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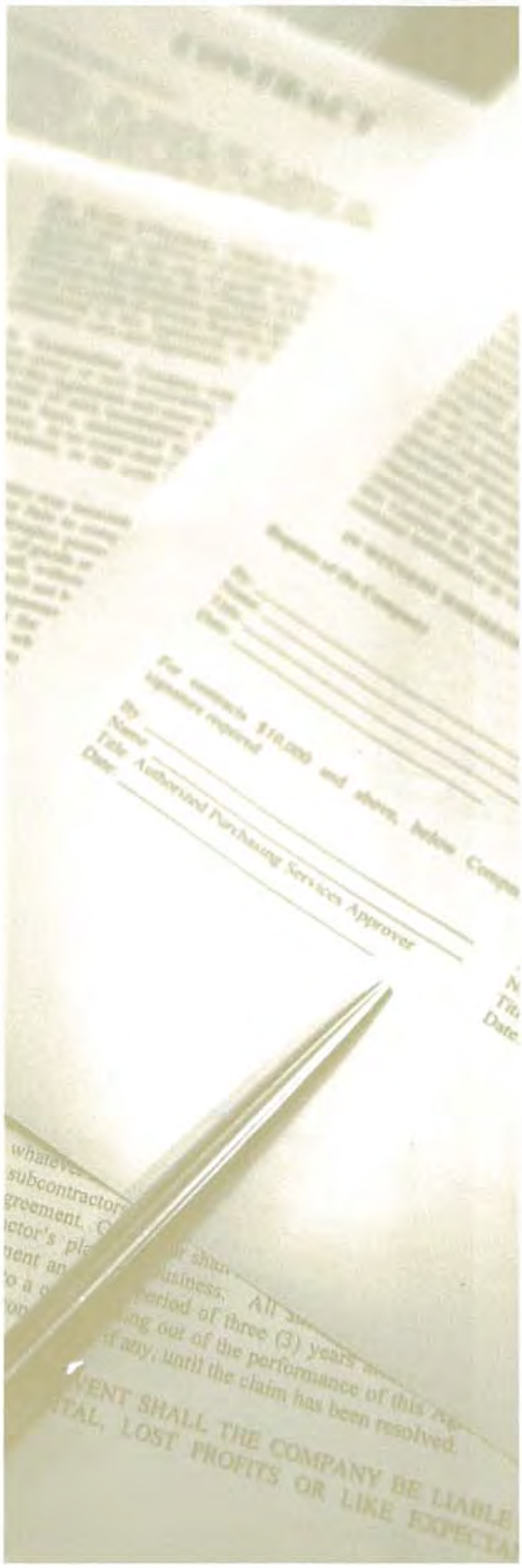
AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

(a nonprofit organization)

March 31, 2012 and 2011

CONSOLIDATED FINANCIAL STATEMENTS



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AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

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CARING PEOPLE. SHAPING FUTURES.™

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Akron Community Foundation and Subsidiaries:

We have audited the accompanying consolidated statement of financial position of Akron Community Foundation and Subsidiaries (a nonprofit organization) as of March 31, 2012, 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, 2011 consolidated financial statements and, in our report dated June 1, 2011, 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 Subsidiaries as of March 31, 2012, 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, Gedelian & Co.

May 31, 2012

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
March 31, 2012 and 2011
(Amounts in thousands)

ASSETS	**2012**	**2011**
Cash and cash equivalents	$ 4,771	$ 3,794
Accrued investment income	177	217
Contributions receivable, net	900	736
Prepaid expenses	62	24
Trust accounts	10,245	10,126
Investments	122,509	117,794
Real property held for investment	667	1,360
Property and equipment, net	1,363	1,334
Cash surrender value of life insurance	26	20
	$ 140,720	$ 135,405

LIABILITIES AND NET ASSETS		
Liabilities:		
Grants approved for future payment	$ 870	$ 470
Accounts payable and other liabilities	499	475
Funds held as agency endowment obligations	5,439	5,293
Total liabilities	6,808	6,238
Net assets:		
Unrestricted	37,469	39,875
Temporarily restricted	56,490	49,580
Permanently restricted	39,953	39,712
Total net assets	133,912	129,167
	$ 140,720	$ 135,405

