Community Foundation of the Napa Valley and Subsidiary

Consolidated Financial Statements
With Supplementary Information

June 30, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Community Foundation of the Napa Valley
Napa, California

We have audited the accompanying consolidated financial statements of Community Foundation of the Napa Valley and Subsidiary (the "Foundation"), which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from 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 entity'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 entity'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.

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 financial position of Community Foundation of the Napa Valley and Subsidiary as of June 30, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidated schedules of operating expenses on pages 22 and 23 are presented for purposes of additional analysis and are 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 applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated 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.

ARMANINO LLP
Armanino LLP
San Ramon, California

October 23, 2014

COMMUNITY FOUNDATION OF THE NAPA VALLEY AND SUBSIDIARY

Consolidated Statements of Financial Position

June 30, 2014 and 2013

ASSETS

	2014	2013
Cash and cash equivalents	$ 408,112	$ 457,448
Investments	16,967,599	17,573,459
Contributions receivable	414,791	134,306
Beneficial interest in split-interest agreements	61,512	92,083
Other assets	6,301	14,129
Notes receivable	60,000	90,586
Property and equipment, net	2,092,331	2,066,094
Total assets	$ 20,010,646	$ 20,428,105

LIABILITIES AND NET ASSETS

	2014	2013
Liabilities		
Accounts payable and accrued expenses	$ 34,718	$ 60,898
Grants payable	260,391	334,372
Funds held as agent	2,341,365	3,732,511
Total liabilities	2,636,474	4,127,781
Net assets		
Unrestricted	8,925,723	8,405,859
Temporarily restricted	2,417,613	1,892,210
Permanently restricted	6,030,836	6,002,255
Total net assets	17,374,172	16,300,324
Total liabilities and net assets	$ 20,010,646	$ 20,428,105

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

COMMUNITY FOUNDATION OF THE NAPA VALLEY AND SUBSIDIARY

Consolidated Statement of Activities

For the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support				
Contribution revenue	$ 1,819,870	$ 598,488	$ 28,581	$ 2,446,939
Interest and dividend income	188,132	136,209	-	324,341
Realized and unrealized investment gain, net	658,617	438,046	-	1,096,663
Rental income	242,944	-	-	242,944
Change in value of split-interest agreement	-	(30,570)	-	(30,570)
Administrative fee income	40,445	-	-	40,445
Net assets released from restrictions	616,770	(616,770)	-	-
Total revenue and support	3,566,778	525,403	28,581	4,120,762
Expenses				
Grants	2,051,195	-	-	2,051,195
Other program expenses	549,250	-	-	549,250
Management and general	289,523	-	-	289,523
Fundraising	156,946	-	-	156,946
Total expenses	3,046,914	-	-	3,046,914
Change in net assets	519,864	525,403	28,581	1,073,848
Net assets, beginning of the year	8,405,859	1,892,210	6,002,255	16,300,324
Net assets, end of the year	$ 8,925,723	$ 2,417,613	$ 6,030,836	$ 17,374,172

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

COMMUNITY FOUNDATION OF THE NAPA VALLEY AND SUBSIDIARY
Consolidated Statement of Activities
For the Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support				
Contribution revenue	$ 1,303,598	$ 664,841	$ 236,516	$ 2,204,955
Interest and dividend income	201,226	137,306	-	338,532
Realized and unrealized investment gains, net	398,379	126,376	-	524,755
Rental income	243,912	-	-	243,912
Change in value of split-interest agreement	-	(32,143)	-	(32,143)
Administrative fee income	42,839	-	-	42,839
Net assets released from restrictions	679,568	(609,720)	(69,848)	-
Total revenue and support	2,869,522	286,660	166,668	3,322,850
Expenses				
Grants	2,313,434	-	-	2,313,434
Other program expenses	534,908	-	-	534,908
Management and general	304,091	-	-	304,091
Fundraising	183,780	-	-	183,780
Total expenses	3,336,213	-	-	3,336,213
Change in net assets	(466,691)	286,660	166,668	(13,363)
Net assets, beginning of the year	8,872,550	1,605,550	5,835,587	16,313,687
Net assets, end of the year	$ 8,405,859	$ 1,892,210	$ 6,002,255	$ 16,300,324

