

COMMUNITY FOUNDATION SONOMA  
COUNTY

DECEMBER 31, 2015

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INDEPENDENT AUDITORS' REPORT,

CONSOLIDATED FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

# **Community Foundation Sonoma County**

## **Independent Auditors' Report, Consolidated Financial Statements and Supplementary Information**

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**Independent Auditors' Report**

THE BOARD OF DIRECTORS  
COMMUNITY FOUNDATION SONOMA COUNTY  
Santa Rosa, California

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of **COMMUNITY FOUNDATION SONOMA COUNTY (the Foundation)** which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Community Foundation Sonoma County as of December 31, 2015, and the changes in its consolidated net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Report on Summarized Comparative Information*

We have previously audited the Foundation's 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 8, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information (pages 25 and 26) is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Hood & Strong LLP*

San Francisco, California  
June 8, 2016

# Community Foundation Sonoma County

## Consolidated Statement of Financial Position

<i>December 31, 2015 (with comparative totals for 2014)</i>	2015	2014
<b>Assets</b>		
Cash and cash equivalents	\$ 3,848,469	\$ 1,815,752
Contributions receivable, net	11,225,268	12,550,935
Program related investment - notes receivable	1,982,886	91,063
Investments	114,983,698	120,961,908
Charitable trust assets	7,018,767	7,448,108
Assets held in trust		8,188,705
Property and equipment, net	8,799,298	7,200,487
Other assets	122,343	126,943
<b>Total assets</b>	<b>\$ 147,980,729</b>	<b>\$ 158,383,901</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expense	\$ 103,522	\$ 151,095
Grants payable	144,000	493,939
Liabilities associated with assets held in trust		4,094,352
Agency funds	13,147,934	14,151,903
Liabilities to beneficiaries	137,951	3,389,613
<b>Total liabilities</b>	<b>13,533,407</b>	<b>22,280,902</b>
<b>Net Assets:</b>		
Unrestricted:		
Designated for donor advised funds	19,838,748	18,639,630
Designated for specific fields of interest	7,534,924	8,232,044
Board designated reserves - endowment	1,029,659	934,437
Undesignated	4,491,233	4,595,997
<b>Total unrestricted</b>	<b>32,894,564</b>	<b>32,402,108</b>
Temporarily restricted	17,562,869	24,614,409
Permanently restricted	83,989,889	79,086,482
<b>Total net assets</b>	<b>134,447,322</b>	<b>136,102,999</b>
<b>Total liabilities and net assets</b>	<b>\$ 147,980,729</b>	<b>\$ 158,383,901</b>

See accompanying notes to financial statements.

# Community Foundation Sonoma County

## Consolidated Statement of Activities

*Year Ended December 31, 2015 (with comparative totals for 2014)*

	2015				2014 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
<b>Support and Revenue:</b>					
Contributions and grants	\$ 9,295,243	\$ 63,711	\$ 5,437,987	\$ 14,796,941	\$ 9,310,229
Change in value of split-interest agreements		151,989		151,989	577,959
Realized and unrealized loss on investments	(1,015,218)	(2,647,064)		(3,662,282)	(3,261,035)
Interest and dividends	617,652	1,816,055		2,433,707	3,956,739
Management fees earned, net	137,361			137,361	239,988
Other income	145,836			145,836	82,910
Net assets released from restrictions	6,654,822	(6,557,164)	(97,658)	-	-
<b>Total support and revenue</b>	<b>15,835,696</b>	<b>(7,172,473)</b>	<b>5,340,329</b>	<b>14,003,552</b>	<b>10,906,790</b>
<b>Expenses:</b>					
Program services	13,062,737			13,062,737	10,733,629
Supporting services	1,526,376			1,526,376	1,579,067
<b>Total expenses</b>	<b>14,589,113</b>			<b>14,589,113</b>	<b>12,312,696</b>
<b>Change in Net Assets Before Reclassification</b>					
	1,246,583	(7,172,473)	5,340,329	(585,561)	(1,405,906)
Reclassification of net assets (Note 15)	(754,127)	120,933	(436,922)	(1,070,116)	-
<b>Change in Net Assets</b>	<b>492,456</b>	<b>(7,051,540)</b>	<b>4,903,407</b>	<b>(1,655,677)</b>	<b>(1,405,906)</b>
<b>Net Assets, beginning of year</b>	<b>32,402,108</b>	<b>24,614,409</b>	<b>79,086,482</b>	<b>136,102,999</b>	<b>137,508,905</b>
<b>Net Assets, end of year</b>	<b>\$ 32,894,564</b>	<b>\$ 17,562,869</b>	<b>\$ 83,989,889</b>	<b>\$ 134,447,322</b>	<b>\$ 136,102,999</b>

See accompanying notes to financial statements.

## Community Foundation Sonoma County

### Consolidated Statement of Functional Expenses

*Year Ended December 31, 2015 (with comparative totals for 2014)*

	Program Services	Supporting Services			2015 Total	2014 Total
		Fundraising	Management and General	Total		
Grants and awards	\$ 10,884,463				\$ 10,884,463	\$ 8,971,416
Salaries and wages	906,038	\$ 174,003	\$ 505,110	\$ 679,113	1,585,151	1,449,868
Employee benefits	141,792	27,085	84,375	111,460	253,252	215,240
Payroll taxes	74,882	13,532	38,328	51,860	126,742	119,428
Management and investment fees	89	92	180,667	180,759	180,848	191,368
Professional and consulting fees	36,901	3,911	20,254	24,165	61,066	122,599
Legal and accounting	39,623	7,906	43,426	51,332	90,955	101,961
Advertising, marketing, and outreach	32,483	15,305	21,984	37,289	69,772	77,031
Office expense	151,260	13,834	41,621	55,455	206,715	176,650
Computer network	51,162	14,311	41,882	56,193	107,355	110,622
Occupancy	104,030	14,422	51,188	65,610	169,640	189,383
Travel	6,180	1,233	5,268	6,501	12,681	17,834
Conference and special projects	311,960	9,882	44,675	54,557	366,517	212,623
Depreciation	135,148	10,341	16,802	27,143	162,291	165,189
Insurance	149,689	2,074	8,617	10,691	160,380	159,338
Bad debt expense			108,509	108,509	108,509	
Other expenses	37,037	1,085	4,654	5,739	42,776	32,146
	\$ 13,062,737	\$ 309,016	\$ 1,217,360	\$ 1,526,376	\$ 14,589,113	\$ 12,312,696

See accompanying notes to financial statements.

