COMMUNITY FOUNDATION OF THE NAPA VALLEY AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

ARMANINO MCKENNA LLP
Certified Public Accountants & Consultants

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statements of financial position of the Community Foundation of the Napa Valley and Subsidiary ("Foundation") as of June 30, 2012 and 2011 and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Foundation's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

Our audits were 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 20 and 21 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 audit 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 McKenna LLP
ARMANINO McKENNA LLP

October 16, 2012

COMMUNITY FOUNDATION OF THE NAPA VALLEY AND SUBSIDIARY
Consolidated Statements of Financial Position
June 30, 2012 and 2011

ASSETS

	2012	2011
Cash and cash equivalents	$ 685,426	$ 877,379
Investments	15,972,003	16,768,601
Contributions and accounts receivable	1,600,365	1,152,092
Beneficial interest in split-interest agreement	66,459	102,735
Notes receivable	252,733	402,920
Property and equipment, net	2,130,839	2,197,916
Total assets	$ 20,707,825	$ 21,501,643

LIABILITIES AND NET ASSETS

	2012	2011
Liabilities		
Accounts payable and accrued expenses	$ 37,580	$ 64,317
Grants payable	664,070	366,074
Funds held as agent	3,692,488	3,846,980
Total liabilities	4,394,138	4,277,371
Net assets		
Unrestricted	8,872,550	10,700,227
Temporarily restricted	1,605,550	1,858,809
Permanently restricted	5,835,587	4,665,236
Total net assets	16,313,687	17,224,272
Total liabilities and net assets	$ 20,707,825	$ 21,501,643

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, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support				
Contribution revenue	$ 1,256,990	$ 30,000	$ 1,182,451	$ 2,469,441
Interest and dividend income	230,677	99,314	-	329,991
Realized and unrealized investment losses, net	(168,007)	(37,881)	-	(205,888)
Rental income	231,432	-	-	231,432
Change in value of split-interest agreement	-	(36,276)	-	(36,276)
Administrative fee income	42,154	-	-	42,154
Net assets released from restrictions	320,516	(308,416)	(12,100)	-
Total revenue and support	1,913,762	(253,259)	1,170,351	2,830,854
Expenses				
Grants	2,744,193	-	-	2,744,193
Other program expenses	600,727	-	-	600,727
Management and general	258,801	-	-	258,801
Fundraising	137,718	-	-	137,718
Total expenses	3,741,439	-	-	3,741,439
Change in net assets	(1,827,677)	(253,259)	1,170,351	(910,585)
Net assets, beginning of the year	10,700,227	1,858,809	4,665,236	17,224,272
Net assets, end of the year	$ 8,872,550	$ 1,605,550	$ 5,835,587	$ 16,313,687

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, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support				
Contribution revenue	$ 3,616,893	$ 5,632	$ 1,061,436	$ 4,683,961
Interest and dividend income	221,288	115,532	-	336,820
Realized and unrealized investment gains, net	783,712	247,588	-	1,031,300
Rental income	219,324	-	-	219,324
Change in value of split-interest agreement	-	(28,549)	-	(28,549)
Administrative fee income	51,999	-	-	51,999
Net assets released from restrictions	580,635	(580,635)	-	-
Total revenue and support	5,473,851	(240,432)	1,061,436	6,294,855
Expenses				
Grants	1,856,974	-	-	1,856,974
Other program expenses	522,733	-	-	522,733
Management and general	268,001	-	-	268,001
Fundraising	182,108	-	-	182,108
Total expenses	2,829,815	-	-	2,829,815
Change in net assets	2,644,036	(240,432)	1,061,436	3,465,040
Net assets, beginning of the year	8,056,191	2,099,241	3,603,800	13,759,232
Net assets, end of the year	$ 10,700,227	$ 1,858,809	$ 4,665,236	$ 17,224,272

