

**VENTURA COUNTY
COMMUNITY FOUNDATION
AND SUPPORTING ORGANIZATION**

COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

VENTURA COUNTY COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION

September 30, 2011

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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INDEPENDENT AUDITOR’S REPORT

Board of Directors
Ventura County Community Foundation
and Supporting Organization
Camarillo, California

We have audited the accompanying Combined Statement of Financial Position of the Ventura County Community Foundation and Supporting Organization (a non-profit organization) as of September 30, 2011, and the related Combined Statements of Activities and Changes in Net Assets and Cash Flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit. Information for the year ended September 30, 2010, is presented for comparative purposes only and was extracted from the financial statements for that year, on which an unqualified opinion dated December 22, 2010, was expressed.

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 financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Ventura County Community Foundation and Supporting Organization as of September 30, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As explained in Notes 1 and 3 to the combined financial statements, the combined statement of financial position includes investments valued at \$22,048,447 (26% of net assets) as of September 30, 2011, whose fair market values have been estimated by management in the absence of readily determinable fair values. Management’s estimates are based upon information provided by the investment managers.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of selected financial information on pages 19 and 20 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McGowan Guntermann

December 14, 2011

**VENTURA COUNTY COMMUNITY FOUNDATION
AND SUPPORTING ORGANIZATION**

COMBINED STATEMENT OF FINANCIAL POSITION
September 30, 2011
(With Comparative Totals for September 30, 2010)

	ASSETS	
	<u>2011</u>	(Memo) <u>2010</u>
CURRENT ASSETS		
Cash and equivalents	\$ 8,313,260	\$ 9,702,971
Accounts receivable	10,618	17,436
Pledges receivable (Note 2)	397,340	2,303,596
Prepaid expenses and deposits	<u>48,530</u>	<u>41,951</u>
Total Current Assets	<u>8,769,748</u>	<u>12,065,954</u>
INVESTMENTS (Note 3)	<u>79,181,725</u>	<u>80,605,952</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	161,942	169,079
Leasehold improvements	<u>44,442</u>	<u>43,753</u>
	206,384	212,832
Less: accumulated depreciation	<u>(156,088)</u>	<u>(163,360)</u>
Net Property and Equipment	<u>50,296</u>	<u>49,472</u>
OTHER ASSETS		
Cash surrender value of life insurance	422,164	360,690
Pledges receivable - noncurrent (Note 2)	8,197,624	7,136,123
Planned gifts (Note 5)	<u>1,670,927</u>	<u>2,827,407</u>
Total Other Assets	<u>10,290,715</u>	<u>10,324,220</u>
TOTAL ASSETS	<u>\$ 98,292,484</u>	<u>\$ 103,045,598</u>

LIABILITIES AND NET ASSETS

	<u>2011</u>	(Memo) <u>2010</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 108,501	\$ 262,037
Grants payable	<u>2,893,536</u>	<u>5,255,851</u>
Total Current Liabilities	<u>3,002,037</u>	<u>5,517,888</u>
OTHER LIABILITIES		
Deferred income	18,409	29,397
Planned giving liability	278,180	257,361
Funds held as agency endowments (Note 7)	<u>8,811,717</u>	<u>9,654,997</u>
Total Other Liabilities	<u>9,108,306</u>	<u>9,941,755</u>
TOTAL LIABILITIES	<u>12,110,343</u>	<u>15,459,643</u>
NET ASSETS		
UNRESTRICTED		
General operating	573,155	453,780
Supporting organization (Note 1)	9,224,861	9,706,740
Board-designated endowment	567,257	621,321
Pass-through	3,630,239	3,860,141
Planned giving	101,181	119,698
Endowments (Note 14)	<u>58,953,682</u>	<u>57,747,663</u>
Total Unrestricted	<u>73,050,375</u>	<u>72,509,343</u>
TEMPORARILY RESTRICTED		
Contributions with time restrictions	9,364,247	9,719,911
Earnings on donor-restricted endowments (Note 14)	477,076	618,263
Regranting	499,082	771,498
Planned giving	<u>1,619,141</u>	<u>2,794,720</u>
Total Temporarily Restricted	<u>11,959,546</u>	<u>13,904,392</u>
PERMANENTLY RESTRICTED		
Donor-restricted endowments (Note 14)	<u>1,172,220</u>	<u>1,172,220</u>
Total Net Assets	<u>86,182,141</u>	<u>87,585,955</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 98,292,484</u>	<u>\$ 103,045,598</u>

