

**VENTURA COUNTY
COMMUNITY FOUNDATION
AND SUPPORTING ORGANIZATION**

COMBINED FINANCIAL STATEMENTS

September 30, 2009

VENTURA COUNTY COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION

September 30, 2009

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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, 2009, 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, 2008, is presented for comparative purposes only and was extracted from the financial statements for that year, on which an unqualified opinion dated December 15, 2008, 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, 2009, 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 \$14,362,561 (18% of net assets) as of September 30, 2009, 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 18 and 19 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 18, 2009

**VENTURA COUNTY COMMUNITY FOUNDATION
AND SUPPORTING ORGANIZATION**

COMBINED STATEMENT OF FINANCIAL POSITION
September 30, 2009
(With Comparative Totals for September 30, 2008)

	ASSETS	
	<u>2009</u>	(Memo) <u>2008</u>
CURRENT ASSETS		
Cash and equivalents	\$ 9,850,545	\$ 9,494,253
Accounts receivable	26,757	31,894
Pledges receivable (Note 2)	1,667,861	1,696,293
Prepaid expenses and deposits	<u>39,894</u>	<u>42,039</u>
Total Current Assets	<u>11,585,057</u>	<u>11,264,479</u>
INVESTMENTS (Note 3)	<u>74,485,202</u>	<u>75,503,118</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	173,846	176,763
Leasehold improvements	<u>43,753</u>	<u>40,259</u>
	217,599	217,022
Less: accumulated depreciation	<u>(166,899)</u>	<u>(146,448)</u>
Net Property and Equipment	<u>50,700</u>	<u>70,574</u>
OTHER ASSETS		
Cash surrender value of life insurance	333,361	333,713
Pledges receivable - noncurrent (Note 2)	6,763,759	6,598,870
Planned gifts (Note 5)	<u>2,427,783</u>	<u>2,573,821</u>
Total Other Assets	<u>9,524,903</u>	<u>9,506,404</u>
TOTAL ASSETS	<u>\$ 95,645,862</u>	<u>\$ 96,344,575</u>

LIABILITIES AND NET ASSETS

	<u>2009</u>	(Memo) <u>2008</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 121,955	\$ 165,906
Grants payable	<u>4,779,799</u>	<u>6,459,114</u>
Total Current Liabilities	<u>4,901,754</u>	<u>6,625,020</u>
OTHER LIABILITIES		
Deferred income	11,902	37,921
Planned giving liability	257,264	241,014
Funds held as agency endowments (Note 7)	<u>9,245,453</u>	<u>9,160,063</u>
Total Other Liabilities	<u>9,514,619</u>	<u>9,438,998</u>
TOTAL LIABILITIES	<u>14,416,373</u>	<u>16,064,018</u>
NET ASSETS		
UNRESTRICTED		
General operating	488,823	466,854
Supporting organization (Note 1)	9,313,402	9,720,756
Board-designated endowment	210,873	214,686
Pass-through	5,230,271	5,746,305
Planned giving	179,162	180,017
Endowments (Note 15)	<u>52,496,398</u>	<u>52,463,284</u>
Total Unrestricted	<u>67,918,929</u>	<u>68,791,902</u>
TEMPORARILY RESTRICTED		
Contributions with time restrictions	8,484,582	8,494,150
Earnings on donor-restricted endowments (Note 15)	557,535	-
Regranting	757,853	532,077
Planned giving	<u>2,350,085</u>	<u>2,462,428</u>
Total Temporarily Restricted	<u>12,150,055</u>	<u>11,488,655</u>
PERMANENTLY RESTRICTED		
Donor-restricted endowments (Note 15)	<u>1,160,505</u>	<u>-</u>
Total Net Assets	<u>81,229,489</u>	<u>80,280,557</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 95,645,862</u>	<u>\$ 96,344,575</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, 2009

