Community Foundation of the Napa Valley and Subsidiary

Consolidated Financial Statements

June 30, 2018 and 2017

armanino

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Foundation of the Napa Valley and Subsidiary
Napa, California

We have audited the accompanying consolidated financial statements of Community Foundation of the Napa Valley and Subsidiary (a California nonprofit corporation) (the "Foundation"), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the 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 (the "U.S."); 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 U.S. 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, 2018 and 2017, 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 U.S.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information on pages 22 - 23 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 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 U.S. 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 Francisco, California

December 6, 2018

Community Foundation of the Napa Valley and Subsidiary
Consolidated Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash and equivalents	$ 7,319,677	$ 571,001
Investments	28,140,781	20,875,232
Contributions receivable	417,200	328,200
Receivable from grantees	215,750	-
Other receivables	16,579	23,538
Beneficial interest in split-interest agreements	29,240	29,240
Notes receivable	33,331	39,998
Property and equipment, net	2,083,779	2,168,501
Total assets	$ 38,256,337	$ 24,035,710
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 110,205	$ 46,853
Grants payable, net	474,783	297,275
Funds held as agent	2,185,551	2,043,738
SBA loan payable	135,080	139,775
Total liabilities	2,905,619	2,527,641
Net assets		
Unrestricted	14,394,487	12,990,332
Temporarily restricted	14,584,878	2,146,384
Permanently restricted	6,371,353	6,371,353
Total net assets	35,350,718	21,508,069
Total liabilities and net assets	$ 38,256,337	$ 24,035,710

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, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support				
Contribution revenue	$ 6,372,459	$ 22,346,130	$ -	$ 28,718,589
Interest and dividend income	263,817	211,421	-	475,238
Realized and unrealized investment gains, net	229,768	292,033	-	521,801
Rental income	225,000	-	-	225,000
Administrative fee income	26,070	-	-	26,070
Net assets released from restrictions	10,411,090	(10,411,090)	-	-
Total revenue and support	17,528,204	12,438,494	-	29,966,698
Operating expenses				
Program services				
Grant expenses	14,523,008	-	-	14,523,008
Other program expenses	1,016,398	-	-	1,016,398
Total program services	15,539,406	-	-	15,539,406
Supporting services				
Management and general	440,669	-	-	440,669
Fundraising	143,974	-	-	143,974
Total supporting services	584,643	-	-	584,643
Total operating expenses	16,124,049	-	-	16,124,049
Change in net assets	1,404,155	12,438,494	-	13,842,649
Net assets, beginning of year	12,990,332	2,146,384	6,371,353	21,508,069
Net assets, end of year	$ 14,394,487	$ 14,584,878	$ 6,371,353	$ 35,350,718

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, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support				
Contribution revenue	$ 5,609,768	$ 499,500	$ 80,957	$ 6,190,225
Interest and dividend income	174,647	159,411	-	334,058
Realized and unrealized investment gains, net	486,782	498,685	-	985,467
Rental income	265,055	-	-	265,055
Administrative fee income	23,487	-	-	23,487
Net assets released from restrictions	2,274,272	(2,274,272)	-	-
Total revenue and support	8,834,011	(1,116,676)	80,957	7,798,292
Operating expenses				
Program services				
Grant expenses	2,830,008	-	-	2,830,008
Other program expenses	804,034	-	-	804,034
Total program services	3,634,042	-	-	3,634,042
Supporting services				
Management and general	321,956	-	-	321,956
Fundraising	248,722	-	-	248,722
Total supporting services	570,678	-	-	570,678
Total operating expenses	4,204,720	-	-	4,204,720
Change in net assets	4,629,291	(1,116,676)	80,957	3,593,572
Net assets, beginning of year	8,361,041	3,263,060	6,290,396	17,914,497
Net assets, end of year	$ 12,990,332	$ 2,146,384	$ 6,371,353	$ 21,508,069

