Community Foundation of the Napa Valley and Subsidiary

Consolidated Financial Statements

June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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, 2022 and 2021, 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.

Basis of Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Community Foundation of the Napa Valley and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Foundation of the Napa Valley's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Community Foundation of the Napa Valley's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Foundation of the Napa Valley's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Armanino LLP

ArmaninoLLP
San Francisco, California

December 6, 2022

Community Foundation of the Napa Valley and Subsidiary
Consolidated Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
ASSETS		
Cash and equivalents	$ 2,945,334	$ 2,359,519
Investments	56,757,534	49,463,167
Contributions receivable	4,185,410	3,058,464
Receivable from grantees	168,056	1,018,802
Notes receivable	200,000	-
Other receivables	24,482	19,161
Beneficial interest in split-interest agreements	29,240	29,240
Property and equipment, net	2,225,002	2,361,428
Property held for resale	1,200,000	-
Total assets	$ 67,735,058	$ 58,309,781
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 160,039	$ 199,369
Grants payable, net	327,650	410,866
Funds held as agent	3,597,701	2,446,838
Notes payable	122,514	122,155
Total liabilities	4,207,904	3,179,228
Net assets		
Without donor restrictions	28,877,784	17,478,355
With donor restrictions	34,649,370	37,652,198
Total net assets	63,527,154	55,130,553
Total liabilities and net assets	$ 67,735,058	$ 58,309,781

Community Foundation of the Napa Valley and Subsidiary
Consolidated Statement of Activities
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Contribution revenue	$ 17,995,757	$ 2,173,843	$ 20,169,600
Interest and dividend income	360,115	610,629	970,744
Realized and unrealized investment losses, net	(1,916,861)	(3,325,807)	(5,242,668)
Rental income	287,265	-	287,265
Administrative fee income	23,043	-	23,043
Net assets released from restriction	2,461,493	(2,461,493)	-
Total revenues, gains, and other support	19,210,812	(3,002,828)	16,207,984
Functional expenses			
Program	7,119,297	-	7,119,297
Support services			
Management and general	446,731	-	446,731
Fundraising	245,355	-	245,355
Total support services	692,086	-	692,086
Total functional expenses	7,811,383	-	7,811,383
Change in net assets	11,399,429	(3,002,828)	8,396,601
Net assets, beginning of year	17,478,355	37,652,198	55,130,553
Net assets, end of year	$ 28,877,784	$ 34,649,370	$ 63,527,154

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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Contribution revenue	$ 8,839,343	$ 6,901,453	$ 15,740,796
Government grants	172,500	928,400	1,100,900
Interest and dividend income	214,570	412,782	627,352
Realized and unrealized investment gains, net	1,689,701	5,051,925	6,741,626
Rental income	215,063	-	215,063
Administrative fee income	21,597	-	21,597
Net assets released from restriction	4,851,099	(4,851,099)	-
Total revenues, gains, and other support	16,003,873	8,443,461	24,447,334
Functional expenses			
Program	11,506,313	-	11,506,313
Support services			
Management and general	425,983	-	425,983
Fundraising	254,051	-	254,051
Total support services	680,034	-	680,034
Total functional expenses	12,186,347	-	12,186,347
Change in net assets	3,817,526	8,443,461	12,260,987
Net assets, beginning of year	13,660,829	29,208,737	42,869,566
Net assets, end of year	$ 17,478,355	$ 37,652,198	$ 55,130,553