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

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITY
for the year ended March 31, 2012
(with summarized totals for the year ended March 31, 2011)
(Amounts in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total	2011 Total
Revenues, gains (losses) and other support:					
Contributions	$ 658	$ 9,103	$ 242	$ 10,003	$ 2,661
Investment income	1,013	1,974	-	2,987	2,916
Net appreciation (depreciation) in investments and trust accounts	(1,548)	1,566	11	29	12,116
Less amounts for agency endowments:					
Contributions	(350)	-	-	(350)	(169)
Investment income	(114)	-	-	(114)	(108)
Net (appreciation) depreciation in investments	14	-	-	14	(492)
Gain on disposal of real estate held for investment	-	420	-	420	-
Loss on disposal of property and equipment	(6)	-	-	(6)	-
Fund reclassifications	1	11	(12)	-	-
Net assets released from restrictions	6,164	(6,164)	-	-	-
Total revenues, gains and other support	5,832	6,910	241	12,983	16,924
Expenses:					
Grants and other distributions	6,366	-	-	6,366	6,234
Administrative expenses	1,642	-	-	1,642	1,518
Investment expenses	533	-	-	533	549
Less amounts for agency endowments:					
Grants and other distributions	(231)	-	-	(231)	(264)
Administrative expenses	(51)	-	-	(51)	(48)
Investment expenses	(21)	-	-	(21)	(21)
Total expenses	8,238	-	-	8,238	7,968
Increase (decrease) in net assets	(2,406)	6,910	241	4,745	8,956
Net assets, beginning of year	39,875	49,580	39,712	129,167	120,211
Net assets, end of year	$ 37,469	$ 56,490	$ 39,953	$ 133,912	$ 129,167

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

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended March 31, 2012 and 2011
(Amounts in thousands)

	2012	2011
Cash flows from operating activities:		
Increase in net assets	$ 4,745	$ 8,956
Reconciliation of change in net assets to net cash provided (used) by operating activities:		
Net appreciation in investments and trust accounts	(29)	(12,116)
Gain on disposal of real estate held for investment	(420)	-
Depreciation	55	59
Loss on disposal of property and equipment	6	-
Noncash contributions	(9)	(195)
Decrease in accrued investment income	40	36
Increase in contributions receivable	(164)	(545)
(Increase) decrease in prepaid expenses	(38)	18
(Increase) decrease in cash surrender value of life insurance	(6)	3
Increase (decrease) in grants approved for future payment	400	(22)
Increase (decrease) in accounts payable and other liabilities	24	(175)
Increase in funds held as agency endowments	146	437
Net cash provided (used) by operating activities	4,750	(3,544)
Cash flows from investing activities:		
Purchases of investments	(59,218)	(54,040)
Proceeds from sales and maturities of investments	54,422	55,942
Proceeds from sale of real property held for investment	1,113	-
Expenditures for property and equipment	(90)	(12)
Net cash provided (used) by investing activities	(3,773)	1,890
Net increase (decrease) in cash and cash equivalents	977	(1,654)
Cash and cash equivalents, beginning of year	3,794	5,448
Cash and cash equivalents, end of year	$ 4,771	$ 3,794

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

1. **Summary of Significant Accounting Policies:**

Principles of Consolidation – The consolidated financial statements include the accounts of Akron Community Foundation, ACF Properties, LLC and Akron Digital Media Center/Akronist.com, LLC. During 2004, ACF Properties, LLC was organized to hold certain donated and acquired real property which is included on the consolidated statements of financial position as real property held for investment. During 2011, Akron Digital Media Center/Akronist.com, LLC was organized to facilitate a community challenge grant received by the Foundation from another nonprofit organization. All significant transactions between these 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 by building permanent endowments and providing philanthropic leadership that enables donors to make lasting investments in the community. The Foundation is committed to enriching the life of the community through grant making in distinct areas: arts and culture, education, health and human services and civic affairs/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 Directors and include amounts designated by the Board of Directors 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 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.

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.

1. **Summary of Significant Accounting Policies, Continued:**

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. In addition, the Foundation holds certain funds in alternative investments which are carried at the funds' net asset value. 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 statement 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. An allowance for uncollectible pledges is provided based on experience and anticipated collection efforts and is adjusted for current conditions as deemed appropriate. Noncash bequests, gifts, and donations are recorded at the fair market value of the asset at the date of donation.

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.

Grants – The Board of Directors 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 Directors. Unconditional grants are recognized when approved. Grants approved by the Board of Directors that are payable upon performance of specified conditions by the grantee are recognized in the consolidated statement of activities when the specified conditions are substantially satisfied.

1. **Summary of Significant Accounting Policies, Continued:**

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:

	2012	2011
Program expenses	$ 7,033	$ 6,860
Management and general	933	970
Development	575	471
	8,541	8,301
Less amounts for agency endowments	303	333
	$ 8,238	$ 7,968

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, 2011, from which the summarized information was derived.