# Community Foundation Sonoma County

## Consolidated Statement of Cash Flows

<i>Year Ended December 31, 2015 (with comparative totals for 2014)</i>	2015	2014
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ (1,655,677)	\$ (1,405,906)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Realized and unrealized loss		
on investments	3,639,606	4,236,377
Depreciation	162,291	165,189
Contributions received for long-term purposes	(5,437,987)	(1,864,303)
Receipt of donated property	(1,633,250)	
Changes in assets and liabilities		
Contributions receivable	2,337,326	(633,214)
Program related investment - notes receivable	(1,891,823)	(37,558)
Charitable trust assets	429,341	10,265,696
Assets held in trust	8,188,705	811,301
Other assets	4,600	3,289
Agency funds	(1,003,969)	(781,139)
Grants payable	(349,939)	(76,761)
Accounts payable and accrued expense	(47,573)	41,818
Liabilities associated with assets held in trust	(4,094,352)	(405,651)
Liabilities to beneficiaries	(3,251,662)	(408,870)
<b>Net cash (used) provided by operating activities</b>	<b>(4,604,363)</b>	<b>9,910,268</b>
<b>Cash Flow from Investing Activities:</b>		
Proceeds from sale of investments	94,945,679	51,813,255
Purchase of investments	(92,607,075)	(64,384,064)
Purchase of property and equipment	(127,852)	(87,512)
<b>Net cash provided (used) by investing activities</b>	<b>2,210,752</b>	<b>(12,658,321)</b>
<b>Cash Flows from Financing Activities:</b>		
Contributions received for long-term purposes	4,426,328	1,568,171
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>2,032,717</b>	<b>(1,179,882)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>1,815,752</b>	<b>2,995,634</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 3,848,469</b>	<b>\$ 1,815,752</b>

**Noncash Investing Activities:**

Collection of property interest held for endowment	\$	1,633,250
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See accompanying notes to financial statements.

# Community Foundation Sonoma County

## Notes to Consolidated Financial Statements

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### Note 1 - Description of the Organization:

Community Foundation Sonoma County (the “Foundation”) was incorporated in California in 1983 as a nonprofit public benefit corporation to provide a means for the long-term preservation and enhancement of the quality of life in Sonoma County. The consolidated financial statements include all accounts and results of activities of the Foundation, as well as certain supporting organizations: the Oliver Ranch Foundation, DeMeo Teen Club, Inc. (d.b.a. Chop’s Teen Club), and Sonoma Paradiso. An additional supporting organization, Pepperwood Foundation, is not consolidated in these financial statements. The Foundation also maintains two geographic affiliates in Healdsburg and Sonoma Valley. The two affiliates each have their own volunteer boards of directors which help the Foundation raise and distribute funds in their local communities. All significant inter-organizational accounts and transactions have been eliminated.

The Foundation receives funds primarily through donations from individuals and foundations. Distribution of funds for philanthropic purposes is made primarily through the direct operation of a grantmaking program. Grants are made in the areas of health and human services, education, the environment, the arts, scholarships and other areas. Over the last three decades, the Foundation has become one of Sonoma County’s largest sources of funding for nonprofit agencies; with over 90% of grants being distributed to Sonoma County nonprofit organizations. The remainder is distributed outside of Sonoma County.

The Foundation’s bylaws include a variance provision giving the Board the power to modify any restriction or condition on the distribution of funds if, in the sole judgment of the Board, the restriction becomes unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community served.

#### *Supporting Organizations*

The Foundation has four supporting organizations. Supporting organizations are Section 501(c)(3) organizations that are classified as public charities (rather than private foundations) because they support a publicly supported charity, such as the Foundation. The Foundation appoints the majority of the boards of these organizations, with the exception of Pepperwood Foundation. Supporting organizations for which the Foundation has a controlling interest are consolidated herein.

#### *The Oliver Ranch Foundation*

The Oliver Ranch Foundation was formed in 2009 to promote the arts by providing creative inspiration, growth and development of artists; serving as a venue for exhibiting extraordinary site-specific sculptures; preserving and maintaining the art installations; organizing docent tours; forming educational partnerships; and commissioning site-specific performances. Oliver Ranch houses one of the country’s premiere private reserves for site-specific art installations which celebrate the ingenuity and imagination of great artists of the time.

# Community Foundation Sonoma County

## Notes to Consolidated Financial Statements

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### *DeMeo Teen Club, Inc. (Chop's)*

Chop's was incorporated in 1997 to operate a teen club in Santa Rosa, California, in fulfillment of a bequest to the Foundation from Charles M. DeMeo. The 21,000-square foot teen center is home to a recording studio, gym, café, night club, tech lounge and art studio, and supports a variety of activities and programs designed to attract and engage youth.

### *Sonoma Paradiso Foundation*

Sonoma Paradiso Foundation, whose primary purpose is to raise money for the benefit of children's organizations in Sonoma County and the Bay Area, became a supporting organization to the Foundation in 2008. Since 2004, the organization has provided more than \$7 million in grants to children in need.

