

*Audited Consolidated Financial Statements
and Supplementary Information*

**OKLAHOMA CITY COMMUNITY
FOUNDATION, INC.**

June 30, 2011

Audited Consolidated Financial Statements
and Supplementary Information

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June 30, 2011

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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Independent Auditors' Report

The Board of Trustees
Oklahoma City Community Foundation, Inc.
Oklahoma City, Oklahoma

We have audited the accompanying consolidated statements of financial position of Oklahoma City Community Foundation, Inc. and its affiliated organizations (the "Foundation") as of June 30, 2011 and 2010, and the related consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Oklahoma City Community Foundation, Inc. and its affiliated organizations as of June 30, 2011 and 2010, and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Oklahoma City Community Foundation and Affiliated Organizations--Schedule of Assets is presented for purposes of additional analysis of the consolidated financial statements and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Cole & Reed P.C.

Oklahoma City, Oklahoma
September 27, 2011

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.

	June 30	
	2011	2010
ASSETS		
Cash	\$ 766,152	\$ 667,149
Accrued income	999,476	902,053
Investments:		
Cash equivalent funds and securities	586,954,923	492,127,658
Real estate	16,520,179	12,887,702
Limited partnership interests	6,161,694	6,394,848
Other	458	2,243,177
Contributions receivable	50,000	80,000
Beneficial interest in lead trust	2,187,432	1,888,595
Property and equipment	5,298,183	5,481,269
Other assets	1,749,901	1,102,607
Collections	-	-
	<u>\$ 620,688,398</u>	<u>\$ 523,775,058</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and other liabilities	\$ 275,820	\$ 361,056
Grants and program services payable	4,939,066	4,618,712
Annuity contracts payable	3,052,096	2,997,700
Assets held for others	1,384,799	1,211,979
Notes payable	218,250	253,634
Charitable funds held for the benefit of other organizations	<u>83,405,788</u>	<u>69,652,232</u>
	93,275,819	79,095,313
NET ASSETS		
Unrestricted	73,431,576	63,435,477
Unrestricted, board-designated	<u>38,287,779</u>	<u>32,518,011</u>
Total Unrestricted Net Assets	111,719,355	95,953,488
Temporarily restricted	<u>415,693,224</u>	<u>348,726,257</u>
	<u>527,412,579</u>	<u>444,679,745</u>
	<u>\$ 620,688,398</u>	<u>\$ 523,775,058</u>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.

	Year Ended June 30, 2011			Year Ended June 30, 2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT						
Total contributions	\$ 8,073,265	\$ 8,241,735	\$ 16,315,000	\$ 5,903,333	\$ 15,338,836	\$ 21,242,169
Less: Agency transfers received	-	2,016,112	2,016,112	-	1,228,547	1,228,547
Contributions	8,073,265	6,225,623	14,298,888	5,903,333	14,110,289	20,013,622
Total investment income	2,426,707	14,647,890	17,074,597	2,111,402	13,948,131	16,059,533
Less: Income on agency transfers	7,803	2,266,230	2,274,033	24,051	1,732,628	1,756,679
Investment income	2,418,904	12,381,660	14,800,564	2,087,351	12,215,503	14,302,854
Total net investment gains	10,928,632	77,036,807	87,965,439	5,807,832	38,314,014	44,121,846
Less: Investment gains on agency transfers	43,961	12,733,609	12,777,570	119,592	6,183,775	6,303,367
Net investment gains	10,884,671	64,303,198	75,187,869	5,688,240	32,130,239	37,818,479
Change in value of split-interest agreements	(238,095)	609,101	371,006	(228,354)	437,225	208,871
Administrative fees	1,735,635	(1,454,846)	280,789	1,568,696	(1,314,040)	254,656
Other income	36,522	-	36,522	186,890	-	186,890
Net assets released from restrictions	15,097,769	(15,097,769)	-	15,900,581	(15,900,581)	-
TOTAL REVENUES AND SUPPORT	38,008,671	66,966,967	104,975,638	31,106,737	41,678,635	72,785,372
EXPENSES AND DISTRIBUTIONS						
Total grants and program services	19,466,280	-	19,466,280	18,962,972	-	18,962,972
Less: Grants on agency transfers	2,753,451	-	2,753,451	3,297,987	-	3,297,987
Grants and program services	16,712,829	-	16,712,829	15,664,985	-	15,664,985
Total investment expenses and management fees	2,677,018	-	2,677,018	2,280,460	-	2,280,460
Less: Fees on agency transfers	294,797	-	294,797	235,088	-	235,088
Investment expenses and management fees	2,382,221	-	2,382,221	2,045,372	-	2,045,372
General and administrative	2,529,939	-	2,529,939	2,350,123	-	2,350,123
Development	617,815	-	617,815	593,426	-	593,426
TOTAL EXPENSES AND DISTRIBUTIONS	22,242,804	-	22,242,804	20,653,906	-	20,653,906
CHANGE IN NET ASSETS BEFORE CHANGES RELATED TO COLLECTION ITEMS NOT CAPITALIZED	15,765,867	66,966,967	82,732,834	10,452,831	41,678,635	52,131,466
CHANGE IN NET ASSETS RELATED TO COLLECTION ITEMS NOT CAPITALIZED	-	-	-	364,125	-	364,125
Collection items purchased and not capitalized	-	-	-	364,125	-	364,125
CHANGE IN NET ASSETS	15,765,867	66,966,967	82,732,834	10,888,706	41,678,635	51,767,341
NET ASSETS AT BEGINNING OF YEAR	95,953,488	348,726,257	444,679,745	85,864,782	307,047,622	392,912,404
NET ASSETS AT END OF YEAR	\$ 111,719,355	\$ 415,693,224	\$ 527,412,579	\$ 95,953,488	\$ 348,726,257	\$ 444,679,745

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.

	Year Ended June 30	
	2011	2010
OPERATING ACTIVITIES		
Change in net assets before changes related to collection items not capitalized	\$ 82,732,834	\$ 52,131,466
Adjustments to reconcile to net cash used in operating activities:		
Depreciation	929,253	742,916
Non-cash contributions	(6,787,310)	(15,533,400)
Non-cash receipts	(154,947)	(13,532)
Net investment gains	(87,965,439)	(44,121,846)
Investment income earned on index funds	(6,514,984)	(5,967,223)
Change in value of beneficial interest in trust	(566,281)	(460,956)
Distributions from beneficial interest in lead trust	267,444	837,745
Gain on sale of property and equipment	-	(182,426)
Accretion of discount	(136,914)	(150,696)
Changes in operating assets and liabilities:		
Accrued income	(97,423)	(96,800)
Contributions receivable	30,000	1,052,299
Accounts payable and other liabilities	(85,236)	43,825
Grants and program services payable	320,354	166,135
Annuity contracts payable	54,396	366,996
Assets held for others	172,820	158,975
Charitable funds held for the benefit of other organizations	13,753,556	5,514,808
NET CASH USED IN OPERATING ACTIVITIES	(4,047,877)	(5,511,714)
INVESTING ACTIVITIES		
Purchases of investments	(290,623,095)	(291,643,725)
Proceeds from sales and maturities of investments	292,476,621	294,674,774
Proceeds from sale of real estate	381,708	362,500
Purchase of collections not capitalized	-	(364,125)
Purchase of other assets	(353,250)	-
Proceeds from sale of property and equipment	-	328,704
Purchases of property and equipment	(110,644)	(332,538)
Proceeds from sale of other investments	2,410,924	1,793,000
Proceeds from sale of other assets	-	206,426
NET CASH PROVIDED BY INVESTING ACTIVITIES	4,182,264	5,025,016
FINANCING ACTIVITIES		
Principal payments on note payable	(35,384)	(35,548)
NET CASH USED IN FINANCING ACTIVITIES	(35,384)	(35,548)
INCREASE (DECREASE) IN CASH	99,003	(522,246)
CASH AT BEGINNING OF YEAR	667,149	1,189,395
CASH AT END OF YEAR	\$ 766,152	\$ 667,149
SUPPLEMENTAL INFORMATION		
Interest paid	\$ 12,099	\$ 16,251

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.

