



Financial Statements

for

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

Years Ended June 30, 2019 and 2018
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, 2019 and 2018, 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.

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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, effective July 1, 2018, the Foundation adopted Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Dean Dotson Allen Ford, PLLC

Louisville, Kentucky
June 19, 2020

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Statements of Financial Position

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash	\$ 65,344	\$ 70,237
Investments	8,815,308	8,240,816
Investments, the use of which is limited	7,157,236	7,172,489
Interest receivable	20,364	16,597
Pledges receivable	1,690	1,690
Prepaid expenses and other assets	-	3,025
Property and equipment, net of accumulated depreciation	<u>-</u>	<u>210</u>
 Total assets	 <u>\$ 16,059,942</u>	 <u>\$ 15,505,064</u>
Liabilities and Net Assets		
Liabilities:		
Grants payable	\$ 135,231	\$ 67,577
Accrued expenses	<u>18,722</u>	<u>34,308</u>
 Total liabilities	 153,953	 101,885
Net assets:		
Without donor restrictions:		
Undesignated	8,515,151	8,058,338
Invested in property and equipment, net	<u>-</u>	<u>210</u>
Total without donor restrictions	8,515,151	8,058,548
 With donor restrictions	 <u>7,390,838</u>	 <u>7,344,631</u>
 Total net assets	 <u>15,905,989</u>	 <u>15,403,179</u>
 Total liabilities and net assets	 <u>\$ 16,059,942</u>	 <u>\$ 15,505,064</u>

See accompanying notes.

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Statement of Activities

Year ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, support, and gains:			
Contributions and bequests	\$ 118,479	\$ 141,583	\$ 260,062
Golf scramble	19,646	-	19,646
Investment return, net	624,370	202,081	826,451
Net assets released from restrictions	<u>297,457</u>	<u>(297,457)</u>	<u>-</u>
Total revenue, support, and gains	1,059,952	46,207	1,106,159
Expenses:			
General and administrative	75,428	-	75,428
Program services	421,396	-	421,396
Fund-raising and development	<u>106,525</u>	<u>-</u>	<u>106,525</u>
Total expenses	<u>603,349</u>	<u>-</u>	<u>603,349</u>
Increase in net assets	456,603	46,207	502,810
Net assets, beginning of year	<u>8,058,548</u>	<u>7,344,631</u>	<u>15,403,179</u>
Net assets, end of year	<u>\$ 8,515,151</u>	<u>\$ 7,390,838</u>	<u>\$ 15,905,989</u>

See accompanying notes.

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Statement of Activities

Year ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, support, and gains:			
Contributions and bequests	\$ 235,351	\$ 129,539	\$ 364,890
Golf scramble	26,891	-	26,891
Investment return, net	937,530	196,195	1,133,725
Net assets released from restrictions	<u>174,962</u>	<u>(174,962)</u>	<u>-</u>
Total revenue, support, and gains	1,374,734	150,772	1,525,506
Expenses:			
General and administrative	86,560	-	86,560
Program services	302,098	-	302,098
Fund-raising and development	<u>108,982</u>	<u>-</u>	<u>108,982</u>
Total expenses	<u>497,640</u>	<u>-</u>	<u>497,640</u>
Increase in net assets	877,094	150,772	1,027,866
Net assets, beginning of year	<u>7,181,454</u>	<u>7,193,859</u>	<u>14,375,313</u>
Net assets, end of year	<u>\$ 8,058,548</u>	<u>\$ 7,344,631</u>	<u>\$ 15,403,179</u>

See accompanying notes.