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

COMMUNITY FOUNDATION OF THE NAPA VALLEY AND SUBSIDIARY

Consolidated Statements of Cash Flows

For the Years Ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Change in net assets	$ 1,073,848	$ (13,363)
Adjustments to reconcile change net assets to net cash used in operating activities		
Depreciation	68,294	64,745
Net realized and unrealized gains on investments	(1,096,663)	(524,755)
Contributions restricted for long term purposes	-	(1,705,893)
Non-cash contribution - charitable remainder trust	-	(57,767)
Change in value of split-interest agreement	30,570	32,143
Changes in operating assets and liabilities		
Contributions receivable	(280,485)	1,451,930
Funds held as agent	(1,391,146)	40,023
Other assets	7,829	-
Accounts payable and accrued expenses	(26,180)	23,318
Grants payable	(73,981)	(329,698)
Net cash used in operating activities	(1,687,914)	(1,019,317)
Cash flows from investing activities		
Purchase of investments	(3,772,118)	(6,498,723)
Payments received on notes receivable	30,586	162,147
Proceeds from sales of investments	5,474,641	5,422,022
Purchase of property and equipment	(94,531)	-
Net cash provided by (used in) investing activities	1,638,578	(914,554)
Cash flows from financing activities		
Contributions restricted for endowment	-	1,705,893
Net decrease in cash and cash equivalents	(49,336)	(227,978)
Cash and cash equivalents, beginning of the year	457,448	685,426
Cash and cash equivalents, end of the year	$ 408,112	$ 457,448

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

1. Organization

The Community Foundation of the Napa Valley (the Foundation), DBA Napa Valley Community Foundation, is a nonprofit corporation organized in 1994 under the laws of the State of California. The mission of the Foundation is to mobilize resources, promote philanthropy and provide leadership on vital community issues in Napa County. The Foundation aims to multiply the impact of individual givers, pooling resources and investing in charitable projects that make a difference to the Napa Valley Community. It does this by managing charitable funds established by donors during their lifetimes (e.g., donor advised funds, field of interest funds) and through their estate plans. Since 1994, the Foundation has served as a bridge between philanthropic families and hard-working nonprofit agencies, bringing people, ideas and resources together to enhance the quality of life in the Napa Valley community.

During 2004, the Foundation created a supporting organization named CFNV Charitable Real Estate Fund (CREF), a charitable nonprofit corporation. This entity holds title to one property: a 14,000 square foot office building located at 3299 Claremont Way in Napa, the offices of the Foundation. The consolidated financial statements include the accounts of the Foundation and CREF since the Foundation has both an economic interest in CREF and control of the same entity through a majority voting interest in the governing board. All material intercompany transactions have been eliminated.

2. Summary of Significant Accounting Policies

Basis of presentation

The Foundation prepares its consolidated financial statements using the accrual basis of accounting. The Foundation presents its activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets

Unrestricted net assets include unrestricted contributions and unrestricted income earned on funds. The investment earnings on donor endowment funds are available for current operations and distributions once appropriated for expenditure by the Foundation.

In accordance with Accounting Standards Codification 958-605, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others,* a contribution must be classified as unrestricted net assets if the governing body of an organization has the unilateral power to redirect the use of a donor's contribution to another beneficiary. The Bylaws of the Foundation include a variance power provision giving the Board of Directors of the Foundation this ability. The Board of Directors may only exercise variance power and modify the restrictions or conditions on a distribution from a component fund if the restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs designated. Accordingly, the Foundation's consolidated financial statements classify the majority of funds as unrestricted net assets.

2. Summary of Significant Accounting Policies (continued)

Basis of presentation (continued)

Temporarily restricted net assets

Temporarily restricted net assets represent resources restricted by donors for specific expenditures. These restrictions may expire with time or may be satisfied by actions of the Foundation according to the intention of the donor. Temporarily restricted net assets may include the portion of donor restricted endowment funds that are not classified as permanently restricted, until such funds are appropriated for expenditure by the Foundation.

Permanently restricted net assets

Permanently restricted net assets represent contributions of cash and other assets restricted by donors with stipulations that the corpus of the donation may never be expended.

Use of estimates

The preparation of financial statements in conformity with Accounting Principles Generally Accepted in the United States of America ("GAAP") require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could be different from those estimates.