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, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	$ 13,842,649	$ 3,593,572
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	84,722	84,267
Net realized and unrealized gains on investments	(521,801)	(985,467)
Contributions restricted for long-term purposes	-	(80,957)
Forgiveness of note receivable	6,667	6,667
Loss on disposal of assets	-	3,368
Changes in operating assets and liabilities		
Contributions receivable	(89,000)	(173,600)
Receivable from grantees	(215,750)	105,918
Other receivables	6,959	3,540
Accounts payable and accrued expenses	63,352	(6,318)
Grants payable, net	177,508	(7,300)
Funds held as agent	141,813	38,617
Net cash provided by operating activities	13,497,119	2,582,307
Cash flows from investing activities		
Purchase of investments	(18,131,413)	(7,094,403)
Proceeds from sales of investments	11,387,665	4,420,191
Purchase of property and equipment	-	(16,654)
Principal payments on loan payable	(4,695)	(4,540)
Net cash used in investing activities	(6,748,443)	(2,695,406)
Cash flows from financing activities		
Contributions restricted for endowment	-	80,957
Net cash provided by financing activities	-	80,957
Net increase (decrease) in cash and cash equivalents	6,748,676	(32,142)
Cash and cash equivalents, beginning of year	571,001	603,143
Cash and cash equivalents, end of year	$ 7,319,677	$ 571,001

Supplemental disclosure of cash flow information

Cash paid during the year interest	$ 3,634	$ 3,787

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

1. NATURE OF OPERATIONS

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. We look for charitable projects that make a lasting difference. We commit our resources to these projects, and inspire others to do so, as well. We believe there is strength in numbers—that by working together, we can help more people more quickly than any one donor acting alone. We multiply the impact of individual givers, pooling resources for the common good in our Community Impact Funds. We serve as a catalyst for positive change 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; leveraging grants from donor-directed Funds with Discretionary grants, or Community Impact Funds that focus on particular issues in the community; building the capacity of the nonprofit sector with technical assistance; and, community leadership work through our initiatives in areas like immigration, disaster relief, and housing. 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 for all who live in Napa County.

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.

The Napa Valley Disaster Relief Fund (Disaster Relief Fund) was originally established as a result of the Napa earthquake on August 24, 2014. The Disaster Relief Fund was re-activated during the year, as a result of the Napa Fire Complex that began on October 8, 2017. The Governor declared a state of emergency as a result of the fires in Napa County on October 9, 2017, and the federal government declared a major disaster on October, 10, 2017. The Disaster Relief Fund was activated on October 10, 2017, following that declaration. A total of $17,680,578 was received from donors to the Disaster Relief Fund during the Fiscal Year ending June 30, 2018. Of this amount, $2 million is what remained of a $10 million pledge made by Napa Valley Vintners after the 2014 South Napa Earthquake. This amount also includes donor interfund gifts of $463,059 which have been eliminated for financial statement purposes.

1. NATURE OF OPERATIONS (continued)

Grants totaling $5,829,409 were made during the year ending June 30, 2018 to qualified nonprofits to provide relief and recovery programs and financial assistance to eligible people who live or work in Napa County, and were affected by the Napa Fire Complex. Of the total grants made, $5,679,210 was distributed to external nonprofits, and $150,199 was granted to disaster relief programs for which the Foundation is the fiscal sponsor. Grant distribution amounts publicized by the Foundation on the one-year anniversary of the fires in October 2018 vary from the amounts detailed in this audit report because the Foundation's audited financials are for the year ending June 30, 2018 and do not include additional grant distributions made thereafter, which are included in the Foundation's one-year anniversary communications. The Foundation expects to distribute the remaining balance of the Disaster Relief Fund in the next two to four years, focusing on programs for: healing and rebuilding; economic recovery and the workforce; and future resiliency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement 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* - include unrestricted contributions and unrestricted income earned on funds.

  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* - 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* - represent net assets subject to donor-imposed restriction requiring that they be maintained permanently by the Foundation. See Note 12.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 average of the high and low price per share on the date of the gift.

The Foundation invests in various investment securities including equity securities, corporate bonds, government bonds and various mutual funds. The Foundation also invests in alternative investments. 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.

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:

- 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- Beneficial interest in split-interest agreements (Level 2). Fair value of the Foundations' interest in the charitable lead unitrust is based upon discounted expected future cash flows from the unitrust assets.