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Statement of Functional Expenses

Year ended June 30, 2019

	<u>General and Administrative</u>	<u>Program Services</u>	<u>Fund-Raising and Development</u>	<u>Total</u>
Accounting	\$ 18,390	\$ -	\$ -	\$ 18,390
Development and promotions	10,289	-	13,898	24,187
Golf scramble	-	-	16,708	16,708
Grants	-	403,245	-	403,245
Insurance	3,025	-	-	3,025
Depreciation	210	-	-	210
Office	7,704	-	-	7,704
Payroll taxes	1,860	1,209	6,231	9,300
Rent (in-kind)	3,600	-	-	3,600
Salaries	20,802	13,522	69,688	104,012
Other	<u>9,548</u>	<u>3,420</u>	<u>-</u>	<u>12,968</u>
Total functional expenses	<u>\$ 75,428</u>	<u>\$ 421,396</u>	<u>\$ 106,525</u>	<u>\$ 603,349</u>

See accompanying notes.

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Statement of Functional Expenses

Year ended June 30, 2018

	<u>General and Administrative</u>	<u>Program Services</u>	<u>Fund-Raising and Development</u>	<u>Total</u>
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	<u>10,013</u>	<u>11,096</u>	<u>-</u>	<u>21,109</u>
 Total functional expenses	 <u>\$ 86,560</u>	 <u>\$ 302,098</u>	 <u>\$ 108,982</u>	 <u>\$ 497,640</u>

See accompanying notes.

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Statements of Cash Flows

Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received from supporters	\$ 270,348	\$ 379,871
Cash paid to suppliers, employees, and others	(203,095)	(325,136)
Grants paid	(335,591)	(361,199)
Interest and dividend income	<u>(3,767)</u>	<u>330,262</u>
Net cash (used in) provided by operating activities	(272,105)	23,798
Cash flows from investing activities:		
Proceeds from sale of investments	5,189,131	5,274,434
Purchase of investments	<u>(4,921,919)</u>	<u>(5,328,486)</u>
Net cash provided by (used in) investing activities	<u>267,212</u>	<u>(54,052)</u>
Decrease in cash	(4,893)	(30,254)
Cash, beginning of year	<u>70,237</u>	<u>100,491</u>
Cash, end of year	<u>\$ 65,344</u>	<u>\$ 70,237</u>
Supplemental schedule of non-cash operating activities:		
Contributed office space	\$ 3,600	\$ 3,600
Contributed professional services	5,760	6,620

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.

Basis of Presentation

For the year ended June 30, 2019, Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, became effective and was adopted by the Foundation. This standard changed the presentation and disclosure requirements for non-for-profit entities to provide more relevant information about their resources (and the changes in those resources) including qualitative and quantitative requirements in the following areas: 1) net asset classes; 2) investment return; 3) expenses; 4) liquidity and availability of resources; and 5) presentation of operating cash flows. The 2018 financial statements have been reformatted and various amounts have been reclassified to conform to the 2019 presentation with no impact on total assets, liabilities, net assets or changes in net assets.

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:

Net Assets Without Donor Restrictions include the portion of expendable funds that are not subject to donor-imposed stipulations and include the following:

Undesignated: Net assets without donor restrictions available for operation of the Foundation.

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.

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

Net Assets 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.

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.

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Notes to the Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Investment Valuation and Income Recognition, continued

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.

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.

In-Kind Contributions

In-kind contributions of \$9,360 and \$10,220 are included as contributions in the financial statements for the years ended June 30, 2019 and 2018, respectively, and are offset by rent expense of \$3,600 in both years and accounting expense of \$5,760 and \$6,620 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018. Accordingly, the financial statements include no provision for income taxes.

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 June 19, 2020, which was the date at which the financial statements were available to be issued.

