



**AKRON COMMUNITY FOUNDATION
AND SUBSIDIARIES
(A NON-PROFIT ORGANIZATION)**

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2022
(With Summarized Comparative Information
at March 31, 2021)

SIKICH.COM

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
CONSOLIDATED FINANCIAL STATEMENTS:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7-23

274 White Pond Drive
Akron, OH 44320
330.864.6661

SIKICH.COM

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Akron Community Foundation and Subsidiaries (a nonprofit organization), which comprise the consolidated statement of financial position as of March 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Consolidated Financial Statements section of our report. We are required to be independent of Akron Community Foundation and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Akron Community Foundation and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Akron Community Foundation and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Akron Community Foundation and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Summarized Comparative Information

We have previously audited Akron Community Foundation and Subsidiaries' 2021 consolidated financial statements and we expressed an unmodified opinion on those statements in our report dated September 9, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Sikich LLP

Akron, Ohio
September 13, 2022

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****March 31, 2022****(With summarized comparative financial information at March 31, 2021)****(Amounts in thousands)**

ASSETS	2022	2021
Cash and cash equivalents	\$ 125	\$ 441
Prepaid expenses	109	98
Contributions receivable, net	241	130
Other receivable	343	468
Property and equipment, net	3,236	3,108
Accrued investment income	247	247
Cash surrender value of life insurance	39	39
Investments	228,593	223,825
Funds held as agency endowment obligations	33,108	32,214
Beneficial interest in perpetual trusts	13,104	12,968
Real property held for investment	550	552
TOTAL ASSETS	\$ 279,695	\$ 274,090
LIABILITIES AND NET ASSETS		
LIABILITIES		
Grants approved for future payment	\$ 383	\$ 1,036
Accounts payable and other liabilities	718	675
Funds held as agency endowment obligations	33,108	32,214
Total liabilities	34,209	33,925
NET ASSETS		
Without donor restrictions	127,707	125,628
With donor restrictions	117,779	114,537
Total net assets	245,486	240,165
TOTAL LIABILITIES AND NET ASSETS	\$ 279,695	\$ 274,090

See accompanying notes to consolidated financial statements.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

for the year ended March 31, 2022

(With summarized comparative financial information for the year ended March 31, 2021)

(Amounts in thousands)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUES AND OTHER SUPPORT				
Contributions and grants	\$ 12,435	\$ 7,403	\$ 19,837	\$ 22,402
Investment income, net	5,715	3,519	9,234	7,131
Net appreciation (depreciation) on investments	(4,363)	(1,488)	(5,851)	65,697
Change in beneficial interest in perpetual trusts	-	136	136	3,228
Less amounts for agency endowments:				
Contributions	(1,895)	-	(1,895)	(1,664)
Investment income	(1,073)	-	(1,073)	(803)
Net (appreciation) depreciation in investments	487	-	487	(8,008)
Net assets released from restrictions	6,327	(6,327)	-	-
Total revenues and other support	17,633	3,242	20,875	87,983
EXPENSES				
Grants and other distributions	13,530	-	13,530	20,755
Administrative expenses	3,257	-	3,257	3,130
Less amounts for agency endowments:				
Grants and other distributions	(1,233)	-	(1,233)	(628)
Total expenses	15,554	-	15,554	23,258
INCREASE IN NET ASSETS	2,079	3,242	5,321	64,725
NET ASSETS, BEGINNING OF YEAR	125,628	114,537	240,165	175,439
NET ASSETS, END OF YEAR	\$ 127,707	\$ 117,779	\$ 245,486	\$ 240,164

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

for the year ended March 31, 2022

(With summarized comparative financial information for the year ended March 31, 2021)

(Amounts in thousands)