Cash and cash equivalents

Cash and cash equivalents includes all cash balances and highly liquid investments with original maturities of three months or less at acquisition which are not managed as part of long-term investment strategies and are not legally restricted. The Foundation strives to place its cash with high quality credit institutions. Periodically, such investments may be in excess of federally insured limits.

Investments

Investments are reported at their fair values in the consolidated statements of financial position. Investment earnings or losses are included as increases or decreases in unrestricted or temporarily restricted net assets in the consolidated statements of activities. Investments received by gift are recorded at the fair value at the date of donation.

2. Summary of Significant Accounting Policies (continued)

Investments (continued)

The Foundation invests in various investment securities including equity securities, corporate bonds, government bonds and various mutual funds. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time of donation.

Irrevocable split-interest agreements for the benefit of the Foundation are recognized as contributions when the Foundation is notified by the donor or their estate. Contributions to be received after one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using the risk-free rates adjusted for potential credit risk applicable in the years in which those promises are received. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is established based upon management's judgment including such factors as prior collection history, aging statistics of contributions, and the nature of the receivable. At June 30, 2014 and 2013 management has determined that no allowance for uncollectible contributions was required.

Property and equipment

Property and equipment are stated at cost, or if donated, at the estimated fair value on the date of donation. The Foundation capitalizes all equipment valued at $2,500 or greater. Depreciation is computed using the straight-line method over estimated useful lives of the assets ranging from five to forty years.

2. Summary of Significant Accounting Policies (continued)

Grants payable

Grants are made from available funds in accordance with the designation of donors, in the case of donor-advised funds, or by a rigorous competitive process in which the Foundation's professional staff invite, screen and make recommendations on applications from potential grantee organizations under the oversight of the Board of Directors in the case of discretionary funds. After a thorough review and due diligence process to determine whether grants will be approved or denied, approved grants are recorded on the payment date or on the date of approval by the Board of Directors depending upon the amount of the grant. Grants that will be paid in future years are recorded at the present value of their committed payments. The discount of these amounts is computed using the market interest rate applicable at the time the grant was authorized.

Income taxes

The Foundation is a tax-exempt Foundation under Section 501(c) (3) of the Internal Revenue Code. The Foundation is also exempt from state income taxes under provisions of the California Revenue and Taxation code. Accordingly, the consolidated financial statements contain no provision for income taxes.

The Foundation evaluates its tax positions taken or expected to be taken to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the "more-likely-than-not" threshold are recorded as an expense in the applicable year. As of June 30, 2014, the Foundation does not have any significant uncertain tax positions for which a reserve would be necessary.

Funds Held as Agent

The Foundation receives and distributes assets under certain agency and intermediary arrangements. Accounting Standards Codification 958-605, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*, establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor. It is required that if a not-for-profit organization establishes a fund at a community foundation with its own funds and specifies itself or its affiliate as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The funds held as agent liability has been recorded at the fair value of the assets held on behalf of the donor.

Functional expense allocation

The costs of providing for various programs and other activities have been summarized on a functional basis in the statements of activities. Indirect or shared costs are allocated to the programs and supporting services by a method that measures the estimated benefit provided.

2. Summary of Significant Accounting Policies (continued)

Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Foundation determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

Unobservable inputs reflect the Foundation's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Foundation's own data.

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

(a) Investments (Level 1). Securities traded on security exchanges are valued at closing market prices, or net asset value for mutual funds, on the date of business closest to June 30.

(b) Investments in bonds and Charitable lead unitrust (Level 2). Investments in government securities and corporate bonds are valued at fair value using valuations furnished by a pricing service. Fair value of the Foundations' interest in the charitable lead unitrust is based upon discounted expected future cash flows from the unitrust assets.

3. Contributions Receivable

In 2010, the Foundation was named as the recipient of a bequest in which it received 75% of the fair value of certain property located in Napa County, California. The property was sold in September 2011 and the Foundation received $600,000 and $432,000 from the property sales proceeds during 2012 and 2013, respectively. The estimated remaining receivable from the estate of $28,000 is expected to be received during the next fiscal year.

