

Audited Financial Statements

**COMMUNITIES FOUNDATION
OF OKLAHOMA, INC.**

June 30, 2012

Audited Financial Statements
and Supplemental Information

COMMUNITIES FOUNDATION OF OKLAHOMA, INC.

June 30, 2012

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Independent Auditors' Report

To the Board of Directors
Communities Foundation of Oklahoma, Inc.
Oklahoma City, Oklahoma

We have audited the accompanying statements of financial position of Communities Foundation of Oklahoma, Inc. (the "Foundation") as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Communities Foundation of Oklahoma, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Cole & Reed P.C.

Oklahoma City, Oklahoma
September 25, 2012

STATEMENTS OF FINANCIAL POSITION

COMMUNITIES FOUNDATION OF OKLAHOMA, INC.

	June 30	
	2012	2011
ASSETS		
Cash and cash equivalents	\$ 3,746,932	\$ 3,750,899
Contributions receivable, net	2,267,063	1,723,751
Investments	67,384,804	39,064,302
Prepaid expenses	4,848	6,331
Property and equipment, net	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 73,403,647</u>	<u>\$ 44,545,283</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 59,488	\$ 57,722
Grants payable, net	3,508,435	2,877,931
Agency transfers	<u>21,447,664</u>	<u>20,249,558</u>
TOTAL LIABILITIES	25,015,587	23,185,211
 NET ASSETS		
Unrestricted	<u>48,388,060</u>	<u>21,360,072</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 73,403,647</u>	<u>\$ 44,545,283</u>

See notes to financial statements.

STATEMENTS OF ACTIVITIES

COMMUNITIES FOUNDATION OF OKLAHOMA, INC.

	Year Ended June 30	
	<u>2012</u>	<u>2011</u>
REVENUES AND SUPPORT		
Contributions	\$ 33,472,325	\$ 9,007,342
Investment income	721,602	357,668
Administrative fee income	<u>727,172</u>	<u>712,233</u>
TOTAL REVENUES	34,921,099	10,077,243
EXPENSES AND INVESTMENT (GAINS) LOSSES		
Grants and program services	7,411,568	8,518,457
Management and general	505,103	445,616
Fundraising	<u>32,367</u>	<u>27,452</u>
TOTAL EXPENSES	7,949,038	8,991,525
Realized investment (gains) losses	(590,664)	(373,516)
Unrealized investment (gains) losses	<u>534,737</u>	<u>(1,887,246)</u>
NET EXPENSES AND INVESTMENT (GAINS) LOSSES	<u>7,893,111</u>	<u>6,730,763</u>
INCREASE IN NET ASSETS	27,027,988	3,346,480
NET ASSETS AT BEGINNING OF YEAR	<u>21,360,072</u>	<u>18,013,592</u>
NET ASSETS AT END OF YEAR	<u>\$ 48,388,060</u>	<u>\$ 21,360,072</u>

See notes to financial statements.

STATEMENTS OF CASH FLOWS

COMMUNITIES FOUNDATION OF OKLAHOMA, INC.

	Year Ended June 30	
	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 27,027,988	\$ 3,346,480
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net unrealized investment (gains) losses	1,111,404	(3,903,995)
Net realized investment gains	(1,014,542)	(913,851)
Non-cash contributions	(22,979,798)	(13,582)
Change in operating assets and liabilities:		
Contributions receivable	(543,312)	(1,073,882)
Prepaid expenses	1,483	(6,331)
Accounts payable	1,766	4,680
Grants payable	630,504	1,257,992
Agency transfers	1,198,106	3,275,140
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>5,433,599</u>	<u>1,972,651</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investment securities	25,646,993	1,035,315
Purchases of investment securities	<u>(31,084,559)</u>	<u>(5,069,920)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(5,437,566)</u>	<u>(4,034,605)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(3,967)	(2,061,954)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,750,899</u>	<u>5,812,853</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,746,932</u>	<u>\$ 3,750,899</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

COMMUNITIES FOUNDATION OF OKLAHOMA, INC.