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 and improvements 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.

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.

Grants

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status

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, 2018, 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.

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.

3. CONTRIBUTIONS RECEIVABLE

At June 30, 2018, contributions receivable includes pledges of $167,200 along with an amount due of $250,000 from an estate bequest received by the Foundation in the current year. The bequest contribution was $2,050,000, of which $250,000 is being kept in a trust account until the trust tax returns are finalized, which may be up to three years.

Future collections of contributions receivable are expected as follows:

Year Ending June 30,	
2019	$ 162,200
2020	5,000
2021	250,000
	$ 417,200

The accompanying financial statements do not provide for an allowance for doubtful accounts or discount to present value as management believes the value reflected on the financial statements approximates net realizable value.

4. INVESTMENTS

Investments consist of the following:

	2018	2017
Money market	$ 12,330,578	$ 6,458,307
Mutual funds	6,521,960	6,164,079
Exchange traded funds	9,288,243	8,252,846
	$ 28,140,781	$ 20,875,232

Investment earnings (losses) during the year consist of the following:

	2018	2017
Interest and dividend income	$ 475,238	$ 334,058
Unrealized gains	555,065	980,333
Realized gains (losses)	(33,264)	5,134
	$ 997,039	$ 1,319,525

The Foundation incurred investment management and custodial fees in the amounts of $52,990 and $45,860 for the years ended June 30, 2018 and 2017, respectively, which are included in other program expenses.

5. FAIR VALUE DISCLOSURES

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Money market	$ 12,330,579	$ -	$ -	$ 12,330,579
Bond funds	4,293,585	-	-	4,293,585
Equity funds	2,228,375	-	-	2,228,375
Exchange traded funds	9,288,242	-	-	9,288,242
	$ 28,140,781	$ -	$ -	$ 28,140,781
Beneficial interest in split-interest agreements	$ -	$ 29,240	$ -	$ 29,240

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2017:

	Level 1	Level 2	Level 3	Total
Money market	$ 6,458,307	$ -	$ -	$ 6,458,307
Bond funds	3,869,256	-	-	3,869,256
Equity funds	2,294,823	-	-	2,294,823
Exchange traded funds	8,252,846	-	-	8,252,846
	$ 20,875,232	$ -	$ -	$ 20,875,232
Beneficial interest in split-interest agreements	$ -	$ 29,240	$ -	$ 29,240

6. NOTES RECEIVABLE

The Foundation held a note receivable from the Foundation's President as of June 30, 2018 and 2017. 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 $33,331 and $39,998 as of June 30, 2018 and 2017, respectively. Imputed earned interest on this loan has been recorded as interest income and as compensation for the President in the amount of $827 and $728 for the years ended June 30, 2018 and 2017, respectively. The interest rates used for the imputed interest were 2.26% and 1.68% for the years ended June 30, 2018 and 2017, respectively.

6. NOTES RECEIVABLE (continued)

Notes receivable are expected to be reduced through forgiveness and collections as follows:

Year Ending June 30,	
2019	$ 6,667
2020	6,667
2021	6,667
2022	6,667
2023	6,663
	$ 33,331

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2018	2017
Land and improvements	$ 1,054,309	$ 1,054,309
Buildings	1,878,192	1,878,192
Equipment and software	57,767	57,767
	2,990,268	2,990,268
Accumulated depreciation	(906,489)	(821,767)
	$ 2,083,779	$ 2,168,501

Depreciation expense was $84,722 and $84,267 for the years ended June 30, 2018 and 2017, respectively.

8. GRANTS PAYABLE

Future maturities of grants payable are as follows:

Year Ending June 30,	
2019	$ 425,151
2020	50,000
	475,151
Less discount on multi-year grants payable	(368)
	$ 474,783

The total has been discounted based on an expected market discount rate of 0.37%.

9. FUNDS HELD AS AGENT

As of June 30, 2018 and 2017, the Foundation maintained a total of $2,185,551 and $2,043,738, respectively, 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, 2018 and 2017, respectively.

