



Report of Independent Auditors and  
Consolidated Financial Statements  
with Supplemental Information

**Community Foundation  
Sonoma County**

December 31, 2010 and 2009

**MOSS ADAMS** LLP

Certified Public Accountants | Business Consultants

*Acumen. Agility. Answers.*

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**REPORT OF INDEPENDENT AUDITOR**

To the Board of Directors  
Community Foundation Sonoma County

We have audited the accompanying consolidated statement of financial position of Community Foundation Sonoma County (the "Foundation") as of December 31, 2010, and the related consolidated statement of activities, functional expenses, and cash flows for the year 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 audit. The prior year summarized comparative information has been derived from the Foundation's restated 2009 consolidated financial statements and, in our report dated July 7, 2010, we expressed an unqualified opinion on those consolidated financial statements before restatement.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides 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 Foundation as of December 31, 2010, and changes in their net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating schedules on pages 23 to 24 are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

As discussed in Note 13 to the consolidated financial statements, the 2009 consolidated financial statements have been restated to correct certain reclassification errors. We have audited the adjustments required to restate the 2009 consolidated financial statements and, in our opinion, such adjustments are appropriate and have been properly applied.



Santa Rosa, California  
July 1, 2011

**CONSOLIDATED FINANCIAL STATEMENTS**

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**COMMUNITY FOUNDATION SONOMA COUNTY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
December 31, 2010 and 2009

| <b>ASSETS</b>   | <b>2010</b>    | <b>2009<br/>(As Restated)</b> |
|---|----------------|-------------------------------|
| <b>ASSETS</b>   |                |                               |
| Cash and cash equivalents                             | \$ 2,315,100   | \$ 6,780,600                  |
| Investments in debt and equity securities             | 100,985,000    | 96,131,200                    |
| Receivables, net                                      | 11,434,800     | 10,795,400                    |
| Charitable lead trusts                                | 13,447,100     | 5,653,400                     |
| Beneficial interest in trusts                         | 8,950,000      | 8,602,600                     |
| Charitable remainder trusts                           | 1,558,400      | 1,516,600                     |
| Assets held in trust                                  | 5,186,800      | 4,301,600                     |
| Property and equipment, net                           | 4,824,900      | 4,934,700                     |
| Land required to be permanently held                  | 3,024,000      | 3,024,000                     |
| Loans receivable                                      | 128,400        | 642,400                       |
| Pooled income investments                             | 242,900        | 234,400                       |
| Prepays and other assets                              | 86,400         | 57,800                        |
| Total assets  | \$ 152,183,800 | \$ 142,674,700                |
| <b>LIABILITIES AND NET ASSETS</b>                     |                |                               |
| <b>LIABILITIES</b>                                    |                |                               |
| Amounts invested on behalf of nonprofit organizations | \$ 13,068,400  | \$ 21,118,000                 |
| Grants payable  | 954,300        | 1,645,900                     |
| Accounts payable                                      | 110,400        | 340,100                       |
| Liabilities associated with assets held in trust      | 5,182,500      | 4,301,600                     |
| Other liabilities                                     | 833,400        | 573,200                       |
| Total liabilities                                     | 20,149,000     | 27,978,800                    |
| <b>NET ASSETS</b>                                     |                |                               |
| Unrestricted  | 32,695,300     | 29,677,000                    |
| Temporarily restricted                                | 26,872,700     | 16,085,400                    |
| Permanently restricted                                | 72,466,800     | 68,933,500                    |
| Total net assets                                      | 132,034,800    | 114,695,900                   |
| Total liabilities and net assets                      | \$ 152,183,800 | \$ 142,674,700                |

*See accompanying notes.*

**COMMUNITY FOUNDATION SONOMA COUNTY  
CONSOLIDATED STATEMENTS OF ACTIVITIES**

**Year Ended December 31, 2010**

**(With Summarized Comparative Information for the Year Ended December 31, 2009)**

|  | 2010          |                        |                        | Total          | 2009           |
|--|---------------|------------------------|------------------------|----------------|----------------|
|  | Unrestricted  | Temporarily Restricted | Permanently Restricted |                | (As Restated)  |
| <b>SUPPORT AND REVENUE</b>                                     |               |                        |                        |                |                |
| Contributions, fundraising, and grants                         | \$ 3,371,600  | \$ 117,300             | \$ 3,533,300           | \$ 7,022,200   | \$ 21,150,000  |
| Contribution revenue from split-interest agreements            | -             | 9,006,600              | -                      | 9,006,600      | 7,522,100      |
| Realized and unrealized gains on investments                   | 2,915,100     | 5,689,300              | -                      | 8,604,400      | 10,591,000     |
| Interest and dividends   | 647,300       | 1,064,600              | -                      | 1,711,900      | 1,534,100      |
| Management fees earned, net                                    | 233,300       | -                      | -                      | 233,300        | 114,800        |
| Miscellaneous  | 119,600       | -                      | -                      | 119,600        | 44,500         |
|  | 7,286,900     | 15,877,800             | 3,533,300              | 26,698,000     | 40,956,500     |
| Net assets released from restrictions                          | 5,090,500     | (5,090,500)            | -                      | -              | -              |
| Total support and revenue                                      | 12,377,400    | 10,787,300             | 3,533,300              | 26,698,000     | 40,956,500     |
| <b>EXPENSES</b>  |               |                        |                        |                |                |
| Program services   | 7,408,000     | -                      | -                      | 7,408,000      | 9,513,400      |
| Supporting services  | 1,951,100     | -                      | -                      | 1,951,100      | 1,969,500      |
| Total expenses   | 9,359,100     | -                      | -                      | 9,359,100      | 11,482,900     |
| <b>CHANGE IN NET ASSETS</b>                                    | 3,018,300     | 10,787,300             | 3,533,300              | 17,338,900     | 29,473,600     |
| <b>NET ASSETS</b> , beginning of year (as originally reported) | 32,342,200    | 13,420,200             | 68,933,500             | 114,695,900    | 85,222,300     |
| Reclassification of restricted net assets (Note 13)            | (2,665,200)   | 2,665,200              | -                      | -              | -              |
| <b>NET ASSETS</b> , beginning of year (as restated)            | 29,677,000    | 16,085,400             | 68,933,500             | 114,695,900    | 85,222,300     |
| <b>NET ASSETS</b> , end of year                                | \$ 32,695,300 | \$ 26,872,700          | \$ 72,466,800          | \$ 132,034,800 | \$ 114,695,900 |

