

**COMMUNITY FOUNDATION OF WEST KENTUCKY, INC.  
AND AFFILIATES**

(A Not-For-Profit Organization)

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

**E DENNIS DRIVER**  
Certified Public Accountant

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
COMMUNITY FOUNDATION OF WEST KENTUCKY, INC.  
Paducah, Kentucky

I have audited the accompanying consolidated statements of financial position of Community Foundation of West Kentucky, Inc. (a not-for-profit organization) and affiliates as of December 31, 2009 and 2008 and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audits in accordance with generally accepted auditing standards in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Community Foundation of West Kentucky, Inc. and affiliate as of December 31, 2009 and 2008 and the changes in their net assets and their consolidated cash flows for the years then ended in conformity with generally accepted accounting principles in the United States of America.



May 31, 2010  
Paducah, Kentucky

**COMMUNITY FOUNDATION OF WEST KENTUCKY, INC.  
AND AFFILIATES**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
December 31, 2009 and 2008

	2009	2008
<b>ASSETS</b>		
Cash and short-term investments	\$ 215,216	\$ 249,961
Accrued investment income	46,604	35,455
Investments with readily determinable values	14,236,541	11,686,867
Other investments	285,475	138,523
Grant receivable	6,645	-
Furniture, equipment and software	26,762	26,762
Less accumulated depreciation	(23,420)	(20,201)
Other assets	4,192	4,006
<b>TOTAL ASSETS</b>	<b>\$ 14,798,015</b>	<b>\$ 12,121,373</b>
<b>LIABILITIES</b>		
Agency funds	\$ 678,007	\$ 615,138
Liability to beneficiaries	676,883	-
Accounts payable	9,628	320
Salaries and payroll taxes payable	4,941	5,569
Grants payable	182,849	271,868
Liability under split-interest agreement	43,121	38,386
<b>TOTAL LIABILITIES</b>	1,595,429	931,281
<b>Net Assets</b>		
Unrestricted	13,150,393	11,146,184
Temporarily restricted	25,094	21,527
Permanently restricted	25,076	19,815
Retained earnings	2,023	2,566
	13,202,586	11,190,092
<b>TOTAL NET ASSETS</b>	<b>\$ 14,798,015</b>	<b>\$ 12,121,373</b>

The Notes to Financial Statements are an integral part of these statements.

**COMMUNITY FOUNDATION OF WEST KENTUCKY, INC.  
AND AFFILIATES**

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS  
Years Ended December 31, 2009 and 2008

	2009				2008
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>PUBLIC SUPPORT AND REVENUE</b>					
Public Support					
Gifts, grants, and donations	\$ 684,360	\$ -	\$ -	\$ 684,360	\$ 5,770,489
Revenue					
Investment income	2,154,899	4,255	13,290	2,172,444	(1,823,287)
Management fees	3,314	-	-	3,314	3,076
Other income	5,960	-	-	5,960	7,508
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<b>2,848,533</b>	<b>4,255</b>	<b>13,290</b>	<b>2,866,078</b>	<b>3,957,786</b>
Change in the present value of split-interest agreement liability	-	-	(6,966)	(6,966)	11,188
Net assets released from restrictions	320	(320)	-	-	-
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<b>2,848,853</b>	<b>3,935</b>	<b>6,324</b>	<b>2,859,112</b>	<b>3,968,974</b>
<b>EXPENSES</b>					
Program Services					
Grants	577,764	-	-	577,764	515,577
Management and General	248,241	368	185	248,794	191,586
<b>TOTAL EXPENSES</b>	<b>826,005</b>	<b>368</b>	<b>185</b>	<b>826,558</b>	<b>707,163</b>
<b>OTHER CHANGES</b>					
Reclassification of net assets	(19,182)	-	(878)	(20,060)	6,779
Change in net assets	2,003,666	3,567	5,261	2,012,494	3,268,590
Net assets, beginning of year	11,148,750	21,527	19,815	11,190,092	7,921,502
Net assets, end of year	<b>\$ 13,152,416</b>	<b>\$ 25,094</b>	<b>\$ 25,076</b>	<b>\$ 13,202,586</b>	<b>\$ 11,190,092</b>

The Notes to Financial Statements are an integral part of these statements.