Subsequent to June 30, 2019, the World Health Organization declared the coronavirus (COVID-19) outbreak to be a pandemic. COVID-19 continues to spread across the globe and is impacting worldwide economic activity and financial markets. The United States financial markets have experienced significant volatility. The Foundation's investments are subject to potential loss arising from adverse changes in quoted market prices. The Foundation's management will continue to monitor its investment holdings as it has done in the past, but has no immediate plans to change its investment portfolio. The continued spread of the disease represents a significant risk that operations could be disrupted in the near future. The extent to which COVID-19 impacts the Foundation will depend on future developments, which are highly uncertain and cannot be predicted. As a result, the Foundation has not yet determined the impact this disruption may have on its financial statements for the year ending June 30, 2020.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The core principle of ASU 2014-09 is to recognize revenues when a customer obtains control of a good or service, in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. The standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In June 2020, the FASB issued ASU 2020-05, which deferred the effective date of ASU 2014-09. The updated standard will be effective for the year ending June 30, 2021. 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.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU has different effective dates for resource recipients and resource providers. Where the Foundation is the resource recipient, the ASU is applicable to contributions received for the year ended June 30, 2020. Where the Foundation is a resource provider, the ASU is effective for the year ended June 30, 2021. The Foundation 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

2. Liquidity and Availability

As of June 30, 2019, the Foundation had the following financial assets available at year end to meet its general expenditures over the twelve months:

Cash	\$ 65,344
Investments	15,972,544
Interest receivable	20,364
Pledges receivable	<u>1,690</u>
	16,059,942
Less: Donor restricted net assets	<u>(7,390,838)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 8,669,104</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, 2019 and 2018.

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.

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Notes to the Financial Statements, continued

3. Fair Value Measurements, continued

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, 2019 and 2018, 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:

	Level 1	Level 2	Level 3	Total
<u>June 30, 2019</u>				
Money market funds	\$ 2,185,617	\$ -	\$ -	\$ 2,185,617
Corporate bonds	-	148,916	-	148,916
Mutual funds	6,314,350	-	-	6,314,350
Government securities	2,076,431	-	-	2,076,431
Corporate stocks	5,247,230	-	-	5,247,230
Total investments at fair value	\$ 15,823,628	\$ 148,916	\$ -	\$ 15,972,544
<u>June 30, 2018</u>				
Money market funds	\$ 634,601	\$ -	\$ -	\$ 634,601
Corporate bonds	-	198,802	-	198,802
Mutual funds	5,168,386	-	-	5,168,386
Government securities	1,681,390	-	-	1,681,390
Corporate stocks	7,730,126	-	-	7,730,126
Total investments at fair value	\$ 15,214,503	\$ 198,802	\$ -	\$ 15,413,305

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Notes to the Financial Statements, continued

4. Net Assets with Donor Restrictions

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

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Financial assistance for students who attend the Kentucky School for the Blind	\$ 168,061	\$ 385,243
Grants for capital expenditures	51,225	51,225
INSIGHT program	144,880	78,924
Other purpose restrictions	<u>88,571</u>	<u>93,219</u>
	452,737	608,611
Endowments:		
Perpetual in nature, earnings from which are subject to the Foundation's endowment spending policy and appropriation	<u>6,938,101</u>	<u>6,736,020</u>
	<u>\$ 7,390,838</u>	<u>\$ 7,344,631</u>

Net assets released from restrictions during the years ended June 30, 2019 and 2018 are due to the fulfillment of stipulated purpose for which the resources were restricted.

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.

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Notes to the Financial Statements, continued

5. Endowment Funds, continued

As of June 30, 2019 and 2018, the Foundation's endowment net assets all related to donor-restricted endowment funds required to be maintained in perpetuity.

The changes in endowment net assets were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2017	\$ 2,119	\$ 6,539,825	\$ 6,541,944
Investment return, net	-	196,195	196,195
Amounts appropriated for expenditure	(2,119)	-	(2,119)
Endowment net assets, June 30, 2018	-	6,736,020	6,736,020
Investment return, net	-	202,081	202,081
Endowment net assets, June 30, 2019	\$ -	\$ 6,938,101	\$ 6,938,101

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 no such deficiencies as of June 30, 2019 and 2018.

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.

KENTUCKY SCHOOL FOR THE BLIND CHARITABLE FOUNDATION, INC.

Notes to the Financial Statements, continued

5. Endowment Funds, continued

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.