3. Contributions Receivable (continued)

In January 2012, the Foundation was named as the recipient of a bequest in which it received certain property located in St. Helena, California. The contribution receivable was recorded at the Foundation's expected net sales proceeds from the property of $1,100,000 at June 30, 2012. The property was sold in September 2012 and the Foundation received $1,240,000 from the property sales proceeds in January 2013. An estimated remaining receivable from the estate of $62,500 is expected to be received during the next fiscal year.

Contributions receivable at June 30, 2014 consisted of the following:

Receivable in less than one year	$329,789
Receivable in one to five years	85,002
Total contributions receivable	$414,791

4. Investments

The following is a summary of investments, at fair value, by major type at June 30, 2014 and 2013:

	2014	2013
Equities	$ -	$ 628,514
Money market funds	1,458,709	2,344,839
Mutual funds	15,256,024	13,745,946
Certificates of deposit	252,867	252,329
Bonds and other fixed income	-	107,738
Alternative investments	-	494,093
	$16,967,599	$17,573,459

A summary of investment income (loss) for the years ended June 30, 2014 and 2013 is as follows:

	2014	2013
Interest and dividends	$ 324,341	$338,532
Unrealized gains (losses)	968,347	429,236
Realized gains	128,316	95,519
	$1,421,004	$863,287

The Foundation incurred investment management and custodial fees in the amounts of $50,580 and $45,925 for the years ended June 30, 2014 and 2013, respectively, which are included in other program expenses.

5. Beneficial Interest in Split-Interest Agreement

The Foundation is a beneficiary of a charitable lead unitrust, for which Morgan Stanley is the trustee. The assets of the trust are invested and administered by the trustee and distributions are made to the beneficiaries during the term of the agreement. The unitrust was established on October 10, 1996, and requires annual payments to the Foundation equal to 2.33% of the net fair value of trust assets valued on the last business day of each trust taxable year for a 10 year period beginning December 31, 2004. Upon termination of the unitrust, the trust assets will be distributed to the trustors' beneficiaries as identified in the trust agreement. The fair value of trust assets was $1,470,707 as of June 30, 2013. The net present value of the Foundation's interest in this charitable lead unitrust as of June 30, 2013 was $34,317. During the current year the final payment was received under the terms of the trust agreement.

The Foundation is a beneficiary of a charitable remainder trust that was established in January 2013. As the Foundation is not named as the trustee, the trust's assets are recognized at their fair values, net of the present value of an estimated investment return and the expected payments to the beneficiaries. The net present value of investment returns and expected payments to beneficiaries are calculated annually using the applicable market rate (4% at June 30, 2014), and the Internal Revenue Code's mortality table. Changes in the estimated investment value during the term of the agreement are reported on the statement of activities. Upon the death of the donor, the Foundation will receive all of the principal and income of the trust, to be used for the general charitable purposes of the Foundation. The estimated net present value of the charitable remainder trust was $61,512 at June 30, 2014.

6. Notes Receivable

The Foundation held one note receivable as of June 30, 2014. The Board of Directors approved an incentive compensation plan for the President during 2005. This plan was in the form of a zero interest, ten-year loan or note receivable for the express purpose of purchasing a home in Napa County, a requirement of his position. The note was to be forgiven over ten years at a rate of $20,000 per year, provided the President continues to serve the Foundation in his current position. On May 25, 2011, the Foundation amended the promissory note to extend the maturity date to May 25, 2023 and reduce the annual amount to be forgiven to $6,667 per year.

The total amount of this incentive plan is $200,000 and the related note receivable balance was $60,000 and $66,666 as of June 30, 2014 and 2013, respectively. Imputed earned interest on this loan has been recorded as interest income and as compensation for the President in the amount of $1,109 and $666 for the years ended June 30, 2014 and 2013, respectively. The interest rates used for the imputed interest were 1.75% and .95% for the years ended June 30, 2014 and 2013, respectively.

6. Notes Receivable (continued)

The Foundation held a note receivable from a qualifying charitable organization dated May 28, 2009 with an original loan amount of $574,081 and a remaining balance of $23,920 as of June 30, 2013. The note was paid in full as of June 30, 2014.