June 30, 2011

NOTE A--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Oklahoma City Community Foundation, Inc. (the "Foundation") was incorporated December 30, 1968, under the laws of the State of Oklahoma, as a not-for-profit organization without capital stock to serve the charitable needs of the Oklahoma City area through the development and administration of endowment funds with the goal of preserving capital and enhancing its value for the benefit of the Oklahoma City area.

Accounting Standards Codification: The Foundation adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") for the year ended June 30, 2010. The ASC does not alter current accounting principles generally accepted in the United States of America ("U.S. GAAP"), but rather integrates existing accounting standards with other authoritative guidance. The ASC provides a single source of authoritative U.S. GAAP for nongovernmental entities and supersedes all other previously issued non-SEC accounting and reporting guidance. Adoption of the ASC did not have a significant effect on the Foundation's consolidated financial statements.

Basis of Accounting: The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other assets and liabilities.

Reporting Entity: The consolidated financial statements include the assets, liabilities, net assets, changes in net assets, and cash flows of the Foundation. The Foundation has approximately 1,300 component funds and twenty-nine affiliated organizations.

<u>Affiliated Organizations</u>	<u>Formed During Year Ended June 30</u>
The William E. and Margaret H. Davis Family Fund of The Oklahoma City Community Foundation, Inc.	1987
The Omniplex Affiliated Fund of The Oklahoma City Community Foundation, Inc.	1988
The Kirkpatrick Center Affiliated Fund of The Oklahoma City Community Foundation, Inc.	1989
The Kirkpatrick Family Affiliated Fund of The Oklahoma City Community Foundation, Inc.	1989
Cowboy Hall of Fame Affiliated Fund of The Oklahoma City Community Foundation, Inc.	1991
Oklahoma Air Space Museum Affiliated Fund of The Oklahoma City Community Foundation, Inc.	1991

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.

June 30, 2011

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

Reporting Entity--Continued:

<u>Affiliated Organizations</u>	<u>Formed During Year Ended June 30</u>
Oklahoma City Art Museum Affiliated Fund of The Oklahoma City Community Foundation, Inc.	1992
Malzahn Family Affiliated Fund of The Oklahoma City Community Foundation, Inc.	1992
Leadership Oklahoma City Affiliated Fund of The Oklahoma City Community Foundation, Inc.	1994
Deer Creek Affiliated Fund of The Oklahoma City Community Foundation, Inc.	1995
Allied Arts Foundation Affiliated Fund of The Oklahoma City Community Foundation, Inc.	1995
Oklahoma Philharmonic Affiliated Fund of The Oklahoma City Community Foundation, Inc.	1995
Rural Oklahoma Community Foundation, Inc.	1995
Oklahoma City Disaster Relief Fund, Inc.	1995
Heritage Hall Affiliated Fund of The Oklahoma City Community Foundation, Inc.	1996
John and Claudia Holliman Affiliated Fund of The Oklahoma City Community Foundation, Inc.	1997
Raymond H. and Bonnie Hefner Family Affiliated Fund of The Oklahoma City Community Foundation, Inc.	1998
Hospice Foundation of Oklahoma Affiliated Fund of The Oklahoma City Community Foundation, Inc.	1998
Lawton Community Foundation, Inc.	1999
Oklahoma City Retailers Foundation Affiliated Fund of The Oklahoma City Community Foundation, Inc.	1999
Bob and Nancy Anthony Family Affiliated Fund of The Oklahoma City Community Foundation, Inc.	2000
Love Family Affiliated Fund of The Oklahoma City Community Foundation, Inc.	2000
Robert and Blanche Gordon Family Affiliated Fund of The Oklahoma City Community Foundation, Inc.	2001

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.

June 30, 2011

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

Reporting Entity--Continued:

<u>Affiliated Organizations</u>	<u>Formed During Year Ended June 30</u>
Community Resources Oil and Gas, Inc.	2001
Community Resources Real Estate, Inc.	2001
Janice and Joe L. Singer Family Affiliated Fund of The Oklahoma City Community Foundation, Inc.	2004
Everett Family Foundation Affiliated Fund of The Oklahoma City Community Foundation, Inc.	2006
Christian Keesee Charitable Fund an Affiliated Fund of The Oklahoma City Community Foundation, Inc.	2008
Albers Family Affiliated Fund of The Oklahoma City Community Foundation, Inc.	2009

The affiliated organizations are included with the Foundation in the accompanying consolidated financial statements because the Foundation has an economic interest in the organizations and controls the affiliated organizations' boards of trustees. Further, distributions made by the affiliated organizations exclusively benefit the charitable and educational purposes of the Foundation. All material inter-organization transactions have been eliminated.

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board and accordingly, the Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Net Asset Classifications: In August 2008, the FASB issued new guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). The new requirements also improve disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of Oklahoma adopted UPMIFA effective November 1, 2007 ("OK UPMIFA"). The Board of Trustees (the "Trustees") of the Foundation has interpreted OK UPMIFA to require the Foundation to exercise prudence in determining whether to spend from or accumulate to donor-restricted endowment funds with a view toward the permanent nature and long-term continuing viability of such funds, rather than the maintenance of the historic dollar value thereof, absent explicit donor stipulations to the contrary.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.

June 30, 2011

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

Net Asset Classifications--Continued: As a community foundation, in accordance with United States Treasury Regulations, the Foundation possesses variance power. Variance power is the unilateral right to remove donor-imposed restrictions upon a gift in response to changed circumstances. The Foundation interprets its variance power to apply to time restrictions and endowment restrictions as well as purpose restrictions. This power is exercisable only in narrowly defined circumstances. Because this power is incorporated by reference in the gift instruments for all of the donor-restricted endowment fund gifts received by the Foundation, the Foundation views its variance power as an explicit expression of donor intent.

The legal opinion approved by the Trustees concluded that gifts to the Foundation may be subject to one or more of three types of donor-imposed restrictions: (1) contributions received with restrictions as to the purpose(s) for which the gift may be used ("purpose restriction"); (2) contributions received with a requirement that the principal of the gift be retained for a specified period of time ("time restriction"); and (3) contributions received with a requirement that the principal of the gift be retained permanently ("endowment restriction"). The Trustees have determined that the Foundation's variance power applies to all three types of restrictions, and that only those funds subject to time restrictions or endowment restrictions constitute endowment funds under OK UPMIFA. Therefore, the Foundation classifies all funds which are subject only to purpose restrictions as unrestricted net assets. Funds subject to time restrictions are classified as temporarily restricted net assets until the expiration of the time restriction, except for amounts appropriated for spending from such funds, which are classified as unrestricted net assets. Because the Trustees have interpreted the Foundation's variance power to apply to endowment restrictions, funds subject to endowment restrictions are classified as temporarily restricted net assets, except for amounts appropriated for spending which are classified as unrestricted net assets.

As a result of this interpretation, the Foundation classifies as temporarily restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Donor restricted endowment funds, or portions thereof, are classified as temporarily restricted net assets until amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by OK UPMIFA. Once amounts are appropriated for spending from a donor-restricted endowment fund, such amounts are classified as unrestricted net assets until spent.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.