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

**VENTURA COUNTY COMMUNITY FOUNDATION
AND SUPPORTING ORGANIZATION**

**COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended September 30, 2011
(With Comparative Totals for the Year Ended September 30, 2010)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011 Total</u>	<u>(Memo) 2010</u>
REVENUE, GAINS AND OTHER SUPPORT					
Contributions, grants, and bequests	\$ 2,139,636	\$ 2,099,257	\$ -	\$ 4,238,893	\$ 5,610,976
Less amounts received for agency endowments (Note 7)	<u>38,949</u>	<u>-</u>	<u>-</u>	<u>38,949</u>	<u>35,350</u>
Total contributions, grants and bequests	2,100,687	2,099,257	-	4,199,944	5,575,626
Special events, net of expenses of \$79,161 and \$568,904	61,518	-	-	61,518	433,861
Interest and dividend income	1,887,857	37,438	-	1,925,295	1,323,469
Less amounts earned on agency endowments (Note 7)	<u>196,077</u>	<u>-</u>	<u>-</u>	<u>196,077</u>	<u>151,611</u>
Total interest and dividend income	1,691,780	37,438	-	1,729,218	1,171,858
Change in value of split interest agreements, residual trusts, and estimated present value calculations for pledges receivable	-	323,198	-	323,198	121,742
Unrealized gains on investments	(4,654,147)	(92,690)	-	(4,746,837)	4,713,979
Less unrealized gains on agency endowments (Note 7)	<u>(488,275)</u>	<u>-</u>	<u>-</u>	<u>(488,275)</u>	<u>521,967</u>
Net unrealized gains on investments	(4,165,872)	(92,690)	-	(4,258,562)	4,192,012
Realized gains (losses) on investments	1,393,662	26,042	-	1,419,704	2,079,474
Less realized gains (losses) on agency endowments (Note 7)	<u>137,290</u>	<u>-</u>	<u>-</u>	<u>137,290</u>	<u>270,915</u>
Net realized gains (losses) on investments	1,256,372	26,042	-	1,282,414	1,808,559
Management fees, workshops, consulting and other revenue	200,750	-	-	200,750	261,058
Net assets released from restrictions (Note 9)	<u>4,338,091</u>	<u>(4,338,091)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue, Gains, and Other Support	<u>5,483,326</u>	<u>(1,944,846)</u>	<u>-</u>	<u>3,538,480</u>	<u>13,564,716</u>
EXPENSES					
Program Services					
Grants and distributions					
net of rescinded grants of \$510,231 and \$ 104,215	3,286,570	-	-	3,286,570	5,589,149
Less grants made from agency endowments (Note 7)	<u>381,085</u>	<u>-</u>	<u>-</u>	<u>381,085</u>	<u>455,488</u>
Net grants and distributions	2,905,485	-	-	2,905,485	5,133,661
Other program services	<u>914,696</u>	<u>-</u>	<u>-</u>	<u>914,696</u>	<u>948,733</u>
Total Program Services	3,820,181	-	-	3,820,181	6,082,394
Management and General					
Investment related	217,126	-	-	217,126	335,512
Other management and general	<u>764,876</u>	<u>-</u>	<u>-</u>	<u>764,876</u>	<u>666,217</u>
Total Management and General	982,002	-	-	982,002	1,001,729
Fundraising	<u>140,111</u>	<u>-</u>	<u>-</u>	<u>140,111</u>	<u>124,127</u>
Total Expenses	<u>4,942,294</u>	<u>-</u>	<u>-</u>	<u>4,942,294</u>	<u>7,208,250</u>
CHANGE IN NET ASSETS	541,032	(1,944,846)	-	(1,403,814)	6,356,466
NET ASSETS, BEGINNING OF YEAR	<u>72,509,343</u>	<u>13,904,392</u>	<u>1,172,220</u>	<u>87,585,955</u>	<u>81,229,489</u>
NET ASSETS, END OF YEAR	<u>\$ 73,050,375</u>	<u>\$ 11,959,546</u>	<u>\$ 1,172,220</u>	<u>\$ 86,182,141</u>	<u>\$ 87,585,955</u>

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

**VENTURA COUNTY COMMUNITY FOUNDATION
AND SUPPORTING ORGANIZATION**

COMBINED STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2011

(With Comparative Amounts for the Year Ended September 30, 2010)