### *Pepperwood Foundation*

Pepperwood Foundation is a leader in conservation dedicated to inspiring kids of all ages to satisfy their natural curiosity and become stewards of the environment. The Foundation includes a 3,120 acre preserve that is rich in biodiversity and serves as a refuge for hundreds of plant and animal species. The Community Foundation appoints three of the seven Board members of the Pepperwood Foundation. Because the Community Foundation does not have a controlling interest in Pepperwood Foundation, accounts of the Pepperwood Foundation are not included in the consolidated financial statements.

Pepperwood Foundation had assets of \$21.5 million at June 30, 2015, the date of the latest audited financial statements. The assets were principally comprised of property and equipment (\$20.7 million), pledges receivable (\$0.4 million) and cash and equivalents (\$0.4 million). It had no significant liabilities. The property and equipment is comprised principally of preserve (land) and buildings and improvements, primarily the Dwight Center for Conservation Science. As of December 31, 2015, Pepperwood Foundation had assets of \$21.1 million (unaudited), including property and equipment (\$20.7 million), cash and equivalents (\$0.3 million), and pledges receivable (\$0.2 million); it had no significant liabilities.

## **Note 2 - Summary of Significant Accounting Policies:**

### a. Basis of Presentation

The consolidated financial statements are prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America applicable to not-for-profit organizations. Accordingly, the Foundation presents information regarding its net assets and activities according to three classes of net assets

Unrestricted Net Assets – The portion of net assets that is neither temporarily restricted nor permanently restricted by donor-imposed stipulations. Unrestricted client net assets represent total donor advised and other client funds held by the Foundation with variance power. The Board of Directors has designated unrestricted net assets for an endowment (see Note 10).

# Community Foundation Sonoma County

## Notes to Consolidated Financial Statements

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Temporarily Restricted Net Assets – The portion of net assets consisting of irrevocable remainder charitable trusts, contributions which are scheduled to be received in the future, purpose-restricted grants for which variance power was not given to the Foundation, and the portion of donor-restricted endowment funds that are not permanently restricted. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – The portion of net assets consisting of the fair value of the original gift as of the gift date and the original value of subsequent gifts to donor-restricted endowment funds where the donor indicated that a portion of the fund be retained permanently. Also included in permanently restricted net assets is the Foundation's beneficial interest in trusts whose remainder is restricted for endowment funds and its interest in land required to be permanently held.

b. Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include the Foundation's operating and checking accounts.

c. Investments

All debt and equity securities with readily determinable market values are carried at estimated fair value based on closing market prices. Investments received through gifts are recorded at estimated fair value at the date of donation. Certain other investments are recorded at cost.

Gains and losses that result from market fluctuations are recognized in the statement of activities in the period such fluctuations occur. Dividend and interest income are accrued when earned.

For purposes of reporting cash flow, purchases of investments represent the total additions to the portfolio from revenues received during the year.

d. Fair Value Measurements

The Foundation carries certain assets and liabilities at fair value. 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.

The Foundation classifies its financial assets and liabilities according to three levels, and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

# Community Foundation Sonoma County

## Notes to Consolidated Financial Statements

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- Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.
- Level 2 - Observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly.
- Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data.

e. Fair Value of Financial Instruments

Some of the Foundation's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such assets and liabilities include cash and cash equivalents, contribution receivables, and payables.

f. Program Related Investments – Notes Receivable

Program related investments are investments that would not be made were it not for the relationship of the investment to the Foundation's programmatic mission. Although the underlying investments may or may not have a profit motive, that is not the primary focus of the investment by the Foundation. Program related investments must be consistent with the Foundation's mission. These investments usually are recommended by donor advisors or fund managers from the funds with which they are associated. Sometimes they may also be a result of a gift by a donor.

Program related notes receivable consist of loans to organizations which support the Foundation's mission. The organizations may be commercial companies or non-profit organizations. The Foundation records notes receivable at cost and are evaluated for impairment annually and written down when appropriate.

g. Charitable Trust Assets and Other Split-Interest Agreements

The Foundation's charitable trust assets and other split-interest agreements consist primarily of marketable securities.

*Charitable Lead Trusts*

The Foundation is the recipient of distributions from several charitable lead trusts and is not the trustee of these trusts. Charitable lead trusts are established by donors who specify that distributions from the trusts be made to designated nonprofit organizations over a specified period of time. Upon termination, the remainder of the trust's assets is paid to beneficiaries designated by the donor. When the Foundation is notified that it is the irrevocable recipient of distributions from a lead trust, a receivable for the present value of the expected future cash inflows is reported in the financial statements. The discount rate used to calculate the present value of the future cash inflows is re-evaluated each year based on current market conditions.

# Community Foundation Sonoma County

## Notes to Consolidated Financial Statements

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### *Charitable Remainder Trusts*

The Foundation is an irrevocable remainder beneficiary of a charitable remainder annuity trust. The Foundation is the trustee for the trust, and trust assets are measured and recognized on the statement of financial position at fair value based on quoted market prices. The net present value of estimated future payments to the donors are recognized as a liability (see “Liabilities to Beneficiaries,” below). The Foundation is also the beneficiary of certain trusts that are held by other trustees. For those trusts, the net present value of the Foundation’s estimated irrevocable remainder interest is recorded as a beneficial interest in trusts.

Under the preceding arrangement, contribution revenue is recognized at the creation of the trust in amounts equal to the net present value of the estimated remainder trust, based on various factors, including fair value of the trust assets, life expectancy of the donors, payment terms to donors, and discount rates. Subsequent changes in the measurement of trust-related assets and liabilities are recorded as changes in value of split interest agreements.