June 30, 2011

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

Net Asset Classifications--Continued: In accordance with OK UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

In addition to contributions received with donor-imposed time restrictions or donor-imposed endowment restrictions, the Foundation also classifies its split-interest agreements, excluding charitable gift annuities, as temporarily restricted due to the implied time restriction on the use of such assets. The legal opinion concluded that split-interest funds, including charitable gift annuities, do not constitute institutional funds as defined by OK UPMIFA and therefore they do not constitute endowment funds. All contributions received by the Foundation without a donor-imposed time restriction, a donor-imposed endowment restriction, or an implied time restriction are classified as unrestricted.

Endowment Investment and Spending Policies: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The investment policy establishes an achievable return objective through diversification of investment assets.

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 within prudent risk parameters.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.

June 30, 2011

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

Endowment Investment and Spending Policies--Continued: The spending policy calculates the amount of money annually appropriated for spending from the Foundation's various endowment funds, for grant making and administration. The current spending policy is to appropriate an amount equal to 5% of a moving twelve-quarter average for all types of funds. In 2010, the spending policy was to appropriate an amount equal to 5% of a moving eight-quarter or twelve-quarter average, depending on the type of fund. Accordingly, over the long term, the Foundation expects the current spending and investment policies to allow its endowment to grow, thereby preserving the overall purchasing power of the endowment assets.

Charitable Funds Held for the Benefit of Other Organizations: The Foundation follows the ASC Topic, *Transfers of Assets to a Not-for-Profit Entity or Charitable Trust that Raises or Holds Contributions for Others*. This guidance requires the Foundation to account for assets that are received from a not-for-profit organization for the benefit of that not-for-profit organization, or one of its affiliated organizations, as a liability to the specified beneficiary concurrent with its recognition of the assets received. The Foundation maintains variance power and legal ownership over these funds. All asset transfers of this type, and the activity associated with those assets, are recognized as agency transactions in the consolidated financial statements.

In order to present the full scope of the Foundation's operations, the Foundation includes the activity (i.e., contributions, investment income, net investment gains (losses), grants, management and other fees) related to such transactions in its consolidated statements of activities and then separately presents the respective agency activity as a reduction thereof. In the consolidated statements of financial position, the assets held on behalf of the agency are included in cash and investments in cash equivalent funds and securities and the related liability is classified as charitable funds held for the benefit of other organizations. Assets and liabilities related to such funds totaled approximately \$83,406,000 and \$69,652,000 at June 30, 2011 and 2010, respectively. These assets are managed in accordance with the same investment and spending policies as the Foundation's other endowment funds.

Cash and Cash Equivalents: The Foundation considers all highly liquid investments with a maturity of three months or less when purchased, excluding cash equivalent funds held in the Foundation's investment portfolio, to be cash equivalents.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.

June 30, 2011

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

Investments: Substantially all securities and other investments are managed by various investment managers.

Cash Equivalent Funds and Securities: Cash equivalent funds, U.S. government obligations, asset backed obligations, mutual funds, equity index funds, bond index funds, and common and preferred stocks are reported at fair value in the accompanying consolidated financial statements. Realized gains and losses on sales of most U.S. government obligations and asset backed obligations are computed on the average cost basis. Realized gains and losses on sales of all other securities are determined using the first in first out (FIFO) method.

Cash equivalent funds are comprised of short-term, highly liquid investments that are readily convertible into known amounts of cash.

Real Estate: Real estate is carried at lower of cost or fair value or, if donated, the estimated fair value at the date of donation net of accumulated depreciation. All investments in real estate have been donated to the Foundation and it is the Foundation's policy to obtain appraisals from qualified appraisers at the time of donation. The Foundation does not subsequently estimate the fair value of real estate if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment due to the prohibitive cost of obtaining periodic appraisals. No real estate investments were revaluated during 2011 or 2010.

Limited Partnership Interests: Investments in limited partnership interests are reported at fair value. Fair value is generally determined by independent appraisal at the time the gift is made and is revalued periodically using information relating to the value of the underlying assets and other factors deemed relevant to the valuation. During 2009, the general partner of one of the Foundation's limited partnership interests entered into a subscription participation agreement in which the general partner is also the lender. At June 30, 2011 and 2010, the participation interest is estimated to have a fair value of approximately \$3,950,000 and \$4,157,000, respectively.

Other: Other investments consist of investment assets which were donated to the Foundation. Other investments are carried at fair value as determined by independent appraisal and/or Foundation management at the time the gift was made and are periodically revalued to fair value.

Property and Equipment: Property and equipment is carried at cost or, if donated, at the estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are three to five years for furniture, fixtures, and equipment, and twenty to thirty years for buildings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.

June 30, 2011

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

Contributions Receivable: Contributions receivable, which arise primarily from trusts and estates, are carried at present value at the financial statement date. This valuation assumes collection within one year; however, due to the nature of the receivables, the final settlement dates are uncertain. All amounts are expected to be fully collected. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. No amounts have been recognized in the consolidated financial statements for conditional promises to give, which generally arise from the Foundation being named as a beneficiary in a revocable will or trust. At June 30, 2011 and 2010, conditional promises to give of \$400,000 and \$362,000, respectively, have been estimated based on information provided to the Foundation; however, remaining conditional promises to give cannot be estimated due to the insufficiency of information available to the Foundation.

Collections: The Foundation does not include either the cost or the value of its collections in the consolidated statements of financial position, nor does it recognize gifts of collection items as revenues in the consolidated statements of activities. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired and proceeds from deaccessions or insurance recoveries are reflected as increases in unrestricted net assets.

Other Assets: Other assets consist primarily of life insurance policies in which the Foundation is the beneficiary and pre-payment for art work that does not meet the definition of a collection. Life insurance policies are carried at their cash surrender values and all other assets are carried at cost, or, if donated, at the fair value at the date of donation.

Assets Held for Others: Assets held for others represents the portion of assets related to charitable lead and remainder trusts in which the Foundation is the trustee that are held for the donor or other designated beneficiary. The liability for assets held under trust agreements is equal to the present value of the expected future payments to be made to the donor or other designated beneficiary. The liability for assets held for others on agreements in which the Foundation is named as the charitable beneficiary but the designation is revocable is equal to the fair value of the assets.

Contributions Received: Contributions received are generally recorded as unrestricted net assets, unless they are subject to time restrictions or endowment restrictions, in which case they are classified as temporarily restricted net assets. 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 donations are recorded as contributions at their estimated fair values at the date of the donation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.

June 30, 2011

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

Donated Services: No amounts have been reflected in the consolidated financial statements for donated services. The Foundation pays for most services requiring specific expertise.

Administrative Fees: Administrative fees are charged to the funds based upon the individual funds' fair market values. The income from these fees along with income from an administrative endowment fund, are used to provide for the general and administrative expenses of the Foundation.

Grants and Program Services: Grants and program services represent amounts awarded to various not-for-profit organizations to assist with funding of general operations or special programs. Grants and program services payable consist of unconditional amounts awarded, but not paid, to not-for-profit organizations. Grants to be paid after one year are discounted to net present value. Grants dependent on the occurrence of a specified and uncertain event are not recognized until the conditions on which they depend are substantially met.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Costs are allocated between development, general and administrative, or grants and program services based on evaluations of the related activities. General and administrative 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.

Income Tax Status: The Foundation and its affiliated organizations are exempt from federal income tax under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code (the "Code"), and have been determined not to be a private foundation under Section 509(a) of the Code. Generally all revenue earned outside the purpose for which the Foundation is created is taxable as earned income.

Accounting for Uncertain Tax Positions: The Financial Accounting Standards Board has issued guidance on the accounting for uncertainty in income tax positions. The Foundation adopted this new guidance for the year ended June 30, 2010. Management evaluated the Foundation's tax positions and has 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 no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years ending on or before June 30, 2007.