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, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Change in net assets	$ (910,585)	$ 3,465,040
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	66,951	67,652
Net realized and unrealized losses (gains) on investments	205,888	(1,031,300)
Contributions restricted for long term purposes	(70,351)	(36,436)
Change in split-interest agreements	36,276	28,549
Changes in operating assets and liabilities		
Contributions receivable	(448,273)	(954,789)
Funds held as agent	(154,492)	315,795
Accounts payable and accrued expenses	(26,737)	15,277
Grants payable	297,996	(80,771)
Net cash provided by (used in) operating activities	(1,003,327)	1,789,017
Cash flows from investing activities		
Purchase of investments	(4,026,857)	(7,949,918)
Payments received on notes receivable	150,187	163,521
Proceeds from sales of investments	4,617,567	4,794,838
Proceeds from sale of residential property	-	77,214
Purchase of property and equipment	-	(12,849)
Adjustment to prior year equipment purchase	126	-
Net cash provided by (used in) investing activities	741,023	(2,927,194)
Cash flows from financing activities		
Contributions restricted for endowment	70,351	36,436
Net decrease in cash and cash equivalents	(191,953)	(1,101,741)
Cash and cash equivalents, beginning of the year	877,379	1,979,120
Cash and cash equivalents, end of the year	$ 685,426	$ 877,379

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. A residential property that was held by CREF was sold during the year ending June 30, 2011. 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.

2. Summary of Significant Accounting Policies (continued)

Basis of presentation (continued)

Unrestricted net assets (continued)

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.

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.

2. Summary of Significant Accounting Policies (continued)

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.

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. 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, 2012 and 2011 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, 2012, 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 from the property sales proceeds. The estimated remaining receivable from the estate of $460,000 is expected to be received during 2012.

In January 2012, the Foundation was named as the recipient of a bequest in which it will receive the fair value of certain property located in St. Helena, California. The contribution receivable has been recorded at the Foundation's expected net sales proceeds from the property of $1,100,000. See Footnote 16 - Subsequent Events.

3. Contributions Receivable (continued)

All contributions receivable as of June 30, 2012 are expected to be fully collected within the following year.

4. Investments

The following is a summary of investments, at fair value, by major type at June 30, 2012 and 2011:

	2012	2011
Equities	$ 531,378	$ 912,771
Money market funds	2,827,181	2,139,767
Mutual funds	11,362,927	12,945,530
Certificates of deposit	251,592	390,797
Bonds and other fixed income	212,588	275,393
Alternative investments	786,337	104,343
	$15,972,003	$16,768,601

A summary of investment income (loss) for the years ended June 30, 2012 and 2011 is as follows:

	2012	2011
Interest and dividends	$ 329,991	$ 336,820
Unrealized gains (losses)	(262,691)	998,685
Realized gains	56,803	32,615
	$ 124,103	$1,368,120

The Foundation incurred investment management and custodial fees in the amounts of $49,342 and $41,099 for the years ended June 30, 2012 and 2011, 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 $1,457,841 and $1,519,957 as of June 30, 2012 and 2011, respectively. Based on a discount rate of 2.36%, the net present value of the Foundation's interest in this charitable lead unitrust as of June 30, 2012 and 2011 was $66,459 and $102,735, respectively.

6. Notes Receivable

The Foundation held two notes receivable as of June 30, 2012. 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 $73,333 and $80,000 as of June 30, 2012 and 2011, respectively. Imputed earned interest on this loan has been recorded as interest income and as compensation for the President in the amount of $1,027 and $1,893 for the years ended June 30, 2012 and 2011, respectively. The interest rates used for the imputed interest were 1.34% and 2.10% for the years ended June 30, 2012 and 2011, respectively.

The Foundation holds 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 $179,400 and $322,920 as of June 30, 2012 and 2011, respectively. The note bears no interest, and is payable in monthly payments of $11,960 over a 48-month period. Upon issuance of the note receivable, the Foundation recognized grant expense, and an associated payable, which represents the net present value of imputed interest to be forgiven on this note receivable. Imputed interest on this note was derived using an estimated market interest rate of 4.5%. The grant payable is being amortized over the life of the loan; $11,033 and $17,492 in interest income from this note receivable has been recorded as of June 30, 2012 and 2011, respectively.

As of June 30, 2012, notes receivable are expected to be collected as follows:

Year Ending June 30,	
2013	$150,187
2014	42,545
2015	6,667
2016	6,667
2017	6,667
Thereafter	40,000
Total	$252,733

7. Property and Equipment

Property and equipment consisted of the following as of June 30, 2012 and 2011:

	2012	2011
Land	$ 952,054	$ 952,054
Building and improvements	1,609,416	1,609,416
Equipment and software	73,499	73,625
	2,634,969	2,635,095
Less accumulated depreciation	(504,130)	(437,179)
	$2,130,839	$2,197,916

Depreciation expense was $66,951 and $67,652 for the years ended June 30, 2012 and 2011, respectively.