**COMMUNITY FOUNDATION OF WEST KENTUCKY, INC.  
AND AFFILIATES**

CONSOLIDATED STATEMENTS OF CASH FLOWS

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 2,012,494	\$ 3,268,590
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	3,219	2,917
Investment income credited to investments	(346,322)	(300,630)
Fees paid from investment accounts	48,777	40,936
Net (gain) loss on investments	(2,221,191)	2,071,526
Non-cash contributions	-	(53,694)
Transfers from agency funds to fund balance	-	208
(Increase) Decrease in:		
Accrued investment income	(11,149)	74,397
Grant receivable	(6,645)	-
Prepaid expenses	(186)	(283)
(Decrease) Increase in:		
Agency funds	62,869	(114,231)
Liability to beneficiaries	676,883	-
Accounts payable	9,308	320
Salaries and payroll taxes payable	(628)	3,110
Grants payable	(89,019)	15,003
Liability under split-interest agreement	4,735	(18,089)
 CASH PROVIDED BY OPERATING ACTIVITIES	 143,145	 4,990,080
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Transfers from investment accounts and and sales of securities	437,852	582,561
Transfers to investment accounts	(570,818)	(5,382,865)
Sale of real estate held as an investment	55,000	70,000
Investment in life insurance contract	(99,924)	(99,924)
Acquisition of equipment	-	(2,898)
 CASH FLOWS (USED BY) INVESTING ACTIVITIES	 (177,890)	 (4,833,126)
 CHANGE IN CASH AND SHORT-TERM INVESTMENTS	 (34,745)	 156,954
 CASH AND SHORT-TERM INVESTMENTS, beginning of year	 249,961	 93,007
 CASH AND SHORT-TERM INVESTMENTS, end of year	 \$ 215,216	 \$ 249,961
 <b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for:		
Interest	\$ 50	\$ -
Income taxes	\$ 243	\$ 56
 <b>NON-CASH INVESTING ACTIVITIES</b>		
Investments acquired through dividend reinvestment	\$ 346,322	\$ 300,630

The Notes to Financial Statements are an integral part of these statements.

**COMMUNITY FOUNDATION OF WEST KENTUCKY, INC.  
AND AFFILIATES**

(A Not-For-Profit Organization)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
Years Ended December 31, 2009 and 2008

NOTE A: THE ORGANIZATION

Nature of Organization

Community Foundation of West Kentucky, Inc. is a not-for-profit organization building a community-based permanent endowment that matches philanthropic interests of donors with unmet community needs. The Organization is organized exclusively for charitable, literary, educational and scientific purposes and to receive, hold, administer and invest money and property received by gift, devise, payments, bequest or appointment for charitable purposes, primarily in, or for the benefit of, the people of the Commonwealth of Kentucky, in particular the City of Paducah, Kentucky, the County of McCracken, and other counties of the Jackson Purchase area.

Community Foundation of West Kentucky, Inc. effectively controls all operational aspects of the affiliate organization described below. The financial activity of the affiliate has been consolidated in the accompanying financial statements. All significant inter-affiliate transactions and balances have been eliminated. Community Foundation and affiliate are collectively referred to as the "Community Foundation" in these consolidated notes.

Western Kentucky Community Development, Inc. is a for-profit entity organized by the Community Foundation to receive income subject to unrelated business income tax generated by the Community Foundation and to provide advice and counsel, on a fee basis, to local not-for-profit organizations to assist them in marketing and fund raising efforts to expand their financial basis.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States. Under generally accepted accounting principles, not-for-profit organizations are required to report information regarding their financial position and activities according to three classes of net assets: permanently restricted net assets, temporarily restricted net assets and unrestricted net assets. Under the Community Foundation's governing documents and applicable laws, the Community Foundation has the right and power to vary the use of certain gifts from their original donor-prescribed purpose.

Accounting standards provide that if the governing body of an organization has the ability to remove a donor restriction, the contribution should be classified as unrestricted. However, the assets are held as endowment funds until such time, if ever, as the governing body deems it prudent and appropriate under its variance power to redirect some part of the principal or appreciation.

Assets accepted subject to restrictions, including split-interest agreements and certain trusts, are classified as either temporarily restricted net assets or permanently restricted net assets, depending on the restrictions.

Cash and Short-Term Investments

Cash and short-term investments include bank accounts, certificates of deposit and money market funds.

Investments

Marketable equity and debt securities are stated at fair value based on quoted market prices. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the risks associated with investment securities and the uncertainty related to changes in the fair value of investment securities, it is at least reasonably possible that changes in fair value could materially affect the net assets of the Community Foundation.