	<u>2011</u>	(Memo) <u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,403,814)	\$ 6,356,466
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	24,009	19,286
Contributions of donated stock	(583,298)	(44,449)
Contributions restricted for long-term investment	-	(11,715)
Net realized and unrealized gains on long-term investments	2,976,148	(6,000,571)
Increase in pledges and accounts receivable	851,573	(998,778)
Increase in prepaid expenses and deposits	(6,579)	(2,057)
Increase in cash surrender value of life insurance	(61,474)	(27,329)
Decrease (increase) in planned gifts	1,156,480	(399,624)
Increase (decrease) in accounts payable and accrued expenses	(153,536)	140,082
Increase (decrease) in grants payable	(2,362,315)	476,052
Increase in planned giving liability	20,819	97
Increase (decrease) in deferred revenue	(10,988)	17,495
Increase (decrease) in funds held as agency endowment	(843,280)	409,544
NET CASH USED BY OPERATING ACTIVITIES	<u>(396,255)</u>	<u>(65,501)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	(24,833)	(18,058)
Proceeds from sale of marketable securities	24,561,813	11,385,092
Purchase of marketable securities	<u>(25,530,436)</u>	<u>(11,460,822)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(993,456)</u>	<u>(93,788)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term investment	<u>-</u>	<u>11,715</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>-</u>	<u>11,715</u>
NET DECREASE IN CASH	(1,389,711)	(147,574)
CASH - BEGINNING OF YEAR	<u>9,702,971</u>	<u>9,850,545</u>
CASH - END OF YEAR	<u>\$ 8,313,260</u>	<u>\$ 9,702,971</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Non-cash transactions consisted of the following:

In-kind contribution of goods for special events	\$ 55,000	\$ 140,345
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VENTURA COUNTY COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Ventura County Community Foundation (the "Foundation") was formed to provide a vehicle through which contributions and bequests can be made for charitable, educational, and related purposes in Ventura County, enabling and promoting philanthropy to improve our communities, with the proviso that these funds would be administered and distributed by an independent organization. The Foundation administers more than 505 individual funds, each established with a gift instrument describing either the general or specific purpose for which grants are made.

Principles of Combination

The accounts of the Martin V. and Martha K. Smith Foundation, a supporting organization, are included in these financial statements. A supporting organization is a separately incorporated charitable organization administered by the Foundation. Its public charity status is attained through its affiliation with the Foundation. The net assets of the supporting organization totaled \$9,224,861 and \$9,706,740 as of September 30, 2011 and 2010 respectively. The Foundation has eliminated all material inter-organizational accounts and transactions.

Basis of Accounting

The accompanying financial statements of the Foundation are prepared using the accrual basis of accounting.

Classification of Net Assets

The Foundation reports information regarding its financial position and activities in three classes of net assets - unrestricted, temporarily restricted, and permanently restricted - based on the existence or absence of donor-imposed restrictions.

Unrestricted Net Assets

All contributions, including those with donor-imposed restrictions, are subject to the variance power established by the Foundation's governing documents. The Board would exercise its variance power to modify any restriction on gifts to the Foundation only if the stated purpose of a contribution is no longer consistent with the charitable needs of the community or is incapable of fulfillment. Accordingly, unless time restrictions have been imposed on contributions, net assets are generally classified as unrestricted net assets. It is the Foundation's policy that absent contrary explicit directions in the transferring instrument from the donor regarding the use of the principal, all or part of the principal of any fund may be used subject to certain conditions, including the approval of the Board of Directors consistent with all legal requirements. Contributions with donor imposed restrictions that are met in the same fiscal year as the contribution is made are included as unrestricted support that increases unrestricted net assets.

VENTURA COUNTY COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets include irrevocable planned gifts and gifts that may have time restrictions, as requested by the donors. Earnings on endowment funds that have not yet been appropriated are also classified as temporarily restricted net assets. Earnings on temporarily restricted net assets are reported as an increase in temporarily restricted net assets. When a restriction expires, (when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as “net assets released from restrictions”.

Permanently Restricted Net Assets

Permanently Restricted Net Assets are subject to explicit donor-imposed restrictions that will be maintained in perpetuity. The investment income generated by permanently restricted assets is temporarily restricted by law until appropriated by the Board in support of the Foundation’s programs and operations. The Foundation’s permanently restricted net assets consist of those endowments held by the Foundation as defined under the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Cash and Cash Equivalents

The Foundation considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

The fair market values of marketable securities are determined through quoted market values. Alternative investments, which are not readily marketable, are carried at their estimated fair values as determined by management in good faith with the assistance of third-party investment managers using methods it considers appropriate. Those estimated fair values may differ from the values that would have been used had a ready market for these securities existed.

Donated Property and Investments

Donated property and investments are recorded as contributions at their fair market value at date of receipt.

Property and Equipment

The Foundation's investment in equipment and leasehold improvements is stated at cost, or fair market value if donated. Depreciation is calculated using the straight-line method over an estimated useful life of five to ten years.