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. ACF Properties, LLC and Akron Digital Media Center/Akronist.com, LLC are limited liability companies and are not tax paying entities for federal or state income tax purposes. Therefore, no provisions for federal and state income taxes have been recorded in the consolidated statements.

The Foundation accounts for uncertainties in income taxes in accordance with generally accepted accounting principles, which provides for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return that has a greater than 50% chance of not being allowed under examination. No such positions have been recorded in the March 31, 2012 and 2011 consolidated financial statements. If such positions were taken, the resulting interest and penalties would be recognized as income tax expense.

As of March 31, 2012, the Foundation's federal informational returns are subject to examination by the Internal Revenue Service for the tax years 2009 and thereafter.

1. **Summary of Significant Accounting Policies, Continued:**

Funds Held as Agency Endowments – *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 this pronouncement, certain agency endowment funds received by the Foundation are considered liabilities, rather than net assets of the Foundation.

Subsequent Events – Management of the Foundation has evaluated subsequent events through May 31, 2012, the date the consolidated financial statements were available to be issued.

Reclassifications – Certain reclassifications have been made to the 2011 consolidated financial statements to conform to the 2012 presentation.

2. **Investments:**

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

	2012	2011
Marketable equity securities	$ 79,733	$ 79,509
U.S. government obligations	10,869	11,870
Corporate bonds	7,978	9,975
Other fixed income	7,566	2,715
Alternative investments	16,363	13,725
	$ 122,509	$ 117,794

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 statement of activities.

3. Real Property Held for Investment:

The Foundation had ownership in two real estate properties through its status as a limited partner in a development agreement (46% ownership by the Foundation) and a land lease (99% ownership by the Foundation). Revenue is restricted from both properties to support a scholarship fund held as a fund of the Foundation. As limited partner, the Foundation does not take part in management of the business or affairs of the partnership and does not have the right or authority to act on behalf of the partnership. Further, the Foundation is not liable for any losses, debts or liabilities of the partnership. During 2012, the general partner sold the property maintained by the land lease, of which the Foundation received 99% of the proceeds from the sale of the property totaling $1,113. These proceeds were then deposited into the Foundation's main asset pool and applied to the applicable scholarship fund held at the Foundation. The disposal of the property resulted in a gain on the sale of $420.

4. Contributions Receivable:

Contributions receivable represent promises to pay recorded at the present value of estimated future cash flows using an interest rate of 3.35%, which approximates the prevailing borrowing rate. Aggregate maturities of contributions receivable are as follows:

2013	$ 323
2014	293
2015	279
2016	65
2017	11
Thereafter	12
	983
Less: Discounts to net present value	82
Allowance for doubtful accounts	1
	$ 900

5. Property and Equipment:

Property and equipment consist of the following at March 31:

	2012	2011
Land	$ 344	$ 344
Building and improvements	1,317	1,290
Furniture and fixtures	295	308
	1,956	1,942
Less accumulated depreciation	593	608
Property and equipment, net	$ 1,363	$ 1,334

6. Cash Surrender Value of Life Insurance:

The Foundation is the beneficiary of two individual life insurance policies with face values totaling approximately $69 and $67 at March 31, 2012 and 2011, respectively. The amount reported in the accompanying consolidated statements of financial position represents the cash surrender value of the policies as of fiscal year end.

7. 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 does not make contributions to this plan.

The Foundation also has a plan to provide supplemental retirement benefits to a former employee. Payments of approximately $3 are made monthly and continue for 15 years or until the former employee's death. After 15 years, the payments increase by approximately $1 per month. Benefit payments totaled approximately $32 in 2012 and 2011.

8. Commitments:

The Foundation leases office equipment under a non-cancelable operating lease that expires in July, 2012, with minimum rental payments of $8 per annum. This lease expense totaled $8 in 2012 and 2011.

In addition, in 2012 the Foundation entered into various non-cancelable licensing agreements for software programs that expire in September, 2018. The minimum subscription fees are $27 per annum with annual increases not to exceed 6% or 7%, depending on the licensing agreement. The subscription fees totaled $19 in 2012.

9. Fair Value Measurements:

Fair Value Measurements 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 *Fair Value Measurements* 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.