	Program Services	Supporting Services		Total Supporting Services	2022	2021
		Management and General	Development and Fundraising			
Grants and other distributions	\$ 13,530	\$ -	\$ -	\$ -	\$ 13,530	\$ 20,755
Less: grants and other distributions from agency endowments	(1,233)	-	-	-	(1,233)	(628)
TOTAL GRANTS AND OTHER DISTRIBUTIONS	12,297	-	-	-	12,297	20,127
Salaries and related expenses	958	725	927	1,652	2,610	2,495
Professional fees	8	6	9	15	23	5
Office supplies	4	3	4	7	11	8
Telephone	8	6	8	14	22	21
Postage and shipping	4	3	4	7	11	10
Utilities and building maintenance	23	18	22	40	63	55
Equipment rental and maintenance	45	34	44	78	123	122
Printing and publications	21	16	82	98	119	87
Travel	1	1	1	2	3	-
Conferences, conventions and meetings	8	6	7	13	21	15
Interest expense	(1)	(1)	(1)	(2)	(3)	21
Depreciation	55	42	58	100	155	165
Insurance	14	10	14	24	38	43
Dues and subscriptions	11	8	14	22	33	34
Advertising	-	-	25	25	25	17
Miscellaneous	-	-	3	3	3	33
TOTAL ADMINISTRATIVE EXPENSES	1,159	877	1,221	2,098	3,257	3,131
TOTAL FUNCTIONAL EXPENSES	\$ 13,456	\$ 877	\$ 1,221	\$ 2,098	\$ 15,554	\$ 23,258

See accompanying notes to consolidated financial statements.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended March 31, 2022

(with summarized financial information at March 31, 2021)

(Amounts in thousands)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 5,321	64,725
Reconciliation of change in net assets to net cash from operating activities:		
Net (appreciation) depreciation in investments and trust accounts	5,851	(65,697)
Change in beneficial interest in perpetual trusts	(136)	(3,228)
Depreciation	155	165
Contributions received for long-term purposes	(339)	(1,131)
Noncash contributions	(4,321)	(3,407)
Change in net present value of pledges receivable	(1)	(5)
(Increase) decrease in operating assets:		
Accrued investment income	-	16
Contributions receivable, net	(110)	68
Prepaid expenses	(12)	1
Increase (decrease) in operating liabilities:		
Grants approved for future payment	(654)	329
Accounts payable and other liabilities	48	79
	<u>5,802</u>	<u>(8,085)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(108,642)	(66,906)
Proceeds from sales and maturities of investments	102,344	74,263
Payments received from note receivable	125	122
Expenditures for property and equipment	(284)	(329)
	<u>(6,457)</u>	<u>7,150</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Contributions received for long-term purposes	<u>339</u>	<u>1,131</u>
	<u>339</u>	<u>1,131</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(316)	196
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>441</u>	<u>245</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 125</u>	<u>\$ 441</u>

See accompanying notes to consolidated financial statements.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022

(with summarized comparative information as of March 31, 2021)

(amounts in thousands)

1. NATURE OF ACTIVITIES

Akron Community Foundation and Subsidiaries (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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The Foundation prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America.

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. ACF Properties, LLC holds certain donated and acquired real property which is included on the consolidated statement of financial position as real property held for investment. Akron Digital Media is focused on promoting citizen journalism and community involvement. All significant transactions between these entities have been eliminated from the consolidated amounts.

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

Net assets without donor restrictions include general and board-designated net assets of the Foundation and are not subject to donor-imposed restrictions. The net assets without donor restrictions of the Foundation may be used at the discretion of management to support the Foundation's purposes and operations.

Net assets with donor restrictions are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Contributions and Grants – Unconditional contributions are recognized immediately and classified as either net assets with or without donor restrictions, while conditional contributions received are accounted for as a liability until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with or without restrictions.

Contributions and grants received are recorded as those without donor restrictions and those with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued for the year ended March 31, 2022 (with summarized comparative information as of March 31, 2021) (amounts in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

In regards to grants made, unconditional grants made are recognized immediately and classified as grants and awards expense, while conditional grants are not recorded until the barriers to entitlement are overcome, at which point the transaction is recognized as grants and awards expense.