10. NOTE PAYABLE

On March 20, 2015, CREF entered into an agreement with U.S. Small Business Administration ("SBA") for a loan with a maximum principal of $149,700. The loan bears interest at 2.62% per year, requires principal and interest payments of $694 beginning five months from the date of the note and is due in full on March 20, 2040. Collateral for the loan is CREF's office building in Napa, California. The Foundation made its first draw on the loan of $25,000 in August 2015, and made its second draw on the loan of $124,700 in November 2015. The loan balance was $135,080 and $139,775 at June 30, 2018 and 2017, respectively.

The future maturities of the note payable are as follows:

Year Ending June 30,		
2019	$	5,352
2020		5,475
2021		5,600
2022		5,728
2023		7,112
Thereafter		105,813
	$	135,080

11. TEMPORARILY RESTRICTED NET ASSETS

The CREF building and improvements, as well as other Foundation-restricted net assets are restricted as to time and 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.

See Note 1 for further discussion of the Disaster Relief Fund balance. 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:

	2018	2017
CREF building and building improvements, net of accumulated depreciation of $867,030 and $782,818 at June 30, 2018 and 2017, respectively	$ 1,179,627	$ 1,263,839
Unappropriated endowment earnings	584,477	438,109
Napa Valley Disaster Relief Fund	12,463,084	-
Other time and purpose restricted funds	328,450	415,196
Beneficial interest in split-interest agreements	29,240	29,240
	$ 14,584,878	$ 2,146,384

12. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets represent contributions of cash and other assets in funds subject to donor-imposed restriction that they be maintained permanently by the Foundation. 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 consist of the following:

	2018	2017
Donor restricted endowment funds	$ 5,471,353	$ 5,471,353
CREF - Land	900,000	900,000
	$ 6,371,353	$ 6,371,353

13. ENDOWMENT

The Foundation's endowment consists of 14 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, 2018 and 2017.

13. ENDOWMENT (continued)

Interpretation of relevant law

The Foundation's Board of Directors has interpreted the California enacted versions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the Foundation to appropriate for expenditure 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 by 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 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 Foundation

(7) The investment policies 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. There were no endowment funds with deficiencies reported in unrestricted net assets as of June 30, 2018 and 2017.

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.

13. ENDOWMENT (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-based investments to achieve its long-term return objectives within prudent risk constraints.

Endowment composition

Changes in endowment net assets for the fiscal year ended June 30, 2018 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, June 30, 2017	$ -	$ 438,109	$ 6,371,353	$ 6,809,462
Investment return				
Investment income	-	159,018	-	159,018
Net appreciation (realized and unrealized)	-	281,627	-	281,627
Total investment return	-	440,645	-	440,645
Appropriation of endowment assets for expenditure	-	(294,277)	-	(294,277)
Total net change	-	146,368	-	146,368
Balance, June 30, 2018	$ -	$ 584,477	$ 6,371,353	$ 6,955,830

13. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, June 30, 2016	$ (115,121)	$ 207,977	$ 6,290,396	$ 6,383,252
Investment return				
Investment income	-	153,640	-	153,640
Net appreciation (realized and unrealized)	115,121	372,700	-	487,821
Total investment return	115,121	526,340	-	641,461
Contributions	-	-	80,957	80,957
Appropriation of endowment assets for expenditure	-	(296,208)	-	(296,208)
Total net change	115,121	230,132	80,957	426,210
Balance, June 30, 2017	$ -	$ 438,109	$ 6,371,353	$ 6,809,462

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 $6,371,353 as of June 30, 2018 and 2017. There were no unrestricted Board-designated endowment funds as of June 30, 2018 and 2017.

14. 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, 2018, contributions from one donor comprised 17% of total contribution revenue. For the year ending June 30, 2017, contributions from two donors comprised 45% of total contribution revenue.

14. CONCENTRATIONS (continued)

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, 2018, 72% of the contributions receivable balance was due from two donors. As of June 30, 2017, 61% of the contributions receivable balance was due from four donors.

15. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through December 6, 2018, the date the financial statements were available to be issued.