### *Assets Held in Trusts*

The Foundation is an irrevocable remainder beneficiary for 50% remainder of the charitable remainder unitrust. The Foundation served as the trustee for the entire trust in 2014 and resigned as trustee in 2015. While trustee, the assets for these trusts were recorded at fair value based on quoted market prices; a corresponding liability was also recorded for the portion of assets for which the foundation is not the remainder beneficiary. The Foundation earned a trustee fee for this arrangement.

### *Pooled Income Fund*

The Foundation recognizes its remainder interest in its pooled income fund as temporarily restricted contribution revenue in the period in which the assets are received from the donor. Donor contributions to the pooled income fund are irrevocable. A donor is assigned a specific number of units based on the proportion of their contribution’s fair market value to the total fair market value of the fund. The donor receives the dividends and interest earned on those units. The contributed assets are invested in the fund until the donor’s death, at which time the assets revert to the Foundation.

Contributions are measured at the fair value of the assets received and discounted for the estimated life expectancy of the donor (see “Liabilities to Beneficiaries,” below).

# Community Foundation Sonoma County

## Notes to Consolidated Financial Statements

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### h. Property and Equipment

Property, plant and equipment are recorded at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets which range from three to 40 years. Amortization of leasehold improvements is computed over the life of the related lease. The Foundation capitalizes property and equipment with cost or donated fair value over \$2,000.

### i. Liabilities to Beneficiaries

Liabilities to beneficiaries represents the present value of estimated amounts due to donors of the charitable remainder trusts for which the Foundation is both trustee and irrevocable remainder beneficiary, as well the present value of estimated amounts due to participants in the pooled income fund. Liabilities are calculated using IRS actuarial tables.

### j. Agency Funds

The Foundation records a liability that represents the readily determinable estimated fair values of assets that the Foundation has received from and invests on behalf of other nonprofit organizations. However, the Foundation maintains legal ownership of the assets and has variance power.

### k. Endowment Funds

The Foundation follows the guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-205 “Endowments of Not-for-Profit Organizations – Net Assets Classification of Funds Subject to Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds.” The State of California adopted a version of the Uniform Prudent Management of Institutional Funds Act as its State Prudent Management of Institutional Funds Act (“SPMIFA”).

#### *Interpretation of relevant law*

The Board of Directors of the Foundation, with the advice of legal counsel, has determined it holds net assets that meet the definition of endowment funds under SPMIFA. As a result of this interpretation, the Foundation classifies as permanently restricted net assets both the original value of the gifts donated plus all subsequent gifts to the donor restricted endowment funds. The remaining value of the donor restricted endowed funds is classified as temporarily restricted net assets until appropriated for expenditure by the Foundation. Appropriation for expenditure for endowed funds is made in a manner consistent with the standards of prudence prescribed by SPMIFA, which include: (1) The duration and preservation of the fund, (2) The purposes of the organization and the donor-restricted endowment fund, (3) General economic conditions, (4) The possible effect of inflation and deflation, (5) The expected total return from income and the appreciation of investments, (6) Other resources of the organization, (7) The investment policies of the Foundation.

# Community Foundation Sonoma County

## Notes to Consolidated Financial Statements

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From time to time, the fair value of the assets associated with individual donor restricted endowment funds may fall below the level classified as permanently restricted net assets. At December 31, 2015, the Foundation had 78 funds with deficiencies of this nature totaling approximately \$2,313,000. The current year change in these deficiencies reflected in current year unrestricted net assets is \$1,257,618.

### *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 while seeking to maintain the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current objective is to achieve a rate of return in excess of the annual rate of inflation, net of investment fees. Actual returns in any given year may vary from this amount.

To satisfy its long-term return objective, the Foundation relies on a total return strategy, in which investment returns are achieved through both capital appreciation of equity securities (realized and unrealized) and current yield (dividends and interest). The Foundation uses a diversified asset allocation to support the long-term return objective within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's endowed funds for grantmaking and administration. The current grantmaking spending policy is to distribute an amount equal to 3.75% of a trailing 12 quarter rolling average for funds with balances of at least 80% of the historic gift value. The administrative expense policy is 2% of the fund balance for endowed scholarship funds and no greater than 1.5% of the endowed fund balance for other funds. This is consistent with the Foundation's objective of maintaining the purchasing power of endowed assets as well as to provide additional real growth through new gifts and investment return.

### 1. Revenue Recognition

Contributions are recognized as revenue when received or unconditionally promised. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions expected to be collected in future years, including future interests in charitable lead trusts, are recorded at the present value of estimated future cash flows. Discounts on the future interests are calculated using a rate equal to the approximate investment return applicable to the year in which the unconditional promise is received. Conditional promises to give are not included as support until such time as the conditions are substantially met. The Foundation has determined that all receivables are fully collectable, and no allowance for uncollectable accounts has been recorded.

# Community Foundation Sonoma County

## Notes to Consolidated Financial Statements

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As discussed above, the Foundation receives contributions subject to time or purpose restrictions. When the restriction is met in the same period as the contribution is received, temporarily restricted contributions are reported as temporarily restricted support and net assets released from restrictions.

m. Grant Expenses

Grant expenses are recognized upon approval of an unconditional promise to various nonprofit organizations. Grant refunds are recorded as a reduction of grant expense at the time the grant is refunded to the Foundation. Grants payable represent the present value of grants to be paid in the future. The majority of grants payable are expected to be paid in the following year.

n. Functional Allocation of Expenses

Expenses which apply to more than one functional category have been allocated between program, management and general, and fundraising based on the time that each employee spends on these functions. Indirect expenses, such as general office supplies are allocated based on the overall number of staff in the various functional categories. All other costs are charged directly to the appropriate functional category.

o. Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the Foundation to make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. The amounts estimated could differ from actual results.

p. Comparative Information and Reclassifications

The consolidated financial statements include certain comparative information for which the prior year information is summarized in total but not by net asset class. Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements for the year ended December 31, 2014, from which the summarized information is derived.