*See accompanying notes.*

**COMMUNITY FOUNDATION SONOMA COUNTY  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2010**

|                                      | <b>Program<br/>Services</b> | <b>Supporting Services</b> |                                   |                     | <b>Consolidated<br/>Total</b> |
|--------------------------------------|-----------------------------|----------------------------|-----------------------------------|---------------------|-------------------------------|
|                                      |                             | <b>Fundraising</b>         | <b>Management<br/>and General</b> | <b>Total</b>        |                               |
| Grants and awards                    | \$ 6,221,100                | \$ -                       | \$ -                              | \$ -                | \$ 6,221,100                  |
| Salaries & wages                     | 506,800                     | 370,600                    | 423,800                           | 794,400             | 1,301,200                     |
| Employee benefits                    | 55,900                      | 51,300                     | 60,500                            | 111,800             | 167,700                       |
| Payroll taxes                        | 49,300                      | 31,800                     | 36,400                            | 68,200              | 117,500                       |
| Management and investment fees       | -                           | -                          | 450,500                           | 450,500             | 450,500                       |
| Professional and consulting fees     | 64,800                      | 47,000                     | 48,600                            | 95,600              | 160,400                       |
| Legal and accounting                 | 54,100                      | 28,000                     | 71,100                            | 99,100              | 153,200                       |
| Advertising, marketing, and outreach | 26,600                      | 16,400                     | 17,300                            | 33,700              | 60,300                        |
| Office expense                       | 40,600                      | 29,600                     | 38,800                            | 68,400              | 109,000                       |
| Computer network                     | 41,200                      | 25,900                     | 29,900                            | 55,800              | 97,000                        |
| Occupancy                            | 59,300                      | 35,100                     | 40,400                            | 75,500              | 134,800                       |
| Travel                               | 1,400                       | 1,900                      | 2,000                             | 3,900               | 5,300                         |
| Conference expenses                  | 5,400                       | 7,000                      | 8,400                             | 15,400              | 20,800                        |
| Depreciation                         | 137,600                     | 12,400                     | 28,700                            | 41,100              | 178,700                       |
| Insurance                            | 13,300                      | 3,600                      | 6,300                             | 9,900               | 23,200                        |
| Direct program expense               | 111,800                     | -                          | -                                 | -                   | 111,800                       |
| Miscellaneous                        | 18,800                      | 13,500                     | 14,300                            | 27,800              | 46,600                        |
|                                      | <u>\$ 7,408,000</u>         | <u>\$ 674,100</u>          | <u>\$ 1,277,000</u>               | <u>\$ 1,951,100</u> | <u>\$ 9,359,100</u>           |

*See accompanying notes.*

**COMMUNITY FOUNDATION SONOMA COUNTY**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2009 (As Restated)**

|                                      | Program<br>Services | Supporting Services |                           |                     | Consolidated<br>Total |
|--------------------------------------|---------------------|---------------------|---------------------------|---------------------|-----------------------|
|                                      |                     | Fundraising         | Management<br>and General | Total               |                       |
| Grants and awards                    | \$ 8,159,100        | \$ -                | \$ -                      | \$ -                | \$ 8,159,100          |
| Salaries & wages                     | 534,300             | 311,800             | 572,000                   | 883,800             | 1,418,100             |
| Employee benefits                    | 57,700              | 47,800              | 78,000                    | 125,800             | 183,500               |
| Payroll taxes                        | 45,000              | 24,800              | 45,900                    | 70,700              | 115,700               |
| Management and investment fees       | -                   | -                   | 335,300                   | 335,300             | 335,300               |
| Professional and consulting fees     | 21,600              | 26,500              | 38,800                    | 65,300              | 86,900                |
| Legal and accounting                 | 25,500              | 17,200              | 84,900                    | 102,100             | 127,600               |
| Advertising, marketing, and outreach | 19,300              | 14,100              | 24,500                    | 38,600              | 57,900                |
| Office expense                       | 36,600              | 21,200              | 46,700                    | 67,900              | 104,500               |
| Computer network                     | 39,700              | 16,800              | 32,700                    | 49,500              | 89,200                |
| Occupancy                            | 73,300              | 49,900              | 80,500                    | 130,400             | 203,700               |
| Conference and travel                | 6,100               | 5,100               | 8,500                     | 13,600              | 19,700                |
| Depreciation                         | 135,500             | 11,000              | 48,100                    | 59,100              | 194,600               |
| Insurance                            | 13,000              | 3,000               | 8,000                     | 11,000              | 24,000                |
| Direct program expense               | 308,800             | -                   | -                         | -                   | 308,800               |
| Miscellaneous                        | 37,900              | 300                 | 16,100                    | 16,400              | 54,300                |
|                                      | <u>\$ 9,513,400</u> | <u>\$ 549,500</u>   | <u>\$ 1,420,000</u>       | <u>\$ 1,969,500</u> | <u>\$ 11,482,900</u>  |

*See accompanying notes.*

**COMMUNITY FOUNDATION SONOMA COUNTY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2010 and 2009**

|  | <b>2010</b>         | <b>2009</b><br><b>(As Restated)</b> |
|--|---------------------|-------------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                     |                                     |
| Change in net assets   | \$ 17,338,900       | \$ 29,473,600                       |
| Adjustments to reconcile change in net assets<br>to net cash from operating activities |                     |                                     |
| Realized and unrealized gains on investments   | (8,604,400)         | (10,591,000)                        |
| Depreciation   | 178,700             | 194,600                             |
| Loss on disposal of property and equipment   | -                   | 3,700                               |
| Contributions received for long-term purposes  | (3,533,300)         | (21,746,400)                        |
| Contributed land   | -                   | (3,024,000)                         |
| Changes in assets and liabilities  |                     |                                     |
| Receivables, net   | 542,300             | 6,580,100                           |
| Net change in value of split-interest agreements                                       | (8,183,000)         | (5,803,100)                         |
| Assets held in trust   | (885,200)           | 45,600                              |
| Loans receivable   | 514,000             | 163,600                             |
| Prepays and other assets   | (28,600)            | 9,900                               |
| Amounts invested on behalf of nonprofit organizations                                  | (8,049,600)         | 746,000                             |
| Grants payable   | (691,600)           | (123,900)                           |
| Accounts payable   | (229,700)           | 241,700                             |
| Liabilities under trust agreements   | 880,900             | (73,600)                            |
| Deferred compensation agreements   | -                   | (124,000)                           |
| Other liabilities  | 260,200             | (3,300)                             |
| Cash flows from operating activities   | <u>(10,490,400)</u> | <u>(4,030,500)</u>                  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                     |                                     |
| Proceeds from sale of investments  | 37,177,400          | 8,427,300                           |
| Purchase of investments  | (33,435,300)        | (14,635,200)                        |
| Purchase of property and equipment   | (68,900)            | (20,600)                            |
| Cash flows from investing activities   | <u>3,673,200</u>    | <u>(6,228,500)</u>                  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                     |                                     |
| Contributions received for long-term purposes  | 2,351,700           | 4,372,100                           |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>   | <u>(4,465,500)</u>  | <u>(5,886,900)</u>                  |
| <b>CASH AND CASH EQUIVALENTS, beginning of year</b>                                    | <u>6,780,600</u>    | <u>12,667,500</u>                   |
| <b>CASH AND CASH EQUIVALENTS, end of year</b>  | <u>\$ 2,315,100</u> | <u>\$ 6,780,600</u>                 |

