



BROCKMAN, COATS, GEDELIAN & CO.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Akron Community Foundation and Subsidiary:

We have audited the accompanying consolidated statement of financial position of Akron Community Foundation and Subsidiary (a nonprofit organization) as of March 31, 2009, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's March 31, 2008 consolidated financial statements and, in our report dated May 29, 2008, we expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Akron Community Foundation and Subsidiary as of March 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Brockman, Coats, Gedelman & Co.

June 1, 2009

AKRON COMMUNITY FOUNDATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

as of March 31, 2009 and 2008

(Amounts in thousands)

ASSETS	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 9,556	\$ 7,416
Accrued investment income	260	311
Contributions receivable (net of allowance for uncollectible contributions of \$7 in 2009 and \$15 in 2008)	52	83
Prepaid expenses	45	34
Trust accounts	8,132	10,478
Investments	78,076	116,364
Real property held for investment	2,433	2,433
Property and equipment, net	1,436	1,465
Cash value of life insurance and other assets	27	26
	<u>\$ 100,017</u>	<u>\$ 138,610</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Grants approved for future payment	\$ 549	\$ 561
Accounts payable and other liabilities	523	542
Funds held as agency endowments	4,961	5,597
Total liabilities	<u>6,033</u>	<u>6,700</u>
Net assets:		
Unrestricted	29,863	44,823
Temporarily restricted	26,627	52,674
Permanently restricted	37,494	34,413
Total net assets	<u>93,984</u>	<u>131,910</u>
	<u>\$ 100,017</u>	<u>\$ 138,610</u>

The accompanying notes are an integral part of these consolidated financial statements.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES

for the year ended March 31, 2009 with comparative totals for the year ended March 31, 2008

(Amounts in thousands)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009 Total</u>	<u>2008 Total</u>
Revenues, gains and other support:					
Contributions received	\$ 2,809	\$ 1,292	\$ 3,041	\$ 7,142	\$ 6,153
Investment income	1,695	1,934	-	3,629	4,169
Net depreciation in investments and trust accounts	(17,030)	(21,799)	-	(38,829)	(4,908)
Less amounts for agency endowments:					
Contributions received	(2,460)	-	-	(2,460)	(1,068)
Investment income	(144)	-	-	(144)	(167)
Net depreciation in investments	1,645	-	-	1,645	190
Interfund transfers	(50)	10	40	-	-
Net assets released from restrictions	<u>7,484</u>	<u>(7,484)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>(6,051)</u>	<u>(26,047)</u>	<u>3,081</u>	<u>(29,017)</u>	<u>4,369</u>
Expenses:					
Grants and other distributions	8,323	-	-	8,323	7,556
Administrative expenses	1,488	-	-	1,488	1,312
Investment expenses	692	-	-	692	829
Less amounts for agency endowments:					
Grants and other distributions	(1,520)	-	-	(1,520)	(1,489)
Administrative expenses	(47)	-	-	(47)	(53)
Investment expenses	<u>(27)</u>	<u>-</u>	<u>-</u>	<u>(27)</u>	<u>(32)</u>
Total expenses	<u>8,909</u>	<u>-</u>	<u>-</u>	<u>8,909</u>	<u>8,123</u>
Increase (decrease) in net assets	(14,960)	(26,047)	3,081	(37,926)	(3,754)
Net assets, beginning of year	<u>44,823</u>	<u>52,674</u>	<u>34,413</u>	<u>131,910</u>	<u>135,664</u>
Net assets, end of year	<u>\$ 29,863</u>	<u>\$ 26,627</u>	<u>\$ 37,494</u>	<u>\$ 93,984</u>	<u>\$ 131,910</u>

The accompanying notes are an integral part of these consolidated financial statements.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended March 31, 2009 and 2008