Advertising Expense: The Foundation expenses advertising costs as incurred. During 2011 and 2010, the Foundation expensed advertising and marketing costs of approximately \$136,000 and \$146,000, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.

June 30, 2011

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

Concentration of Credit Risk: The Foundation maintains cash in bank deposit accounts that, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash or cash equivalents.

In 2011, the Foundation received contribution revenues totaling approximately \$8,863,000 (54% of total contribution revenue) from five donors. In 2010, the Foundation received contribution revenues totaling approximately \$11,807,000 (56% of total contribution revenue) from two donors. Contributions receivable are due from one donor at June 30, 2011 and 2010.

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 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.

Significant Estimates: Estimates that are particularly susceptible to significant change include the valuation of investment in cash equivalent funds and securities, investment in limited partnership interests, and beneficial interest in charitable lead trust. The Foundation's various investment instruments including beneficial interests, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with these financial instruments, it is reasonably possible that changes in the values of the investments and beneficial interest will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position. Significant fluctuations in fair values could occur from year to year and the amounts the Foundation will ultimately realize could differ materially.

Fair Value Measurements: The Foundation follows ASC Topic 820, *Fair Value Measurements*. Topic 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about 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. Topic 820 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.

June 30, 2011

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

Fair Value Measurements--Continued: Financial assets and liabilities carried at fair value on a recurring basis include investment in cash equivalent funds and securities, investment in limited partnership interests, investment in other assets, beneficial interest in charitable lead trust, and charitable funds held for the benefit of other organizations. The Foundation has no assets or liabilities carried at fair value on a non-recurring basis at June 30, 2011 or 2010.

The FASB continues to clarify and enhance disclosures related to Topic 820. The Foundation fully implemented the following for the year ended June 30, 2010:

- *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* which provides amendments to and expands disclosures for the fair value measurement of investments in certain entities that calculate net asset value per share (or its equivalent). Adoption of this new guidance did not have a significant impact on the Foundation's consolidated financial statements.
- *Improving Disclosures about Fair Value Measurements (ASU 2010-06)* which requires additional disclosures regarding fair value measurements and provides clarification regarding the level of disaggregation of fair value disclosures by investment class and activity within the reconciliation for fair value measurements using significant unobservable inputs (Level 3). Implementation of these new requirements expanded the level of information included in the Foundation's fair value measurements.

The FASB has issued additional clarification related to Topic 820, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (ASU 2011-04)* that are effective for periods beginning after December 15, 2011. Early adoption of this update for the years ended June 30, 2011 and 2012 is not permitted. The Foundation will apply the provisions of this update prospectively beginning with the year ending June 30, 2013. The Foundation does not anticipate adoption of this new guidance to have a significant impact on the consolidated financial statements.

Subsequent Events: Management has evaluated subsequent events through September 27, 2011, the date the financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure.

Reclassifications: Certain reclassifications have been made to the June 30, 2010, consolidated financial statements to conform to the classifications used at June 30, 2011.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.

June 30, 2011

NOTE B--INVESTMENTS

Investments in cash equivalent funds and securities at fair value consist of the following:

	June 30	
	2011	2010
Cash equivalent funds	\$ 24,716,493	\$ 28,211,668
Securities		
U.S. government obligations	69,973,781	38,440,293
Asset backed obligations		
Corporate bonds (highly rated)	27,943,236	27,511,516
Government and agency bonds	39,487,128	35,807,966
Collateralized mortgage obligations	24,751,844	16,656,492
Foreign bonds	69,167	67,865
Total asset backed obligations	92,251,375	80,043,839
Mutual funds	7,005,554	5,638,515
Equity index funds		
Domestic equity funds	179,626,120	149,239,970
International equity funds	58,176,807	35,954,179
Total equity index funds	237,802,927	185,194,149
Bond index funds		
Government agency and corporate bond funds	32,061,282	41,961,869
High yield bond funds	12,672,687	12,382,651
Other bond index funds	677,011	659,251
Total bond index funds	45,410,980	55,003,771
Common and preferred stocks		
Consumer	20,384,594	21,344,348
Energy and natural resources	17,061,209	13,014,829
Financial services	16,890,455	16,120,850
Health care	13,466,890	14,239,872
Industrials	24,031,117	18,148,739
Technology and telecommunications	16,472,600	15,261,049
Utilities	1,486,948	1,465,736
Total common and preferred stocks	109,793,813	99,595,423
Total securities	562,238,430	463,915,990
Total cash equivalent funds and securities	\$ 586,954,923	\$ 492,127,658

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.

June 30, 2011

NOTE B--INVESTMENTS--Continued

Net investment gains and losses consist of the following:

	<u>2011</u>	<u>2010</u>
Net realized gains on investments carried at fair value	\$ 13,892,052	\$ 1,729,854
Net realized losses on investments carried at the lower of cost or fair value	-	(5,151)
Net unrealized gains	<u>74,073,387</u>	<u>42,397,143</u>
Total net investment gains	87,965,439	44,121,846
Less: Investment gains on agency transfers	<u>12,777,570</u>	<u>6,303,367</u>
Net investment gains	<u>\$ 75,187,869</u>	<u>\$ 37,818,479</u>

The Foundation holds closely held stock with a fair value of approximately \$2,975,000 and \$3,168,000 at June 30, 2011 and 2010, respectively, which is included in financial services common and preferred stocks in the above table. A trustee of one of the Foundation's affiliated funds serves as a director for this closely held company.

NOTE C--FAIR VALUE MEASUREMENTS

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

Cash: The asset's carrying amount approximates fair value due to its short maturity.

Investments in Cash Equivalent Funds and Securities: These assets are stated at fair value based on the current market value of the assets in the portfolio. These investments are priced by nationally recognized third party pricing services using quoted market prices when available or their best estimate of fair value, except for certain index funds which are priced by the fund manager, and investment in one closely held company for which fair value is determined by the Foundation.

Investments in Real Estate: Investments in real estate are carried at the lower of cost or fair value. As all investments in real estate were donated to the Foundation, the fair value of the real estate on the contribution date was determined by independent appraisal. The Foundation believes that the fair value today is not materially different from the fair value at the time of donation (see Note E).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.

June 30, 2011

NOTE C--FAIR VALUE MEASUREMENTS--Continued

Investments in Limited Partnership Interests: The assets are stated at fair value as determined by the Foundation. Generally, fair value is based on the fair value of the underlying assets, independent appraisal, and/or other factors deemed relevant to the valuation.

Investments in Other Investments: Other investments are stated at fair value as determined by the Foundation. The Foundation values these assets based on consideration of factors deemed relevant to the valuation in the circumstances.

Contributions Receivable: The fair value is based on the present value of the expected future cash flows and due to the short maturities of the receivables the carrying value approximates fair value.

Beneficial Interest in Lead Trust: The asset is carried at fair value which is based on the present value of the expected future cash flows from the trust.

Other Assets: The primary other asset is cash surrender values on life insurance policies for which the Foundation is the beneficiary and as such the carrying values approximate fair value.

Accounts Payable and Other Liabilities: The carrying amount of the liability approximates fair value due to its short maturity.

Grants and Program Services Payable: The carrying amount of the liability is based on the discounted value of the expected future cash distributions, which approximates fair value.

Annuity Contracts Payable and Assets Held for Others: The fair value of the liability is determined by discounting the future cash flows at rates that could currently be negotiated by the Foundation for borrowings of similar amounts. The carrying amount of annuity contracts payable and assets held for others approximates fair value.

Notes Payable: The liability's carrying value approximates fair value and has not been separately calculated due to immateriality.