Use of Estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 and cash in checking and money market accounts and all highly liquid investments with an original maturity when purchased of three months or less.

Concentrations of Credit Risk – The Foundation maintains their cash in accounts that at times exceed federally insured limits. At March 31, 2022 and 2021, the Foundation's cash accounts exceeded federally insured limits by approximately \$282 and \$648, respectively. The 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.

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 statement 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. 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 statement of financial position and the consolidated statement of activities. Investment income is reported net of investment fees in the statement of activities. Income that is restricted by the donor is reported as increases in net assets with donor restrictions and reclassified to net assets without donor restrictions when the restriction expires.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued for the year ended March 31, 2022 (with summarized comparative information as of March 31, 2021) (amounts in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Contributions Receivables – 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 net assets with donor restrictions until the restriction expires at which time amounts are reclassified to net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. 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.

Notes receivable – Note receivable are initially recorded on the statement of financial position at cost when approved and remitted. Notes receivable are repaid to the Organization in principal and interest at 1.81% through 2024.

Notes receivable are considered to be delinquent once they have reached 30 days past due and are placed on nonaccrual status at that time. The note is not considered delinquent at March 31, 2022 and 2021, respectively. The Organization's credit quality indicators are performing and nonperforming. Performing notes are those with one or more payments made during the fiscal year. Nonperforming notes are those with no payments made during the fiscal year. Each note is evaluated for impairment individually. Credit quality indicators are updated on a monthly basis for all notes receivable. In the event that a note is subsequently determined to be uncollectible or the value is permanently impaired, the Organization may reduce the carrying value of the investment by the uncollectible amount or record an impairment reserve. Losses notes as a result of reduction in carrying value are included in the statement of activities. As of March 31, 2022 and 2021, the Organization had no allowance for notes receivable due to no nonperforming notes.

Property and Equipment – Property and equipment acquisitions with a cost of \$1 or more and that have an estimated useful life greater than one year are capitalized at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets ranging from 3 to 30 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.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued for the year ended March 31, 2022 (with summarized comparative information as of March 31, 2021) (amounts in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Functional Expenses – The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses allocated include salaries and wages, employee benefits and payroll taxes, supplies, utilities, equipment rental and maintenance, travel, conferences, conventions and meetings which are allocated based on time and effort. All other expenses are charged directly to the corresponding function by account.

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, 2021, 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. The Foundation is not a private foundation. 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 financial statements.

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 – Subsequent events are transactions that occur after year end but before financial statements are issued or are available to be issued. These events and transactions either provide additional evidence about conditions that existed at year end, including the estimates inherent in the process of preparing financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at year end but arose after that date (that is, non-recognized subsequent events). The Foundation has evaluated subsequent events through September 13, 2022, which was the date these financial statements were available for issuance and determined that there were no significant non-recognized subsequent events through that date.

3. AVAILABILITY AND LIQUIDITY

The following represents the Foundation’s financial assets available for general expenditures within one-year of the statement of financial position at March 31:

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued for the year ended March 31, 2022 (with summarized comparative information as of March 31, 2021) (amounts in thousands)

3. AVAILABILITY AND LIQUIDITY, (Continued)

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 125	\$ 441
Contributions receivable, due within one-year	148	63
Note receivable, current portion	<u>128</u>	<u>125</u>
Assets available for use within one year	<u>\$ 401</u>	<u>\$ 629</u>

Board-designated endowment funds are shown as unavailable because it is the Foundation's intention to invest those resources for the long-term support of the Foundation's charitable mission. However, in the case of need, the Board of Directors could appropriate resources for use in general expenditure. In addition, the Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restriction. As described in Note 13, the Foundation has established a spending policy to provide guidelines for amounts available annually for distribution in the form of grants and operating expenses. The assets above include a spendable amount of \$27,499 for 2022 and \$26,300 for 2021 to be made available for grant-making and operating expenses from board-designated and donor-restricted endowment funds within the next 12 months.