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

Community Foundation of the Napa Valley and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program	Management and General	Fundraising	Total
Staffing				
Salaries	$ 571,813	$ 296,159	$ 148,653	$ 1,016,625
Payroll taxes	41,506	21,497	10,790	73,793
Employee benefits	55,602	27,881	16,221	99,704
Retirement plan contributions	26,354	12,915	7,306	46,575
Worker's compensation	1,794	930	467	3,191
Staff training and recruitment	450	745	450	1,645
Total staffing	697,519	360,127	183,887	1,241,533
Grant expenses	5,720,040	-	-	5,720,040
Depreciation	136,187	127	112	136,426
Events and meetings	2,443	6,795	10,550	19,788
Legal services	100,694	-	-	100,694
Accounting services	-	45,015	-	45,015
Office expense	18,546	6,754	5,944	31,244
Repairs and maintenance	73,099	-	-	73,099
Utilities	34,890	-	-	34,890
Landscaping	1,999	-	-	1,999
Computer and web maintenance	41,103	17,875	15,730	74,708
Liability insurance	8,986	810	713	10,509
Dues and subscriptions	12,990	5,397	4,749	23,136
Telephone	8,136	3,512	3,091	14,739
Consulting	239,650	-	-	239,650
Travel	50	191	-	241
Property management fees	11,267	-	-	11,267
Marketing and communications	1,736	-	20,465	22,201
Property taxes	7,247	-	-	7,247
Postage and shipping	274	128	114	516
Interest expense	2,441	-	-	2,441
	$ 7,119,297	$ 446,731	$ 245,355	$ 7,811,383

Community Foundation of the Napa Valley and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program	Management and General	Fundraising	Total
Staffing				
Salaries	$ 549,539	$ 281,775	$ 164,108	$ 995,422
Payroll taxes	41,147	21,097	12,288	74,532
Employee benefits	53,558	23,767	16,027	93,352
Retirement plan contributions	14,146	7,228	3,881	25,255
Worker's compensation	1,981	1,016	592	3,589
Staff training and recruitment	450	992	450	1,892
Total staffing	660,821	335,875	197,346	1,194,042
Grant expenses	10,318,682	-	-	10,318,682
Depreciation	116,551	127	112	116,790
Events and meetings	1,273	1,381	2,804	5,458
Legal services	91,279	-	-	91,279
Accounting services	-	42,680	-	42,680
Office expense	14,138	6,513	5,731	26,382
Repairs and maintenance	41,101	-	-	41,101
Utilities	21,296	-	-	21,296
Landscaping	1,782	-	-	1,782
Computer and web maintenance	36,468	16,077	14,147	66,692
Liability insurance	8,683	817	719	10,219
Dues and subscriptions	10,728	4,344	4,152	19,224
Telephone	7,754	3,342	2,941	14,037
Consulting	171,157	14,415	1,727	187,299
Travel	-	28	8	36
Marketing and communications	804	-	23,811	24,615
Property taxes	1,026	-	-	1,026
Postage and shipping	814	384	553	1,751
Interest expense	1,956	-	-	1,956
	$ 11,506,313	$ 425,983	$ 254,051	$ 12,186,347

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, 2022 and 2021

		2022		2021
Cash flows from operating activities				
Change in net assets	$	8,396,601	$	12,260,987
Adjustments to reconcile change in net assets to net cash provided by operating activities				
Depreciation		136,426		116,790
Realized and unrealized losses (gains) on investments		5,110,680		(6,844,090)
Contributed property		(1,200,000)		-
Forgiveness of PPP loan		-		(168,400)
Changes in operating assets and liabilities				
Contributions receivable		(1,126,946)		(292,266)
Receivable from grantees		850,746		(1,018,802)
Other receivables		(5,320)		4,327
Accounts payable and accrued expenses		(39,330)		107,746
Grants payable		(83,216)		75,930
Funds held as agent		1,150,863		388,092
Net cash provided by operating activities		13,190,504		4,630,314
Cash flows from investing activities				
Purchases of investments		(19,447,854)		(18,004,993)
Proceeds from sales of investments		7,042,807		12,953,799
Issuance of notes receivable		(200,000)		-
Principal payments on loan payable		358		(3,596)
Net cash used in investing activities		(12,604,689)		(5,054,790)
Net increase (decrease) in cash		585,815		(424,476)
Cash and cash equivalents, beginning of year		2,359,519		2,783,995
Cash and cash equivalents, end of year	$	2,945,334	$	2,359,519

Supplemental disclosure of cash flow information

Cash paid during the year for interest	$	2,441	$	1,956

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. The Foundation looks for charitable projects that make a lasting difference. The Foundation commits their resources to these projects, and inspire others to do so as well. The Foundation believes there is strength in numbers—that by working together, they can help more people more quickly than any one donor acting alone. It multiplies the impact of individual givers, pooling resources for the common good in their Community Impact Funds. The Foundation serves 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 their 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 a 14,000 square foot office building located at 3299 Claremont Way in Napa, the offices of the Foundation. During the year ended June 30, 2022, CREF received a donation of land and a building located in Calistoga, CA.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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.