(Amounts in thousands)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Decrease in net assets	\$ (37,926)	\$ (3,754)
Reconciliation of change in net assets to net cash provided (used) by operating activities:		
Net depreciation in investments and trust accounts	38,829	4,908
Depreciation	64	64
Contributions received for long-lived assets	(10)	(15)
Noncash contributions	(210)	(1,634)
Decrease in accrued investment income	51	157
Decrease in contributions receivable	31	28
(Increase) decrease in prepaid expenses	(11)	8
Increase in cash value of life insurance and other assets	(1)	-
Increase (decrease) in grants approved for future payment	(12)	2
Increase (decrease) in accounts payable and other liabilities	(19)	50
Decrease in funds held as agency endowments	<u>(636)</u>	<u>(529)</u>
Net cash provided (used) by operating activities	<u>150</u>	<u>(715)</u>
Cash flows from investing activities:		
Purchases of investments	(58,970)	(94,386)
Proceeds from sales and maturities of investments	60,986	95,566
Expenditures for property and equipment	<u>(36)</u>	<u>(30)</u>
Net cash provided by investing activities	<u>1,980</u>	<u>1,150</u>
Cash flows from financing activities:		
Contributions received for long-lived assets	<u>10</u>	<u>15</u>
Net increase in cash and cash equivalents	2,140	450
Cash and cash equivalents, beginning of year	<u>7,416</u>	<u>6,966</u>
Cash and cash equivalents, end of year	<u>\$ 9,556</u>	<u>\$ 7,416</u>

The accompanying notes are an integral part of these consolidated financial statements.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the years ended March 31, 2009 and 2008 (Amounts in thousands)

1. Summary of Significant Accounting Policies:

Principles of Consolidation – The consolidated financial statements include the accounts of Akron Community Foundation and ACF Properties, LLC, a limited liability company. During 2004, ACF Properties, LLC was organized to hold certain donated and acquired real property valued at \$2,433 which is included on the consolidated statement of financial position as real property held for investment. All significant transactions between the two entities have been eliminated from the consolidated amounts.

Nature of Activities – Akron Community Foundation (the “Foundation”) is a nonprofit organization which was organized in 1955. Its primary mission is to improve the quality of life in the greater Akron area through the development of organized philanthropy. The Foundation is committed to enriching the life of the community through grant making in six distinct areas: children, health, civic affairs, education, cultural and community services.

Financial Statement Presentation – The Foundation presents information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets – under the discretionary control of the Board of Trustees and include amounts designated by the Board of Trustees for specified purposes.

Temporarily Restricted Net Assets – are restricted by the donor for a specific purpose or for use in a future time period. As restrictions are met or expire, the net assets are released from restrictions and transferred to unrestricted.

Permanently Restricted Net Assets – are subject to the donor’s restriction that the principal remain invested in perpetuity.

Net investment income on permanently restricted net assets is classified as either permanently restricted, temporarily restricted, or unrestricted, depending on the gift agreement.

Use of Estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued for the years ended March 31, 2009 and 2008 (Amounts in thousands)

1. Summary of Significant Accounting Policies, Continued:

Cash and Cash Equivalents – Cash and cash equivalents primarily include amounts held for grants and other disbursements and amounts received from contributions which are held pending investment. Cash and cash equivalents include cash on hand, cash in checking and money market accounts and short-term investments with an original investment term of three months or less.

Investments – The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the consolidated statements of financial position. Realized and unrealized gains and losses are recognized as changes in net assets in the periods in which they occur and interest and dividends are recognized as revenue in the period earned. Realized gains and losses are determined on the specific identification method.

Third Party Trusts – The Foundation is the sole or joint beneficiary to the income of certain trusts held by third parties. The Foundation records these trust accounts at the fair value of the trust assets available for distribution to the Foundation, as the Foundation has determined that the fair value of the trust assets generally approximates the present value of expected future cash receipts. Distributions the Foundation receives from the trusts are recorded as investment income in the consolidated statements of activities.

Pooled Life Income Funds – Upon death of the donors, the Foundation is the beneficiary to the residual value of certain pooled life income funds. Deferred revenue is the difference between the fair value of the pooled life income funds at the time of receipt of the gift and the present value of the estimated future cash flows, and is included in accounts payable and other liabilities.