*See accompanying notes.*

**COMMUNITY FOUNDATION SONOMA COUNTY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of organization** – Community Foundation Sonoma County (the “Foundation”) was incorporated in California in 1983 as a nonprofit public benefit corporation to provide a means for the preservation and enhancement of the quality of life in Sonoma County. To accomplish this, the Foundation acts as a vehicle for donors who wish to establish donor advised funds to support their charitable interests or who wish to contribute to the Foundation’s already established funds to support health and human services, education, the environment, the arts, scholarships, or other charitable interests. Funds established in these areas are managed by the Foundation so that the emerging and changing needs of the community can be met. The Foundation receives no federal funding.

The consolidated financial statements include the accounts of the Foundation and its affiliated entities, which include DeMeo Teen Club, Inc. (d.b.a. Chop’s), Sonoma Paradiso Foundation, and the Oliver Ranch Foundation.

Chop’s was incorporated in 1997 as a supporting organization to the Foundation to operate a teen club in Santa Rosa, California, in accordance with two funds established by Charles M. DeMeo. The Foundation controls Chop’s through a majority voting interest on the Board of Directors.

Sonoma Paradiso Foundation, whose primary purpose is to raise money for the benefit of children’s organizations in Sonoma County and the Bay Area, became a supporting organization to the Foundation in 2008. The Foundation appoints the majority of the Board of Sonoma Paradiso.

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

**Principles of consolidation** – All material inter-organization transactions and balances between the Foundation and its supporting organizations have been eliminated.

**Basis of presentation** – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

*Unrestricted* – Unconditional promise to give by a donor without any use or time restrictions.

*Temporarily Restricted* – Unconditional promise to give by a donor that specifies a specific use or the occurrence of a certain future event.

*Permanently Restricted* – Unconditional promise to give by a donor that specifies that the assets donated be invested to provide a permanent source of income. If the donor does not restrict the allowed use of the income, the organization may determine the income’s availability to the organization’s operations.

**COMMUNITY FOUNDATION SONOMA COUNTY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Functional allocation of expenses** – Expenses which apply to more than one functional category have been allocated between program, management and general, and fundraising based on the time spent on these functions by specific employees as estimated by management. Indirect expenses, such as general office supplies are allocated based on the overall number of staff in the various functional categories. All other costs are charged directly to the appropriate functional category.

**Cash and cash equivalents** – For purposes of the statements of cash flows, the Foundation considers all highly liquid investments available for current use with an original maturity at date of purchase of three months or less to be cash equivalents, excluding cash held in investments.

**Promises to give** – Unconditional promises to give expected to be collected within one year are recorded at their net realizable values. Unconditional promises to give expected to be collected in future years, including future interests in charitable lead trusts, are recorded at the present value of estimated future cash flows. Discounts on the future interests are calculated using a rate equal to the approximate investment return applicable to the year in which the unconditional promise is received. Conditional promises to give are not included as support until such time as the conditions are substantially met.

**Income taxes** – The Foundation and its supporting organizations are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Service and from state income and franchise taxes under 23701(d) of the California Franchise Tax Board except to the extent of unrelated business taxable income as defined under IRC sections 511 through 515. Therefore, no provision for income taxes has been provided in these financial statements.

The Foundation and its supporting organizations adopted the provisions of FASB Accounting Standards Codification (“ASC”) 740-10, Income Taxes, relating to accounting for uncertain tax positions on January 1, 2009. The Foundation and its supporting organizations had no unrecognized tax benefits at December 31, 2010 or 2009, respectively. The Foundation and its supporting organizations file exempt organization returns and, if applicable, unrelated business income tax returns in the U.S. federal and California jurisdictions.

**Charitable remainder trusts and beneficial interest in trusts** – The Foundation is the irrevocable remainder beneficiary of a charitable remainder unitrust and a charitable remainder annuity trust established by two separate donors. The Foundation is the trustee for both trusts; accordingly, trust assets are measured and recognized on the statement of financial position at fair value based on quoted market prices. The net present value of the estimated future payment obligations to the donors are recognized as a liability. The Foundation is also the beneficiary of certain trusts that are held by other trustees. For those trusts, the net present value of the Foundation’s estimated irrevocable remainder interest is recorded as a beneficial interest in trusts.

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

**Assets held in trust** – The Foundation serves as the trustee of two remainder trusts for which they are not the remainder beneficiary. For these trusts the assets are recorded on the statement of financial position at fair value based on quoted market prices; a corresponding liability is also recorded on the statement of financial position. The Foundation earns a trustee fee for this arrangement.

**COMMUNITY FOUNDATION SONOMA COUNTY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Property and equipment** – Property and equipment are stated at cost and depreciated or amortized using the straight-line method over the following estimated useful lives:

|                         |               |
|-------------------------|---------------|
| Buildings               | 39 years      |
| Furniture and equipment | 5 to 10 years |
| Computers and software  | 3 to 7 years  |
| Leasehold improvements  | 5 years       |

The Foundation capitalizes property and equipment with cost or donated fair value over \$500. Total depreciation expense amounted to \$178,700 and \$194,600 for the years ended December 31, 2010 and 2009, respectively.

**Investments** – Investments in all debt securities and equity securities with readily determinable fair values are reported at fair market value. Unrealized gains and losses are included in the consolidated statement of activities.

**Endowment funds** – California enacted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), effective January 1, 2009. The Foundation has reviewed all relevant gift instruments and its organizing documents to determine which funds had donor-imposed restrictions that are subject to the state enacted version of UPMIFA.

*Interpretation of relevant law*

The Board of Directors of the Foundation, with the advice of legal counsel, has determined it holds net assets that meet the definition of endowment funds under UPMIFA. As a result of this interpretation, the Foundation classifies as permanently restricted net assets both the original value of the gifts donated plus all subsequent gifts to the donor restricted endowment funds. The remaining value of the donor restricted endowed funds is classified as temporarily restricted net assets until appropriated for expenditure by the Foundation. Appropriation for expenditure for endowed funds is made in a manner consistent with the standards of prudence prescribed by UPMIFA, which include:

- 1) The duration and preservation of the fund consistent with donor intent.
- 2) The purposes of the Foundation and the donor-restricted endowment fund.
- 3) General economic conditions.
- 4) The possible effects of inflation and deflation.
- 5) The expected total return from income and appreciation of invested funds.
- 6) The investment policies of the Foundation.
- 7) Other resources of the Foundation.