As of June 30, 2014, notes receivable are expected to be collected as follows:

Year Ending June 30,	
2015	$ 6,667
2016	6,667
2017	6,667
2018	6,667
2019	6,667
Thereafter	26,665
Total	$60,000

7. Property and Equipment

Property and equipment consisted of the following as of June 30, 2014 and 2013:

	2014	2013
Land	$ 952,054	$ 952,054
Building and improvements	1,696,709	1,609,416
Equipment and software	45,618	45,618
Construction in progress	7,237	-
	2,701,618	2,607,088
Less accumulated depreciation	(609,287)	(540,994)
	$2,092,331	$2,066,094

Depreciation expense was $68,294, and $64,745 for the years ended June 30, 2014 and 2013, respectively.

8. Grants Payable

As of June 30, 2014, grants payable were scheduled to be disbursed as follows. The total has been discounted based on an expected market discount rate of 6%.

Year Ending June 30,	
2015	$134,100
2016	115,000
2017	10,000
2018	10,000
	269,100
Less discount on multi-year grants payable	(8,709)
	$260,391

9. Funds Held as Agent

As of June 30, 2014 and 2013, the Foundation maintained a total of $2,341,365 and $3,732,511 for other nonprofit organizations in which the organizations transferred assets to the Foundation and named themselves as beneficiaries. These balances are reported as liabilities under Funds Held as Agent as of June 30, 2014 and 2013, respectively.

10. Concentrations

The majority of the Foundation's contributions are derived from local individuals, families, organizations, and foundations. Contributions received from a single donor which are 10% or greater of total contributions for the year require disclosure. For the year ending June 30, 2014, contributions from two donors comprised 21% of total contribution revenue. For the year ending June 30, 2013, contributions from six donors comprised 65% of total contribution revenue.

Contributions receivable from a single donor which are 10% or greater of the total contributions receivable balance at year-end require disclosure. As of June 30, 2014, 48% of the contributions receivable balance was due from three donors. As of June 30, 2013, the contributions receivable balance was comprised primarily of receivables from two donors.

11. Temporarily Restricted Net Assets

Amounts of $2,417,613 and $1,892,210 in temporarily restricted net assets were held by the Foundation at June 30, 2014 and 2013, respectively. The CREF building and improvements, as well as other donor-restricted net assets are restricted as to purpose, and the beneficial interest in the split interest agreement is restricted as to time. The CREF building and improvements are restricted to office space for the Foundation, and to the rental of offices to other nonprofit organizations; these net assets will be released from restrictions based on future depreciation expense recognition. Other purpose restricted funds will be released from restriction when qualified expenses are incurred.

11. Temporarily Restricted Net Assets (continued)

Temporarily restricted net assets consist of the following as of June 30:

	2014	2013
CREF building and building improvements		
Net of accumulated depreciation of $568,808	$1,187,192	$1,158,928
Unappropriated endowment earnings	679,809	331,111
Other purpose restricted funds	489,100	310,088
Beneficial interest in split-interest agreements	61,512	92,083
Total temporarily restricted net assets	$2,417,613	$1,892,210

12. Permanently Restricted Net Assets

Permanently restricted net assets represent contributions of cash and other assets in funds restricted by donors with stipulations that the corpus of the donation never be expended. The CREF land is restricted for office space to the Foundation and for rental to other nonprofit organizations with a specific purpose and is to be held in perpetuity.

Permanently restricted net assets are comprised of the following at June 30:

	2014	2013
Donor restricted endowment funds	$5,130,836	$5,102,255
CREF - Land	900,000	900,000
Total permanently restricted net assets	$6,030,836	$6,002,255

13. Commitments and Contingencies

Leases

The Foundation leases office equipment under an operating lease which expires in 2017 with monthly lease payments of $230. As of June 30, 2014, the future minimum lease obligations are as follows:

Year Ending June 30,	
2015	$2,754
2016	2,754
2017	2,066
Total	$7,574

14. Fair Value Disclosures

The following are the major categories of assets measured at fair value on a recurring basis during the year ended June 30, 2014, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

Investments	Level 1	Level 2	Level 3	Total June 30, 2014
Money Market Funds	$ 1,458,709	$ -	$ -	$ 1,458,709
Mutual Funds				
Bond Funds	7,401,659	-	-	7,401,659
Equity Funds	7,854,366	-	-	7,854,366
Certificates of deposits	252,866	-	-	252,866
Total investments measured at fair value	$16,967,599	$ -	$ -	$16,967,599
Beneficial interest in split-interest agreements	$ -	$61,512	$ -	$ -