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 two classes of net assets: without donor restrictions and with donor restrictions.

- *Net assets without donor restrictions* - include contributions and income earned on net assets that are not subject to donor restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (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 net assets without donor restrictions 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 net assets without donor restrictions.

- *Net assets with donor restrictions* - represents net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that may expire with time or may be satisfied by actions of the Foundation according to the intention of the donor. Donor-imposed restrictions that are temporary in nature may include the portion of donor restricted funds that are not permanent in nature, until such funds are appropriated by the Foundation. Other donor-imposed restrictions require that the funds be maintained in perpetuity by the Foundation. See Note 11.

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 net assets with donor restrictions and net assets without donor restrictions 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.

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:

- Investments *(Level 1)* - Securities traded on security exchanges are valued at closing market prices, U.S. Treasury Bills at the end of day published market price and net asset value for mutual funds and money market accounts, on the date of business closest to June 30.
- Beneficial interest in split-interest agreements *(Level 2)* - Fair value of the Foundation's interest in the charitable lead unitrust is based upon discounted expected future cash flows from the unitrust assets.

Management has adopted, as a practical expedient, to measure the fair value of investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company, on the basis of the net asset value ("NAV") per share of the investment (or its equivalent) if the NAV of the investment (or its equivalent) is calculated in a manner consistent with the measurement principles of accounting for investment companies as of the entity's measurement date. The relevant guidance also requires disclosure by major category of investment about the attributes of investments. Management has elected to adopt the practical expedient for its investments in limited partnerships.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Minor repairs and maintenance are charged to expense as incurred. Depreciation is computed using the straight-line method over estimated useful lives of the assets ranging from five to forty years.

Long-lived assets

The Foundation reviews the carrying value of long-lived assets for impairment whenever events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where the expected future cash flows are less than the carrying value, an impairment loss is recognized equal to the to an amount by which the carrying value exceeds the fair value of the assets. There was no impairment loss recognized for the years ended June 30, 2022 or 2021.

Contributions

Unconditional promises to give cash and other assets to the Foundation are reported at fair value at the date the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the barrier has been overcome and a right of release/ right of return no longer exists. Conditional promises to give are recognized at fair value when the conditions are met. Contributions are reported as donor restricted if the donor limits the use of the donated assets. When the donor restriction ends or purpose restriction is accomplished, net assets are reclassified to net assets without donor restrictions.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Receivable from grantees

The Foundation has recorded a receivable for grants paid that were in excess of amounts ultimately needed by the grantees. These amounts are expected to be repaid to the Foundation subsequent to each year-end. The majority of these receivables from grantees were the result of "clawed back" grants made for disaster relief efforts related to recent declared disasters affecting Napa County. The Foundation employs clawback provisions in all disaster grantmaking, so that it may ensure that resources are deployed and available immediately for urgent response but provides a safety net should needs and gaps shift, as they often do in disasters where new and better information is revealed as time passes. When this happens, the grantee returns the unused funds back to the Foundation's Disaster Relief Funds, so they can be deployed elsewhere.

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, 2022, the Foundation does not have any significant uncertain tax positions for which a reserve would be necessary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consolidated 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 consolidated 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.

Subsequent events

The Foundation has evaluated subsequent events through December 6, 2022, the date the consolidated financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the Foundation's consolidated financial statements as of June 30, 2022.

3. CONTRIBUTIONS RECEIVABLE

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 allowed for the final distribution of the estate assets. Through the year ended June 30, 2021, the Foundation received cash proceeds from the estate trustee totalling $10,000,000, leaving a contribution receivable of $1,575,130 as of June 30, 2021. During the year ended June 30, 2022 the Foundation received additional cash proceeds from the estate trustee in the amount of $400,000. The contribution receivable of $1,175,130 as of June 30, 2022 is comprised of the estimated fair value of properties to be sold, less expected costs of sale, of approximately $1.2 million. The receivable as of June 30, 2022 is expected to be received during the next fiscal year.