From time to time, the fair value of the assets associated with individual donor restricted endowment funds may fall below the level classified as permanently restricted net assets. At December 31, 2010 and 2009, the Foundation had 42 and 80 funds with deficiencies of this nature totaling approximately \$300,000 and \$1.4 million, respectively. These deficiencies are reflected in unrestricted net assets.

**COMMUNITY FOUNDATION SONOMA COUNTY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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*Investment and spending policies*

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported while seeking to maintain the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current return objective is to return a percentage in excess of the annual rate of inflation, net of investment fees. Actual returns in any given year may vary from this amount.

To satisfy its long-term return objective, the Foundation relies on a total return strategy, in which investment returns are achieved through both capital appreciation of equity securities (realized and unrealized) and current yield (dividends and interest). The Foundation targets a diversified asset allocation that places an emphasis on U.S. equity and U.S. government investments.

The spending policy calculates the amount of money annually distributed from the Foundation's endowed funds for grantmaking and administration. The current grantmaking spending policy is to distribute an amount equal to 4% of a moving 12 quarter rolling average for funds with balances of at least 80% of the historic gift value. The administrative expense policy is no greater than 1.75% of the endowed fund balance. This is consistent with the Foundation's objective of maintaining the purchasing power of endowed assets as well as to provide additional real growth through new gifts and investment return.

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

Approximately 63% and 73% of the Foundation's contribution revenues were provided by two donors during the years ended December 31, 2010 and 2009, respectively.

**Amounts invested on behalf of nonprofit organizations** – The Foundation records a liability that represents the readily determinable estimated fair values of assets that the Foundation has received from and invests on behalf of other nonprofit organizations. The funds are managed by the Foundation on an agency relationship basis.

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

**COMMUNITY FOUNDATION SONOMA COUNTY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Subsequent events** – Subsequent events are events or transactions that occur after the consolidated statement of financial position date, but before consolidated financial statements are issued. The Foundation and its supporting organizations recognize in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated Statement of Financial Position, including the estimates inherent in the process of preparing the consolidated financial statements. The consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated Statement of Financial Position, but arose after the consolidated Statement of Financial Position Date and before the consolidated financial statements are available to be issued.

The Foundation has evaluated subsequent events through July 1, 2011 which is the date the financial statements are available to be issued.

**NOTE 2 – INVESTMENTS IN DEBT AND EQUITY SECURITIES**

Investments consist of the following at December 31:

|                                   | <u>2010</u>           | <u>2009</u>          |
|-----------------------------------|-----------------------|----------------------|
| Corporate stocks                  | \$ 30,113,700         | \$ 25,457,800        |
| US mutual funds                   | 26,714,700            | 30,436,500           |
| International mutual funds        | 11,747,500            | 10,495,100           |
| Corporate notes and bonds         | 15,788,000            | 14,586,100           |
| Government agency notes and bonds | 8,314,200             | 8,137,400            |
| Cash held for investment          | 8,306,900             | 7,018,300            |
|                                   | <u>\$ 100,985,000</u> | <u>\$ 96,131,200</u> |

Investment income consists of the following, for the years ended December 31:

|   | <u>2010</u>          | <u>2009</u>          |
|---|----------------------|----------------------|
| Realized and unrealized gains (losses) on investments | \$ 8,604,400         | \$ 10,591,000        |
| Interest and dividends                                | 1,711,900            | 1,534,100            |
|   | <u>\$ 10,316,300</u> | <u>\$ 12,125,100</u> |

**NOTE 3 – RECEIVABLES**

Receivables consisted of the following at December 31:

|                          | <u>2010</u>          | <u>2009</u><br><u>(As Restated)</u> |
|--------------------------|----------------------|-------------------------------------|
| Land receivable          | \$ 7,069,500         | \$ 7,069,500                        |
| Contributions receivable | 4,356,100            | 3,550,900                           |
| Bequests receivable      | -                    | 170,000                             |
| Other receivables        | 9,200                | 5,000                               |
|                          | <u>\$ 11,434,800</u> | <u>\$ 10,795,400</u>                |

**COMMUNITY FOUNDATION SONOMA COUNTY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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The land receivable relates to an 80% interest in land and art installations, which will be given to the Oliver Ranch Foundation at a date no later than that of the death of the last trustee of the Oliver Family Living Trust. (During 2009, the Oliver Ranch Foundation acquired an undivided 20% interest in the same land.) In addition, the trustees of the living trust have established an endowment to support the operations of Oliver Ranch in perpetuity. The amount of the endowment will vary over time with changes in the Consumer Price Index. The present value of the endowment pledge is \$4,356,100 and \$3,550,900 at December 31, 2010 and 2009, respectively. The endowment pledge is net of a discount of approximately \$1,716,000 and \$3,012,000 at December 31, 2010 and 2009, respectively.

**NOTE 4 - CHARITABLE LEAD TRUSTS**

The Foundation is the recipient of distributions from several charitable lead trusts. Charitable lead trusts are established by donors who specify that distributions from the trusts be made to designated nonprofit organizations over a specified period of time. Upon termination, the remainder of the trust's assets is paid to beneficiaries designated by the donor. When the Foundation is notified that it is the irrevocable recipient of distributions from a lead trust, a receivable for the present value of the expected future cash inflows is reported in the financial statements. For trusts recorded prior to December 31, 2007, the discount rates used in calculating the present value of the future cash inflows approximated the applicable long-term U.S. Treasury bill rate at the time of the contributions. Trusts recorded subsequent to January 1, 2008 were discounted with the expected investment return rate.