Contributions Receivable – Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Those that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are expected to be received. An allowance for uncollectible pledges is provided based on experience and anticipated collection efforts and is adjusted for current conditions as deemed appropriate.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued for the years ended March 31, 2009 and 2008 (Amounts in thousands)

1. Summary of Significant Accounting Policies, Continued:

Property and Equipment – Property and equipment acquisitions are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets ranging from 3 to 35 years. Repairs and maintenance costs are expensed as incurred.

Contributions – Contributions, bequests, special gifts and other donations are recorded as revenue when received or, if by pledge, when the pledge is made. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Noncash bequests, gifts, and donations are recorded at the fair market value of the asset at the date of donation.

Grants – The Board of Trustees has established a spending policy based upon the quarterly market value of assets. The spending policy provides guidelines for amounts to be expended for grants and other expenses. All grants and other distributions are approved by the Board of Trustees. Unconditional grants are recognized when approved. Grants approved by the Board of Trustees that are payable upon performance of specified conditions by the grantee are recognized in the consolidated statements of activities when the specified conditions are substantially satisfied.

Functional Expenses – The costs of supporting the activities of the Foundation have been summarized on a functional basis. Accordingly, certain costs have been allocated among the program and supporting services as follows:

	<u>2009</u>	<u>2008</u>
Program expenses	\$ 8,912	\$ 8,058
Management and general	1,027	1,219
Development	<u>564</u>	<u>420</u>
	10,503	9,697
Less amounts for agency endowments	<u>1,594</u>	<u>1,574</u>
	<u>\$ 8,909</u>	<u>\$ 8,123</u>

Comparative Financial Information – The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements for the year ended March 31, 2008, from which the summarized information was derived.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued for the years ended March 31, 2009 and 2008 (Amounts in thousands)

1. Summary of Significant Accounting Policies, Continued:

Income Taxes – The Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from income taxes. The Subsidiary is a limited liability company and is not a tax paying entity for federal or state income tax purposes. Therefore, no provisions for federal and state income taxes have been recorded in the statements.

Funds Held as Agency Endowments – SFAS No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*, establishes accounting and reporting standards for transactions in which a donor transfers assets to a not-for-profit organization that accepts the assets from the donor and agrees to transfer those assets, the return on investment, or both, to the donor or another entity specified by the donor. Pursuant to SFAS No. 136, certain agency endowment funds received by the Foundation are considered liabilities, rather than net assets of the Foundation.

Reclassifications – Certain reclassifications have been made to the 2008 consolidated financial statements to conform to the 2009 presentation.

2. Investments:

Investments are stated at fair value and consist of the following at March 31:

	<u>2009</u>	<u>2008</u>
Marketable equity securities	\$ 53,403	\$ 82,316
U.S. government obligations	16,328	24,855
Corporate bonds	<u>8,345</u>	<u>9,193</u>
	<u>\$ 78,076</u>	<u>\$ 116,364</u>

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the consolidated statements of financial position and the consolidated statements of activities.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued for the years ended March 31, 2009 and 2008 (Amounts in thousands)

3. Property and Equipment:

Property and equipment consist of the following at March 31:

	<u>2009</u>	<u>2008</u>
Land	\$ 344	\$ 344
Building and improvements	1,290	1,290
Furniture and fixtures	<u>362</u>	<u>329</u>
	1,996	1,963
Less accumulated depreciation	<u>560</u>	<u>498</u>
	<u>\$ 1,436</u>	<u>\$ 1,465</u>

4. Cash Surrender Value of Life Insurance:

The Foundation is the beneficiary of two individual life insurance policies with face values totaling approximately \$65 and \$60 at March 31, 2009 and 2008, respectively. The amount reported in the accompanying consolidated statements of financial position represents the cash surrender value of the policies as of year end.