(With Comparative Totals for the Year Ended September 30, 2008)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009 Total</u>	<u>(Memo) 2008</u>
REVENUE, GAINS AND OTHER SUPPORT					
Contributions, grants, and bequests	\$ 1,693,917	\$ 2,127,446	\$ -	\$ 3,821,363	\$ 5,050,660
Less amounts received for agency endowments (Note 7)	<u>83,663</u>	<u>-</u>	<u>-</u>	<u>83,663</u>	<u>51,388</u>
Total contributions, grants and bequests	1,610,254	2,127,446	-	3,737,700	4,999,272
Special events, net of expenses of \$55,228 and \$33,225	132,619	-	-	132,619	31,747
Interest and dividend income	3,047,345	73,073	-	3,120,418	2,458,260
Less amounts earned on agency endowments (Note 7)	<u>371,565</u>	<u>-</u>	<u>-</u>	<u>371,565</u>	<u>250,545</u>
Total interest and dividend income	2,675,780	73,073	-	2,748,853	2,207,715
Change in value of split interest agreements, residual trusts and estimated present value calculations for pledges receivable	-	(24,262)	-	(24,262)	(465,037)
Unrealized (losses) gains on investments	5,443,940	120,430	-	5,564,370	(16,340,746)
Less unrealized (losses) gains on agency endowments (Note 7)	<u>647,066</u>	<u>-</u>	<u>-</u>	<u>647,066</u>	<u>(2,016,801)</u>
Net unrealized gains (losses) on investments	4,796,874	120,430	-	4,917,304	(14,323,945)
Realized gains (losses) on investments	(4,479,772)	(100,346)	-	(4,580,118)	1,895,850
Less realized gains (losses) on agency endowments (Note 7)	<u>(527,600)</u>	<u>-</u>	<u>-</u>	<u>(527,600)</u>	<u>290,898</u>
Net realized gains (losses) on investments	(3,952,172)	(100,346)	-	(4,052,518)	1,604,952
Management fees, workshops, consulting and other revenue	272,564	-	-	272,564	259,924
Net assets released from restrictions (Note 9)	<u>2,127,062</u>	<u>(2,127,062)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue, Gains, and Other Support	<u>7,662,981</u>	<u>69,279</u>	<u>-</u>	<u>7,732,260</u>	<u>(5,685,372)</u>
EXPENSES					
Program Services					
Grants and distributions, net of rescinded grants of \$151,918 and \$319,711	4,924,576	-	-	4,924,576	5,323,917
Less grants made from agency endowments (Note 7)	<u>380,518</u>	<u>-</u>	<u>-</u>	<u>380,518</u>	<u>422,338</u>
Net grants and distributions	4,544,058	-	-	4,544,058	4,901,579
Other program services	<u>987,387</u>	<u>-</u>	<u>-</u>	<u>987,387</u>	<u>1,217,180</u>
Total Program Services	5,531,445	-	-	5,531,445	6,118,759
Management and General					
Investment related	318,878	-	-	318,878	393,600
Other management and general	<u>789,540</u>	<u>-</u>	<u>-</u>	<u>789,540</u>	<u>761,730</u>
Total Management and General	1,108,418	-	-	1,108,418	1,155,330
Fundraising	<u>143,465</u>	<u>-</u>	<u>-</u>	<u>143,465</u>	<u>136,423</u>
Total Expenses	<u>6,783,328</u>	<u>-</u>	<u>-</u>	<u>6,783,328</u>	<u>7,410,512</u>
CHANGE IN NET ASSETS	879,653	69,279	-	948,932	(13,095,884)
NET ASSETS, BEGINNING OF YEAR	68,791,902	11,488,655	-	80,280,557	93,376,441
RECLASSIFICATION OF NET ASSETS (Note 13)	(1,752,626)	592,121	1,160,505	-	-
NET ASSETS, BEGINNING OF YEAR, AS RECLASSIFIED	<u>67,039,276</u>	<u>12,080,776</u>	<u>1,160,505</u>	<u>80,280,557</u>	<u>93,376,441</u>
NET ASSETS, END OF YEAR	<u>\$ 67,918,929</u>	<u>\$ 12,150,055</u>	<u>\$ 1,160,505</u>	<u>\$ 81,229,489</u>	<u>\$ 80,280,557</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, 2009

(With Comparative Amounts for the Year Ended September 30, 2008)

	<u>2009</u>	(Memo) <u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 948,932	\$ (13,095,884)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	24,354	24,680
Loss on disposition of assets	-	1,603
Contributions of donated stock and office equipment	(135,288)	(527,000)
Net realized and unrealized loss (gains) on long-term investments	(864,786)	12,718,993
Decrease (increase) in pledges and accounts receivable	(131,320)	2,325,055
Decrease (increase) in prepaid expenses and deposits	2,145	(7,653)
Decrease (increase) in cash surrender value of life insurance	352	(25,322)
Decrease (increase) in planned gifts	146,038	(399,520)
Increase (decrease) in accounts payable and accrued expenses	(43,951)	54,880
Decrease in grants payable	(1,679,315)	(63,674)
Increase in planned giving liability	16,250	78,992
Decrease in deferred revenue	(26,019)	(1,925)
Increase (decrease) in funds held as agency endowment	<u>85,390</u>	<u>(1,986,508)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(1,657,218)</u>	<u>(903,283)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	(4,480)	(28,131)
Proceeds from sale of marketable securities	13,586,764	16,853,440
Purchase of marketable securities	<u>(11,568,774)</u>	<u>(13,538,989)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>2,013,510</u>	<u>3,286,320</u>
NET INCREASE IN CASH	356,292	2,383,037
CASH - BEGINNING OF YEAR	<u>9,494,253</u>	<u>7,111,216</u>
CASH - END OF YEAR	<u>\$ 9,850,545</u>	<u>\$ 9,494,253</u>