Estimated future cash inflows from these trusts are as follows:

| <u>Year Ended December 31</u>                        |                      |
|--|----------------------|
| 2011   | \$ 2,905,700         |
| 2012   | 2,905,700            |
| 2013   | 1,347,300            |
| 2014   | 1,205,700            |
| 2015   | 1,205,700            |
| Thereafter   | <u>5,654,500</u>     |
|  | 15,224,600           |
| Less: discounts on multi-year charitable lead trusts | <u>(1,777,500)</u>   |
| Total charitable lead trusts, net                    | <u>\$ 13,447,100</u> |

**COMMUNITY FOUNDATION SONOMA COUNTY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31:

|                                   | <u>2010</u>         | <u>2009</u>         |
|-----------------------------------|---------------------|---------------------|
| Buildings and land                | \$ 5,930,000        | \$ 5,924,000        |
| Furniture and equipment           | 497,400             | 496,300             |
| Computers and software            | 375,900             | 532,000             |
| Leasehold improvements            | <u>41,900</u>       | <u>41,900</u>       |
|                                   | 6,845,200           | 6,994,200           |
| Less: accumulated depreciation    | <u>(2,020,300)</u>  | <u>(2,059,500)</u>  |
| Total property and equipment, net | <u>\$ 4,824,900</u> | <u>\$ 4,934,700</u> |

**NOTE 6 – LAND REQUIRED TO BE PERMANENTLY HELD**

The Oliver Ranch Foundation acquired an undivided 20% interest in real estate located in Geyserville, California, which includes nine art installations substantially affixed to the land. The appraised value of the interest is \$3.0 million. The remaining 80% interest is owned by the Oliver Family Living Trust and will be gifted to the Foundation over time. (See Note 3.)

**NOTE 7 – LOANS RECEIVABLE**

Loans receivable consist of the following at December 31:

|   | <u>2010</u>       | <u>2009</u>       |
|---|-------------------|-------------------|
| A program-related loan for \$125,000 to the West Side Unified School District was made on October 1, 2007, with an annual interest rate of 0.25% (one-quarter percent). Note is fully amortized over 10 years, with principal and interest payments of \$3,165 due quarterly. Final installment is payable on October 1, 2017.  | \$ 87,800         | \$ 100,300        |
| Program-related loans for a total of \$500,000 to Palm Drive Health Care District, which were paid in full at June 2, 2010.   | -                 | 500,000           |
| Note secured by Security Agreement/Personal Property on property located at 3110 Loretta Way in Santa Rosa, California. Community Foundation Sonoma County holds the Certificate of Title to the manufactured home (Decal No. LBC2264) through the State of California-Department of Housing and Community Development. Interest is charged at the annual rate of 7.5% and payments of \$400 for principal and interest are due monthly. According to the terms of the amended agreement dated July 16, 2010, the final principal payment of \$30,900 and any outstanding interest, principal, or late fees are due on June 30, 2015. | <u>40,600</u>     | <u>42,100</u>     |
|   | <u>\$ 128,400</u> | <u>\$ 642,400</u> |

**COMMUNITY FOUNDATION SONOMA COUNTY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 8 - POOLED INCOME INVESTMENTS**

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

Contributions are measured at the fair value of the assets received and discounted for the estimated life expectancy of the donor. The amount discounted is reported as discount for future interest and recognized using the straight-line method over the donor's remaining life expectancy. The interest rate used in calculating the discount approximates the average return provided by the fund in the years prior to the applicable contribution.

Pooled income investments are as follows at December 31:

|                           | <u>2010</u>       | <u>2009</u>       |
|---------------------------|-------------------|-------------------|
| Corporate notes and bonds | \$ 189,900        | \$ 183,000        |
| Domestic mutual funds     | 48,400            | 46,700            |
| Cash held for investments | 4,600             | 4,700             |
|                           | <u>\$ 242,900</u> | <u>\$ 234,400</u> |

**NOTE 9 - EMPLOYEE BENEFIT PLAN**

The Foundation maintains a 403(b) retirement plan covering all employees working 24 hours or more per week who have completed at least one year of service. The Foundation funds the plan at a flat, discretionary percentage determined each year, and employees can provide additional contributions to the plan. Plan benefits are provided through annuity contracts and/or custodial accounts. For the years ended December 31, 2010 and 2009, employer contributions made to the plan were \$49,600 and \$56,700, respectively.

**NOTE 10 - COMMITMENTS**

The Foundation rents office space under a lease agreement expiring in July 2015. Amounts due under this agreement and under a lease for a photocopier at December 31, 2010 are as follows:

| <u>Year Ending December 31.</u> |                   |
|---------------------------------|-------------------|
| 2011                            | \$ 125,000        |
| 2012                            | 125,000           |
| 2013                            | 126,600           |
| 2014                            | 130,400           |
| 2015                            | 77,400            |
| Total minimum lease payments    | <u>\$ 584,400</u> |

**COMMUNITY FOUNDATION SONOMA COUNTY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following:

|   | <u>2010</u>          | <u>2009</u><br><u>(As Restated)</u> |
|---|----------------------|-------------------------------------|
| Charitable lead trusts                                    | \$ 13,446,800        | \$ 5,653,000                        |
| Endowment (unappropriated earnings)                       | 7,598,800            | 4,284,900                           |
| Charitable remainder trusts and irrevocable planned gifts | 5,559,000            | 5,917,700                           |
| Pooled income investments                                 | 198,300              | 189,900                             |
| Other   | 69,800               | 39,900                              |
|   | <u>\$ 26,872,700</u> | <u>\$ 16,085,400</u>                |

All temporarily restricted net assets are restricted by time, with the exception of a portion of the “Other” category, which are restricted by purpose.

Net assets were released from donor restriction by expiration of time restriction or by the occurrence of other events specified by donors:

|   | <u>2010</u>         | <u>2009</u>         |
|---|---------------------|---------------------|
| Charitable lead trusts                                    | \$ 1,476,200        | \$ 1,710,400        |
| Endowment (unappropriated earnings)                       | 3,200,400           | -                   |
| Charitable remainder trusts and irrevocable planned gifts | 324,200             | 533,800             |
| Pooled income investments                                 | 2,200               | 125,400             |
| Other   | 87,500              | 500                 |
|   | <u>\$ 5,090,500</u> | <u>\$ 2,370,100</u> |

**NOTE 12 – PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets consist of the following:

|                               | <u>2010</u>          | <u>2009</u>          |
|-------------------------------|----------------------|----------------------|
| Endowment                     | \$ 53,910,800        | \$ 51,559,200        |
| Land receivable               | 7,069,500            | 7,069,500            |
| Land held for investment      | 3,024,000            | 3,024,000            |
| Contributions receivable      | 4,356,100            | 3,729,900            |
| Beneficial interest in trusts | 4,106,400            | 3,550,900            |
|                               | <u>\$ 72,466,800</u> | <u>\$ 68,933,500</u> |

**NOTE 13 - RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS**

An error related to the calculation of charitable remainder trusts and irrevocable planned gifts on the temporarily restricted net asset roll forward was discovered in the current year. This error caused unrestricted net assets to be overstated and temporarily restricted net assets to be understated by \$2,665,200 at December 31, 2009. The Foundation corrected the error and restated the 2009 net asset figures accordingly.