The Foundation became the beneficiary of a trust bequest during 2019 and received two distributions from the trust totaling approximately $7.4 million during the year ended June 30, 2022. At June 30, 2022, the Foundation has recorded a contribution receivable in the amount of $3,010,280 which represents a distribution from the estate trust that was received in October 2022. Due to the uncertainty of any additional amounts to be received from this trust bequest, no additional receivable has been recorded.

In August 2020, the Foundation was notified that they were a beneficiary of a trust bequest, the proceeds of which will go towards a scholarship fund established by the donor. The trust assets have an estimated fair value of $1,950,000. During the year ended June 30, 2021, the Foundation received $500,000 from the trustee, leaving a contribution receivable of $1,450,000 as of June 30, 2021. During the year ended June 30, 2022, the Foundation received the remaining $1,450,000 balance.

The accompanying consolidated 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. NOTES RECEIVABLE

During the year ending June 30, 2022, the Foundation awarded two program related investment loans for $100,000 each. The notes are zero-interest bearing and are due on August 19, 2022 and January 23, 2023. The note due on August 19, 2022 was repaid in full subsequent to year-end.

5. INVESTMENTS

Investments consisted of the following:

	2022	2021
Money market accounts	$ 470,818	$ 15,807,027
U.S. Treasury Bills	23,854,700	-
Mutual funds	8,900,897	9,000,134
Exchange traded funds	21,848,907	22,848,148
Hedge funds	1,682,212	1,807,858
	$ 56,757,534	$ 49,463,167

Investment earnings consisted of the following:

	2022	2021
Interest and dividend income	$ 970,744	$ 627,352
Unrealized gains (losses)	(5,048,260)	6,378,549
Realized gains (losses)	(62,419)	465,541
Investment management fees	(131,989)	(102,464)
	$ (4,271,924)	$ 7,368,978

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6. FAIR VALUE DISCLOSURES

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets and liabilities at fair value as of June 30, 2022:

	Level 1	Level 2	Level 3	Fair Value
Assets				
Money market	$ 470,818	$ -	$ -	$ 470,818
U.S. Treasury Bills	23,854,700	-	-	23,854,700
Bond funds	7,820,179	-	-	7,820,179
Equity funds	1,080,718	-	-	1,080,718
Exchange traded funds	21,848,907	-	-	21,848,907
	$ 55,075,322	$ -	$ -	55,075,322
Hedge funds measured at net asset value				1,682,212
				$ 56,757,534
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 and liabilities at fair value as of June 30, 2021:

	Level 1	Level 2	Level 3	Fair Value
Assets				
Money market	$ 15,807,027	$ -	$ -	$ 15,807,027
Bond funds	7,934,095	-	-	7,934,095
Equity funds	1,066,039	-	-	1,066,039
Exchange traded funds	22,848,148	-	-	22,848,148
	$ 47,655,309	$ -	$ -	47,655,309
Hedge funds measured at net asset value				1,807,858
				$ 49,463,167
Beneficial interest in split-interest agreements	$ -	$ 29,240	$ -	$ 29,240

6. FAIR VALUE DISCLOSURES (continued)

The following table summarizes the Foundation's alternative investment funds valued using the fair value practical expedient of net asset value as of June 30, 2022:

Product	NAV in Funds	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Funds	$ 1,682,212	0	No redemptions	N/A

The following table summarizes the Foundation's alternative investment funds valued using the fair value practical expedient of net asset value as of June 30, 2021:

Product	NAV in Funds	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Funds	$ 1,807,858	0	No redemptions	N/A

Alternative investment asset gains or losses for the years ended June 30, 2022 and 2021 were included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets still held at the reporting date. There were no changes in valuation methodology during the years ended June 30, 2022 and 2021.