8. Grants Payable

As of June 30, 2012, grants payable were scheduled to be disbursed as follows. The total has been discounted based on an expected market discount rate of 4%.

Year Ending June 30,	
2013	$384,417
2014	102,960
2015	100,000
2016	100,000
	687,377
Less discount on multi-year grants payable	(23,307)
	$664,070

9. Funds Held as Agent

As of June 30, 2012 and 2011, the Foundation maintained a total of $3,692,488 and $3,846,980 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, 2012 and 2011, respectively.

10. Concentrations

The majority of the Foundation's contributions are derived from local individuals, families, organizations, and foundations. As of June 30, 2012 and 2011, contributions from three donors comprised 73% and 75% of total contribution revenue, respectively.

As of June 30, 2012 and 2011, the contributions receivable balance was comprised primarily of receivables from two donors.

11. Temporarily Restricted Net Assets

Amounts of $1,605,550 and $1,858,809 in temporarily restricted net assets were held by the Foundation at June 30, 2012 and 2011, 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.

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

	2012	2011
CREF building and building improvements		
Net of accumulated depreciation of $437,617	$1,222,750	$1,289,830
Unappropriated endowment earnings	226,755	268,150
Other purpose restricted funds	89,586	198,094
Beneficial interest in split-interest agreement	66,459	102,735
Total temporarily restricted net assets	$1,605,550	$1,858,809

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:

	2012	2011
Donor restricted endowment funds	$4,935,587	$3,765,236
CREF - Land	900,000	900,000
Total permanently restricted net assets	$5,835,587	$4,665,236

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, 2012, the future minimum lease obligations are as follows:

Year Ending June 30,	
2013	$ 2,754
2014	2,754
2015	2,754
2016	2,754
2017	2,066
Total	$13,082

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, 2012, 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, 2012
Money Market Funds	$ 2,827,181	$ -	$ -	$ 2,827,181
Mutual Funds				
Bond Funds	6,756,747	-	-	6,756,747
Equity Funds	4,606,180	-	-	4,606,180
Equities				
Common stock	531,378	-	-	531,378
Preferred stock	-	-	-	-
Fixed income				
Bonds	-	212,588	-	212,588
Certificates of deposits	251,592	-	-	251,592
Alternative investments				
Emerging markets ETF	677,891	-	-	677,891
European ETF	108,446	-	-	108,446
Total investments measured at fair value	$15,759,415	$212,588	$ -	$15,972,003
Charitable lead unitrust	$ -	$ 66,459	$ -	$ 66,459

14. Fair Value Disclosures (continued)

The following are the major categories of assets measured at fair value on a recurring basis during the year ended June 30, 2011:

Investments	Level 1	Level 2	Level 3	Total June 30, 2011
Money Market Funds	$ 2,139,767	$ -	$ -	$ 2,139,767
Mutual Funds				
Bond Funds	7,484,061	-	-	7,484,061
Equity Funds	5,461,469	-	-	5,461,469
Equities				
Common stock	912,027	-	-	912,027
Preferred stock	744	-	-	744
Fixed income				
Bonds	-	275,393	-	275,393
Certificates of deposits	390,797	-	-	390,797
Alternative investments				
Hedge Fund	-	99,659	-	99,659
Gold/Silver Trusts	-	4,684	-	4,684
Total investments measured at fair value	$16,388,865	$379,736	$ -	$16,768,601
Charitable lead unitrust	$ -	$102,735	$ -	$ 102,735

15. Endowment Disclosures

The Foundation's endowment consists of 16 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, 2012 and 2011.

15. Endowment Disclosures (continued)

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 $3,354 and $9,492 in endowment fund deficiencies were reported in unrestricted net assets as of June 30, 2012 and 2011, respectively.

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.

15. Endowment Disclosures (continued)

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 $5,835,587 and $4,665,236 as of June 30, 2012 and 2011, respectively. There were no temporarily restricted or unrestricted Board-designated endowment funds as of June 30, 2012 and 2011.