There were also two errors discovered in the current year related to the 2009 consolidation of supporting organizations. One eliminating entry was posted incorrectly, causing receivables and grants payable to be overstated by \$434,200. In addition, the eliminating entry for grants paid from the Foundation to one of its supporting organizations was not posted, causing revenue and grant expenses to be overstated by \$596,000. The Foundation corrected both errors and restated the 2009 figures accordingly.

None of the errors noted above had a material impact and there was no impact to total net assets as a result of any of the restatements.

**COMMUNITY FOUNDATION SONOMA COUNTY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 14 - ENDOWMENT DISCLOSURES**

Endowments include contributions which are permanently restricted by donors (permanently restricted net assets) and endowments which have been board designated. The changes in endowment net assets for the years ended December 31, 2010 and 2009 are as follows:

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>         |
|---|---------------------|-----------------------------------|-----------------------------------|----------------------|
| Endowment net assets, December 31, 2008     | \$ 43,996,800       | \$ -                              | \$ -                              | \$ 43,996,800        |
| Reclassification                            | (48,793,000)        | 1,605,900                         | 47,187,100                        | -                    |
| Endowment net assets after reclassification | (4,796,200)         | 1,605,900                         | 47,187,100                        | 43,996,800           |
| Total investment return                     | 4,158,400           | 4,763,900                         | -                                 | 8,922,300            |
| Contributions                               | 125,500             | -                                 | 4,372,100                         | 4,497,600            |
| Other                                       | 21,000              | (35,500)                          | -                                 | (14,500)             |
| Appropriated for expenditure                | 2,049,400           | (2,049,400)                       | -                                 | -                    |
| Grants                                      | (1,552,500)         | -                                 | -                                 | (1,552,500)          |
| Foundation support and other fees           | (833,600)           | -                                 | -                                 | (833,600)            |
| Change in endowment net assets              | 3,968,200           | 2,679,000                         | 4,372,100                         | 11,019,300           |
| Endowment net assets, December 31, 2009     | (828,000)           | 4,284,900                         | 51,559,200                        | 55,016,100           |
| Total investment return                     | 1,110,600           | 5,512,700                         | -                                 | 6,623,300            |
| Contributions                               | 38,800              | -                                 | 2,351,700                         | 2,390,500            |
| Other                                       | (234,900)           | (33,800)                          | -                                 | (268,700)            |
| Appropriated for expenditure                | 2,165,000           | (2,165,000)                       | -                                 | -                    |
| Grants                                      | (1,527,000)         | -                                 | -                                 | (1,527,000)          |
| Other expenses and fees                     | (18,000)            | -                                 | -                                 | (18,000)             |
| Change in endowment net assets              | 1,534,500           | 3,313,900                         | 2,351,700                         | 7,200,100            |
| Endowment net assets, December 31, 2010     | <u>\$ 706,500</u>   | <u>\$ 7,598,800</u>               | <u>\$ 53,910,900</u>              | <u>\$ 62,216,200</u> |

**NOTE 15 - RELATED PARTY**

Pepperwood Foundation, formed in 2005, is a supporting organization both to the Foundation and to the California Academy of Sciences. Its mission is to maintain the Pepperwood Preserve, a permanently protected wild land of 3,100 acres in Sonoma County. The Pepperwood Foundation manages the property to promote natural history education, research, and preservation. The Foundation appoints two of the five Board members of the Pepperwood Foundation. Because the Foundation does not have a controlling interest in Pepperwood Foundation, accounts of the Pepperwood Foundation are not included in the consolidated financial statements. The Foundation granted \$375,100 and \$1,785,000, to the Pepperwood Foundation in 2010 and 2009, respectively.

**NOTE 16 – FAIR VALUE MEASUREMENT**

*Fair Value Measurements* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1      Quoted prices in active markets for identical assets or liabilities
  
- Level 2      Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
  
- Level 3      Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying Consolidated Statement of Financial Position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, instruments are classified within Level 1 of the valuation hierarchy. Level 1 instruments include corporate stocks, mutual funds, and cash held for investment. The class of corporate stocks includes small cap domestic equities, large cap growth domestic equities, large cap value domestic equities, and international equities. Level 2 instruments include corporate and U.S. Treasury and bonds. For these Level 2 instruments, fair values are estimated by using pricing models, quoted prices of instruments with similar characteristics or discounted cash flows. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include privately held stock and beneficial interest in trusts. Fair value for Level 3 instruments is based on appraisals and discounted cash flows.

**COMMUNITY FOUNDATION SONOMA COUNTY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following table presents the fair value measurements of assets recognized in the accompanying Consolidated Statement of Financial Position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2010 and 2009:

| Description                          | Fair Value at December 31, 2010 |               |               |              |
|--------------------------------------|---------------------------------|---------------|---------------|--------------|
|                                      | Total                           | Level 1       | Level 2       | Level 3      |
| Investments                          |                                 |               |               |              |
| Corporate stocks                     | \$ 30,113,700                   | \$ 29,627,300 | \$ -          | \$ 486,400   |
| US mutual funds                      | 26,714,700                      | 26,714,700    | -             | -            |
| International mutual funds           | 11,747,500                      | 11,747,500    | -             | -            |
| US government agency notes and bonds | 15,788,000                      | -             | 15,788,000    | -            |
| Corporate notes and bonds            | 8,314,200                       | -             | 8,314,200     | -            |
| Cash held for investment             | 8,306,900                       | 8,306,900     | -             | -            |
| Total investments                    | 100,985,000                     | 76,396,400    | 24,102,200    | 486,400      |
| Pooled income investments            | 242,900                         | 242,900       | -             | -            |
| Charitable remainder trusts          |                                 |               |               |              |
| International mutual funds           | 1,010,800                       | 1,010,800     | -             | -            |
| US government agency notes and bonds | 92,900                          | -             | 92,900        | -            |
| Corporate notes and bonds            | 40,100                          | -             | 40,100        | -            |
| Cash held for investment             | 54,600                          | 54,600        | -             | -            |
| Beneficial interest in trust         | 8,950,000                       | -             | -             | 8,950,000    |
| Assets held in trust                 |                                 |               |               |              |
| Corporate stocks                     | 4,461,600                       | 4,461,600     | -             | -            |
| US Mutual funds                      | 439,000                         | 439,000       | -             | -            |
| Cash held for investment             | 282,000                         | 282,000       | -             | -            |
| Total assets measured at fair value  | \$ 116,558,900                  | \$ 82,887,300 | \$ 24,235,200 | \$ 9,436,400 |