Certain reclassifications have been made to the 2014 consolidated financial statements in order to conform to the 2015 presentation. These reclassifications had no impact on net assets or changes in net assets.

# Community Foundation Sonoma County

## Notes to Consolidated Financial Statements

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q. Income Taxes

The Foundation is exempt from federal income tax on related income under Section 501(c)(3) of the Internal Revenue Code (the "Code") and has been classified as an organization which is not a private foundation as defined in Sections 509(a)(1) and 170(b)(i)(A)(vi) of the Code. In addition, the Foundation could be subject to tax on unrelated business income, if any, generated by its investments.

The Foundation follows the guidance of FASB ASC Topic 740 - Accounting for Uncertainty in Income Taxes. As of December 31, 2015, management evaluated the Foundation's tax positions and concluded that the Foundation had maintained its tax exempt status and had taken no uncertain tax positions that require adjustment to the financial statements.

r. Recently Adopted Accounting Pronouncements

In February 2016 the Financial Accounting Standards Board (FASB) issued amendments to ASU 2016-02. Among other things, in the amendments in ASU 2016-02, lessees will be required to recognize the following for all leases (with exception of short-term leases) at the commencement date: 1) A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and 2) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2019 (i.e., January 1, 2020 for a calendar year entity) and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. The Foundation is currently evaluating the impact of this guidance.

s. Subsequent Events

The Foundation evaluated subsequent events with respect to the consolidated financial statements for the year ended December 31, 2015 through June 8, 2016, the date the consolidated financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying consolidated financial statements nor have any subsequent events occurred, the nature of which would require disclosure, except as disclosed in Note 6.

# Community Foundation Sonoma County

## Notes to Consolidated Financial Statements

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### Note 3 - Contributions Receivable:

Contributions receivable consisted of the following at December 31, 2015:

Land and art receivable	\$ 6,185,811
Contributions receivable (net of discount of \$2,842,213)	4,872,175
Other receivables	167,782
	<hr/>
	\$ 11,225,268

The land and art receivable relates to a 70% interest in land and art installations, which will be given to the Oliver Ranch Foundation at a date no later than that of the death of the last trustee of the Oliver Family Living Trust (see Note 7).

In addition, the trustees of the Oliver Family Living Trust established an endowment at the Foundation to support the operations of Oliver Ranch Foundation. The amount of the endowment will vary over time with changes in the Consumer Price Index. The present value of the endowment pledge is \$4,872,175 net of a discount of \$2,842,213 at December 31, 2015.

The remaining balance of receivable of \$167,782 is expected to be collected in year 2016.

### Note 4 - Program Related Investments:

#### *Notes Receivable*

Notes receivable of \$1,982,886 is comprised of three loans to companies and organizations ranging from \$25,386 to \$1,857,500 at interest rates from .25% to 3.6% percent. The notes are due at various dates ranging between 2017 and 2025. Future collections are expected to be as follows:

2016	\$ 12,710
2017	270,662
2018	619,167
2019	619,167
2020	361,180
Thereafter	100,000
	<hr/>
	\$ 1,982,886

# Community Foundation Sonoma County

## Notes to Consolidated Financial Statements

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### Note 5 - Investments:

Investments consist of the following at December 31, 2015:

Cash and cash equivalents	\$ 4,103,464
Fixed income	37,417,635
Domestic and international equities	70,540,000
	<hr/>
	112,061,099
Certificates of deposit	2,554,099
Privately held stock (at cost)	368,500
	<hr/>
	\$ 114,983,698

The Foundation has four investment pools made available to donors for investment of gifted assets. Separate asset allocations are maintained for each investment pool as follows:

During 2015, the Foundation's Board of Directors elected to change its investment strategy; the target allocation below reflects the adopted investment policy. The Long-Term Pool is the largest investment pool and is for endowment and other long-term funds. The pool focuses on a long-term strategy designed to protect assets against inflation over time, while providing for a steady stream of grants. The target asset allocation, which is designed to provide diversification and reduce volatility is 85% in a core portfolio which includes five categories of stocks (55%) and three categories of bonds (30%), and 15% in satellite portfolio. The core of the portfolio consists of investments that track major market indices with minimal tracking error (defined as the standard deviation of excess return). Additional positions, known as satellites, are added to the portfolio that allow for greater flexibility regarding tracking error and portfolio allocations to the core portfolio. Overall, the pool is allocated 67% to stocks and 33% to bonds. The pool had a fair market value of approximately \$79.4 million at December 31, 2015.

The Socially Responsible Long-Term Investment Pool is for endowment and other long-term funds whose donors prefer socially responsible investments. It is comprised of mutual funds that meet a variety of social screens, both positive and exclusionary. This pool employs a strategic asset allocation of 70% stocks and 30% fixed income and cash. The pool had a fair market value of approximately \$18.7 million at December 31, 2015.

The Intermediate Term Investment Pool is intended for funds with an expected duration of 2 to 5 years and is available only for expendable (non-endowment) funds. The pool is constructed to have less volatility than the long-term pool, but with higher returns than the short-term pool. The target asset allocation is 85% in a core portfolio which includes stocks (21.25%), bonds (63.75%), and 15% in satellite portfolio. Additional positions, known as satellites, are added to the portfolio that allow for greater flexibility regarding tracking error and portfolio allocations to the core portfolio. Overall, the pool was allocated 25% to stocks and 75% to bonds and cash. The pool had a fair market value of approximately \$7.6 million at December 31, 2015.