4. REAL PROPERTY HELD FOR INVESTMENT

The Foundation has ownership in a real estate property through its status as a tenant-in-common in a development agreement (46% ownership by the Foundation). Revenue is restricted from the property to support a scholarship fund held as a fund of the Foundation. As a tenant-in-common, 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. The property's value was \$550 and \$552 at March 31, 2022 and 2021, respectively and is valued using an income capitalization analysis.

5. CONTRIBUTIONS RECEIVABLE

Contributions receivable represent promises to pay recorded at the present value of estimated future cash flows using a risk-adjusted rate of 3.25%. Aggregate maturities of contributions receivable are as follows:

2023	\$ 148
2024	80
2025	18
2026	<u>1</u>
	247
Less: Discounts to net present value	<u>6</u>
	<u>\$ 241</u>

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued for the year ended March 31, 2022 (with summarized comparative information as of March 31, 2021) (amounts in thousands)

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at March 31:

	<u>Useful Life</u>	<u>2022</u>	<u>2021</u>
Land	-	\$ 580	\$ 344
Building and improvements	3-30 years	2,777	2,774
Furniture and fixtures	5-7 years	560	546
Construction-in-progress	-	<u>31</u>	<u>-</u>
		3,948	3,664
Less accumulated depreciation		<u>712</u>	<u>556</u>
Property and equipment, net		<u>\$ 3,236</u>	<u>\$ 3,108</u>

7. CASH SURRENDER VALUE OF LIFE INSURANCE

The Foundation is the beneficiary of five individual life insurance policies with face values totaling \$193 at March 31, 2022 and 2021. The amount reported in the accompanying consolidated statement of financial position represents the cash surrender value of the policies as of fiscal year end.

8. 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 had a plan to provide supplemental retirement benefits to a former employee. Payments of approximately \$3 were 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. The employee passed away in November 2021 and final payment was made in October 2021. Benefit payments totaled approximately \$21 in 2022 and \$32 in 2021.

The Foundation has a non-qualified, tax- deferred compensation plan under Section 457(f) of the Internal Revenue Code (IRC) for the benefit of certain key managerial employees. Under this plan, the Foundation may make a discretionary employer contribution to the plan. Employer discretionary contributions made to the plan totaled \$65 during 2022 and 2021. The Foundation also has a non-qualified, tax-deferred compensation plan under Section 457(b) of the IRC for the benefit of certain key managerial employees. The plan allows for only employee contributions to this plan. The plans' investment assets and the related liabilities are included in the consolidated statement of financial position and totaled \$333 at March 31, 2022 and \$308 at March 31, 2021.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued for the year ended March 31, 2022 (with summarized comparative information as of March 31, 2021) (amounts in thousands)

9. FAIR VALUE MEASUREMENTS

GAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. GAAP requires the Foundation to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in active markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

If an investment that is measured using net asset value (NAV) has a readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAVs are not included in Levels 1, 2, or 3, but are separately reported.

Valuation Techniques

Following is a description of the valuation techniques used for assets measured at fair value on a recurring basis. There have been no changes to the techniques used during the years ended March 31, 2022 and 2021.

U.S. domestic equity, mutual funds, fixed income comprise securities measured at Levels 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.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
for the year ended March 31, 2022
(with summarized comparative information as of March 31, 2021)
(amounts in thousands)

9. FAIR VALUE MEASUREMENTS, (Continued)

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.

Alternative investments comprise of investments in private equity and real estate funds measured using net asset value per share as the practical expedient. The fair value amounts presented in the fair value hierarchy table below are intended to permit reconciliation of the fair value hierarchy to amounts presented in the statement of financial position.

Beneficial interests in perpetual trusts are valued using the fair value of the assets held in the trust reported by the trustee as of March 31, 2022 and 2021. The Foundation considers the measurement of its beneficial interest in the perpetual trusts to be a Level 3 measurement within the hierarchy because even though that measurement is based on the unadjusted fair value of trust assets reported by the trustee, the Foundation will never receive those assets or have the ability to direct the trustee to redeem them.