5. Retirement Plans:

The Foundation offers a voluntary tax deferred plan under the provisions of Section 403(b) of the Internal Revenue Code, which permits employees to elect to invest a portion of their compensation until retirement. The plan is available to all full-time employees. The Foundation also has a plan to provide supplemental retirement benefits to a former employee. Monthly benefit payments commenced in August, 2008 totaling \$21,392.

6. Line of Credit:

The Foundation has an unsecured line of credit for \$100 which provides for interest at the bank's prime rate (prime 3.25% at March 31, 2009). There was no outstanding balance on this line of credit as of March 31, 2009 and 2008.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued for the years ended March 31, 2009 and 2008 (Amounts in thousands)

7. Fair Value Measurements:

During 2008, the Foundation adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, (FAS 157) issued by the Financial Accounting Standards Board (FASB). FAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FAS 157 are as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 – Inputs that are unobservable for the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers other specific factors. The following section describes the valuation techniques used to measure different financial instruments at fair value and includes the level within the fair value hierarchy in which the financial instrument is categorized.

Investments and trusts comprise securities measured at level 1. Investments whose values are based on quoted market prices in active markets are classified within Level 1. These investments generally include equity securities traded on a national securities exchange or listed on the Nasdaq, U.S. government and corporate securities and money market securities.

Real estate held for investment categorized as level 3 (unobservable inputs) is reported at the fair value of the property at the time of the donation to the Foundation. The carrying value of the property approximates its current fair value based on the future discounted cash flows expected to be derived from the property

AKRON COMMUNITY FOUNDATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
for the years ended March 31, 2009 and 2008
(Amounts in thousands)

7. Fair Value Measurements, Continued:

The following table presents the investments in securities, trusts, and property carried on the statement of financial position by level within the fair value hierarchy as of March 31, 2009:

Assets:

Investments, trusts and property at fair value	
Level 1	\$ 86,208
Level 2	-
Level 3	<u>2,433</u>
	<u>\$ 88,959</u>

The value of level 3 assets did not change during 2009.

8. Restricted Net Assets:

Restricted net assets include the following types of restrictions by the donors:

Donor Advised funds are subject to ongoing recommendations or designations by donors. Donors serve as advisory members to the fund and recommend to the Foundation the charitable organizations or fields of interest to receive grants from the funds.

Agency Endowment funds are restricted to make grants to designated nonprofit agencies to provide long term support of the agencies' mission and charitable programs.

Scholarship funds are restricted to provide scholarships for specified fields of study, schools or types of students.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued for the years ended March 31, 2009 and 2008 (Amounts in thousands)

8. Restricted Net Assets, Continued:

Permanently restricted net assets are restricted by the donor to be held in perpetuity with the related income expendable to support either temporarily restricted or unrestricted purposes, according to the gift instruments. Permanently restricted net assets at March 31 are as follows:

	<u>2009</u>	<u>2008</u>
Permanently restricted portion of donor advised funds	\$ 3,442	\$ 945
Permanently restricted portion of agency endowment funds	24,948	24,364
Other permanently restricted funds	<u>9,104</u>	<u>9,104</u>
	<u>\$ 37,494</u>	<u>\$ 34,413</u>

Temporarily restricted net assets at March 31 are as follows:

	<u>2009</u>	<u>2008</u>
Temporarily restricted portion of donor advised funds	\$ 11,558	\$ 18,354
Temporarily restricted portion of agency endowment funds	9,118	27,142
Temporarily restricted portion of scholarship funds	4,432	5,570
Other temporarily restricted funds	<u>1,519</u>	<u>1,608</u>
Total	<u>\$ 26,627</u>	<u>\$ 52,674</u>

Net assets released from restrictions of \$7,484 in 2009 and \$6,151 in 2008 resulted from incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donors.

9. Description of Leasing Arrangement:

The Foundation leases office equipment under a noncancelable operating lease that expires in December, 2012, with minimum rental payments of \$8 per annum. The lease expense totaled \$8 in 2009 and \$7 in 2008.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued for the years ended March 31, 2009 and 2008 (Amounts in thousands)

10. Endowment:

In August 2008, the Financial Accounting Standards Board issued Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* ("FAS 117-1"). FAS 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). FAS 117-1 also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA. The State of Ohio adopted its version of UPMIFA and becomes effective June 1, 2009. The Foundation has adopted FAS 117-1 for the year ended March 31, 2009.