VENTURA COUNTY COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Foundation is a California nonprofit public benefit corporation, which is exempt from income taxes under Internal Revenue Code Section number 501(c)(3) and State of California Revenue and Taxation Code Section 23701(d); therefore, no provision for income taxes is required. The Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

The Foundation evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonable estimable. As of September 30, 2011, the Foundation had no uncertain tax positions requiring accrual.

The Foundation files tax returns in California and U.S. federal jurisdictions. The Foundation is no longer subject to U.S. federal and state tax examinations by tax authorities for years before 2007.

Comparative Amounts

The amounts shown for 2010 in the accompanying financial statements are included to provide a basis for comparison with 2011 and are not intended to present all information necessary for a fair presentation of the 2010 financial statements in conformity with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. It is at least reasonably possible that the significant estimates could change in the coming year and accordingly, actual results could differ from those estimates.

Significant estimates used in the preparation of these financial statements include:

- Allocation of certain expenses by function.
- Discount factors used in determining pledges receivable and annuities payable by charitable trusts.
- Allowance for contributions receivable.
- Fair market value of assets held by charitable trusts.
- Fair market value of certain investments.
- Depreciable lives of property and equipment.

VENTURA COUNTY COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Services

Donated goods and services received by the Foundation are recorded at fair market value at the time of the donation. During the fiscal year ended September 30, 2011, hundreds of volunteers gave their time and expertise to the Foundation in a wide variety of areas including service on the Board of Directors; grants and scholarship committees; administrative, technical and financial advice; volunteer faculty at the Center for Nonprofit Leadership; and office and public relations activities. This contribution, despite its considerable value to the mission of the Foundation, is not reflected in the financial statements.

Contributions

Contributions received are recorded at their fair value on the date of donation. Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Grants

Grants are recorded as expenses when they are approved by the Board of Directors for payment.

Financial Instruments

The Foundation carries financial instruments at cost, which approximates fair value.

Subsequent Events

The Foundation has evaluated subsequent events through December 14, 2011, the date which the financial statements were available to be issued.

Note 2 - PLEDGES RECEIVABLE

Unconditional promises are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. A discount rate of 2% has been applied to multi-year pledges receivable. At September 30, unconditional promises are expected to be realized in the following periods:

	<u>2011</u>	<u>2010</u>
In one year or less	\$ 422,295	\$ 2,328,551
In more than one year	8,197,624	7,136,123
Allowance for uncollectible pledges	<u>(24,955)</u>	<u>(24,955)</u>
Pledges receivable, net	<u>\$ 8,594,964</u>	<u>\$ 9,439,719</u>

VENTURA COUNTY COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3 - INVESTMENTS

At September 30, 2011 and 2010, investments consist of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Excess of Market Over (Under) Cost</u>
<u>2011</u>			
Money market	\$ 1,486,139	\$ 1,486,139	\$ -
Corporate stocks	9,281,775	9,379,729	97,954
Investment companies	40,629,887	42,509,257	1,879,370
Mutual funds	26,396,734	25,806,600	(590,134)
Total	<u>\$ 77,794,535</u>	<u>\$ 79,181,725</u>	<u>\$ 1,387,190</u>
<u>2010</u>			
Money market	\$ 1,533,598	\$ 1,533,598	\$ -
Corporate stocks	15,653,656	16,642,015	988,359
Investment companies	32,606,575	34,994,427	2,387,852
Mutual funds	24,678,096	27,435,912	2,757,816
Total	<u>\$ 74,471,925</u>	<u>\$ 80,605,952</u>	<u>\$ 6,134,027</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended September 30, 2011:

	<u>VCCF</u>	<u>Smith Foundation</u>	<u>Agency Endowments</u>	<u>Total</u>
Dividends and interest	\$ 1,427,143	\$ 302,075	\$ 196,077	\$ 1,925,295
Net unrealized gains	(3,714,288)	(544,274)	(488,275)	(4,746,837)
Net realized gains	919,519	362,895	137,290	1,419,704
Administrative fees	(762,700)	(75,000)	(87,398)	(857,598)
Investment expense	(155,136)	(61,990)	(20,668)	(217,126)
Total fees & expense	<u>(917,836)</u>	<u>(136,990)</u>	<u>(108,066)</u>	<u>(1,087,892)</u>
Return on investments	<u>\$ (2,285,462)</u>	<u>\$ 51,206</u>	<u>\$ (262,974)</u>	<u>\$ (2,489,730)</u>

The following summarizes the net change in unrealized gain on investments:

	<u>Cost</u>	<u>Market Value</u>	<u>Excess of Market Over (Under) Cost</u>
<u>2011</u>			
Balance at end of year	\$ 77,794,535	\$ 79,181,725	\$ 1,387,190
Balance at beginning of year	74,471,925	80,605,952	<u>6,134,027</u>
Net change in unrealized gain on investments			<u>\$ (4,746,837)</u>
<u>2010</u>			
Balance at end of year	\$ 74,471,925	\$ 80,605,952	\$ 6,134,027
Balance at beginning of year	73,065,154	74,485,202	<u>1,420,048</u>
Net change in unrealized gain on investments			<u>\$ 4,713,979</u>

VENTURA COUNTY COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3 - INVESTMENTS (continued)

Investment expenses for the years ended September 30, 2011 and 2010, totaled \$217,126 and \$335,512, respectively and is included in the management and general expenses.

The Foundation, in accordance with UPMIFA, allows the Board of Directors to appropriate the net appreciation based upon the Foundation's present and anticipated financials requirements, expected and total return on its investments, price level trends, and general economic conditions. The Board of Directors may distribute all or part of the accumulated earnings of each fund at its discretion, unless otherwise explicitly restricted by the terms of the specific fund.

Note 4 - FAIR VALUE MEASUREMENT

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurement and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets.
Level 2	Inputs to the valuation methodology may include: quoted prices for similar assets in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

VENTURA COUNTY COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 4 - FAIR VALUE MEASUREMENT (continued)

Large Cap Equities - Large Cap is defined in accordance with the Russell 1000 Index which measures the 1,000 largest companies in the Russell 3000 Index. The Russell 1000 Index represents approximately 92% of the total market capitalization of the Russell 3000 Index.

Mid Cap Equities - Mid Cap is defined in accordance with the Russell Midcap Index which measures the 800 smallest companies in the Russell 1000 Index. The Russell Midcap Index represents approximately 27% of the total market capitalization of the Russell 1000 Index.

Small Cap Equities - Small Cap is defined in accordance with the Russell 2000 Index which measures the 2,000 smallest companies in the Russell 3000 Index. The Russell 2000 represents approximately 10% of the total market capitalization of the Russell 3000 Index.

International Equity - International Equities are represented in the asset allocation model by the Morgan Stanley Capital International (MSCI) Europe, Australia, Far East (EAFE) Index. The MSCI EAFE Index is based on approximately 1,000 securities listed on over 20 of the world's stock exchanges. It aims to account for approximately 60% of the capitalization of each nation's market. The index is computed as an arithmetic average of the individual capitalization-weighted indices of the component countries. Emerging Markets are represented in the asset allocation model by the MSCI Emerging Markets (EM) Index. The MSCI EM Index is based on over 2,700 securities in 21 markets that are currently classified as EM countries. The EM equity universe spans large, mid and small cap securities and can be segmented across styles and sectors.

Fixed Income - The purpose of the fixed income segment is to provide a hedge against deflation, provide a stable component of return, and to minimize the overall volatility of the Account. The percentage of assets allocated to fixed income should be sufficient to ensure that neither the current income nor the principal value of the fund declines by an intolerable amount during a period of extended deflation.

Hedge Funds - An aggressively managed portfolio of investments that uses advanced investment strategies such as leveraged, long, short and derivative positions in both domestic and international markets with the goal of generating high returns (either in an absolute sense or over a specified market benchmark). Legally, hedge funds are most often set up as private investment partnerships that are open to a limited number of investors and require a large initial minimum investment. Investments in hedge funds are illiquid as they often require investors to keep their money in the fund for at least one year.

Private Equity - Privately negotiated investments with equity or equity-like features into companies that are generally not traded or otherwise do not provide investment liquidity; Private Equity is medium to long-term financing provided in return for an equity stake in potentially high growth unquoted companies. Private equity funds are typically structured as private limited partnerships where the actual portfolio managers who manage the fund make up the general partner and the providers of capital, the individual and institutional investors, make up the limited partners. Private equity investments often demand long holding periods to allow for a turnaround of a distressed company or a liquidity event such as an IPO or sale to a public company.