Recurring Measurements – Assets measured on a recurring basis as of March 31:

	2022			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. domestic equity:				
Stock	\$ 57,455	\$ -	\$ -	\$ 57,455
Mutual funds	<u>127,355</u>	<u>-</u>	<u>-</u>	<u>127,355</u>
Total equities	<u>184,810</u>	<u>-</u>	<u>-</u>	<u>184,810</u>
Fixed income:				
Government obligations	-	14,070	-	14,070
Corporate bonds	-	13,552	-	13,552
Collateralized mortgage obligations	-	96	-	96
Mutual funds	<u>21,339</u>	<u>-</u>	<u>-</u>	<u>21,339</u>
Total fixed income	<u>21,339</u>	<u>27,718</u>	<u>-</u>	<u>49,056</u>
Real property held for investment	<u>-</u>	<u>-</u>	<u>550</u>	<u>550</u>
Total assets at fair value	<u>206,149</u>	<u>27,718</u>	<u>550</u>	<u>234,417</u>

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
for the year ended March 31, 2022
(with summarized comparative information as of March 31, 2021)
(amounts in thousands)

9. FAIR VALUE MEASUREMENTS, (Continued)

	2022			Total
	Level 1	Level 2	Level 3	
Real estate fund				3,185
Private equity fund				14,256
Other				<u>209</u>
Total investments valued using NAV				<u>17,650</u>
Investments in money market at cost				<u>10,184</u>
Total investments				<u>262,251</u>
Beneficial interest in perpetual trusts	\$ -	\$ -	\$ 13,104	<u>13,104</u>
Total assets				<u>\$ 275,355</u>
	2021			Total
	Level 1	Level 2	Level 3	
U.S. domestic equity:				
Stock	\$ 53,503	\$ -	\$ -	\$ 53,503
Mutual funds	<u>145,125</u>	<u>-</u>	<u>-</u>	<u>145,125</u>
Total equities	<u>198,628</u>	<u>-</u>	<u>-</u>	<u>198,628</u>
Fixed income:				
Government obligations	-	14,717	-	14,717
Corporate bonds	-	13,566	-	13,566
Collateralized mortgage obligations	-	407	-	407
Mutual funds	<u>2,874</u>	<u>-</u>	<u>-</u>	<u>2,874</u>
Total fixed income	<u>2,874</u>	<u>28,690</u>	<u>-</u>	<u>31,564</u>
Real property held for investment	<u>-</u>	<u>-</u>	<u>552</u>	<u>552</u>
Total assets at fair value	<u>\$ 201,502</u>	<u>\$ 28,690</u>	<u>\$ 552</u>	<u>230,744</u>

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
for the year ended March 31, 2022
(with summarized comparative information as of March 31, 2021)
(amounts in thousands)

9. FAIR VALUE MEASUREMENTS, (Continued)

	<u>2021</u>			<u>Total</u>
Real estate fund				3,603
Private equity fund				13,238
Other				<u>196</u>
Total investments valued using NAV				<u>17,037</u>
Investments in money market at cost				<u>8,810</u>
Total investments				<u>256,591</u>
Beneficial interest in perpetual trusts	\$ -	\$ -	\$ 12,968	<u>12,968</u>
Total assets				<u>\$ 269,559</u>

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

	<u>2022</u>			
	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Real estate fund (a)	\$ 3,185	\$ 3,161	None	None
Private equity fund (b)	14,256	1,060	None	None
Other (c)	<u>209</u>	<u>-</u>	None	None
Total	<u>\$ 17,650</u>	<u>\$ 4,221</u>		

	<u>2021</u>			
	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Real estate fund (a)	\$ 3,603	\$ 2,924	None	None
Private equity fund (b)	13,238	1,780	None	None
Other (c)	<u>196</u>	<u>-</u>	None	None
Total	<u>\$ 17,037</u>	<u>\$ 4,704</u>		