Charitable Funds Held for the Benefit of Other Organizations: The liability's carrying amount represents the agency's interest in the net assets of the Foundation. The liability is carried at fair value and is equal to the related fair value of the assets held for the benefit of the agency.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.

June 30, 2011

NOTE C--FAIR VALUE MEASUREMENTS--Continued

Assets and liabilities measured at fair value on a recurring basis are classified within the fair value hierarchy as follows at June 30, 2011:

ASSETS	Level 1	Level 2	Level 3	Total
Investments in cash equivalent funds and securities:				
Cash equivalent funds	\$ 24,370,445	\$ 346,048	\$ -	\$ 24,716,493
U.S. government obligations	53,956,975	16,016,806	-	69,973,781
Asset backed obligations				
Corporate bonds (highly rated)	22,624,951	3,855,071	1,463,214	27,943,236
Government and agency bonds	4,763,592	34,292,257	431,279	39,487,128
Collateralized mortgage obligations	-	21,730,721	3,021,123	24,751,844
Foreign bonds	-	69,167	-	69,167
Total asset backed obligations	27,388,543	59,947,216	4,915,616	92,251,375
Mutual funds	7,005,554	-	-	7,005,554
Equity index funds				
Domestic equity funds	1,315,677	178,310,443	-	179,626,120
International equity funds	26,732,027	31,444,780	-	58,176,807
Total equity index funds	28,047,704	209,755,223	-	237,802,927
Bond Index funds				
Government agency and corporate bond funds	-	32,061,282	-	32,061,282
High yield bond funds	-	12,672,687	-	12,672,687
Other bond index funds	677,011	-	-	677,011
Total bond index funds	677,011	44,733,969	-	45,410,980
Common and preferred stocks				
Consumer	20,384,594	-	-	20,384,594
Energy and natural resources	17,061,209	-	-	17,061,209
Financial services	13,915,581	-	2,974,874	16,890,455
Health care	13,466,890	-	-	13,466,890
Industrials	24,031,117	-	-	24,031,117
Technology and telecommunications	16,472,600	-	-	16,472,600
Utilities	1,486,948	-	-	1,486,948
Total common and preferred stocks	106,818,939	-	2,974,874	109,793,813
Total investments in cash equivalent funds and securities	248,265,171	330,799,262	7,890,490	586,954,923
Investment in limited partnership interests	-	-	6,161,694	6,161,694
Investment in other assets	-	-	458	458
Beneficial interest in lead trust	-	-	2,187,432	2,187,432
Total assets measured at fair value on a recurring basis	<u>\$ 248,265,171</u>	<u>\$ 330,799,262</u>	<u>\$ 16,240,074</u>	<u>\$ 595,304,507</u>
LIABILITIES				
Charitable funds held for the benefit of other organizations	\$ -	\$ 83,405,788	\$ -	\$ 83,405,788
Total liabilities measured at fair value on a recurring basis	<u>\$ -</u>	<u>\$ 83,405,788</u>	<u>\$ -</u>	<u>\$ 83,405,788</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.

June 30, 2011

NOTE C--FAIR VALUE MEASUREMENTS--Continued

Assets and liabilities measured at fair value on a recurring basis are classified within the fair value hierarchy as follows at June 30, 2010:

ASSETS	Level 1	Level 2	Level 3	Total
Investments in cash equivalent funds and securities:				
Cash equivalent funds	\$ 28,084,634	\$ 127,034	\$ -	\$ 28,211,668
U.S. government obligations	-	38,440,293	-	38,440,293
Asset backed obligations				
Corporate bonds (highly rated)	22,484,083	4,179,008	848,425	27,511,516
Government and agency bonds	6,522,851	29,023,958	261,157	35,807,966
Collateralized mortgage obligations	-	15,996,146	660,346	16,656,492
Foreign bonds	-	67,865	-	67,865
Total asset backed obligations	29,006,934	49,266,977	1,769,928	80,043,839
Mutual funds	5,638,515	-	-	5,638,515
Equity index funds				
Domestic equity funds	1,092,905	148,147,065	-	149,239,970
International equity funds	12,436,478	23,517,701	-	35,954,179
Total equity index funds	13,529,383	171,664,766	-	185,194,149
Bond Index funds				
Government agency and corporate bond funds	-	41,961,869	-	41,961,869
High yield bond funds	-	12,382,651	-	12,382,651
Other bond index funds	659,251	-	-	659,251
Total bond index funds	659,251	54,344,520	-	55,003,771
Common and preferred stocks				
Consumer	21,344,348	-	-	21,344,348
Energy and natural resources	13,014,829	-	-	13,014,829
Financial services	12,952,922	-	3,167,928	16,120,850
Health care	14,239,872	-	-	14,239,872
Industrials	18,148,739	-	-	18,148,739
Technology and telecommunications	15,261,049	-	-	15,261,049
Utilities	1,465,736	-	-	1,465,736
Total common and preferred stocks	96,427,495	-	3,167,928	99,595,423
Total investments in cash equivalent funds and securities	173,346,212	313,843,590	4,937,856	492,127,658
Investment in limited partnership interests	-	-	6,394,848	6,394,848
Investment in other assets	-	-	2,243,177	2,243,177
Beneficial interest in lead trust	-	-	1,888,595	1,888,595
Total assets measured at fair value on a recurring basis	<u>\$ 173,346,212</u>	<u>\$ 313,843,590</u>	<u>\$ 15,464,476</u>	<u>\$ 502,654,278</u>
LIABILITIES				
Charitable funds held for the benefit of other organizations	\$ -	\$ 69,652,232	\$ -	\$ 69,652,232
Total liabilities measured at fair value on a recurring basis	<u>\$ -</u>	<u>\$ 69,652,232</u>	<u>\$ -</u>	<u>\$ 69,652,232</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.

June 30, 2011

NOTE C--FAIR VALUE MEASUREMENTS--Continued

Following is a description of the methodologies used for the classification of financial instruments measured at fair value on a recurring basis:

Investments in cash equivalent funds and securities: All of the Foundation's investments in cash equivalent funds and securities are valued by nationally recognized third party pricing services, except for certain equity and bond index funds which were valued by the fund manager, and one closely held stock which was valued by the Foundation. The Foundation gives highest priority to quoted prices in active markets for identical assets accessed at the measurement date. An active market for the asset is a market in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis and the Foundation classifies all such assets as Level 1. The Foundation gives a Level 2 priority to valuation prices where the valuation process involves inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly. Level 2 inputs include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets where there isn't sufficient activity, and/or where price quotations vary substantially either over time or among market makers, or in which little information is released publicly. Inputs that are observable for these assets classified as Level 2 include commonly quoted interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks, default rates, and other inputs that are derived principally from or corroborated by observable market data. Mid-market pricing or other pricing conventions may be used for fair value measurements within a bid-ask spread. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy. The Level 3 assets, except for the closely held stock, were valued using an option-adjusted discounted cash flow model for which the principal inputs are not observable. Closely held stock is valued by the Foundation using the market approach valuation technique.

Investment in limited partnership interests: The fair value of interests in limited partnerships is determined by the Foundation using the market approach valuation technique. In some cases independent appraisals are obtained and then discounted to fair value by the Foundation for lack of marketability and/or minority interest. Due to the significant unobservable inputs required to estimate the fair value of these interests, the Foundation's investments in limited partnerships are all classified as Level 3 within the hierarchy.

Investment in other assets: The fair value of other investments are determined by the Foundation's management using valuation techniques (such as the market and/or income approach) and consideration of other factors deemed relevant in the circumstances. Due to the significant unobservable inputs required to estimate the fair value of these investments, the Foundation's investments in other assets are classified as Level 3 in the hierarchy.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.