Furniture and Equipment

Furniture and equipment are stated at cost (if purchased) or the fair value at the date of donation. The Community Foundation capitalizes assets with an initial cost greater than \$500 which have a useful life of three or more years. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets which range from three to ten years. No assets were donated during the year.

**COMMUNITY FOUNDATION OF WEST KENTUCKY, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
Years Ended December 31, 2009 and 2008

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Contributions

Contributions are recognized at their fair value in the period received.

Grants

Grants are recorded as an expense of the Community Foundation when approved by the Board of Directors and after satisfaction by the recipients of any conditions associated with the payment.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, as amended, and has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Code. The Commonwealth of Kentucky exempts organizations from taxation that have been granted exemption by the Internal Revenue Service. The taxable affiliate consolidated in these financial statements had no taxable income during 2009 and 2008 and held no substantial assets at year end, consequently, no provision has been made in the financial statements for income taxes.

The Foundation has applied the provisions of Accounting Standards Codification (ASC) 740, *Income Taxes*. The Foundation uses an ACS 450-20, *Loss Contingencies*, approach for evaluating uncertain tax positions. The Foundation continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

Contributed Materials and Services

Donated materials and equipment are reflected as support in the accompanying statements at their estimated values at date of receipt. In accordance with requirements of SFAS No. 116, no amounts have been reflected in the statements for donated services.

Internal Management Fees

The Community Foundation charges a quarterly maintenance fee internally for endowed and non-endowed funds under management. These fees help fund the general operations of the Community Foundation. These fees are recorded internally both as revenue and expense, and have been eliminated in the consolidated financial statement presentation, since the fees do not come from sources external to the Foundation.

NOTE C: CONCENTRATION OF CREDIT RISK

The Community Foundation maintains its cash balances at local banks, which at times exceed federally insured limits. The accounts in the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Community Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

The Foundation's investment portfolio consists of diversified investments, which are subject to market risk, but are not subject to concentrations in any sector.

**COMMUNITY FOUNDATION OF WEST KENTUCKY, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
Years Ended December 31, 2009 and 2008

NOTE D: INVESTMENTS

Investments are comprised of investments for Foundation purposes and funds held for others under agreements accounted for in accordance with SFAS 136.

At December 31, 2009 and 2008, investments with readily determinable fair values consisted of:

	2009		2008	
	Market Value	Cost	Market Value	Cost
Cash and cash equivalents	1,086,343	1,086,343	2,872,526	2,872,526
U S Government obligations	3,595,492	3,529,054	2,138,372	2,076,832
Corporate bonds and notes	1,006,871	989,897	808,000	879,758
Equity mutual funds	8,299,558	7,407,467	5,799,432	7,540,522
Life insurance contract	146,952	199,848	68,537	99,924
	<u>\$ 14,135,216</u>	<u>\$ 13,212,609</u>	<u>\$ 11,686,867</u>	<u>\$ 13,469,562</u>

Other Investments

Other investments are comprised of ownership interests in real estate and a royalty interest, which are valued at their estimated fair market value.

Investment income

Investment income for the years ended December 31, 2009 and 2008 is:

	2009			2008		
	Total	Received in Agency Transactions	Net	Total	Received in Agency Transactions	Net
Interest, dividends and royalties	\$ 284,773	\$ 15,169	\$ 269,604	\$ 317,976	\$ 28,801	\$ 289,175
Net gain (loss) on investments	2,010,367	58,750	1,951,617	(2,151,242)	(79,716)	(2,071,526)
	2,295,140	73,919	2,221,221	(1,833,266)	(50,915)	(1,782,351)
Management fees	(51,419)	(2,642)	(48,777)	(46,885)	(5,949)	(40,936)
	<u>\$ 2,243,721</u>	<u>\$ 71,277</u>	<u>\$ 2,172,444</u>	<u>\$ (1,880,151)</u>	<u>\$ (56,864)</u>	<u>\$ (1,823,287)</u>

NOTE E: AGENCY FUNDS

The Community Foundation accepts funds from, and holds funds for the benefit of other not-for-profit organizations. These funds are not considered net revenue to the Community Foundation and are shown as "Agency Funds" in the accompanying consolidated statement of financial position.