(a) Funds included in this category comprise of real estate private equity funds for the purpose of income and capital appreciation.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued for the year ended March 31, 2022 (with summarized comparative information as of March 31, 2021) (amounts in thousands)

9. FAIR VALUE MEASUREMENTS, (Continued)

- (b) Funds included in this category comprise private equity funds held in a limited partnership that are focused primarily on making buyout and growth capital investments in companies that are organized or headquartered within the United States and that have EBITDA below \$25 million and enterprise values below \$100 million.
- (c) The fund included in this category is an investment in an LLC whose main purpose is investing in pre-market-entry-stage businesses that have high growth potential.

Unobservable (Level 3) Inputs

The activity for the beneficial interest in perpetual trusts, which are measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs), are as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 12,968	\$ 9,740
Change in beneficial interest in perpetual trusts	<u>136</u>	<u>3,228</u>
Balance, end of year	<u>\$ 13,104</u>	<u>\$ 12,968</u>

The change in value of the beneficial interest in perpetual trusts is reported in that line of the consolidated statement of activities.

10. BENEFICIAL INTERESTS IN PERPETUAL TRUSTS

The Foundation has a beneficial interest in perpetual trusts that provide the right to receive income earned on the trusts into perpetuity. The independent trustee controls the investment decisions and timing of distributions to the Foundation and the Foundation cannot transfer its interest in the trusts. The perpetual trusts are recorded at fair value based on the fair value of the underlying assets and are shown as net assets with donor restrictions. These investments are classified in Level 3 of the Fair value Hierarchy, as the Foundation is not a party of the investment direction or valuation of the underlying assets.

The Foundation has a majority remainder interest in the distributions of the Adam trust and has variance power over how the earnings are spent.

The Foundation is the sole beneficiary in the Robertson trust and has variance power over how the earnings are spent.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
for the year ended March 31, 2022
(with summarized comparative information as of March 31, 2021)
(amounts in thousands)

11. NET ASSETS

Net assets without donor restrictions are available for the following purposes as of March 31:

	<u>2022</u>	<u>2021</u>
Undesignated funds	\$ 3,835	\$ 3,588
Donor-advised funds	67,164	62,068
Board-designated funds functioning as endowments	<u>56,708</u>	<u>59,972</u>
Total	<u>\$ 127,707</u>	<u>\$ 125,628</u>

Board designated funds functioning as endowments are invested in accordance with the investment policy adopted and approved by the Board of Directors of the Foundation. The primary objective of board designated funds is the preservation of capital while providing long-term growth.

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.

Net assets with donor restrictions include the following types of restrictions by donors:

Donor Restricted funds are restricted for grant-making to specified types of not-for-profit agencies.

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

Net assets with donor restrictions include the following types of restrictions by donors:

Donor Restricted funds are restricted for grant-making to specified types of not-for-profit agencies.

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

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued for the year ended March 31, 2022 (with summarized comparative information as of March 31, 2021) (amounts in thousands)

11. NET ASSETS, (Continued)

Net assets with donor restrictions are available for the following time or purpose as of March 31:

	<u>2022</u>	<u>2021</u>
Donor- restricted funds	\$ 39,629	\$ 36,375
Scholarship funds	9,536	9,536
Building fund	335	335
Other funds	8,406	9,025
Endowment funds required to be retained in perpetuity, the income on which is spendable for the following purposes:		
Donor-restricted funds	37,174	36,703
Beneficial interest in perpetual trusts	13,104	12,968
Other funds	<u>9,595</u>	<u>9,595</u>
Total net assets with donor restrictions	<u>\$ 117,779</u>	<u>\$ 114,537</u>

12. 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.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
for the year ended March 31, 2022
(with summarized comparative information as of March 31, 2021)
(amounts in thousands)