June 30, 2011

NOTE C--FAIR VALUE MEASUREMENTS--Continued

Beneficial interest in lead trust: The fair value of the underlying trust assets are based on quoted market prices when available or the best estimate of fair value as determined by the trust manager. The Foundation's valuation technique considers the fair value of the assets held in the trust and applies a discount rate to convert such amounts to a single present value amount. The discount rate used by the Foundation reflects current market conditions including the inherent risk in the underlying assets and the risk of nonperformance by the trustee. Due to the significant unobservable inputs required to estimate the expected future cash receipts from the trust agreement under the income approach, the Foundation's beneficial interest is classified as Level 3 in the hierarchy.

Charitable Funds Held for the Benefit of Other Organizations: The fair value of the liability is determined using the market approach and 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 in cash equivalent funds and securities (as discussed above). The related and associated liability is classified as Level 2 in the hierarchy because substantially all principal inputs (i.e., fair value of assets in the investment portfolio) are classified as Level 1 or Level 2 and therefore are corroborated by observable market data.

The Foundation's investments in certain entities that calculate net asset value per share which are measured at fair value include the following at June 30, 2011 and 2010.

Government agency and corporate bond funds: Investments in the government agency and corporate bond fund class total \$32,061,282 and \$41,961,869 at June 30, 2011 and 2010, respectively. This class invests in government and corporate debt securities with the objective of approximating the returns of the short-term sector of the U.S. fixed income market. Investments in this category can be redeemed immediately at the current net asset value per share.

High yield bond funds: Investment in the high yield bond fund class total \$12,672,687 and \$12,382,651 at June 30, 2011 and 2010, respectively. This class is generally invested in below investment grade debt securities that are rated at least Caa by Moody's or CCC by Standard & Poor's or that may be unrated but deemed by the investment manager to be of comparable credit quality. The strategy is focused on selecting investments that capture the significant current income and capital appreciation potential of the high yield market while also managing the downside risk. The fund seeks to achieve a positive total return with a high level of current income. Investments in this category can be redeemed immediately at the current net asset value per share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.

June 30, 2011

NOTE C--FAIR VALUE MEASUREMENTS--Continued

Domestic equity funds: Investments in the domestic equity fund class total \$178,310,443 and \$148,147,065 at June 30, 2011 and 2010, respectively. This class is invested in funds with the objective of approximating a weighted total rate of return equal to that of the 1000 or 2000 largest capitalized companies in the U.S. The domestic equity funds are stratified to include a value component (i.e., companies that generally have low price-to-book and price-earnings ratios, higher dividend yields and lower forecasted growth values) and a growth component (i.e., companies with a greater-than-median orientation towards growth). Investments in this category can be redeemed immediately at the current net asset value per share.

International equity funds: Investments in the international equity fund class total \$31,444,780 and \$23,517,701 at June 30, 2011 and 2010, respectively. This class is invested in funds with the objective of approximating weighted total rates of return equal to the markets in certain countries for equity securities traded outside the United States of America. A portion of the class invests specifically in a common trust fund or portfolio consisting primarily of international securities and a portion of the class invests in international equity securities, registered investment companies, and other investment funds and derivative assets and may also engage in structured transactions using non-U.S. stocks, bonds, currencies and money market instruments, as well as exchange traded futures and options and over-the-counter forward contracts, swaps, and options. Investments in this category can be redeemed weekly at the current net asset value per share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.

June 30, 2011

NOTE C--FAIR VALUE MEASUREMENTS--Continued

The following tables summarizes the changes in the fair value of the Foundation's Level 3 financial assets for the periods ending June 30, 2011 and 2010:

	Corporate Bonds	Government and Agency Bonds	Collateralized Mortgage Obligations	Common and Preferred Stocks	Investment in Limited Partnership Interests	Investment in Other Assets	Beneficial Interest in Lead Trust
Balance at July 1, 2009	\$ 149,017	\$ 295,295	\$ 754,210	\$ 3,359,086	\$ 6,721,738	\$ 2,762,750	\$ 2,265,384
Realized gains included in change in net assets	-	-	-	-	-	1,273,427	-
Unrealized gains (losses) included in change in net assets	105,033	58,602	101,818	(191,158)	(326,890)	-	-
Change in value of split interest agreements	-	-	-	-	-	-	460,956
Distribution from lead trust	-	-	-	-	-	-	(837,745)
Principal returns on investments	-	(92,740)	(195,682)	-	-	-	-
Sales of investments	-	-	-	-	-	(1,793,000)	-
Purchases of investments	594,375	-	-	-	-	-	-
Balance at June 30, 2010	848,425	261,157	660,346	3,167,928	6,394,848	2,243,177	1,888,595
Realized gains included in change in net assets	-	-	-	-	-	168,205	-
Unrealized gains (losses) included in change in net assets	(30,211)	28,015	59,199	(193,054)	(233,154)	-	-
Change in value of split interest agreements	-	-	-	-	-	-	566,281
Distribution from lead trust	-	-	-	-	-	-	(267,444)
Principal returns on investments	-	(117,471)	(798,240)	-	-	-	-
Transfers into level 3	-	259,578	2,149,449	-	-	-	-
Sales of investments	(93,000)	-	-	-	-	(2,410,924)	-
Purchases of investments	738,000	-	950,369	-	-	-	-
Balance at June 30, 2011	<u>\$ 1,463,214</u>	<u>\$ 431,279</u>	<u>\$ 3,021,123</u>	<u>\$ 2,974,874</u>	<u>\$ 6,161,694</u>	<u>\$ 458</u>	<u>\$ 2,187,432</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.

June 30, 2011

NOTE C--FAIR VALUE MEASUREMENTS--Continued

The Foundation accounts for transfers between the levels within the fair value hierarchy at the beginning of the reporting period. Transfers between the fair value hierarchy levels for the year ended June 30, 2011 were as follows:

	Transfers Into		
	Level 1	Level 2	Level 3
U.S. government obligations	\$ 21,966,980	\$ -	\$ -
Asset backed obligations	<u>2,532,228</u>	<u>2,586,245</u>	<u>2,409,027</u>
Total Transfers Into Levels	<u>\$ 24,499,208</u>	<u>\$ 2,586,245</u>	<u>\$ 2,409,027</u>
	Transfers Out Of		
	Level 1	Level 2	Level 3
U.S. government obligations	\$ -	\$ (21,966,980)	\$ -
Asset backed obligations	<u>(2,586,245)</u>	<u>(4,941,255)</u>	<u>-</u>
Total Transfers Out Of Levels	<u>\$ (2,586,245)</u>	<u>\$ (26,908,235)</u>	<u>\$ -</u>
Net Transfers Between Levels	<u>\$ 21,912,963</u>	<u>\$ (24,321,990)</u>	<u>\$ 2,409,027</u>

Transfers between levels within the fair value hierarchy result from changes in the valuation methods used. The following changes occurred during 2011.

Transfers from Level 1 to Level 2: Certain asset backed obligations were transferred from Level 1 to Level 2 due to the lack of a documented trade history at June 30, 2011. These assets were valued at June 30, 2011 using observable market data such as interest rates and yield curves and at June 30, 2010 were valued using active trade data.

Transfers from Level 2 to Level 1: Certain U.S. government obligations and asset backed obligations were transferred from Level 2 to Level 1 as a result of a documented trade history for the exact security at June 30, 2011 as compared to June 30, 2010 when observable market data such as interest rates yield curves were used.