June 30, 2012

NOTE A--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Communities Foundation of Oklahoma, Inc. (the "Foundation") was incorporated November 26, 1991, under the laws of the state of Oklahoma as a not-for-profit organization to serve the charitable needs of communities in Oklahoma under the name Oklahoma Communities Foundation, Inc. On December 3, 1999, the Foundation amended their articles of incorporation to change their name to Communities Foundation of Oklahoma, Inc. The founders saw a need to create a service for individuals, organizations and communities across the state to provide a way to donate encompassing all philanthropic interests or geographic locations. Today, the Foundation continues to provide a convenient, efficient and effective vehicle for donors to make gifts that permanently impact their community and a way for charities to build endowments to ensure their ability to continue meeting the needs of their communities long into the future.

Accounting Standards Codification: The Foundation follows the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). The ASC provides a single source of authoritative accounting principles generally accepted in the United States of America ("GAAP") for nongovernmental entities and supersedes all other previously issued non-SEC accounting and reporting guidance.

Basis of Accounting: The financial statements report information regarding the Foundation's financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Foundation receives contributions from donors with recommendations regarding distribution of the assets and the earnings therefrom. The Foundation attempts to meet the desires expressed by the donors at the time of the contribution; however, the Foundation reserves the right to modify any restrictions or conditions on the distribution of funds for any specified charitable purpose or to specified organizations if, in the sole judgment of the Foundation's Board of Directors, such restrictions or conditions become unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community. Accordingly, the financial statements classify all net assets as unrestricted.

The Foundation accounts for assets that are contributed by a not-for-profit organization ("NPO") for the benefit of that NPO or one of its affiliated organizations as a liability to the specified beneficiary concurrent with recognition of the assets received in the transfer. All assets of this type, and the activity associated with those assets, are reported as agency transfers in the statements of financial position.

NOTES TO FINANCIAL STATEMENTS--Continued

COMMUNITIES FOUNDATION OF OKLAHOMA, INC.

June 30, 2012

NOTE A--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES--Continued

Contributions Received: Contributions received are recorded as unrestricted net assets as discussed above. It is the expressed intention of the Foundation to honor the designations of donors; however, the Foundation reserves the right to exercise final control over all funds.

Donated Assets: Donated marketable securities and other noncash assets are recorded as contributions at their estimated fair values at the time of donation.

Donated Services: No revenues have been recognized in the statements of activities for donated services. The Foundation pays for most services requiring specific expertise; however, many individuals volunteer their time and perform a variety of tasks that assist the Foundation with special projects, committee assignments and service on the Board of Directors.

Cash and Cash Equivalents: Cash and cash equivalents consist primarily of cash management accounts and short-term, highly liquid investments with a maturity of three months or less when purchased, excluding cash equivalent funds held in the Foundation's investment portfolio.

Concentration of Credit Risk: The Foundation maintains cash in bank deposit accounts which, at times, may exceed federally insured limits of \$250,000. Checking account balances in excess of federally insured limits are regularly swept into an account that is secured by a mutual fund that invests primarily in government securities. The Foundation has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash or cash equivalents.

Promises to Give: Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits. Contributions receivable as of June 30, 2012 are expected to be received as follows:

Less than one year	\$ 964,593
One year to five years, net of discount of \$5,670	<u>1,302,470</u>
	<u>\$ 2,267,063</u>

Promises to give, which are due in more than one year, are discounted at 1% and 2%, respectively, which represent the estimated risk free rate at June 30, 2012 and 2011.

NOTES TO FINANCIAL STATEMENTS--Continued

COMMUNITIES FOUNDATION OF OKLAHOMA, INC.

June 30, 2012

NOTE A--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES--Continued

Promises to Give--Continued: The Foundation considers contributions receivable to be unrestricted support available to support current operations and, as a result, reports these balances as a component of 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.