**COMMUNITY FOUNDATION SONOMA COUNTY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

| Description                          | <b>Fair Value at December 31, 2009</b> |                      |                      |                     |
|--------------------------------------|--|----------------------|----------------------|---------------------|
|                                      | Total                                  | Level 1              | Level 2              | Level 3             |
| Investments                          |  |                      |                      |                     |
| Corporate stocks                     | \$ 25,457,800                          | \$ 24,988,300        | \$ -                 | \$ 469,500          |
| US mutual funds                      | 30,436,500                             | 30,436,500           | -                    | -                   |
| International mutual funds           | 10,495,100                             | 10,495,100           | -                    | -                   |
| US government agency notes and bonds | 14,586,100                             | -                    | 14,586,100           | -                   |
| Corporate notes and bonds            | 8,137,400                              | -                    | 8,137,400            | -                   |
| Cash held for investment             | 7,018,300                              | 7,018,300            | -                    | -                   |
| Total investments                    | <u>96,131,200</u>                      | <u>72,938,200</u>    | <u>22,723,500</u>    | <u>469,500</u>      |
| Pooled income investments            | 234,400                                | 234,400              | -                    | -                   |
| Charitable remainder trusts          |  |                      |                      |                     |
| Mutual funds                         | 1,460,900                              | 1,460,900            | -                    | -                   |
| Cash held for investment             | 55,700                                 | 55,700               | -                    | -                   |
| Beneficial interest in trust         | 8,602,600                              | -                    | -                    | 8,602,600           |
| Assets held in trust                 |  |                      |                      |                     |
| Corporate stocks                     | 3,442,300                              | 3,442,300            | -                    | -                   |
| US mutual funds                      | 673,000                                | 673,000              | -                    | -                   |
| Cash held for investment             | 186,300                                | 186,300              | -                    | -                   |
| Total assets measured at fair value  | <u>\$ 110,786,400</u>                  | <u>\$ 78,990,800</u> | <u>\$ 22,723,500</u> | <u>\$ 9,072,100</u> |

The following table provides a reconciliation of assets measured at fair value using significant unobservable inputs (Level 3) on a recurring basis during the period ended December 31, 2010 and 2009:

|  | <b>Total</b>        | <b>Beneficial Interest<br/>in Trust</b> | <b>Privately Held<br/>Stock</b> |
|--|---------------------|---|---------------------------------|
| Balance, January 1, 2009   | \$ 1,638,400        | \$ 1,291,400                            | \$ 347,000                      |
| Contributions  | 7,582,200           | 7,459,700                               | 122,500                         |
| Decrease in value due to change in value of<br>underlying trust assets | <u>(148,500)</u>    | <u>(148,500)</u>                        | -                               |
| Balance, December 31, 2009   | <u>9,072,100</u>    | <u>8,602,600</u>                        | <u>469,500</u>                  |
| Contributions  | 262,600             | 245,700                                 | 16,900                          |
| Releases   | (691,000)           | (691,000)                               | -                               |
| Increase in value due to change in value of<br>underlying trust assets | <u>792,700</u>      | <u>792,700</u>                          | -                               |
| Balance, December 31, 2010   | <u>\$ 9,436,400</u> | <u>\$ 8,950,000</u>                     | <u>\$ 486,400</u>               |

The change in net assets, as reported in the Consolidated Statement of Activities, attributable to unrealized gains (losses) on Level 3 assets held at December 31, 2010 and 2009, was \$792,700 and (\$148,500), respectively. The change is reported in realized and unrealized gains (losses) on investments and relates entirely to assets still held at December 31, 2010 and 2009, respectively.

**SUPPLEMENTAL INFORMATION**



**COMMUNITY FOUNDATION SOMONA COUNTY  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2010**

|   | <b>Community<br/>Foundation<br/>Sonoma<br/>County</b> | <b>Oliver Ranch<br/>Foundation</b> | <b>DeMeo Teen<br/>Club, Inc.</b> | <b>Sonoma<br/>Paradiso</b> | <b>Eliminating<br/>Entries</b> | <b>Consolidated<br/>Balance</b> |
|---|---|------------------------------------|----------------------------------|----------------------------|--------------------------------|---------------------------------|
| <b>ASSETS</b>   |   |                                    |                                  |                            |                                |                                 |
| Cash and cash equivalents                             | \$ 2,077,700  | \$ 100                             | \$ 228,800                       | \$ 8,500                   | \$ -                           | \$ 2,315,100                    |
| Investments in debt and equity securities             | 100,967,500   | -                                  | -                                | 17,500                     | -                              | 100,985,000                     |
| Receivables   | 4,384,900   | 7,069,500                          | 219,500                          | -                          | (239,100)                      | 11,434,800                      |
| Charitable lead trusts                                | 13,447,100  | -                                  | -                                | -                          | -                              | 13,447,100                      |
| Beneficial interest in trusts                         | 8,950,000   | -                                  | -                                | -                          | -                              | 8,950,000                       |
| Charitable remainder trusts                           | 1,558,400   | -                                  | -                                | -                          | -                              | 1,558,400                       |
| Assets held in trust                                  | 5,186,800   | -                                  | -                                | -                          | -                              | 5,186,800                       |
| Property and equipment, net                           | 42,300  | -                                  | 4,782,600                        | -                          | -                              | 4,824,900                       |
| Land required to be permanently held                  | -   | 3,024,000                          | -                                | -                          | -                              | 3,024,000                       |
| Loans receivable                                      | 128,400   | -                                  | -                                | -                          | -                              | 128,400                         |
| Pooled income investments                             | 242,900   | -                                  | -                                | -                          | -                              | 242,900                         |
| Prepays and other assets                              | 76,300  | -                                  | 10,100                           | -                          | -                              | 86,400                          |
| Total assets  | <u>\$ 137,062,300</u>                                 | <u>\$ 10,093,600</u>               | <u>\$ 5,241,000</u>              | <u>\$ 26,000</u>           | <u>\$ (239,100)</u>            | <u>\$ 152,183,800</u>           |
| <b>LIABILITIES</b>                                    |   |                                    |                                  |                            |                                |                                 |
| Amounts invested on behalf of nonprofit organizations | \$ 13,068,400   | \$ -                               | \$ -                             | \$ -                       | \$ -                           | \$ 13,068,400                   |
| Grants payable  | 1,171,900   | -                                  | -                                | -                          | (217,600)                      | 954,300                         |
| Accounts payable                                      | 86,400  | -                                  | 25,500                           | 20,000                     | (21,500)                       | 110,400                         |
| Liabilities associated with assets held in trust      | 5,182,500   | -                                  | -                                | -                          | -                              | 5,182,500                       |
| Other liabilities                                     | 820,100   | -                                  | 13,300                           | -                          | -                              | 833,400                         |
| Total liabilities                                     | <u>\$ 20,329,300</u>                                  | <u>\$ -</u>                        | <u>\$ 38,800</u>                 | <u>\$ 20,000</u>           | <u>\$ (239,100)</u>            | <u>\$ 20,149,000</u>            |
| <b>NET ASSETS</b>                                     |   |                                    |                                  |                            |                                |                                 |
| Unrestricted  | 27,510,800  | 100                                | 5,178,400                        | 6,000                      | -                              | 32,695,300                      |
| Temporarily restricted                                | 26,848,900  | -                                  | 23,800                           | -                          | -                              | 26,872,700                      |
| Permanently restricted                                | 62,373,300  | 10,093,500                         | -                                | -                          | -                              | 72,466,800                      |
| Total net assets                                      | <u>116,733,000</u>                                    | <u>10,093,600</u>                  | <u>5,202,200</u>                 | <u>6,000</u>               | <u>-</u>                       | <u>132,034,800</u>              |
| Total liabilities and net assets                      | <u>\$ 137,062,300</u>                                 | <u>\$ 10,093,600</u>               | <u>\$ 5,241,000</u>              | <u>\$ 26,000</u>           | <u>\$ (239,100)</u>            | <u>\$ 152,183,800</u>           |