# Community Foundation Sonoma County

## Notes to Consolidated Financial Statements

The Short-Term Investment Pool is best suited for an expendable fund that will be granting out a significant portion of its money in the short term. This pool invests in money market funds and certificates of deposit. The pool had a fair market value of approximately \$4.5 million at December 31, 2015.

**Note 6 - Fair Value Measurement:**

The table below presents the balances of assets measured at fair value on a recurring basis at December 31, 2015:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Cash and cash equivalents</b>	\$ 4,103,464	\$ 4,103,464		
<b>Fixed income:</b>				
US government agency	1,956,423	1,956,423		
US corporate notes and bonds	3,425,655		\$ 3,425,655	
Mutual funds:				
Core fixed income	19,501,693	19,501,693		
Multi-sector fixed income	12,341,819	12,341,819		
Opportunistic fixed income	192,045	192,045		
<b>Domestic and international equities:</b>				
Equities:				
Consumer	5,256,781	1,017,525		\$ 4,239,256
Energy & utilities	549,882	549,882		
Financials	672,983	672,983		
Health care	803,357	803,357		
Industrials	362,541	362,541		
Information technology	820,345	820,345		
Materials	140,708	140,708		
Services	545,874	545,874		
Mutual Funds:				
Domestic funds	29,980,545	29,980,545		
International and global funds	28,449,640	28,449,640		
Emerging markets funds	2,957,344	2,957,344		
Subtotal	112,061,099	104,396,188	3,425,655	4,239,256
<b>Charitable trust assets:</b>				
Charitable lead trusts	5,328,614		5,328,614	
Charitable remainder trusts	138,555		138,555	
Beneficial interest in trusts	1,323,055		1,323,055	
Pooled income investments	228,543		228,543	
Subtotal	7,018,767	-	7,018,767	-
Total	\$ 119,079,866	\$ 104,396,188	\$ 10,444,422	\$ 4,239,256

# Community Foundation Sonoma County

## Notes to Consolidated Financial Statements

Assets associated with charitable trust assets and assets held in trust consist primarily of cash equivalents, equities, fixed income, alternative investments, and various mutual funds.

Certificates of deposit are not subject to fair value measurements as they do not meet the definition of an equity security.

The investment classified as Level 3 of \$4,239,256 consists of restricted stock contributed to the Foundation in 2015. The fair value of the stock was determined at the time of a merger and the price per share offered to shareholders was outlined in the merger agreement. A third party performed an analysis and provided an opinion on the fairness of that offer by means of selective company's analysis, illustrative discounted cash flow analysis and selective transaction analysis. As of December 31, 2015 there were no changes to the value of the stock. Liquidation of the shares were completed subsequent to year end for \$4,239,256.

### Note 7 - Property and Equipment:

Property and equipment consist of the following at December 31, 2015:

Buildings	\$ 5,148,097
Land	5,260,578
Furniture and equipment	510,688
Computers and software	195,403
Leasehold improvements	26,489
	<u>11,141,255</u>
Less: accumulated depreciation	<u>(2,341,957)</u>
Total property and equipment, net	<u>\$ 8,799,298</u>

Depreciation expense was \$162,291 for the year ended December 31, 2015.

The Oliver Ranch Foundation acquired an undivided 30% interest in real estate located in Geyserville, California which includes art installations substantially affixed to the land. The value of the interest is \$4,657,250 according to an appraisal completed at the gift date. The remaining 70% interest is owned by the Oliver Family Living Trust and will be gifted to the Foundation over time (see Note 3).

# Community Foundation Sonoma County

## Notes to Consolidated Financial Statements

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### Note 8 - Temporarily Restricted Net Assets:

Temporarily restricted net assets at December 31, 2015 consist of the following:

Endowment - unappropriated earnings	\$ 6,114,173
Charitable lead trusts	5,328,614
Charitable remainder trusts and irrevocable planned gifts	5,861,894
Present value of pooled income funds	214,310
Other	43,877
	<hr/>
	\$ 17,562,869

Net assets were released from donor restriction for the year ended December 31, 2015 by expiration of time restriction or by the occurrence of other events specified by donors:

Endowment - appropriated earnings	\$ 4,784,547
Charitable remainder trusts	242,687
Charitable lead trusts	1,202,729
Other	327,201
	<hr/>
	\$ 6,557,164

### Note 9 - Permanently Restricted Net Assets:

Permanently restricted net assets consist of the following at December 31, 2015:

Endowment investments	\$ 68,255,153
Endowment contributions receivable	4,872,175
Land receivable	6,185,811
Land required to be held in perpetuity	4,676,751
	<hr/>
	\$ 83,989,889

# Community Foundation Sonoma County

## Notes to Consolidated Financial Statements

### Note 10 - Endowments:

Endowments include contributions which are permanently restricted by donors (permanently restricted net assets) and endowments which have been board designated. The changes in invested endowment net assets for the year ended December 31, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2014	\$ (120,885)	\$ 11,489,038	\$ 64,205,746	\$ 75,573,899
Reclassification (Note 15)		(1,136,685)		(1,136,685)
<hr/>				
Endowment Net Assets after reclassification	(120,885)	10,352,353	64,205,746	74,437,214
<hr/>				
Investment return:				
Net realized and unrealized gains	(62,447)	(2,395,430)		(2,457,877)
Interest and dividends	28,209	1,691,569		1,719,778
Investment and support fees	(6,954)	(1,115,828)		(1,122,782)
<hr/>				
Total investment return	(41,192)	(1,819,689)	-	(1,860,881)
<hr/>				
Contributions	203,304	(7,389)	4,426,328	4,622,243
Conversion of trust receivable		54,938	60,000	114,938
Appropriated and expended	(66,891)	(3,723,657)	(436,922)	(4,227,470)
Transfer for underwater funds	(1,257,618)	1,257,618		-
<hr/>				
Change in endowment net assets	(1,162,397)	(4,238,179)	4,049,406	(1,351,170)
<hr/>				
Endowment Net Assets, December 31, 2015	\$ (1,283,282)	\$ 6,114,174	\$ 68,255,153	\$ 73,086,044

Not included in the roll-forward above are non-investment endowment net assets, which increased by \$104,437 from \$4,767,738. (See Note 9).