VENTURA COUNTY COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 4 - FAIR VALUE MEASUREMENT (continued)

The following table presents the fair value measurements of assets recognized in the accompanying 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 September 30, 2011:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Money Market Cash	\$ 1,486,139	\$ -	\$ -	\$ 1,486,139
Large Cap Equity	11,825,218	95,257	-	11,920,475
Mid Cap Equity	8,371,099	380,236	-	8,751,335
Small Cap Equity	3,855,670	53,715	-	3,909,385
International Equity	13,800,665	-	125,480	13,926,145
Fixed Income	17,026,913	-	-	17,026,913
Hedge Funds	-	-	12,724,692	12,724,692
Private Equity	<u>216,316</u>	<u>22,050</u>	<u>9,198,275</u>	<u>9,436,641</u>
Total Investments	56,582,020	551,258	22,048,447	79,181,725
Life insurance	-	422,164	-	422,164
Planned giving	<u>-</u>	<u>390,927</u>	<u>1,280,000</u>	<u>1,670,927</u>
Total assets measured at fair value	<u>\$ 56,582,020</u>	<u>\$ 1,364,349</u>	<u>\$ 23,328,447</u>	<u>\$ 81,274,816</u>

The following table provides a reconciliation of assets measured at fair value using significant unobservable inputs (Level 3) during the year ended September 30, 2011:

<u>Description</u>	<u>Beginning Balance</u>	<u>Purchases</u>	<u>Sales and Collections</u>	<u>Net Gains and (Losses)</u>	<u>Ending Balance</u>
Hedge Funds	\$ 12,199,840	\$ 2,000,000	\$ (1,571,358)	\$ 96,210	\$ 12,724,692
International	126,362	-	-	(882)	125,480
Private Equity	6,549,200	2,730,956	(1,324,648)	1,242,767	9,198,275
Planned giving	<u>2,430,681</u>	<u>-</u>	<u>(1,385,226)</u>	<u>234,545</u>	<u>1,280,000</u>
Total Level 3	<u>\$ 21,306,083</u>	<u>\$ 4,730,956</u>	<u>\$ (4,281,232)</u>	<u>\$ 1,572,640</u>	<u>\$ 23,328,447</u>

Note 5 - PLANNED GIVING

The Foundation is the residual beneficiary of two irrevocable trusts, the assets of which are not in the possession of the Foundation. Upon termination of each trust, the Foundation shall receive the assets remaining in the trust. The Foundation recognizes annually the change in the present value of the estimated future benefits to be received when the trust assets are distributed as increases or decreases in the value of split-interest agreements on the Statements of Activities.

VENTURA COUNTY COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 5 - PLANNED GIVING (continued)

The Foundation is the beneficiary of a pooled income fund maintained by a trustee. A pooled income fund pools, invests and manages life income gifts from different donors. During the term of the life income fund, the donors receive the actual income earned on their units in the fund. Upon their death, the donor's units revert to the Foundation. The Foundation recognizes annually the change in the present value of the estimated future benefits to be received when the fund assets are distributed as an increase or decrease in the value of split-interest agreements on the Statement of Activities.

Donors have contributed assets to the Foundation in exchange for a promise by the Foundation to pay to the donor or to individuals or organizations designated by the donor a fixed amount for a specified period of time. Under the terms of the charitable gift annuity agreements, no trust exists, as the assets received are held by, and the liability is an obligation of, the Foundation. The present value of payments to beneficiaries under these arrangements is calculated using discount rates representing risk-free rates in existence at the date of the gift. The liability is the value of the annuity contract as determined by Section 72 of the Internal Revenue Code and the tax tables there under. The Foundation's planned gifts at September 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Charitable remainder trusts	\$ 1,280,000	\$ 2,430,681
Pooled income fund	73,703	76,647
Charitable gift annuities	<u>317,224</u>	<u>320,079</u>
Total	<u>\$ 1,670,927</u>	<u>\$ 2,827,407</u>

Note 6 - OPERATING LEASES

The Foundation rents facilities under a lease agreement expiring in November 2012, with an option to extend an additional five years, payable in monthly installments of \$10,652. In addition, the Foundation has a joint office-use agreement with United Way. The Foundation pays for twenty-five percent of the specified combined space through November, 2012. For the year ended September 30, 2011, the amount was \$872 per month. Minimum annual lease payments are as follows for the fiscal years ended September 30:

2012	\$ 142,089
2013	<u>23,794</u>
Total	<u>\$ 165,883</u>

Lease expense for the years ended September 30, 2011 and 2010 totaled \$138,589 and \$133,896, respectively.

Note 7 - AGENCY ENDOWMENTS

Accounting standards specifically require that if a not-for-profit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as agency endowments.

VENTURA COUNTY COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 7 - AGENCY ENDOWMENTS (continued)

The Foundation maintains variance power and legal ownership of agency endowment funds and as such continues to report the funds as assets of the Foundation. In accordance with accounting standards, a liability has been established for the fair market value of the funds.

At September 30, 2011, the Foundation was the owner of 70 agency endowment funds with a combined fair value of \$8,811,717. All financial activity for the year then ended related to these funds is segregated on the Statement of Activities and has been reclassified to the agency endowment liability.

Note 8 - COMMITMENTS

At September 30, 2011, the Foundation had made investment commitments to partnerships that are not readily marketable in an amount not to exceed \$6,628,852.