The following are the major categories of assets measured at fair value on a recurring basis during the year ended June 30, 2013:

Investments	Level 1	Level 2	Level 3	Total June 30, 2013
Money Market Funds	$ 2,344,839	$ -	$ -	$ 2,344,839
Mutual Funds				
Bond Funds	7,878,300	-	-	7,878,300
Equity Funds	5,867,646	-	-	5,867,646
Equities				
Common stock	628,514	-	-	628,514
Fixed income				
Bonds	-	107,738	-	107,738
Certificates of deposits	252,329	-	-	252,329
Alternative investments				
Emerging markets ETF	494,093	-	-	494,093
Total investments measured at fair value	$17,465,721	$107,738	$ -	$17,573,459
Beneficial interest in split-interest agreements	$ -	$ 92,083	$ -	$ 92,083

15. Endowment Disclosures

The Foundation's endowment consists of 12 endowment funds permanently restricted by donors. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. There were no unrestricted board-designated endowment funds as of June 30, 2014 and 2013.

Interpretation of relevant law

The Board of Directors of the Foundation has interpreted the California enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the Foundation to appropriate for expenditure or accumulate so much of an endowment fund as the Foundation determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Directors. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed in UPMIFA.

In accordance with UPMIFA, the Board of Directors considers the following factors in making a determination to appropriate or accumulate endowment funds:

(1) The duration and preservation of the endowment fund,
(2) The purpose of the Foundation and the endowment fund,
(3) General economic conditions,
(4) The possible effect of inflation or deflation,
(5) The expected total return from income and the appreciation of investments,
(6) Other resources of the Foundation,
(7) The investment policy of the Foundation

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. A total of $20,722 in endowment fund deficiencies was reported in unrestricted net assets as of June 30, 2013. There were no endowment fund deficiencies reported in unrestricted net assets as of June 30, 2014.

15. Endowment Disclosures (continued)

Return objectives and risk parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the corpus of endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity unless released by donors. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the average yield results of a blend of diversified equity and bond index funds while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of at least six percent annually. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity income investments to achieve its long-term return objectives within prudent risk constraints.

Investment and spending policies

The Foundation has a policy of appropriating for distribution each year as temporarily restricted net assets the net investment earnings of permanently restricted endowment funds. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to retain the historical cost value of all permanent donor-restricted contributions. Real growth in the endowment is expected to occur through new permanently restricted gifts in the future.

Endowment net asset composition included only permanently restricted net assets with balances of $6,030,836 and $6,002,255 as of June 30, 2014 and 2013, respectively. There were no temporarily restricted or unrestricted Board-designated endowment funds as of June 30, 2014 and 2013.

15. Endowment Disclosures (continued)

Investment and spending policies (continued)

Changes in endowment net assets for the year ended June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$(20,722)	$331,113	$6,002,255	$6,312,646
Investment return				
Investment income	-	136,208	-	136,208
Net appreciation (realized and unrealized)	20,722	417,324	-	438,046
Total investment return	-	553,532	-	574,254
Contributions	-	-	28,581	28,581
Reduction in corpus	-	-	-	-
Appropriation of endowment assets for expenditure	-	(204,836)	-	(204,836)
Endowment net assets, end of year	$ -	$679,809	$6,030,836	$6,710,645

Changes in endowment net assets for the year ended June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (3,354)	$226,755	$5,835,587	$6,058,988
Investment return				
Investment income	-	135,764	-	135,764
Net appreciation (realized and unrealized)	(17,368)	126,166	-	108,798
Total investment return	(17,368)	261,930	-	244,562
Contributions	-	-	236,516	236,516
Reduction in corpus	-	-	(69,848)	(69,848)
Appropriation of endowment assets for expenditure	-	(157,574)	-	(157,574)
Endowment net assets, end of year	$(20,722)	$331,111	$6,002,255	$6,312,644

16. Subsequent Events

Grant Agreement - Napa Valley Vintners Healthy Community Fund

On September 15, 2014, the Foundation entered into a grant agreement with Napa Valley Vintners Healthy Community Fund ("NVV") to provide assistance to residents, nonprofits and local businesses with needs resulting from the Napa earthquake on August 24, 2014. The total grant amount is $10,000,000 and is the lead gift for the Foundation's Napa Valley Community Disaster Relief Fund. The Fund will support: immediate recovery needs such as temporary housing and the replacement of essential household items; rebuilding efforts that help eligible homeowners return to their homes or continue to live in them safely; and longer-term efforts aimed at building more resiliency in the community for future disasters.