In 2013, the Foundation's board of directors adopted a policy for unrestricted gifts. The policy designates a portion for current operations and the remainder to certain designated endowments whose income will be used for community grants and Foundation operations.

# Community Foundation Sonoma County

## Notes to Consolidated Financial Statements

Endowment net assets composition by type as of December 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowments	\$ (2,312,941)	\$ 6,114,174	\$ 68,255,152	\$ 72,056,385
Board-designated endowments	1,029,659			1,029,659
Endowment net assets, December 31, 2015	\$ (1,283,282)	\$ 6,114,174	\$ 68,255,152	\$ 73,086,044

Donor restricted endowments are comprised of over 150 individual funds. The Foundation honors the intent expressed by the donor at the time of the gift. Approximately half of the net assets are from donors who entrusted the Foundation to determine the best use of endowment income to benefit the community, typically in broad areas of interest such as health and human services, education, environment, arts, and scholarships. Most of the balance is from donors who named specific nonprofit organizations as beneficiaries. Board-designated endowments are comprised primarily of an operating reserve fund.

### Note 11 - Employee Benefit Plan:

The Foundation maintains a 403(b) retirement plan covering all employees working 24 hours or more per week who have completed at least one year of service. The Foundation funds the plan at a flat, discretionary percentage determined each year, and employees can provide additional contributions to the plan. Plan benefits are provided through annuity contracts and/or custodial accounts. For the year ended December 31, 2015, employer contributions to the plan were \$76,872.

### Note 12 - Commitments:

The Foundation entered into a lease agreement for its administrative office; in addition, the Foundation also maintains a lease agreement for its copier. Future aggregate lease payments are as follows:

# Community Foundation Sonoma County

## Notes to Consolidated Financial Statements

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Minimum future rental payments on this lease subsequent to December 31, 2015 are as follows:

Fiscal Year Ending December 31	
2016	\$ 119,000
2017	122,500
2018	126,000
2019	129,600
2020	120,200
	<hr/>
	\$ 617,300

Total rent expense was \$89,631 for the year ended December 31, 2015.

### **Note 13 - Concentrations of Credit Risk:**

Financial instruments potentially subjecting the Foundation to concentrations of credit risk consist primarily of bank demand deposits in excess of Federal Deposit Insurance Corporation insurance thresholds, cash held in money market accounts in excess of the amounts insured by the U.S. Treasury insurance for money market funds, and various debt and equity investments in excess of Securities Investor Protection Corporation insurance. Demand deposits are placed with a local financial institution, and Management has not experienced any loss related to these demand deposits in the past. Investment securities are exposed to various risks, such as interest rate, market and credit risk. It is at least reasonably possible, given the level of risk associated with investment securities, that changes in the near term could materially affect the amount reported in the statements. The risk associated with the investments is reduced through diversification.

Contributions are received primarily from organizations and major individual contributors. The Foundation received contributions from two contributors that approximated 44% of the Foundation's total contributions for 2015.

### **Note 14 - Related Party Transaction:**

The Foundation granted approximately \$561,000 to the Pepperwood Foundation, a non-consolidating supporting organization to the Foundation (see Note 1) in 2015.

The Foundation has and may continue to have Board of Directors and Committee members who are employed by corporations that provide services to the Foundation. The Foundation has a conflict of interest policy which covers relationships with Directors, Committee members and staff.

# Community Foundation Sonoma County

## Notes to Consolidated Financial Statements

During 2015, the Foundation entered into a new lease agreement for its administrative office. At the time the lease was executed a member of the board of directors had a financial interest in the company that manages the property for the landlord. This director reached the term limit for board service in June 2015 and no longer held a position as a director at December 31, 2015.

### Note 15 - Reclassification of Net Assets:

In 2015 the Foundation had reclassifications of net assets to correct the balance of an endowment fund and to account for endowment underwater funds. In addition, the Foundation relinquished assets of three funds to be managed by other institutions. Two of the funds were permanently restricted funds.

Disaggregated reclassification of net assets at December 31, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Reclassification of net assets	\$ 1,136,685	\$ (1,136,685)		\$ -
Relinquished endowment funds	(633,194)		\$ (436,922)	(1,070,116)
Transfer for underwater funds	(1,257,618)	1,257,618		-
<b>Net reclassification of net assets</b>	<b>\$ (754,127)</b>	<b>\$ 120,933</b>	<b>\$ (436,922)</b>	<b>\$ (1,070,116)</b>