12. ENDOWMENT, (Continued)

Endowment Net Asset Classification by Type of Fund

	2022		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 104,635	\$ 104,635
Beneficial interest in perpetual trusts	-	13,104	13,104
Donor–advised funds	67,164	-	67,164
Board-designated funds functioning as endowment	<u>56,708</u>	<u>-</u>	<u>56,708</u>
Total funds	<u>\$ 123,872</u>	<u>\$ 117,779</u>	<u>\$ 241,561</u>
	2021		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 101,569	\$ 101,569
Beneficial interest in perpetual trusts	-	12,698	12,698
Donor–advised funds	62,068	-	62,068
Board-designated reserve funds	<u>59,972</u>	<u>-</u>	<u>59,972</u>
Total funds	<u>\$ 122,040</u>	<u>\$ 114,537</u>	<u>\$ 236,577</u>

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
for the year ended March 31, 2022
(with summarized comparative information as of March 31, 2021)
(amounts in thousands)

12. ENDOWMENT, (Continued)

Changes in Endowment Net Assets

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>Total</u>
Endowment net assets, March 31, 2020	\$ 87,652	\$ 84,594	\$ 172,246
Investment return:			
Investment income	3,991	2,777	6,768
Net appreciation	<u>32,395</u>	<u>25,144</u>	<u>57,539</u>
Total investment return	<u>36,386</u>	<u>27,921</u>	<u>64,307</u>
Contributions	<u>9,376</u>	<u>11,062</u>	<u>20,438</u>
Change in beneficial interest in perpetual trusts	<u>-</u>	<u>3,228</u>	<u>3,228</u>
Appropriation of endowment assets for expenditure	<u>(11,374)</u>	<u>(12,268)</u>	<u>(23,642)</u>
Endowment net assets, March 31, 2021	<u>122,040</u>	<u>114,537</u>	<u>236,577</u>
Investment return:			
Investment income	5,001	3,519	8,520
Net depreciation	<u>(1,785)</u>	<u>(1,488)</u>	<u>(3,273)</u>
Total investment return	<u>3,216</u>	<u>2,031</u>	<u>5,247</u>
Contributions	<u>10,563</u>	<u>7,403</u>	<u>17,966</u>
Change in beneficial interest in perpetual trusts	<u>-</u>	<u>136</u>	<u>136</u>
Appropriation of endowment assets for expenditure	<u>(11,947)</u>	<u>(6,328)</u>	<u>(18,275)</u>
Endowment net assets, March 31, 2022	<u>\$ 123,872</u>	<u>\$ 117,779</u>	<u>\$ 241,651</u>

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
for the year ended March 31, 2022
(with summarized comparative information as of March 31, 2021)
(amounts in thousands)

12. ENDOWMENT, (Continued)

Description of Amounts Classified as Net Assets With Donor Restrictions

	<u>2022</u>	<u>2021</u>
Net Assets With Donor Restrictions		
The portion of perpetual endowment funds that is required to be retained permanently by donor stipulation	\$ 46,769	\$ 46,568
Beneficial interest in perpetual trusts	<u>13,104</u>	<u>12,698</u>
Total	<u>\$ 59,873</u>	<u>\$ 59,266</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. Actual returns in any given year may vary.

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 12 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.

Underwater Endowment Funds – From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA. Such endowments are often referred to as “underwater” endowments. Though the Foundation is not required by donor-imposed restriction or law to use its unrestricted resources to restore the endowments to their historic dollar value, accounting guidance for not-for-profit organization require that such losses and subsequent gains be reflected as changes in net assets with donor restrictions. There were no such deficiencies at March 31, 2022 and 2021.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
for the year ended March 31, 2022
(with summarized comparative information as of March 31, 2021)
(amounts in thousands)

13. LEGAL MATTERS

During the normal course of business, the Foundation may, from time to time, be involved in routine legal matters which management intends to defend. Management believes the likelihood of any material adverse outcome to be remote. As of the date of this report, the Foundation has no known open legal matters requiring adjustment to or disclosure in the financial statements.