665	1,082	5,576	8,323
Rent (in-kind)	3,600	-	-	3,600
Salaries	22,198	14,819	76,375	113,392
Other	10,013	11,096	-	21,109
Total functional expenses	\$ 86,560	\$ 302,098	\$ 108,982	\$ 497,640

See accompanying notes.

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Statement of Functional Expenses

Year ended June 30, 2017

	<u>General and Administrative</u>	<u>Program Services</u>	<u>Fund-Raising and Development</u>	<u>Total</u>
Accounting	\$ 19,913	\$ -	\$ -	\$ 19,913
Development and promotions	7,261	-	11,536	18,797
Golf scramble	-	-	8,309	8,309
Grants	-	373,073	-	373,073
Insurance	3,817	-	-	3,817
Depreciation	363	-	-	363
Office	6,421	-	-	6,421
Payroll taxes	1,805	1,174	6,048	9,027
Rent (in-kind)	3,600	-	-	3,600
Salaries	23,599	15,340	79,059	117,998
Other	<u>8,091</u>	<u>3,366</u>	<u>-</u>	<u>11,457</u>
Total functional expenses	<u>\$ 74,870</u>	<u>\$ 392,953</u>	<u>\$ 104,952</u>	<u>\$ 572,775</u>

See accompanying notes.

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Statements of Cash Flows

Years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash received from supporters	\$ 379,871	\$ 698,346
Cash paid to suppliers, employees, and others	(325,136)	(296,230)
Grants paid	(361,199)	(313,263)
Interest and dividend income	<u>330,262</u>	<u>281,876</u>
Net cash provided by operating activities	23,798	370,729
Cash flows from investing activities:		
Proceeds from sale of investments	5,274,434	3,649,397
Purchase of investments	<u>(5,328,486)</u>	<u>(3,928,775)</u>
Net cash used in investing activities	<u>(54,052)</u>	<u>(279,378)</u>
(Decrease) increase in cash	(30,254)	91,351
Cash, beginning of year	<u>100,491</u>	<u>9,140</u>
Cash, end of year	<u>\$ 70,237</u>	<u>\$ 100,491</u>

See accompanying notes.

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Statements of Cash Flows, continued

Years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Reconciliation of change in net assets to net cash flow from operating activities:		
Change in net assets	\$ 1,027,866	\$ 1,736,976
Adjustments:		
Net unrealized gains on investments	(10,117)	(1,227,135)
Net realized gains on investments	(917,943)	(211,462)
Depreciation	280	363
Increase (decrease) in cash due to changes in:		
Pledges receivable	(1,690)	4,000
Interest receivable	(3,071)	(366)
Prepaid expense and other assets	(2,195)	-
Grants payable	(86,098)	59,810
Accrued expenses	<u>16,766</u>	<u>8,543</u>
Net cash provided by operating activities	<u>\$ 23,798</u>	<u>\$ 370,729</u>
Supplemental schedule of non-cash operating activities:		
Contributed office space	\$ 3,600	\$ 3,600
Contributed professional services	6,620	8,550

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

Accounting standards for external financial reporting by non-profit organizations require that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. A description of the three net assets categories follows:

Unrestricted Net Assets include the portion of expendable funds that are not subject to donor-imposed stipulations.

Available for Operations: These net assets represent the portion of expendable funds available for support in the operation of the Foundation.

Board-Designated: These net assets represent unrestricted funds designated for specific purposes by the Board of Directors. Although the Board of Directors could release or revise the designations in the future, to the extent not externally restricted, there is no intent to do so.

Invested in Property and Equipment, Net: These net assets represent cumulative resources expended for property and equipment, less the accumulated depreciation recorded on the assets.

Temporarily Restricted Net Assets include gifts for which donor imposed restrictions have not been met.

Permanently Restricted Net Assets include amounts for which the donor has stipulated that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Notes to the Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

General Accounting Principles, continued

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets 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.

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.

Property and Equipment

Property and equipment are recorded at cost and are depreciated on the straight-line method over the estimated useful lives of 10 years.

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, including government and corporate bonds, and in 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 on investments includes the Foundation's gains and losses on investments bought and sold as well as held during the year.

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

Certain costs have been allocated between program services, general and administrative, and fund-raising and development expenses.

In-Kind Contributions

In-kind contributions of \$10,220 and \$12,150 are included as contributions in the financial statements for the years ended June 30, 2018 and 2017, respectively, and are offset by rent expense of \$3,600 in both years and accounting expense of \$6,620 and \$8,550 for the years ended June 30, 2018 and 2017, respectively. The office and conference room space is provided by the Kentucky School for the Blind.

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 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, 2018 and 2017. Accordingly, the financial statements include no provision for income taxes.

Subsequent Events

Management has evaluated subsequent events for recognition or disclosure in the financial statements through March 15, 2019, which was the date at which the financial statements were available to be issued.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, that changes how a not-for-profit organization classifies its net assets, as well as the information it presents in the financial statements and notes about its liquidity, financial performance, and cash flows. The ASU includes a reduction in the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. This ASU will be effective for the Foundation for the year ending June 30, 2019. The Foundation is currently evaluating the effect that the standard will have on the financial statements.

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Notes to the Financial Statements, continued

2. Investments

Investments are reflected on the statements of financial position as follows:

	<u>2018</u>	<u>2017</u>
Investments, unrestricted	\$ 8,240,816	\$ 7,368,558
Investments, the use of which is limited:		
Temporarily restricted	436,469	522,810
Permanently restricted	<u>6,736,020</u>	<u>6,539,825</u>
Total investments, the use of which is limited	<u>7,172,489</u>	<u>7,062,635</u>
Total	<u>\$ 15,413,305</u>	<u>\$ 14,431,193</u>

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, 2018 and 2017.