Note 9 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by satisfying the restricted purposes specified by donors.

	<u>2011</u>	<u>2010</u>
Re-granting	\$ 419,741	\$ 390,665
Time restriction met	164,660	267,107
Planned giving	<u>3,753,690</u>	<u>317,949</u>
Total	<u>\$ 4,338,091</u>	<u>\$ 975,721</u>

Note 10 - CONCENTRATIONS OF REVENUE AND CREDIT RISK

The Foundation maintains cash balances at Wells Fargo Bank. Accounts at Wells Fargo Bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At September 30, 2011, the Foundation has an excess of \$7,885,825 over the FDIC insured amount. The Foundation maintains a majority of investment cash balances in money market funds. Such balances are not fully insured.

A majority of the donors to the Foundation are from Ventura County.

At September 30, 2011, \$25,658,327 of the Foundation's long-term investments and money market funds were held in custodial accounts by a bank and invested by three separate asset managers in numerous securities and in money market accounts. In addition, a total of \$20,263,071 was invested in two mutual fund investment companies, and \$22,048,447 in investments whose fair market values have been estimated by management in consultation with investment consultants and managers in the absence of readily available determinable fair values, which is a common way of reporting such types of investments by nonprofit organizations.

Note 11 - RECLASSIFICATION

Amounts from the September 30, 2010 financial statements have been reclassified to conform with the September 30, 2011 financial statement presentation.

VENTURA COUNTY COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 12 - RELATED PARTY TRANSACTIONS

Board members and committee members of the Foundation may also serve on boards and committees of entities receiving grants and support from the Foundation. Each board member and committee member has to complete a conflict of interest declaration form annually. Those board members and committee members who have conflicts abstain from voting on grants if the beneficiary is one of these entities.

Note 13 - RETIREMENT PLAN

Effective January 1, 2010, the Foundation adopted a 403(b) Plan to replace the SIMPLE IRA that was previously in effect. Foundation employees who work at least 20 hours per week are eligible to participate in a deferred salary savings plan under Section 403(b) of the Internal Revenue Code after one full calendar month of services. The Foundation matches at its discretion up to 1% of the eligible salary upon participation. For eligible employees with more than one year of service the Foundation at its discretion may contribute an additional percentage of the participant's eligible salary. For the year ended September 30, 2011, Foundation contributions to the 403(b) Plan totaled \$8,428.

Note 14 - ENDOWMENT FUNDS

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the California adopted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring a long-term investment strategy designed to preserve the fair value of the original gift. As a result of this interpretation, the Foundation has classified those funds for which there is explicit donor prohibition as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard for prudence prescribed by UPMIFA. In accordance with California UPMIFA, the organization 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 Foundation 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.

VENTURA COUNTY COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 14 - ENDOWMENT FUNDS (continued)

Endowment net assets are composed of the following as of September 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$ 58,953,682	\$ 477,076	\$ 1,172,220	\$ 60,602,978
Board-restricted	567,257	-	-	567,257
Total endowments	<u>\$ 59,520,939</u>	<u>\$ 477,076</u>	<u>\$ 1,172,220</u>	<u>\$ 61,170,235</u>

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 long-term purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity for donor-specified periods as well as board-designated funds. The endowment assets are invested in a manner that is intended to produce results that provide a reasonable balance between the quest for growth and the need to protect principal. The investment policy calls for a diversified portfolio utilizing various asset classes with a goal of reducing portfolio volatility and risk. The Foundation expects its endowment funds, over time, to provide an average rate of return that, over market cycles, exceed annual distributions, fees, and inflation. Actual returns in any given year may vary from this amount.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 58,368,984	\$ 618,263	\$ 1,172,220	\$ 60,159,467
Net investment return (investment income, realized and unrealized gains and losses)	(2,453,773)	(53,567)	-	(2,507,340)
Contributions	5,242,811	-	-	5,242,811
Appropriation of endowment assets for expenditure	<u>(1,637,083)</u>	<u>(87,620)</u>	<u>-</u>	<u>(1,724,703)</u>
Endowment net assets, end of year	<u>\$ 59,520,939</u>	<u>\$ 477,076</u>	<u>\$ 1,172,220</u>	<u>\$ 61,170,235</u>

VENTURA COUNTY COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 14 - ENDOWMENT FUNDS (continued)

Strategies Employed for Achieving Goals

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 objective within prudent portfolio risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation, in accordance with UPMIFA, allows the Board of Directors to appropriate the net appreciation based upon the Foundation's present and anticipated financial requirements, expected and total return on its investments, price level trends, and general economic conditions. The Board of Directors may distribute all or part of the accumulated earnings of each fund at its discretion, unless otherwise restricted by the explicit terms of the specific fund. The spending policy in effect for the year ended September 30, 2011, was to distribute between 2% and 5% of a rolling 12 quarter average of the fair value of the assets as of June 30, 2010, which may include more than accumulated earnings. The spending policy is approved on an annual basis by the Board of Directors for the subsequent fiscal year based upon the conditions at that time.