7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2022	2021
Land and improvements	$ 1,054,309	$ 1,054,309
Buildings	2,366,451	2,366,451
Equipment and software	116,654	116,654
	3,537,414	3,537,414
Accumulated depreciation	(1,312,412)	(1,175,986)
	$ 2,225,002	$ 2,361,428

Depreciation expense was $136,426 and $116,790 for the years ended June 30, 2022 and 2021, respectively.

8. GRANTS PAYABLE

Future maturities of grants payable are as follows:

Year ending June 30,		
2023	$	178,650
2024		93,500
2025		51,000
2026		6,000
		329,150
Less: discounts to net present value		(1,500)
	$	327,650

The total has been discounted based on an expected market discount rate of 0.73%.

9. FUNDS HELD AS AGENT

As of June 30, 2022 and 2021, the Foundation maintained a total of $3,597,701 and $2,446,838, 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, 2022 and 2021, respectively.

10. NOTES 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. During 2021, the SBA announced extended deferment periods for all disaster loans and CREF's payments on the loan were deferred until March 2022. The Foundation began making repayments on the loan in April 2022, which the SBA attributed to interest. There was a previous payment that had an incorrect allocation to principal and interest which was corrected during the current year, causing the increase in the principal balance. Collateral for the loan is CREF's office building in Napa, California. The loan balance was $122,514 and $122,155 at June 30, 2022 and 2021, respectively.

10. NOTES PAYABLE (continued)

The future maturities of the notes payable are as follows:

Year ending June 30,	
2023	$ 5,371
2024	5,514
2025	5,661
2026	5,811
2027	5,965
Thereafter	94,192
	$ 122,514

11. RETIREMENT PLAN

All employees are eligible to participate in the Foundation's retirement plan. The Foundation's SIMPLE-IRA plan was terminated on December 31, 2021. As of December 31, 2021, the Foundation made contributions of $13,129 to employee SIMPLE-IRA accounts.

During FY 2022, the Foundation's Board of Directors approved setting up a 403(b) retirement plan. For the 403(b) retirement plan, the Foundation will contribute a dollar for dollar match up to 5% of the participating employee's gross pay. As of June 30, 2022, the Foundation made contributions of $13,446 to participating employee 403(b) accounts. During FY 2022, the Foundation's Board also approved setting up a 457(b) deferred compensation plan, specifically for its President. As of June 30, 2022, the Foundation contributed $20,000 to the President's 457(b) account. As of June 30, 2022 and 2021, total plan contributions were $46,575 and $25,255, respectively.

12. NET ASSETS WITH DONOR RESTRICTIONS

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 restriction based on future depreciation expense recognition. During year ending June 30, 2022, CREF received a donation of land and building that is expected to be sold within the following year and is reported as property held for resale.

The Foundation expects to distribute the majority 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. Other purpose restricted funds will be released from restriction when qualified expenses are incurred.

12. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Certain donor restricted net assets represent contributions of cash and other assets in funds subject to donor-imposed restrictions that they be maintained in perpetuity 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.

Net assets with donor restrictions consist of the following:

	2022	2021
CREF buildings and building improvements	$ 1,322,881	$ 1,458,799
CREF land - held in perpetuity	900,000	900,000
Donor restricted endowment funds	20,619,542	23,895,594
Property held for resale	1,200,000	-
Napa Valley Disaster Relief Fund	10,368,343	11,166,236
Other time and purpose restricted funds	209,362	202,329
Beneficial interest in split-interest agreements	29,242	29,240
	$ 34,649,370	$ 37,652,198

13. ENDOWMENTS

The Foundation's endowment includes both board-designated and donor-restricted endowment funds. The donor-restricted endowment consists of 20 endowment funds permanently restricted by donors. During the year ending June 30, 2022, the Board of Directors established a board-designated endowment fund. 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.

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 classified as net assets with donor restrictions until appropriated for expenditure by the Board of Directors.