Grants and Program Services: Grants and program services represent amounts awarded to various recipients in accordance with the Foundation's mission. Grants payable consist of unconditional amounts awarded, but not paid, to recipients. All amounts included in liabilities as of June 30, 2012, are expected to be paid as follows:

Less than one year	\$ 1,089,764
One year to five years, net of discount of \$11,450	<u>2,418,671</u>
	<u>\$ 3,508,435</u>

Grants payable, which are due in more than one year, are discounted at 1% and 2%, respectively, which represent the estimated risk free rate at June 30, 2012 and 2011.

Investments: The Foundation carries investments in marketable securities at their fair values in the statements of financial position. Fair values are based on quoted market prices, if available, or the best estimate of fair value determined by the Foundation. Substantially all investments are held under a master custodial arrangement by a bank trust department.

Property and Equipment: Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from five to seven years.

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized in the statements of activities. Costs are allocated between grants and program services, management and general and fundraising based on management's evaluation of the resources expended in the related activities. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Foundation.

NOTES TO FINANCIAL STATEMENTS--Continued

COMMUNITIES FOUNDATION OF OKLAHOMA, INC.

June 30, 2012

NOTE A--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES--Continued

Income Tax Status: The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation has no activities which are subject to tax on unrelated business income, nor has it been classified by the Internal Revenue Service as a private foundation.

Management has evaluated the Foundation's tax positions and concluded that the Foundation has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Foundation is not subject to examination by any tax jurisdiction for years prior to June 30, 2008. Currently, the Foundation is not subject to examination by any major tax jurisdictions.

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

Fair Value Measurements: Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements accounting guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs that are derived principally from or corroborated by observable market data; and
- Level 3: Inputs that are unobservable and significant to the overall fair value measurement.

Financial assets and liabilities subject to fair value measurement disclosure requirements include investments and agency transfers (see Note G).

NOTES TO FINANCIAL STATEMENTS--Continued

COMMUNITIES FOUNDATION OF OKLAHOMA, INC.

June 30, 2012

NOTE A--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES--Continued

Recent Accounting Standards: In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. This update changes certain fair value measurement principles and enhances the disclosure requirements, particularly for Level 3 fair value measurements. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. Foundation management has not yet determined the impact this guidance will have on the Foundation.

Subsequent Events: The Foundation has evaluated subsequent events through September 25, 2012, which is the date the financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure.

NOTE B--INVESTMENTS

Investments in cash equivalents and securities at fair value consist of the following at June 30:

	<u>2012</u>	<u>2011</u>
Cash equivalent funds	\$ 775,132	\$ 269,821
Other	1,160,000	1,160,000
Securities:		
Equity funds	35,808,158	22,216,823
Fixed income funds	<u>29,641,514</u>	<u>15,417,658</u>
	<u>\$ 67,384,804</u>	<u>\$ 39,064,302</u>

Investment income consists of interest and dividends earned during the years ended June 30, 2012 and 2011.

NOTES TO FINANCIAL STATEMENTS--Continued

COMMUNITIES FOUNDATION OF OKLAHOMA, INC.

June 30, 2012

NOTE C--PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows at June 30:

	<u>2012</u>	<u>2011</u>
Computer software	\$ 19,161	\$ 19,161
Furniture, fixtures, and equipment	10,354	10,354
	<u>29,515</u>	<u>29,515</u>
Less: accumulated depreciation	29,515	29,515
	<u>\$ -</u>	<u>\$ -</u>

There was no depreciation expense for the years ended June 30, 2012 and 2011.

NOTE D--AGENCY TRANSFERS

A liability for transfers of assets held for other organizations is reflected in the statements of financial position. If a NPO establishes a fund at a community foundation with its own funds and specifies itself or one of its affiliated organizations as the beneficiary of that fund, the community foundation must account for the transfer of such assets and the activity associated with those assets as a liability.