The Foundation has received $3,000,000 in funding from this grant, and has provided grants to qualified recipients of $1,930,000 as of the date of this report.

The Foundation has evaluated subsequent events through October 23, 2014, the date the financial statements were available to be issued. No subsequent events have occurred, other than the event disclosed above, that would have a material impact on the presentation of the Foundation's financial statements.

SUPPLEMENTARY INFORMATION

COMMUNITY FOUNDATION OF THE NAPA VALLEY AND SUBSIDIARY
Consolidated Schedule of Operating Expenses
For the Year Ended June 30, 2014

	Program	Management and General	Fundraising	Total
Staffing				
Salaries	$ 260,406	$ 186,052	$ 86,550	$ 533,009
Payroll taxes	18,436	13,172	6,127	37,735
Employee benefits	18,828	9,269	6,856	34,953
Retirement plan contributions	6,785	5,425	2,418	14,627
Workers compensation	2,040	1,457	678	4,175
Staff training and recruitment	1,865	2,379	-	4,244
	308,359	217,754	102,630	628,743
Administration expenses				
Depreciation	67,811	308	177	68,297
Investment management fees	50,580	-	-	50,580
Events and meetings	7,450	8,740	30,985	47,175
Legal services	-	444	2,350	2,794
Accounting services	-	37,117	-	37,117
Office expenses	6,597	4,629	2,662	13,888
Repairs and maintenance	24,182	-	-	24,182
Utilities	21,150	-	-	21,150
Landscaping	1,884	-	-	1,884
Computer and web support	16,232	11,391	6,550	34,173
Liability insurance	7,443	939	540	8,922
Dues and subscriptions	4,617	3,240	1,863	9,719
Telephone	4,365	3,063	1,761	9,189
Consulting services	24,415	-	-	24,415
Travel	1,003	855	68	1,926
Marketing and communications	-	-	6,761	6,761
Property taxes	1,392	-	-	1,392
Postage and shipping	506	355	204	1,066
In-kind expense	979	687	395	2,061
Other fund expenses	285	-	-	285
	240,891	71,769	54,316	366,976
	$ 549,250	$ 289,523	$ 156,946	$ 995,719

COMMUNITY FOUNDATION OF THE NAPA VALLEY AND SUBSIDIARY
Consolidated Schedule of Operating Expenses
For the Year Ended June 30, 2013

	Program	Management and General	Fundraising	Total
Staffing				
Salaries	$ 244,800	$ 195,287	$ 100,101	$ 540,188
Payroll taxes	17,746	14,157	7,256	39,159
Employee benefits	18,516	10,614	10,643	39,773
Retirement plan contributions	7,310	5,804	2,869	15,983
Workers compensation	2,755	2,198	1,126	6,079
Staff training and recruitment	4,333	2,379	-	6,712
	295,460	230,439	121,995	647,894
Administration expenses				
Depreciation	64,241	328	176	64,745
Investment management fees	45,925	-	-	45,925
Meetings and events	13,238	5,210	22,945	41,393
Legal services	-	444	4,392	4,836
Accounting services	-	36,862	-	36,862
Office expenses	5,234	4,168	2,230	11,632
Maintenance and repair	18,419	-	-	18,419
Utilities	19,200	-	-	19,200
Landscaping	6,398	-	-	6,398
Computer and web support	22,575	17,976	9,615	50,166
Insurance	7,172	956	511	8,639
Dues and subscriptions	4,400	3,504	1,874	9,778
Telephone and communications	4,281	3,409	1,823	9,513
Consulting services	24,886	-	-	24,886
Travel	1,387	-	444	1,831
Marketing	-	-	17,350	17,350
Property taxes	1,014	-	-	1,014
Postage and shipping	999	795	425	2,219
Other fund expenses	79	-	-	79
	239,448	73,652	61,785	374,885
	$ 534,908	$ 304,091	$ 183,780	$ 1,022,779