Changes in endowment net assets for the year ended June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$(9,492)	$268,150	$4,665,236	$4,923,894
Investment return				
Investment income	-	99,167	-	99,167
Net appreciation (realized and unrealized)	6,138	(37,794)	-	(31,656)
Total investment return	6,138	61,373	-	67,511
Contributions	-	-	1,182,451	1,182,451
Reduction in corpus	-	-	(12,100)	(12,100)
Appropriation of endowment assets for expenditure	-	(102,768)	-	(102,768)
Endowment net assets, end of year	$(3,354)	$226,755	$5,835,587	$6,058,988

15. Endowment Disclosures (continued)

Investment and spending policies (continued)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$(184,913)	$140,155	$3,603,800	$3,559,042
Investment return				
Investment income	-	115,534	-	115,534
Net appreciation (realized and unrealized)	175,421	72,151	-	247,572
Total investment return	175,421	187,685	-	363,106
Contributions	-	-	1,096,436	1,096,436
Reduction in corpus	-	-	(35,000)	(35,000)
Appropriation of endowment assets for expenditure	-	(59,690)	-	(59,690)
Endowment net assets, end of year	$ (9,492)	$268,150	$4,665,236	$4,923,894

16. Subsequent Events

The Foundation has evaluated subsequent events through October 16, 2012, the date the financial statements were available to be issued.

In January 2012, the Foundation was named as the recipient of a bequest in which it will receive the fair value of certain property located in St. Helena, California. In September 2012, the property was sold and expected net sales proceeds are approximately $1,100,000. See Footnote 3.

No subsequent events, other than the event described above, have occurred 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, 2012

	Program	Management and General	Fundraising	Total
Staffing				
Salaries	$ 255,355	$ 170,663	$ 78,679	$ 504,697
Employee benefits	20,433	8,348	6,550	35,331
Payroll taxes	18,364	12,273	5,658	36,295
Retirement plan contributions	7,410	5,006	2,320	14,736
Workers compensation	2,225	1,488	686	4,399
Staff training and recruitment	14,249	40	-	14,289
	318,036	197,818	93,893	609,747
Administration expenses				
Depreciation	66,409	308	234	66,951
Investment management fees	49,342	-	-	49,342
Meetings and events	13,827	6,641	24,642	45,110
Legal services	24,420	-	698	25,118
Accounting services	-	33,666	-	33,666
Office expenses	7,114	5,546	4,220	16,880
Maintenance and repair	16,612	-	-	16,612
Utilities	19,178	-	-	19,178
Landscaping	2,080	-	-	2,080
Computer and web support	8,246	6,429	4,892	19,567
Insurance	7,920	812	618	9,350
Dues and subscriptions	3,748	2,922	2,223	8,893
Telephone and communications	3,300	2,573	1,958	7,831
Consulting services	55,745	-	-	55,745
Travel	1,954	1,588	424	3,966
Marketing	-	-	3,537	3,537
Property taxes	1,295	-	-	1,295
Postage and shipping	638	498	379	1,515
Other fund expenses	863	-	-	863
	282,691	60,983	43,825	387,499
	$ 600,727	$ 258,801	$ 137,718	$ 997,246

COMMUNITY FOUNDATION OF THE NAPA VALLEY AND SUBSIDIARY
Consolidated Schedule of Operating Expenses
For the Year Ended June 30, 2011

	Program	Management and General	Fundraising	Total
Staffing				
Salaries	$ 221,852	$ 171,927	$ 116,664	$ 510,443
Employee benefits	19,121	10,562	8,514	38,197
Payroll taxes	15,753	12,208	8,284	36,244
Retirement plan contributions	7,268	4,226	3,444	14,938
Workers compensation	2,588	2,005	1,361	5,954
Staff training and recruitment	3,825	906	275	5,006
	270,407	201,834	138,542	610,782
Administration expenses				
Depreciation	67,354	208	84	67,646
Investment management fees	41,099	-	-	41,099
Meetings and events	5,001	5,044	29,519	39,564
Legal services	33,853	1,722	2,565	38,140
Accounting services	-	32,552	-	32,552
Office expenses	15,204	10,468	4,237	29,909
Maintenance and repair	24,516	-	-	24,516
Utilities	18,837	-	-	18,837
Landscaping	17,952	-	-	17,952
Computer and web support	8,562	5,895	2,386	16,843
Insurance	8,680	847	343	9,870
Dues and subscriptions	3,853	2,653	1,074	7,580
Telephone and communications	3,675	2,531	1,024	7,230
Consulting services	-	2,800	-	2,800
Travel	1,083	921	499	2,503
Marketing	-	-	1,622	1,622
Property taxes	1,619	-	-	1,619
Postage and shipping	764	526	213	1,503
Other fund expenses	274	-	-	274
	252,326	66,167	43,566	362,059
	$ 522,733	$ 268,001	$ 182,108	$ 972,841