Transfers from Level 2 to Level 3: Certain asset backed obligations were transferred from Level 2 to Level 3 due to a lack of observable market data at or near June 30, 2011. At June 30, 2010 these assets were valued using observable market data such as trades of similar assets near June 30, 2010 and/or interest rates and yield curves. At June 30, 2011, these securities were valued using an option adjusted discounted cash flow model.

There were no changes in the valuation methods used during 2010 and therefore, no transfers between classes reported for the year ended June 30, 2010.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.

June 30, 2011

NOTE D--PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	June 30	
	2011	2010
Land	\$ 645,085	\$ 645,085
Building	5,146,138	5,083,334
Furniture, fixtures, and equipment	1,033,894	986,053
	<u>6,825,117</u>	<u>6,714,472</u>
Less: Accumulated depreciation	1,526,934	1,233,203
	<u>\$ 5,298,183</u>	<u>\$ 5,481,269</u>

NOTE E--REAL ESTATE

Real estate investments have an original cost basis (or fair value on gift date) of approximately \$19,700,000 and \$15,400,000 at June 30, 2011 and 2010, respectively. The Foundation has recorded accumulated depreciation of approximately \$3,187,000 and \$2,551,000 at June 30, 2011 and 2010, respectively. Net real estate values, leased to a related party under non-cancelable lease agreements which expire between 2013 and 2019, are approximately \$13,584,000 and \$9,951,000 at June 30, 2011 and 2010, respectively. Each of the agreements contains an option to extend after the initial lease term. Options to extend occur every five years and contain provisions for rate adjustments. There are no expense obligations for the Foundation under these lease agreements.

Expected future minimum receipts under non-cancelable leases at June 30, 2011 are as follows:

Year ended June 30,	Amount
2012	\$ 1,844,000
2013	1,724,000
2014	1,604,000
2015	1,376,000
2016	1,017,000
Thereafter	<u>1,796,000</u>
Total futue receipts	<u>\$ 9,361,000</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.

June 30, 2011

NOTE F--SPLIT-INTEREST AGREEMENTS

At June 30, 2011 and 2010, the Foundation has recorded approximately \$6,300,000 and \$5,500,000, respectively, in fair value of charitable gift annuities and charitable lead and remainder unitrusts in which the Foundation serves as the trustee, as an asset in its consolidated statements of financial position. Assets received under these agreements are recorded at fair value and in the appropriate net asset category. Related contributions per the agreements are recognized as contribution revenue and are equal to the present value of future benefits to be received by the Foundation over the term of the agreements. Contribution revenue related to these agreements totaled approximately \$119,000 and \$243,000 in 2011 and 2010, respectively. Liabilities have been established for these split-interest agreements in which the Foundation is the trustee or for which the Foundation is obligated to an annuitant under a charitable gift annuity. These liabilities totaled approximately \$4,437,000 and \$4,210,000 at June 30, 2011 and 2010, respectively.

During the term of these agreements, changes in the value of the split-interest agreements are recognized in the consolidated statements of activities based on accretion of the discounted amount of the contribution, and revaluations of the expected future benefits (payments) to be received (paid) by the Foundation (beneficiaries), based on changes in life expectancy and other assumptions. Discount rates ranging from 1.8% to 8.0% were used in these calculations at the dates of the contributions. Split-interest agreements for which the Foundation is the trustee but the charitable beneficiary is revocable are included in the assets and liabilities above. The liability for these revocable agreements is equal to the fair value of the assets.

The Foundation is the beneficiary of a charitable lead unitrust for which it does not serve as trustee. Under the charitable lead trust agreement, the trust will pay 7% of the net fair market value of the trust estate to the Foundation over the next 13 years and the assets remaining at the end of the trust term will be distributed to a third party beneficiary. The fair value of the Foundation's beneficial interest is based on the present value of the estimated expected future cash inflows using a discount rate of 7% at June 30, 2011 and 2010. The Foundation received distributions of approximately \$267,000 and \$838,000 during the years ended June 30, 2011 and 2010, respectively. Changes in fair value of the beneficial interest are reflected as a change in value of split-interest agreements in the consolidated statements of activities.

The Foundation has voluntarily set aside additional reserves to protect against unexpected actuarial losses. The balance of the reserves has been included in board designated unrestricted net assets and is approximately \$215,000 and \$148,000 at June 30, 2011 and 2010, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.

June 30, 2011

NOTE G--NOTES PAYABLE

Notes payable have been entered into which reflect balances of approximately \$218,000 and \$254,000 at June 30, 2011 and 2010, respectively. This balance is comprised of two notes, both carrying a fixed interest rate of 6% and payable in monthly installments which total \$4,317. The notes mature on March 1, 2013 and May 1, 2017. Principal payments for 2012 through 2016 range from approximately \$33,000 to \$40,000, with payments thereafter totaling approximately \$36,000. The Foundation paid interest expense of approximately \$12,000 and \$16,000 in 2011 and 2010, respectively, which is included in general and administrative expense in the consolidated statements of activities. The notes are secured by marketable securities which are required to be maintained at the same value as the outstanding principal balance.

NOTE H--GRANTS AND PROGRAM SERVICES PAYABLE

Grants and program services payable consist of unconditional amounts awarded, but not paid, to various not-for-profit groups. All unconditional amounts payable at June 30, 2011 and 2010 are expected to be paid in less than one year from the statement of financial position date.

The Foundation's Trustees have also approved conditional grants and program services totaling approximately \$1,140,000 and \$146,000 at June 30, 2011 and 2010, respectively. No amounts have been recognized in the consolidated financial statements because the recipient agencies have not met certain conditions of the grants.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.

June 30, 2011

NOTE I--TOTAL NET ASSET COMPOSITION

In addition to endowment funds, the Foundation also manages other non-endowed funds. The Foundation's total net asset composition is as follows:

	June 30, 2011		
	Unrestricted	Temporarily Restricted	Total
Endowment funds	\$ 66,160,971	\$ 413,326,703	\$ 479,487,674
Non-endowed funds			
Donor advised	33,485,954	-	33,485,954
Designated	10,406,907	-	10,406,907
	43,892,861	-	43,892,861
Split-interest agreements	1,665,523	2,366,521	4,032,044
Total Net Assets	\$ 111,719,355	\$ 415,693,224	\$ 527,412,579
	June 30, 2010		
	Unrestricted	Temporarily Restricted	Total
Endowment funds	\$ 57,520,320	\$ 346,665,065	\$ 404,185,385
Non-endowed funds			
Donor advised	27,671,715	-	27,671,715
Designated	9,643,405	-	9,643,405
	37,315,120	-	37,315,120
Split-interest agreements	1,118,048	2,061,192	3,179,240
Total Net Assets	\$ 95,953,488	\$ 348,726,257	\$ 444,679,745

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.