**COMMUNITY FOUNDATION OF WEST KENTUCKY, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
Years Ended December 31, 2009 and 2008

NOTE E: AGENCY FUNDS, continued

For the years ended December 31, 2009 and 2008, total agency funds activity consisted of:

	<u>2009</u>	<u>2008</u>
Contributions	\$ 41,650	\$ 153,565
Investment income (loss)	73,919	(50,915)
Grants	(46,744)	(204,155)
Fees	(5,956)	(5,949)
Transfers	<u>-</u>	<u>(6,777)</u>
Net change in agency funds	62,869	(114,231)
Agency funds, beginning of year	<u>615,138</u>	<u>729,369</u>
Agency funds, end of year	<u>\$ 678,007</u>	<u>\$ 615,138</u>

NOTE F: GRANTS

Amounts raised for agency endowment funds are recorded as a liability, and grants made from those funds are reported as reductions to the liability. The following summarizes grants made for the years ended December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Total grants made	\$ 602,507	\$ 719,732
Less grants made from funds held for others under agency transactions	<u>(46,744)</u>	<u>(204,155)</u>
	<u>\$ 555,763</u>	<u>\$ 515,577</u>

NOTE G: AFFILIATION AGREEMENTS

The Community Foundation entered into an affiliation agreement with the Hopkins County Community Improvement Foundation (an unincorporated entity), effective January 10, 2006.

The agreement stipulates that one member of the advisory board of the Hopkins County Community Improvement Foundation (HCCIF) will be added to the board of the Community Foundation. HCCIF will make donations to the Community Foundation for management, subject to normal fees, as defined in the agreement. In exchange for the fees paid, the Community Foundation is responsible for all accounting fees, liability and errors and omissions insurance and all other corporate materials.

Termination of the agreement requires consent of two-thirds of the advisory board of HCCIF and the board of the Community Foundation.

Transfers from HCCIF to the Community Foundation are accounted for as contributions in the consolidated statement of activities in these financial statements.

NOTE H: MAJOR CONTRIBUTORS

Total contributions, including agency funds, were \$724,459 and \$5,924,054 for the years ending December 31, 2009 and 2008 respectively. For 2009, twelve contributors were responsible for \$524,936 of those contributions, or 72%. For 2008, eight contributors were responsible for \$5,423,625 of those contributions, or 92%.

**COMMUNITY FOUNDATION OF WEST KENTUCKY, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
Years Ended December 31, 2009 and 2008

NOTE I: LIABILITY UNDER SPLIT-INTEREST AGREEMENT

The Community Foundation entered into a charitable remainder trust with a donor in 2005. The agreement obligates the Community Foundation to pay to the donor the net income of the trust, but not to exceed 8% of the fair market value of the trust assets, as of the last day of the previous year. The initial and subsequent contributions and all earnings thereon are restricted for use to satisfy annuity payments until the death of annuitant and successor annuitant at which time all related assets become temporarily restricted net assets of the Community Foundation. A liability has been recorded in an amount that approximates the net present value of the annuity to the donor based upon assumptions of the annuitant's mortality and a discount rate to calculate return on assets. The discount rate utilized is 8% based upon the "Annuity 2000 Mortality Table." The net difference between the initial contribution and the estimated present value of the obligation was recorded as a charitable contribution. The liability is revalued annually for changes in assumptions, and the resulting change is charged or credited to operations as "change in value of split-interest agreement liability."

The statement of financial position includes the following amounts as of December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Assets held under split-interest agreement included in investments	<u>\$ 68,197</u>	<u>\$ 58,201</u>
Amount included in permanently restricted net assets	<u>\$ 25,076</u>	<u>\$ 19,815</u>

NOTE J: INSURANCE AND RELATED ACTIVITIES

The Organization is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The Organization has purchased certain policies that are retrospectively rated, which includes worker's compensation insurance.

NOTE K: NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions include management and trust fees of \$389 in 2008 and \$376 in 2007.

NOTE L: GRANT PAYABLE

During the year ending December 31, 2007, the Foundation approved a grant totaling \$600,000 to a local institution of higher education from a donor-advised fund. Of the total grant, \$300,000 was paid in 2007. The remaining \$300,000 will be paid annually in \$100,000 installments beginning January, 2009 and each January thereafter until the grant is paid in full. The Foundation has recorded the discounted present value of the future payments as a liability to give effect to the commitment.