The following is a summary of the activity associated with the agency transfers for the years ended June 30:

	<u>2012</u>	<u>2011</u>
Balance at beginning of year	\$ 20,249,558	\$ 16,974,418
Additional transfers received	2,557,946	2,117,029
Investment income	537,087	414,680
Realized investment gains	423,878	540,335
Unrealized investment gains (losses)	(576,667)	2,016,749
Grants and program services	(1,552,485)	(1,632,957)
Management and general expenses	(191,653)	(180,696)
	<u>\$ 21,447,664</u>	<u>\$ 20,249,558</u>

NOTES TO FINANCIAL STATEMENTS--Continued

COMMUNITIES FOUNDATION OF OKLAHOMA, INC.

June 30, 2012

NOTE D--AGENCY TRANSFERS--Continued

The Foundation maintains variance power, as described in the governing documents of the Foundation, and legal ownership over these funds and, as such, continues to report the funds as assets of the Foundation. Variance power assures donors that if the charitable purpose of their contribution becomes impractical or impossible, the distributions will be directed to similar purposes in the community. All financial activity for the years ended June 30, 2012 and 2011, related to these assets has been reclassified from the statements of activities to the liability on the statements of financial position.

NOTE E--COMMITMENTS

The Foundation entered into an agreement for management services with Foundation Management, Inc. ("FMI") on August 2, 2006. The agreement called for the Foundation to pay FMI 44% of all administrative income and 100% of Oklahoma Education Technology Trust (the "Trust") management fee income. The agreement was subsequently amended on August 29, 2011, for a term of three years. As a result of the amendment, 100% of management fee income from the Trust and the Muskogee Foundation (the "Muskogee Foundation") and 55% of administrative income earned by the Foundation are due to FMI. The fees expended under this agreement were \$647,330 and \$549,040 for the years ended June 30, 2012 and 2011, respectively.

On December 18, 2001, the Foundation entered into an agreement with the Trust to coordinate the ongoing activities of the Trust and manage the process of soliciting and evaluating grant requests for the Trust. The agreement has been renewed annually on a rolling three year basis, with provisions for earlier termination by either party. The Foundation is paid an annual fee by the Trust for services provided. The fee is calculated and charged monthly, and is based on the fair value of Trust assets. For the purpose of calculating the fee for services, a minimum fair value of Trust assets had been imputed, which resulted in a minimum fee of \$180,000. Fees for services received under this agreement were \$185,569 and \$186,854 for the years ended June 30, 2012 and 2011, respectively.

On January 14, 2008, the Foundation entered into an agreement with the Muskogee Foundation to hold, invest, manage and administer the funds received from the lease of Muskogee Regional Medical Center. The term of the agreement was three years beginning with the date of funds received (August 2008), with provisions for earlier termination by either party. After the expiration date of the term of the agreement, the agreement will be automatically extended for successive one year periods. The Foundation is paid an annual fee by the Muskogee Foundation for services provided. The fee is calculated and charged monthly, and is based on the fair value of Muskogee Foundation assets.

NOTES TO FINANCIAL STATEMENTS--Continued

COMMUNITIES FOUNDATION OF OKLAHOMA, INC.

June 30, 2012

NOTE E--COMMITMENTS-Continued

The monthly management fee is equal to the product of .30% of aggregate market value of the assets. Fees for services received under this agreement were \$339,960 and \$334,683 for the years ended June 30, 2012 and 2011, respectively.

NOTE F--RELATED PARTY TRANSACTIONS

The Foundation had investments of approximately \$64,046,000 and \$37,894,000 at June 30, 2012 and 2011, respectively that were managed by a local bank. The Foundation also had cash and cash equivalents of approximately \$3,747,000 and \$3,751,000, at June 30, 2012 and 2011, respectively that were held in accounts with the same bank. Members of the Foundation's Board of Director's have an ownership interest and help manage the operations of this bank. The Foundation paid investment management and other fees to this bank of approximately \$333,000 and \$295,000 for the years ended June 30, 2012 and 2011, respectively.