The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – Under the terms of the Foundation's governing documents, the Board of Trustees has determined that the majority of the Foundation's contributions are subject to the terms of the governing documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Foundation. In addition, under the terms of agreements with donors, the Foundation has variance power over amounts contributed to the Foundation; that is, the ultimate discretion of the use of such funds lies with the discretion of the Board of Trustees. As a result of such variance power, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
 for the years ended March 31, 2009 and 2008
 (Amounts in thousands)

10. Endowment, Continued:

Endowment Net Asset Classification by Type of Fund

	2009			Total
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Donor-restricted endowment funds	\$ (6,729)	\$ 15,069	\$ 34,052	\$ 42,392
Donor-advised funds	687	11,558	3,442	15,687
Board-designated funds functioning as endowment	<u>26,097</u>	-	-	<u>26,097</u>
Total funds	<u>\$ 20,055</u>	<u>\$ 26,627</u>	<u>\$ 37,494</u>	<u>\$ 84,176</u>

	2008			Total
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Donor-restricted endowment funds	\$ 4,415	\$ 34,320	\$ 33,468	\$ 72,203
Donor-advised funds	911	18,354	945	20,210
Board-designated funds functioning as endowment	<u>27,081</u>	-	-	<u>27,081</u>
Total funds	<u>\$ 32,407</u>	<u>\$ 52,674</u>	<u>\$ 34,413</u>	<u>\$ 119,494</u>

AKRON COMMUNITY FOUNDATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
for the years ended March 31, 2009 and 2008
(Amounts in thousands)

10. Endowment, Continued:

Changes in Endowment Net Assets

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, March 31, 2007	\$ 33,698	\$ 55,199	\$ 34,244	\$ 123,141
Investment return:				
Investment income	1,754	2,188	-	3,942
Net depreciation	(1,496)	(3,019)	13	(4,502)
Total investment return	258	(831)	13	(560)
Contributions	472	4,457	156	5,085
Appropriation of endowment assets for expenditure	(2,021)	(6,151)	-	(8,172)
Other changes	-	-	-	-
Endowment net assets, March 31, 2008	32,407	52,674	34,413	119,494
Investment return:				
Investment income	1,531	1,934	-	3,465
Net depreciation	(13,031)	(21,799)	-	(34,830)
Total investment return	(11,500)	(19,865)	-	(31,365)
Contributions	349	1,292	3,041	4,682
Appropriation of endowment assets for expenditure	(1,114)	(7,484)	-	(8,598)
Other changes	(87)	10	40	(37)
Endowment net assets, March 31, 2009	\$ 20,055	\$ 26,627	\$ 37,494	\$ 84,176

AKRON COMMUNITY FOUNDATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
for the years ended March 31, 2009 and 2008
(Amounts in thousands)

10. Endowment, Continued:

Description of Amounts Classified as Permanently and Temporarily Restricted Net Assets

	<u>2009</u>	<u>2008</u>
Permanently Restricted Net Assets		
The portion of perpetual endowment funds that is required to be retained permanently by donor stipulation.	\$ <u>37,494</u>	\$ <u>34,413</u>
Temporarily Restricted Net Assets		
Investments, temporarily restricted for future grants and operating expenditures	\$ <u>26,627</u>	\$ <u>52,674</u>

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 grants supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation’s spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount.

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.

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Board of Directors has established a spending policy providing guidelines for amounts available annually for distribution in the form of grants and operating expenses net of certain offsetting contributions and administrative fee income. Investment management fees are not included in the spending policy. The spending policy is based upon a maximum of 5% of the average market value of the Foundation’s total investment pool for the previous twelve calendar quarters. 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 grow at an average of 3% annually. This is consistent with the Foundation’s objective to maintain purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.