13. ENDOWMENTS (continued)

Interpretation of relevant law (continued)

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted 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. At June 30, 2022, the Foundation has three endowment funds with deficiencies. A board-designated endowment fund with a fair value of $6,677,696 and an original gift amount of $6,749,198 has a deficiency of $71,502. Two donor restricted endowment funds with a fair value of $1,942,472 and original gift amounts of $2,025,000 have a deficiency of $82,528. These deficiencies resulted from unfavorable market fluctuations that were in place at June 30, 2022. There were no funds with deficiencies at June 30, 2021.

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. ENDOWMENTS (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.

Investment and spending policies

The Foundation has a policy of appropriating the net investment earnings from the endowment for distribution each year. 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 such donor restricted contributions. Real growth in the endowment is expected to occur through new donor restricted gifts in the future.

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restriction endowment funds	$ -	$ 20,619,542	$ 20,619,542
Board-designated endowment funds	6,677,696	-	6,677,696
	$ 6,677,696	$ 20,619,542	$ 27,297,238

Changes in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, June 30, 2020	$ -	$ 17,584,566	$ 17,584,566
Investment return			
Investment income	-	358,559	358,559
Net realized and unrealized appreciation	-	4,786,627	4,786,627
Total investment return	-	5,145,186	5,145,186
Contributions	-	1,950,000	1,950,000
Appropriation of net assets	-	(784,158)	(784,158)
	-	6,311,028	6,311,028

13. ENDOWMENTS (continued)

Endowment composition (continued)

Balance, June 30, 2021	$ -	$ 23,895,594	$ 23,895,594
Investment return			
Investment income	5,525	582,321	587,846
Net realized and unrealized loss	(69,039)	(3,271,238)	(3,340,277)
Total investment return	(63,514)	(2,688,917)	(2,752,431)
Contributions	6,741,210	283,000	7,024,210
Appropriation of net assets	-	(870,135)	(870,135)
	6,677,696	(3,276,052)	3,401,644
Balance, June 30, 2022	$ 6,677,696	$ 20,619,542	$ 27,297,238

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 ended June 30, 2022, contributions from one donor comprised 43% of total contribution revenue. For the year ended June 30, 2021, contributions from three donors comprised 33% 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. At June 30, 2022, 100% of the contributions receivable balance was due from one donor. At June 30, 2021, 99% of the contributions receivable balance was due from two donors.

15. LIQUIDITY AND FUNDS AVAILABLE

As part of the Foundation's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To meet liquidity needs, the Foundation has cash and cash equivalents and money market fund investments available. Contributions receivable, notes receivable and other receivables that are considered current will be collected within one year.

15. LIQUIDITY AND FUNDS AVAILABLE (continued)

The following is a quantitative disclosure which describes assets that are available within one year of June 30, 2022 to fund general expenditures and other obligations when they become due:

Financial assets at year-end:	
Cash and equivalents	$ 2,945,334
Investments	56,757,534
Contributions receivable	4,185,410
Receivable from grantees	168,056
Other receivables	17,819
Beneficial interest in split-interest agreements	29,240
Notes receivable	206,663
Total financial assets	64,310,056
Less: amounts unavailable for general expenditure within one year:	
Grants payable	(329,150)
CFNV Charitable Real Estate Fund Capital Reserve Fund	(4,811)
Tenant security deposits held	(7,869)
Accrued expenses - housing fund	(6,900)
Funds held as agent	(3,597,701)
Net assets with donor restrictions:	
Endowments	(20,619,542)
Napa Valley Disaster Relief Fund	(10,368,343)
All other funds restricted by time and purpose	(238,602)
Net assets without donor restrictions:	
Donor advised funds	(13,778,541)
Scholarship Funds (non-endowed)	(1,962,455)
Board designated endowment	(6,677,697)
All other funds not available for general expenditure	(3,402,461)
Financial assets available to meet cash needs for general expenditures within one year	$ 3,315,984

Per the Foundation's Investment Policy, the Finance Committee reviews the Foundation's financial position on a quarterly basis. The Board will authorize the implementation of investment recommendations made by the Finance Committee.

Certain net assets without donor restrictions are not classified as net assets with donor restrictions based on a variance provision in the bylaws of the Foundation, however, those funds would not be considered as being available for general expenditures.