NOTE G--FAIR VALUE MEASUREMENTS

The Foundation uses quoted market prices to determine the fair value of an asset or liability when available. If quoted market prices are not available, the Foundation determines fair value using valuation techniques that use market-based or independently-sourced market data, such as interest rates.

The following methods and assumptions were used to estimate the fair value of assets and liabilities in the financial statements.

Cash and Cash Equivalents: The carrying amount approximates fair value due to the short maturity of such amounts.

Investments: When quoted prices are available in an active market, securities are classified within Level 1 of the hierarchy. Investments classified as Level 1 include cash and cash equivalents, common stocks, and mutual funds. Other investments, such as common trust funds, certificates of deposit, government agency bonds, and mortgage-backed securities are classified within Level 2 of the hierarchy due to their proprietary nature and are independently valued by the fund manager or quoted market prices in non-active markets. Other investments are classified within Level 2 of the hierarchy and are stated at fair value based on current market conditions and other factors deemed relevant to the valuation as provided by the independent valuation specialists and/or Foundation management.

NOTES TO FINANCIAL STATEMENTS--Continued

COMMUNITIES FOUNDATION OF OKLAHOMA, INC.

June 30, 2012

NOTE G--FAIR VALUE MEASUREMENTS--Continued

Contributions Receivable: The carrying amount of receivables is based on the discounted value of expected future cash flows, which approximates fair value.

Grants Payable: The carrying amount of grants and program services payable is based on the discounted value of the expected future cash distributions, which approximates fair value.

Account Payable: The carrying amount approximates fair value due to the short maturity of those amounts.

Agency transfers: The fair value of the liability is based on the fair value of the investment assets held by the Foundation for the benefit of the recipient agency. The specific assets held for the benefit of the agency have been classified within the hierarchy for investments (as discussed above). The related and associated liability is classified as Level 2 in the hierarchy for any corresponding investment assets classified as Level 1 or Level 2.

NOTES TO FINANCIAL STATEMENTS--Continued

COMMUNITIES FOUNDATION OF OKLAHOMA, INC.

June 30, 2012

NOTE G--FAIR VALUE MEASUREMENTS--Continued

Assets and liabilities measured at fair value on a recurring basis are classified within the fair value hierarchy as follows:

	As of June 30, 2012			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash equivalent funds	\$ 775,132	\$ -	\$ -	\$ 775,132
Other	-	1,160,000	-	1,160,000
Equity securities				
Mutual funds				
Emerging markets funds	698,367	-	-	698,367
Multi-sector bond funds	16,380	-	-	16,380
Blended funds	14,503,305	-	-	14,503,305
Growth funds	2,166,446	-	-	2,166,446
Value funds	9,654,863	-	-	9,654,863
Moderate allocation	11,540	-	-	11,540
Real estate funds	1,032,558	-	-	1,032,558
Total mutual funds	28,083,459	-	-	28,083,459
Common trust funds				
Growth funds	-	3,104,763	-	3,104,763
Value funds	-	4,619,936	-	4,619,936
Total common trust funds	-	7,724,699	-	7,724,699
Total equity securities	28,083,459	7,724,699	-	35,808,158
Fixed income securities				
Mutual funds				
Inflation protected bond funds	26,241	-	-	26,241
Corporate bond funds	149,055	-	-	149,055
Multi-sector bond funds	2,178,141	-	-	2,178,141
Blended funds	925,957	-	-	925,957
World bond funds	17,944	-	-	17,944
Government funds	237,377	-	-	237,377
Short term bond funds	2,347,374	-	-	2,347,374
Intermediate term bond funds	20,792,194	-	-	20,792,194
Total mutual funds	26,674,283	-	-	26,674,283
Strategic income common trust funds	-	1,993,971	-	1,993,971
Government agency bonds	-	761,765	-	761,765
Mortgage backed securities	-	211,495	-	211,495
Total fixed income securities	26,674,283	2,967,231	-	29,641,514
Total investments at fair value	\$ 55,532,874	\$ 11,851,930	\$ -	\$ 67,384,804
Agency transfers	\$ -	\$ 21,447,664	\$ -	\$ 21,447,664

NOTES TO FINANCIAL STATEMENTS--Continued

COMMUNITIES FOUNDATION OF OKLAHOMA, INC.