June 30, 2011

NOTE J--ENDOWMENT DISCLOSURES

Endowment net asset composition by type of fund:

	June 30, 2011		
	Unrestricted	Temporarily Restricted	Total
Donor-Restricted Endowment Funds			
Legacy funds	\$ 13,721,337	\$ 321,778,740	\$ 335,500,077
Charitable organization endowment funds	2,503,576	65,797,518	68,301,094
Scholarship and award funds	2,253,892	18,538,376	20,792,268
Field of interest funds	1,775,570	7,212,069	8,987,639
	<u>20,254,375</u>	<u>413,326,703</u>	<u>433,581,078</u>
Other Endowment Funds	7,618,817	-	7,618,817
Board Designated Endowment Funds			
Fund for Oklahoma City	14,481,004	-	14,481,004
Program initiatives	6,107,775	-	6,107,775
Administration	17,699,000	-	17,699,000
	<u>38,287,779</u>	<u>-</u>	<u>38,287,779</u>
Total Endowment Funds	<u>\$ 66,160,971</u>	<u>\$ 413,326,703</u>	<u>\$ 479,487,674</u>
	June 30, 2010		
	Unrestricted	Temporarily Restricted	Total
Donor-Restricted Endowment Funds			
Legacy funds	\$ 12,327,030	\$ 270,639,439	\$ 282,966,469
Charitable organization endowment funds	3,120,808	54,682,486	57,803,294
Scholarship and award funds	1,928,530	16,271,413	18,199,943
Field of interest funds	1,742,519	5,071,727	6,814,246
	<u>19,118,887</u>	<u>346,665,065</u>	<u>365,783,952</u>
Other Endowment Funds	5,883,422	-	5,883,422
Board Designated Endowment Funds			
Fund for Oklahoma City	11,840,058	-	11,840,058
Program initiatives	5,595,311	-	5,595,311
Administration	15,082,642	-	15,082,642
	<u>32,518,011</u>	<u>-</u>	<u>32,518,011</u>
Total Endowment Funds	<u>\$ 57,520,320</u>	<u>\$ 346,665,065</u>	<u>\$ 404,185,385</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.

June 30, 2011

NOTE J--ENDOWMENT DISCLOSURES--Continued

Changes in endowment net assets for the year ended June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 57,520,320	\$ 346,665,065	\$ 404,185,385
Investment return			
Investment income	1,232,871	12,381,660	13,614,531
Investment fees	(155,301)	(2,053,032)	(2,208,333)
Net investment gain	<u>4,802,243</u>	<u>64,303,198</u>	<u>69,105,441</u>
Total investment return	5,879,813	74,631,826	80,511,639
Contributions	3,009,814	6,211,687	9,221,501
Administrative fees	(159,391)	(1,454,846)	(1,614,237)
Administrative fee revenue designated for operations	2,206,791	-	2,206,791
Appropriation of endowment assets	12,727,029	(12,727,029)	-
Expenditure of endowment assets	<u>(15,023,405)</u>	<u>-</u>	<u>(15,023,405)</u>
Endowment net assets, end of year	<u>\$ 66,160,971</u>	<u>\$ 413,326,703</u>	<u>\$ 479,487,674</u>

Changes in endowment net assets for the year ended June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 52,269,661	\$ 304,540,541	\$ 356,810,202
Investment return			
Investment income	1,025,260	12,215,503	13,240,763
Investment fees	(113,880)	(1,792,000)	(1,905,880)
Net investment gain	<u>2,345,939</u>	<u>32,130,239</u>	<u>34,476,178</u>
Total investment return	3,257,319	42,553,742	45,811,061
Contributions	1,497,271	14,107,280	15,604,551
Administrative fees	(155,041)	(1,314,040)	(1,469,081)
Administrative fee revenue designated for operations	1,999,442	-	1,999,442
Appropriation of endowment assets	13,222,458	(13,222,458)	-
Expenditure of endowment assets	<u>(14,570,790)</u>	<u>-</u>	<u>(14,570,790)</u>
Endowment net assets, end of year	<u>\$ 57,520,320</u>	<u>\$ 346,665,065</u>	<u>\$ 404,185,385</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.

June 30, 2011

NOTE K--COLLECTIONS

The Foundation maintains various collections of works of art, historical treasures, and similar assets. These collections are maintained for public exhibition, education, and research in furtherance of public service rather than for financial gain. Substantially all of these assets are protected, kept unencumbered, cared for, and preserved by the Kirkpatrick Center Affiliated Fund. As a matter of policy, the proceeds of items in collections that are sold are used to acquire other items for collections.

The Foundation maintains nine separate collections, including the African Art Collection, Asian Art Collection, Boehm Collection, Baker Collection, Clock Collection, Payne Collection, Sutton Collection, Pre-Columbian Collection, and Victorian Doll House Collection. Each of these collections is subject to the policies referred to above.

In 2010, another affiliated fund purchased a collection item. In keeping with the Foundation's policy of not capitalizing collections, it is reflected in the June 30, 2010 consolidated financial statements as a reduction in unrestricted net assets.

NOTE L--CONTRIBUTED SERVICES

Several of the Foundation's Trustees who assist the Foundation with special projects provide contributed services. No amounts have been recognized in the consolidated statements of activities because the criteria for recognition have not been satisfied.

NOTE M--RETIREMENT PLAN AND OTHER BENEFITS

Substantially all employees of the Foundation participate in the Retirement Plan of Oklahoma City Community Foundation, Inc. (the "Plan"), commonly known as a Section 403(b) plan. Under the Plan, the Foundation contributes 10% of the respective employee's regular salary to provide retirement benefits. In addition, employees may contribute a specified percentage of their regular salary to the Plan. The total amount contributed by the Foundation and the employee cannot exceed 100% of the employee's regular salary, subject to Internal Revenue Service limitations. Contributions made by the Foundation are 100% vested after six years of service. Benefits paid under the Plan are limited to the sum of the employee's and the Foundation's contributions and investment earnings on those contributions. The Foundation contributed approximately \$271,000 and \$182,000 to the Plan during the years ended June 30, 2011 and 2010, respectively.

The Foundation has entered into severance benefit agreements with select key executives. Split-dollar life insurance premiums of approximately \$206,000 and \$195,000 are included in other assets, and severance benefits payable of approximately \$299,000 and \$363,000 are included in accounts payable and other liabilities at June 30, 2011 and 2010, respectively. Severance benefits paid in 2011 under these agreements totaled approximately \$220,000.

OKLAHOMA CITY COMMUNITY FOUNDATION AND AFFILIATED
ORGANIZATIONS--SCHEDULE OF ASSETS

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.

	June 30	
	2011	2010
Albers Family Fund	\$ 1,679,609	\$ 1,666,522
Allied Arts Foundation	1,125,181	980,695
Bob and Nancy Anthony Family	988,788	818,184
Christian Keesee Charitable Fund	1,916,806	1,415,063
Community Resources Oil and Gas	745,693	20,126
Community Resources Real Estate	1,357,660	1,532,869
Cowboy Hall of Fame	1,397,946	1,236,270
Deer Creek	1,678,836	1,328,789
Everett Family Foundation	2,323,755	2,006,602
Heritage Hall	1,712,783	1,496,374
Hospice Foundation of Oklahoma	1,727,188	1,430,733
Janice and Joe L. Singer Family	1,514,017	1,257,525
John and Claudia Holliman	1,147,604	1,054,369
Kirkpatrick Center	47,276,869	40,283,778
Kirkpatrick Family	221,972,438	185,792,700
Lawton Community Foundation, Inc.	4,476,298	3,290,865
Leadership Oklahoma City	1,022,737	884,648
Love Family	16,801,657	12,481,149
Malzahn Family	1,400,577	1,214,803
Oklahoma Air Space Museum	6,203,620	5,261,212
Oklahoma City Art Museum	7,617,502	6,347,391
Oklahoma City Community Foundation, Inc.	266,116,240	226,619,341
Oklahoma City Disaster Relief Fund, Inc.	10,406,647	9,643,405
Oklahoma City Retailers Foundation	1,230,430	1,122,564
Oklahoma Philharmonic	4,833,318	4,158,497
Omniplex	5,091,533	4,436,011
Raymond H. and Bonnie Hefner Family	1,760,570	1,529,331
Robert and Blanche Gordon Family	6,155,405	5,071,043
Rural Oklahoma Community Foundation, Inc.	2,331,885	1,967,003
William E. and Margaret H. Davis Family	1,388,291	1,211,431
	<u>625,401,883</u>	<u>527,559,290</u>
Less: Accumulated depreciation	4,713,485	3,784,232
	<u>\$ 620,688,398</u>	<u>\$ 523,775,058</u>