U.S. domestic equity, mutual funds, fixed income, alternative investments and trusts comprise securities measured at level 1 and 2. Investments whose values are based on quoted market prices in active markets are classified within Level 1. These investments generally include equity and mutual fund securities traded on a national securities exchange or listed on the Nasdaq and U.S. government obligations. Corporate bonds, U.S. government agencies and municipal obligations are measured at level 2 and are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

9. **Fair Value Measurements, Continued:**

Alternative investments generally include diversified, multi-strategy, multi-manager funds of hedge funds whose objective is to seek capital appreciation with limited risk and low correlation with the U.S. equity and fixed income markets, and are categorized as level 1 and level 2 (observable inputs). When observable prices are not available for these investments, the funds use one or more valuation techniques for which sufficient data is available. The selection of appropriate valuation techniques may be affected by the availability of relevant inputs as well as the relative reliability of inputs. In some cases, one valuation technique may provide the best indication of fair value while in other circumstances, multiple valuation techniques may be appropriate. The results of the application of the various techniques may not be equally representative of fair value, due to factors such as assumptions made in the valuation. In some situations, the funds may determine it appropriate to evaluate and weigh the results to develop a range of possible values, with the fair value based on the funds' assessment of the most representative point within the range.

Money market funds are measured at level 2 and are valued at the net asset value (NAV) of shares held at year end. The NAV of these funds is calculated using the amortized cost of the securities held in the funds, which generally include investments in high-quality, short-term securities.

Real property 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 less any impairment losses. The fair value is based on a combination of capitalized income from the property as well as comparable direct sales.

Noncurrent contributions receivable, categorized as level 3 (unobservable inputs), are recorded at their present value of estimated future cash flows using an interest rate of 3.35%.

The following tables set forth a summary of the Plan's investments with a reported NAV as of March 31:

	2012			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Money market funds	$ 4,685	$ -	Daily	None
Fund of fund hedge funds	10,380	-	Quarterly	90-95 days
Total	$ 15,065	$ -		

9. **Fair Value Measurements, Continued:**

	2011			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Money market funds	$ 3,713	$ -	Daily	None
Fund of fund hedge funds	9,523	-	Quarterly	90-95 days
Total	$ 13,236	$ -		

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

	2012			
	Level 1	Level 2	Level 3	Total
Money market funds	$ -	$ 4,685	$ -	$ 4,685
U.S. domestic equity:				
Consumer discretionary	6,807	-	-	6,807
Consumer staples	2,471	-	-	2,471
Energy	4,315	-	-	4,315
Financials	7,259	-	-	7,259
Healthcare	4,394	-	-	4,394
Industrials	7,712	-	-	7,712
Information technology	7,902	-	-	7,902
Materials	2,592	-	-	2,592
Other equity	435	-	-	435
Telecommunications	505	-	-	505
Utilities	682	-	-	682
Total U.S. domestic equity	45,074	-	-	45,074
U.S. domestic equity mutual funds	7,726	-	-	7,726
International equity mutual funds	26,933	-	-	26,933

9. **Fair Value Measurements, Continued:**

	2012			
	Level 1	Level 2	Level 3	Total
Fixed income:				
Corporate bonds	-	7,978	-	7,978
Fixed income mutual funds	7,503	-	-	7,503
Municipal obligations	-	63	-	63
U.S. government agencies	-	6,210	-	6,210
U.S. treasury obligations	4,659	-	-	4,659
Total fixed income	12,162	14,251	-	26,413
Alternative investments:				
Fund of fund hedge funds	-	10,380	-	10,380
World allocation mutual fund	5,983	-	-	5,983
Total alternative investments	5,983	10,380	-	16,363
Trusts accounts	10,245	-	-	10,245
Real property held for investment	-	-	667	667
Noncurrent contributions receivable	-	-	660	660
Total assets at fair value	$ 108,123	$ 29,316	$ 1,327	$ 138,766

9. **Fair Value Measurements, Continued:**

	2011			
	Level 1	Level 2	Level 3	Total
Money market funds	$ -	$ 3,713	$ -	$ 3,713
U.S. domestic equity:				
Consumer discretionary	6,155	-	-	6,155
Consumer staples	2,153	-	-	2,153
Energy	6,986	-	-	6,986
Financials	7,836	-	-	7,836
Healthcare	4,720	-	-	4,720
Industrials	9,541	-	-	9,541
Information technology	10,525	-	-	10,525
Materials	3,617	-	-	3,617
Other equity	370	-	-	370
Telecommunications	809	-	-	809
Utilities	1,095	-	-	1,095
Total U.S. domestic equity	53,807	-	-	53,807
International equity mutual funds	25,702	-	-	25,702
Fixed income:				
Corporate bonds	-	9,975	-	9,975
Fixed income mutual funds	2,665	-	-	2,665
Municipal obligations	-	75	-	75
U.S. government agencies	-	6,691	-	6,691
U.S. treasury obligations	5,154	-	-	5,154
Total fixed income	7,819	16,741	-	24,560