NOTE M: RECLASSIFICATION OF NET ASSETS

Management and trust fees for the years ended December, 31, 2009 and 2008 of \$878 and \$1,224, respectively, have been reclassified from permanently restricted net assets to unrestricted net assets. \$6,779 has been reclassified from agency funds to unrestricted net assets during the year ended December 31, 2008.

**COMMUNITY FOUNDATION OF WEST KENTUCKY, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
Years Ended December 31, 2009 and 2008

NOTE N: RENT

The Organization rents office space in Paducah and Madisonville, Kentucky. The Paducah lease terminates July 31, 2010 and the Madisonville lease terminates October 31, 2010. Monthly rent is \$220 per month with a 4% increase at the first anniversary date for the Paducah facilities. Monthly rent is \$100 per month with a \$10 per month increase at the first anniversary date for the Madisonville facilities. The Organization also receives rent-free use of facilities in Paducah, Kentucky from USBank. The value of the rent is nominal.

Future minimum lease payments are:

Year Ended December 31,	
2010	\$ <u>2,702</u>

Rent charged to operations was \$3,928 and \$2,500 for 2009 and 2008 respectively.

NOTE O: FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis at December 31, 2009 and 2008 are:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<u>2009</u>			
Investment securities held for the production of income	\$ 14,236,541	\$ 14,236,541	\$ -	\$ -
Investment in life insurance contract	146,952	-	146,952	-
Royalty interests	33,423	-	-	33,423
Real estate held for resale	<u>105,100</u>	<u>-</u>	<u>-</u>	<u>105,100</u>
	<u>\$ 14,522,016</u>	<u>\$ 14,236,541</u>	<u>\$ 146,952</u>	<u>\$ 138,523</u>
	<u>2008</u>			
Investment securities held for the production of income	\$ 11,686,867	\$ 11,686,867	\$ -	\$ -
Investment in life insurance contract	68,537	-	68,537	-
Royalty interests	33,423	-	-	33,423
Real estate held for resale	<u>105,100</u>	<u>-</u>	<u>-</u>	<u>105,100</u>
	<u>\$ 11,893,927</u>	<u>\$ 11,686,867</u>	<u>\$ 68,537</u>	<u>\$ 138,523</u>

**COMMUNITY FOUNDATION OF WEST KENTUCKY, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
Years Ended December 31, 2009 and 2008

NOTE O: FAIR VALUE MEASUREMENTS, continued

Fair values for securities held for the production of income are determined by reference to quoted market prices and other relevant information generated by market transactions.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are:

	<u>Royalty Interests</u>	<u>Real Estate Held for Resale</u>	<u>Total</u>
Balance, December 31, 2007	\$ 33,423	\$ 248,100	\$ 281,523
Total gains or losses (realized/unrealized)			
Included in earnings	-	(73,000)	(73,000)
Purchases, issuances or settlements	<u>-</u>	<u>(70,000)</u>	<u>(70,000)</u>
Balance December 31, 2008	33,423	105,100	138,523
Total gains or losses (realized/unrealized)			
Included in earnings	-	-	-
Purchases, issuances or settlements	<u>-</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2009	<u>\$ 33,423</u>	<u>\$ 105,100</u>	<u>\$ 138,523</u>

	<u>Securities Held for the Production of Income</u>	<u>Real Estate Held for Resale</u>	<u>Life Insurance Contract</u>	<u>Total</u>
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The amount of total gains or losses for the year ended December 31, 2009 included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the reporting date

<u>\$ 1,002,765</u>	<u>\$ -</u>	<u>\$ (16,517)</u>	<u>\$ 986,248</u>
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The amount of total gains or losses for the year ended December 31, 2008 included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the reporting date

<u>\$ (1,782,695)</u>	<u>\$ (68,000)</u>	<u>\$ (31,387)</u>	<u>\$ (1,882,082)</u>
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**COMMUNITY FOUNDATION OF WEST KENTUCKY, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
Years Ended December 31, 2009 and 2008

NOTE P: TRUSTEESHIP

In December, 2009, the Foundation was appointed as successor trustee to four trusts previously managed by a bank in Marion, Kentucky. The Foundation assumed trusteeship for \$676,883, which is shown on the financial statements as liability to beneficiaries. Other than trustee fees to be earned in future years, the trusteeship will result in no significant change in the operations of the Foundation.

NOTE Q: EVALUATION OF SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through May 31, 2010, the date at which the financial statements were available to be issued.