# Community Foundation Sonoma County

## Consolidating Statement of Financial Position (See Independent Auditors' Report)

December 31, 2015

	Community Foundation Sonoma County	Oliver Ranch Foundation	DeMeo Teen Club, Inc.	Sonoma Paradiso	Eliminating Entries	Consolidated Balance
<b>Assets</b>						
Cash and cash equivalents	\$ 3,521,751	\$ 1,269	\$ 323,620	\$ 1,829		\$ 3,848,469
Contributions receivable, net	5,007,439	6,185,811	1,022,018		\$ (990,000)	11,225,268
Note Receivable	1,982,886					1,982,886
Investments	114,983,698					114,983,698
Charitable trust assets	7,018,767					7,018,767
Property and equipment, net	105,649	4,676,750	4,016,899			8,799,298
Other assets	108,286		14,057			122,343
<b>Total assets</b>	<b>\$ 132,728,476</b>	<b>\$ 10,863,830</b>	<b>\$ 5,376,594</b>	<b>\$ 1,829</b>	<b>\$ (990,000)</b>	<b>\$ 147,980,729</b>
<b>Liabilities and Net Assets</b>						
<b>Liabilities:</b>						
Accounts payable and accrued expense	\$ 62,036		\$ 41,486			\$ 103,522
Grants payable	1,134,000				\$ (990,000)	144,000
Agency funds	13,147,934					13,147,934
Liabilities to beneficiaries	137,951					137,951
<b>Total liabilities</b>	<b>14,481,921</b>	<b>-</b>	<b>41,486</b>	<b>-</b>	<b>(990,000)</b>	<b>13,533,407</b>
<b>Net Assets:</b>						
Unrestricted:						
Designated for donor advised funds	19,838,748					19,838,748
Designated for specific fields of interest	7,534,924					7,534,924
Board designated reserves - endowment	1,029,659					1,029,659
Undesignated	(812,793)	\$ 1,269	5,300,928	\$ 1,829		4,491,233
<b>Total unrestricted</b>	<b>27,590,538</b>	<b>1,269</b>	<b>5,300,928</b>	<b>1,829</b>	<b>-</b>	<b>32,894,564</b>
Temporarily restricted	17,528,689		34,180			17,562,869
Permanently restricted	73,127,328	10,862,561				83,989,889
<b>Total net assets</b>	<b>118,246,555</b>	<b>10,863,830</b>	<b>5,335,108</b>	<b>1,829</b>	<b>-</b>	<b>134,447,322</b>
<b>Total liabilities and net assets</b>	<b>\$ 132,728,476</b>	<b>\$ 10,863,830</b>	<b>\$ 5,376,594</b>	<b>\$ 1,829</b>	<b>\$ (990,000)</b>	<b>\$ 147,980,729</b>

See accompanying notes to financial statements.

# Community Foundation Sonoma County

## Consolidating Statement of Activities (See Independent Auditors' Report)

December 31, 2015

	Community Foundation Sonoma County	Oliver Ranch Foundation	DeMeo Teen Club, Inc.	Sonoma Paradiso	Eliminating Entries	Consolidated Balance
<b>Change in Unrestricted Net Assets:</b>						
Support and revenue:						
Contributions and grants	\$ 7,909,854	\$ 981,846	\$ 1,743,248	\$ 168,000	\$ (1,507,705)	\$ 9,295,243
Realized and unrealized losses on investments	(1,015,218)					(1,015,218)
Interest and dividends	617,525		127			617,652
Management fees earned, net	167,361				(30,000)	137,361
Other income	54,084	2,045	89,707			145,836
Net assets released from restrictions	6,594,113		60,709			6,654,822
<b>Total unrestricted support and revenue</b>	<b>14,327,719</b>	<b>983,891</b>	<b>1,893,791</b>	<b>168,000</b>	<b>(1,537,705)</b>	<b>15,835,696</b>
<b>Expenses:</b>						
Program services	11,878,702	210,776	843,961	152,003	(22,705)	13,062,737
Supporting services	1,250,917	17,790	265,393	22,276	(30,000)	1,526,376
<b>Total expenses</b>	<b>13,129,619</b>	<b>228,566</b>	<b>1,109,354</b>	<b>174,279</b>	<b>(52,705)</b>	<b>14,589,113</b>
Change in unrestricted net assets before reclassification	1,198,100	755,325	784,437	(6,279)	(1,485,000)	1,246,583
Reclassification of net assets	(754,127)					(754,127)
<b>Change in unrestricted net assets</b>	<b>443,973</b>	<b>755,325</b>	<b>784,437</b>	<b>(6,279)</b>	<b>(1,485,000)</b>	<b>492,456</b>
<b>Change in Temporarily Restricted Net Assets:</b>						
Contributions and grants	(7,389)		71,100			63,711
Change in value of split-interest agreements	151,989					151,989
Realized and unrealized loss on investments	(2,647,064)					(2,647,064)
Interest and dividends	1,816,055					1,816,055
<b>Total temporarily restricted support and revenue</b>	<b>(686,409)</b>		<b>71,100</b>			<b>(615,309)</b>
Net assets released from restrictions	(6,496,455)		(60,709)			(6,557,164)
Change in temporarily restricted net assets before reclassification	(7,182,864)		10,391			(7,172,473)
Reclassification of net assets	120,933					120,933
<b>Change in temporarily restricted net assets</b>	<b>(7,061,931)</b>	<b>-</b>	<b>10,391</b>	<b>-</b>	<b>-</b>	<b>(7,051,540)</b>
<b>Change in Permanently Restricted Net Assets:</b>						
Contributions and grants	5,437,987					5,437,987
Net assets released from restrictions	(97,658)					(97,658)
Change in permanently restricted net assets before reclassification	5,340,329	-	-	-	-	5,340,329
Reclassification of Net Assets	(436,922)					(436,922)
<b>Change in permanently restricted net assets</b>	<b>4,903,407</b>					<b>4,903,407</b>
<b>Change in Net Assets</b>	<b>(1,714,551)</b>	<b>755,325</b>	<b>794,828</b>	<b>(6,279)</b>	<b>(1,485,000)</b>	<b>(1,655,677)</b>
<b>Net Assets, beginning of year</b>	<b>119,961,106</b>	<b>10,108,505</b>	<b>4,540,280</b>	<b>8,108</b>	<b>1,485,000</b>	<b>136,102,999</b>
<b>Net Assets, end of year</b>	<b>\$ 118,246,555</b>	<b>\$ 10,863,830</b>	<b>\$ 5,335,108</b>	<b>\$ 1,829</b>	<b>\$ -</b>	<b>\$ 134,447,322</b>

See accompanying notes to financial statements.