In August 2017, the Foundation was notified that they were the beneficiary of an estate bequest, the proceeds of which will be used to establish a Legacy Fund in the donor's name. The income from the fund is to be used to support organizations that seek to improve or sustain small animal welfare in Napa, California. In July 2018, a Settlement Agreement and Mutual Release was entered into by the estate beneficiaries and the Foundation which allows for the final distribution of the estate assets. The fair value of the estate and the ultimate bequest to the Foundation is not estimable as of this report date.

No subsequent events have occurred, other than 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 Years Ended June 30, 2018 and 2017

	Program	Management and General	Fundraising	2018 Total
Staffing				
Salaries	$ 392,282	$ 310,268	$ 72,953	$ 775,503
Payroll taxes	28,514	22,553	5,303	56,370
Employee benefits	47,888	13,920	11,258	73,066
Retirement plan contributions	11,024	6,015	3,669	20,708
Worker's compensation	2,024	1,600	376	4,000
Staff training and recruitment	2,723	60	-	2,783
Total staffing	484,455	354,416	93,559	932,430
Administration expenses				
Depreciation	84,513	127	82	84,722
Investment management fees	52,990	-	-	52,990
Events and meetings	4,780	8,995	17,944	31,719
Legal services	54,802	-	-	54,802
Accounting services	-	43,270	-	43,270
Office expense	12,602	5,340	3,418	21,360
Strategic Plan	12,217	5,176	3,313	20,706
Repairs and maintenance	30,994	-	-	30,994
Utilities	23,094	-	-	23,094
Landscaping	5,976	-	-	5,976
Computer and web maintenance	34,935	14,803	9,474	59,212
Liability insurance	8,908	712	455	10,075
Dues and subscriptions	8,577	3,635	2,326	14,538
Telephone	8,948	3,791	2,427	15,166
Consulting	121,903	-	-	121,903
Travel	1,103	278	289	1,670
Marketing and communications	-	-	10,606	10,606
Property taxes	1,092	-	-	1,092
Postage and shipping	299	126	81	506
Interest expense	3,634	-	-	3,634
General program expenses	60,576	-	-	60,576
Total administration expenses	531,943	86,253	50,415	668,611
Total expenses	$ 1,016,398	$ 440,669	$ 143,974	$ 1,601,041

Community Foundation of the Napa Valley and Subsidiary
Consolidated Schedule of Operating Expenses
For the Years Ended June 30, 2018 and 2017

	Program	Management and General	Fundraising	2017 Total
Staffing				
Salaries	$ 355,756	$ 199,585	$ 143,416	$ 698,757
Payroll taxes	26,306	14,758	10,605	51,669
Employee benefits	39,204	14,129	11,543	64,876
Retirement plan contributions	9,563	5,388	4,130	19,081
Worker's compensation	2,445	1,372	986	4,803
Staff training and recruitment	3,185	60	-	3,245
Total staffing	436,459	235,292	170,680	842,431
Administration expenses				
Depreciation	84,034	152	81	84,267
Investment management fees	45,860	-	-	45,860
Events and meetings	7,167	7,843	21,290	36,300
Legal services	13,195	-	-	13,195
Accounting services	-	43,880	-	43,880
Office expense	15,566	7,646	4,096	27,308
Repairs and maintenance	23,472	-	-	23,472
Utilities	23,429	-	-	23,429
Landscaping	2,752	-	-	2,752
Computer and web maintenance	37,214	18,280	9,793	65,287
Liability insurance	8,031	780	418	9,229
Dues and subscriptions	6,926	3,402	1,823	12,151
Telephone	6,515	3,200	1,714	11,429
Consulting	80,850	-	-	80,850
Travel	2,056	368	643	3,067
Marketing and communications	-	-	37,588	37,588
Property taxes	1,223	-	-	1,223
Postage and shipping	347	170	91	608
Loss on disposal of assets	1,920	943	505	3,368
Interest expense	3,787	-	-	3,787
Other fund expenses	3,231	-	-	3,231
Total administration expenses	367,575	86,664	78,042	532,281
Total expenses	$ 804,034	$ 321,956	$ 248,722	$ 1,374,712

See accompanying independent auditor's report.