9. **Fair Value Measurements, Continued:**

	2011			
	Level 1	Level 2	Level 3	Total
Alternative investments:				
Fund of fund hedge Funds	-	9,523	-	9,523
World allocation mutual fund	4,202	-	-	4,202
Total alternative investments	4,202	9,523	-	13,725
Trusts accounts	10,126	-	-	10,126
Real property held for investment	-	-	1,360	1,360
Noncurrent contributions receivable	-	-	540	540
Total assets at fair value	$ 101,656	$ 29,977	$ 1,900	$ 133,533

The following table sets forth a summary of changes in the fair value of the Foundation's level 3 assets for the years ended March 31, 2012 and 2011.

	Noncurrent Contributions Receivable	Real Property Held For Investment
Balance at March 31, 2010	$ -	$ 1,360
Additions to long-term pledges	540	-
Balance at March 31, 2011	540	1,360
Sale of real property held for investment	-	(693)
Additions to long-term pledges	300	-
Contributions receivable, which became due within one year	(180)	-
Balance at March 31, 2012	$ 660	$ 667

10. 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.

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:

	2012	2011
Permanently restricted portion of donor advised funds	$ 3,510	$ 3,471
Permanently restricted portion of agency endowment funds	26,804	26,602
Other permanently restricted funds	9,639	9,639
	$ 39,953	$ 39,712

Temporarily restricted net assets at March 31 are as follows:

	2012	2011
Temporarily restricted portion of donor advised funds	$ 24,921	$ 19,602
Temporarily restricted portion of agency endowment funds	19,871	18,345
Temporarily restricted portion of scholarship funds	5,819	5,136
Other temporarily restricted funds	5,879	6,497
Total	$ 56,490	$ 49,580

Net assets released from restrictions of $6,164 in 2012 and $6,008 in 2011 resulted from incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donors.

11. Endowment:

The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with 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 – Contributions made to the Foundation are subject to the terms of the Foundation's 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 Directors. 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.

Endowment Net Asset Classification by Type of Fund

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (1,572)	$ 31,569	$ 36,443	$ 66,440
Donor-advised funds	-	24,921	3,510	28,161
Board-designated funds functioning as endowment	27,564	-	-	27,564
Total funds	$ 25,992	$ 56,490	$ 39,953	$ 122,435

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (18)	$ 29,978	$ 36,241	$ 66,201
Donor-advised funds	-	19,602	3,471	23,073
Board-designated funds functioning as endowment	28,320	-	-	28,320
Total funds	$ 28,302	$ 49,580	$ 39,712	$ 117,594

11. Endowment, Continued:

Changes in Endowment Net Assets

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, March 31, 2010	$ 24,666	$ 44,994	$ 39,503	$ 109,163
Investment return:				
Investment income	984	1,821	-	2,805
Net appreciation	4,352	6,503	95	10,950
Total investment return	5,336	8,324	95	13,755
Contributions	138	2,270	114	2,522
Appropriation of endowment assets for expenditure	(1,838)	(6,008)	-	(7,846)
Endowment net assets, March 31, 2011	28,302	49,580	39,712	117,594
Investment return:				
Investment income	611	1,974	-	2,585
Net appreciation (depreciation)	(1,651)	1,566	11	(74)
Gain on disposal of real property held for investment	-	420	-	420
Total investment return	(1,040)	3,960	11	2,931
Contributions	309	9,103	242	9,654
Appropriation of endowment assets for expenditure	(1,580)	(6,164)	-	(7,744)
Other changes	1	11	(12)	-
Endowment net assets, March 31, 2012	$ 25,992	$ 56,490	$ 39,953	$ 122,435

11. Endowment, Continued:

Description of Amounts Classified as Permanently and Temporarily Restricted Net Assets

	2012	2011
Permanently Restricted Net Assets		
The portion of perpetual endowment funds that is required to be retained permanently by donor stipulation.	$ 39,953	$ 39,712
Temporarily Restricted Net Assets		
Investments, temporarily restricted for future grants and operating expenditures	$ 56,490	$ 49,580

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 a five-year moving period, to provide an average rate of return of approximately 8% annually and to exceed the Consumer Price Index plus 5%. 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 Foundation 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.

Investment expenses – Investment expenses comprise both management and custodial fees for which the Foundation is billed directly and are evaluated periodically for reasonableness by the Foundation. Investment expenses, net of those related to agency endowment obligations, totaled $512 for 2012 and $528 for 2011.