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.

Corporate bonds and 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.

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Notes to the Financial Statements, continued

3. Fair Value Measurements, continued

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, 2018 and 2017, 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>June 30, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 634,601	\$ -	\$ -	\$ 634,601
Corporate bonds:				
A-	-	79,198	-	79,198
AAA	-	84,619	-	84,619
Other	<u>-</u>	<u>34,985</u>	<u>-</u>	<u>34,985</u>
Total corporate bonds	-	198,802	-	198,802
Mutual funds:				
Fixed income	1,648,199	-	-	1,648,199
Equity	<u>3,520,187</u>	<u>-</u>	<u>-</u>	<u>3,520,187</u>
Total mutual funds	5,168,386	-	-	5,168,386
Government securities:				
AAA	1,681,390	-	-	1,681,390
Corporate stocks:				
Healthcare	777,447	-	-	777,447
Financial	1,432,655	-	-	1,432,655
Technology	1,589,147	-	-	1,589,147
Utilities	20,495	-	-	20,495
Consumer discretionary	761,088	-	-	761,088
Consumer staples	211,762	-	-	211,762
Industrial goods	1,259,641	-	-	1,259,641
Materials	279,363	-	-	279,363
Energy	422,131	-	-	422,131
Telecommunications	63,252	-	-	63,252
Real estate	<u>913,145</u>	<u>-</u>	<u>-</u>	<u>913,145</u>
Total corporate stocks	<u>7,730,126</u>	<u>-</u>	<u>-</u>	<u>7,730,126</u>
Total investments at fair value	<u>\$ 15,214,503</u>	<u>\$ 198,802</u>	<u>\$ -</u>	<u>\$ 15,413,305</u>

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Notes to the Financial Statements, continued

3. Fair Value Measurements, continued

<u>June 30, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 682,458	\$ -	\$ -	\$ 682,458
Corporate bonds:				
A+	-	25,002	-	25,002
A	-	13,005	-	13,005
A-	-	13,015	-	13,015
AAA	-	55,825	-	55,825
BBB+	-	<u>12,053</u>	-	<u>12,053</u>
Total corporate bonds	-	118,900	-	118,900
Mutual funds:				
Fixed income	759,003	-	-	759,003
Equity	<u>2,973,848</u>	-	-	<u>2,973,848</u>
Total mutual funds	3,732,851	-	-	3,732,851
Government Securities:				
AAA	1,427,559	-	-	1,427,559
Corporate stocks:				
Healthcare	975,541	-	-	975,541
Financial	1,509,211	-	-	1,509,211
Technology	1,547,278	-	-	1,547,278
Utilities	31,640	-	-	31,640
Consumer discretionary	987,116	-	-	987,116
Consumer staples	255,234	-	-	255,234
Industrial goods	1,263,850	-	-	1,263,850
Materials	232,658	-	-	232,658
Energy	220,819	-	-	220,819
Telecommunications	83,128	-	-	83,128
Real estate	<u>1,362,950</u>	-	-	<u>1,362,950</u>
Total corporate stocks	<u>8,469,425</u>	-	-	<u>8,469,425</u>
Total investments at fair value	<u>\$ 14,312,293</u>	<u>\$ 118,900</u>	<u>\$ -</u>	<u>\$ 14,431,193</u>

4. Board-Designated Net Assets

Board-designated net assets consisted of a discretionary fund for students and amount to \$0 and \$2,119 as of June 30, 2018 and 2017, respectively.

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Notes to the Financial Statements, continued

5. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Financial assistance for students who attend the Kentucky School for the Blind	\$ 385,243	\$ 488,121
Grants for capital expenditures	51,225	51,225
Other	<u>172,143</u>	<u>114,688</u>
 Total temporarily restricted net assets	 <u>\$ 608,611</u>	 <u>\$ 654,034</u>

6. Endowment Funds

The Foundation's endowment fund consists of Board-designated funds and 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 classifies, as permanently restricted net assets, the original value of gifts donated to the permanent endowment, original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument or to maintain spending power. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA and as permitted by the gift instrument. 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.

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Notes to the Financial Statements, continued

6. Endowment Funds, continued

Endowment net asset composition by type of fund was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>June 30, 2018</u>				
Donor-restricted endowment funds	\$ -	\$ -	\$ 6,736,020	\$ 6,736,020
<u>June 30, 2017</u>				
Donor-restricted endowment funds	\$ -	\$ -	\$ 6,539,825	\$ 6,539,825
Board-designated endowment funds	<u>2,119</u>	<u>-</u>	<u>-</u>	<u>2,119</u>
Total	<u>\$ 2,119</u>	<u>\$ -</u>	<u>\$ 6,539,825</u>	<u>\$ 6,541,944</u>

The changes in endowment net assets were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2016	\$ 3,474	\$ -	\$ 6,349,345	\$ 6,352,819
Investment income:				
Interest and dividends	-	-	134,047	134,047
Net appreciation from realized gains	-	-	56,433	56,433
Amounts appropriated for expenditure	<u>(1,355)</u>	<u>-</u>	<u>-</u>	<u>(1,355)</u>
Endowment net assets, June 30, 2017	2,119	-	6,539,825	6,541,944
Investment income:				
Interest and dividends	-	-	162,554	162,554
Net appreciation from realized gains	-	-	33,641	33,641
Amounts appropriated for expenditure	<u>(2,119)</u>	<u>-</u>	<u>-</u>	<u>(2,119)</u>
Endowment net assets, June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,736,020</u>	<u>\$ 6,736,020</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 unrestricted net assets. There were no such deficiencies as of June 30, 2018 and 2017.

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Notes to the Financial Statements, continued

6. Endowment Funds, continued

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.

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.