June 30, 2012

NOTE G--FAIR VALUE MEASUREMENTS--Continued

	As of June 30, 2011			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash equivalent funds	\$ 269,821	\$ -	\$ -	\$ 269,821
Other	-	1,160,000	-	1,160,000
Equity securities				
Mutual funds				
Emerging markets funds	447,036	-	-	447,036
Blended funds	6,341,905	-	-	6,341,905
Growth funds	2,315,481	-	-	2,315,481
Value funds	6,829,892	-	-	6,829,892
Moderate allocation	10,755	-	-	10,755
Real estate funds	663,818	-	-	663,818
Total mutual funds	16,608,887	-	-	16,608,887
Common trust funds				
Growth funds	-	2,835,770	-	2,835,770
Value funds	-	2,772,166	-	2,772,166
Total common trust funds	-	5,607,936	-	5,607,936
Total equity securities	16,608,887	5,607,936	-	22,216,823
Fixed income securities				
Mutual funds				
Inflation protected bond funds	24,121	-	-	24,121
Government funds	164,154	-	-	164,154
Short term bond funds	1,394,370	-	-	1,394,370
Intermediate term bond funds	10,649,059	-	-	10,649,059
Total mutual funds	12,231,704	-	-	12,231,704
Strategic income common trust funds	-	2,068,220	-	2,068,220
Government agency bonds	-	994,074	-	994,074
Mortgage backed securities	-	123,660	-	123,660
Total fixed income securities	12,231,704	3,185,954	-	15,417,658
Total investments at fair value	\$ 29,110,412	\$ 9,953,890	\$ -	\$ 39,064,302
Agency transfers	\$ -	\$ 20,249,558	\$ -	\$ 20,249,558

NOTES TO FINANCIAL STATEMENTS--Continued

COMMUNITIES FOUNDATION OF OKLAHOMA, INC.

June 30, 2012

NOTE G--FAIR VALUE MEASUREMENTS--Continued

The Foundation's investments in certain entities that calculate net asset value per share which are measured at fair value include the following:

Investments in securities: Investments in securities that calculate net asset value per share (or its equivalent, such as membership units) total \$9,718,670 and \$7,676,156 at June 30, 2012 and 2011, respectively. These investments consist of various domestic equity and fixed income funds. The Foundation invests in these assets to achieve returns consistent with the adopted investment policies. Investments in this category can be redeemed immediately at the current net asset value per share or its equivalent.

NOTE H--ENDOWMENT DISCLOSURES

The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") defines an "endowment fund" as an "institutional fund or part thereof that, under the terms of the gift instrument, is not wholly expendable by the institution on a current basis." A restriction that makes a fund an endowment arises from the terms of the gift instrument, which includes any record or records under which property is granted to, transferred to, or held by an institution for charitable purposes.

Section 3.16 of the Foundation's bylaws states as follows:

All funds will be subject to the variance power of the Communities Foundation of Oklahoma's Board of Directors which has the right to change the terms of a gift if, in the judgment of the foundation's governing board, the restriction or conditions on such a gift becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served."

Variance power permits the Board of Directors to alter the timing of the corpus distributions if, in their judgment, such change is needed to satisfy the charitable needs of the area and to achieve the donor's intent.

As the Board of Directors could decide to alter the timing of distributions to provide for the current expenditure of the entire corpus of the gift subject to variance power, the gift should not constitute an endowment fund and as such the Board believes the provisions of UPMIFA do not apply.