**COMMUNITY FOUNDATION SONOMA COUNTY  
CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2010**

|  | <b>Community<br/>Foundation<br/>Sonoma<br/>County</b> | <b>Oliver Ranch<br/>Foundation</b> | <b>DeMeo Teen<br/>Club, Inc.</b> | <b>Sonoma<br/>Paradiso</b> | <b>Eliminating<br/>Entries</b> | <b>Consolidated<br/>Balance</b> |
|--|---|------------------------------------|----------------------------------|----------------------------|--------------------------------|---------------------------------|
| <b>CHANGE IN UNRESTRICTED<br/>NET ASSETS</b>           |   |                                    |                                  |                            |                                |                                 |
| Support and revenue                                    |   |                                    |                                  |                            |                                |                                 |
| Contributions, fundraising, and grants                 | \$ 3,177,500  | \$ 40,000                          | \$ 563,900                       | \$ 148,700                 | \$ (558,500)                   | \$ 3,371,600                    |
| Realized and unrealized gains on<br>investments        | 2,915,100   | -                                  | -                                | -                          | -                              | 2,915,100                       |
| Interest and dividends                                 | 646,900   | -                                  | 400                              | -                          | -                              | 647,300                         |
| Management fees earned, net                            | 258,700   | -                                  | -                                | -                          | (25,400)                       | 233,300                         |
| Transfers & Miscellaneous                              | 10,300  | 7,400                              | 109,300                          | 5,000                      | (12,400)                       | 119,600                         |
|  | <u>7,008,500</u>                                      | <u>47,400</u>                      | <u>673,600</u>                   | <u>153,700</u>             | <u>(596,300)</u>               | <u>7,286,900</u>                |
| Net assets released from restrictions                  | <u>5,085,000</u>                                      | <u>-</u>                           | <u>5,500</u>                     | <u>-</u>                   | <u>-</u>                       | <u>5,090,500</u>                |
| Total unrestricted support<br>and revenue              | <u>12,093,500</u>                                     | <u>47,400</u>                      | <u>679,100</u>                   | <u>153,700</u>             | <u>(596,300)</u>               | <u>12,377,400</u>               |
| Expenses   |   |                                    |                                  |                            |                                |                                 |
| Program services                                       | 7,207,100   | 41,900                             | 589,700                          | 160,200                    | (590,900)                      | 7,408,000                       |
| Supporting services                                    | 1,716,300   | 5,400                              | 234,600                          | 200                        | (5,400)                        | 1,951,100                       |
| Total expenses   | <u>8,923,400</u>                                      | <u>47,300</u>                      | <u>824,300</u>                   | <u>160,400</u>             | <u>(596,300)</u>               | <u>9,359,100</u>                |
| Change in unrestricted net assets                      | <u>3,170,100</u>                                      | <u>100</u>                         | <u>(145,200)</u>                 | <u>(6,700)</u>             | <u>-</u>                       | <u>3,018,300</u>                |
| <b>CHANGE IN TEMPORARILY<br/>RESTRICTED NET ASSETS</b> |   |                                    |                                  |                            |                                |                                 |
| Contributions, fundraising, and grants                 | 111,000   | -                                  | 6,300                            | -                          | -                              | 117,300                         |
| Contribution revenue from split-interest<br>agreements | 9,006,600   | -                                  | -                                | -                          | -                              | 9,006,600                       |
| Realized and unrealized gain on<br>investments         | 5,689,300   | -                                  | -                                | -                          | -                              | 5,689,300                       |
| Int investments  | 1,064,600   | -                                  | -                                | -                          | -                              | 1,064,600                       |
| Total temporarily restricted<br>support and revenue    | <u>15,871,500</u>                                     | <u>-</u>                           | <u>6,300</u>                     | <u>-</u>                   | <u>-</u>                       | <u>15,877,800</u>               |
| Net assets released from restrictions                  | <u>(5,085,000)</u>                                    | <u>-</u>                           | <u>(5,500)</u>                   | <u>-</u>                   | <u>-</u>                       | <u>(5,090,500)</u>              |
| Change in temporarily restricted net<br>assets         | <u>10,786,500</u>                                     | <u>-</u>                           | <u>800</u>                       | <u>-</u>                   | <u>-</u>                       | <u>10,787,300</u>               |
| <b>CHANGE IN PERMANENTLY<br/>RESTRICTED NET ASSETS</b> |   |                                    |                                  |                            |                                |                                 |
| Contributions, fundraising, and grants                 | 3,533,300   | -                                  | -                                | -                          | -                              | 3,533,300                       |
| Change in permanently restricted net<br>assets         | <u>3,533,300</u>                                      | <u>-</u>                           | <u>-</u>                         | <u>-</u>                   | <u>-</u>                       | <u>3,533,300</u>                |
| <b>CHANGE IN NET ASSETS</b>                            | <u>17,489,900</u>                                     | <u>100</u>                         | <u>(144,400)</u>                 | <u>(6,700)</u>             | <u>-</u>                       | <u>17,338,900</u>               |
| <b>NET ASSETS, beginning of year as restated</b>       | <u>99,243,100</u>                                     | <u>10,093,500</u>                  | <u>5,346,600</u>                 | <u>12,700</u>              | <u>-</u>                       | <u>114,695,900</u>              |
| <b>NET ASSETS, end of year</b>                         | <u>\$ 116,733,000</u>                                 | <u>\$ 10,093,600</u>               | <u>\$ 5,202,200</u>              | <u>\$ 6,000</u>            | <u>\$ -</u>                    | <u>\$ 132,034,800</u>           |