Endowment Funds with Deficiencies

From time to time, the fair value of the assets associated with individual donor-restricted funds may fall below the level that current law requires the Foundation to retain for a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, these deficiencies are reported as a reduction in unrestricted net assets. Such deficiencies may result from unfavorable market fluctuations, particularly if the funds were invested in the endowment pool shortly prior to significant market declines. As of September 30, 2011, the Foundation held 143 endowment funds where the market value had fallen below the original corpus due to market conditions. The amount of the shortfall totaled \$1,701,208.

SUPPLEMENTAL INFORMATION

VENTURA COUNTY COMMUNITY FOUNDATION

SUPPLEMENTAL SCHEDULE OF SELECTED FINANCIAL INFORMATION EXCLUSIVE OF THE MARTIN V. AND MARTHA K. SMITH FOUNDATION

September 30, 2011 and 2010

ASSETS, LIABILITIES, AND NET ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and equivalents	\$ 8,085,116	\$ 9,653,948
Other current assets	<u>456,488</u>	<u>2,362,983</u>
Total Current Assets	8,541,604	12,016,931
INVESTMENTS	68,572,295	68,051,227
OTHER ASSETS	<u>10,341,011</u>	<u>10,373,692</u>
TOTAL ASSETS	<u>\$ 87,454,910</u>	<u>\$ 90,441,850</u>
LIABILITIES		
Current liabilities	\$ 1,389,324	\$ 2,620,880
Other liabilities	<u>9,108,306</u>	<u>9,941,755</u>
Total Liabilities	<u>10,497,630</u>	<u>12,562,635</u>
NET ASSETS	<u>76,957,280</u>	<u>77,879,215</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 87,454,910</u>	<u>\$ 90,441,850</u>

ACTIVITIES AND CHANGES IN NET ASSETS

	<u>2011</u>	<u>2010</u>
REVENUE, GAINS, AND OTHER SUPPORT		
Contributions	\$ 4,199,944	\$ 5,575,626
Investment income	(1,044,428)	5,987,608
Other support	<u>262,268</u>	<u>694,919</u>
Total Revenue, Gains, and Other Support	3,417,784	12,258,153
EXPENSES		
Grants and distributions	2,439,985	4,390,161
Other expenses	<u>1,899,734</u>	<u>1,904,863</u>
Total Expenses	<u>4,339,719</u>	<u>6,295,024</u>
CHANGE IN NET ASSETS	(921,935)	5,963,129
NET ASSETS, BEGINNING OF YEAR	<u>77,879,215</u>	<u>71,916,086</u>
NET ASSETS, END OF YEAR	<u>\$ 76,957,280</u>	<u>\$ 77,879,215</u>

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

MARTIN V. AND MARTHA K. SMITH FOUNDATION

SUPPLEMENTAL SCHEDULE OF SELECTED FINANCIAL INFORMATION

September 30, 2011 and 2010

ASSETS, LIABILITIES, AND NET ASSETS

	<u>2011</u>	<u>2010</u>
CASH AND CASH EQUIVALENTS	\$ 228,144	\$ 49,023
INVESTMENTS	<u>10,609,430</u>	<u>12,554,725</u>
TOTAL ASSETS	<u>\$ 10,837,574</u>	<u>\$ 12,603,748</u>
LIABILITIES	\$ 1,612,713	\$ 2,897,008
NET ASSETS	<u>9,224,861</u>	<u>9,706,740</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,837,574</u>	<u>\$ 12,603,748</u>

ACTIVITIES AND CHANGES IN NET ASSETS

	<u>2011</u>	<u>2010</u>
INVESTMENT INCOME	\$ 120,696	\$ 1,306,563
EXPENSES		
Grants and Distributions	465,500	743,500
Other Expenses	<u>137,075</u>	<u>169,725</u>
Total Expenses	<u>602,575</u>	<u>913,225</u>
CHANGE IN NET ASSETS	(481,879)	393,338
NET ASSETS, BEGINNING OF YEAR	<u>9,706,740</u>	<u>9,313,402</u>
NET ASSETS, END OF YEAR	<u>\$ 9,224,861</u>	<u>\$ 9,706,740</u>

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