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 485 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 \$9,313,402 and \$9,720,756 as of September 30, 2009 and 2008 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, 2009, the Foundation had no uncertain tax positions requiring accrual.

Comparative Amounts

The amounts shown for 2008 in the accompanying financial statements are included to provide a basis for comparison with 2009 and are not intended to present all information necessary for a fair presentation of the 2008 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, 2009, hundreds of volunteers gave their time and expertise to the Foundation in a wide variety of areas including grants and scholarship committees; administrative, technical and financial advice; 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.

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 3% has been applied to multi-year pledges receivable. At September 30, unconditional promises are expected to be realized in the following periods

	<u>2009</u>	<u>2008</u>
In one year or less	\$ 1,694,066	\$ 1,722,498
In more than one year	6,763,759	6,598,870
Allowance for uncollectible pledges	<u>(26,205)</u>	<u>(26,205)</u>
Pledges receivable, net	<u>\$ 8,431,620</u>	<u>\$ 8,295,163</u>

VENTURA COUNTY COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3 - INVESTMENTS

At September 30, 2009 and 2008, investments consist of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Excess of Market Over (Under) Cost</u>
<u>2009</u>			
Money market	\$ 347,092	\$ 347,092	\$ -
Corporate stocks	17,700,690	17,767,594	66,904
Investment companies	21,485,599	20,980,871	(504,728)
Bonds	2,579,374	2,734,638	155,264
Real estate investment trusts	258,534	264,892	6,358
Mutual funds	<u>30,693,865</u>	<u>32,390,115</u>	<u>1,696,250</u>
Total	<u>\$ 73,065,154</u>	<u>\$ 74,485,202</u>	<u>\$ 1,420,048</u>
<u>2008</u>			
Money market	\$ 1,066,713	\$ 1,066,713	\$ -
Corporate stocks	21,645,591	19,061,547	(2,584,044)
Investment companies	23,743,394	22,366,016	(1,377,378)
Bonds	3,908,949	3,901,359	(7,590)
Real estate investment trusts	127,285	121,672	(5,613)
Real property held for sale	850,000	850,000	-
Mutual funds	<u>28,305,508</u>	<u>28,135,811</u>	<u>(169,697)</u>
Total	<u>\$ 79,753,710</u>	<u>\$ 75,503,118</u>	<u>\$ (4,144,322)</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended September 30, 2009:

	<u>VCCF</u>	<u>Smith Foundation</u>	<u>Agency Endowments</u>	<u>Total</u>
Dividends and interest	\$ 2,246,860	\$ 501,993	\$ 371,565	\$ 3,120,418
Administrative fees	(638,032)	(75,000)	(75,380)	(788,412)
Investment expense	<u>(208,957)</u>	<u>(109,921)</u>	<u>(33,406)</u>	<u>(352,284)</u>
Total fees/expense	(846,989)	(184,921)	(108,786)	(1,140,696)
Net investment gain	1,399,871	317,072	262,779	1,979,722
Net unrealized gains	4,112,486	804,818	647,066	5,564,370
Net realized losses	<u>(3,028,743)</u>	<u>(1,023,775)</u>	<u>(527,600)</u>	<u>(4,580,118)</u>
Return on investments	<u>\$ 2,483,614</u>	<u>\$ 98,115</u>	<u>\$ 382,245</u>	<u>\$ 2,963,974</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>2009</u>			
Balance at end of year	\$ 73,062,154	\$ 74,485,202	\$ 1,420,048
Balance at beginning of year	79,647,440	75,503,118	<u>(4,144,322)</u>
Net change in unrealized gain on investments			<u>\$ 5,564,370</u>
<u>2008</u>			
Balance at end of year	\$ 79,647,440	\$ 75,503,118	\$ (4,144,322)
Balance at beginning of year	78,813,138	91,009,562	<u>12,196,424</u>
Net change in unrealized loss on investments			<u>\$ (16,340,746)</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, 2009 and 2008 totaled \$352,284 and \$393,600, 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

Effective January 1, 2009, the Foundation established a framework for measuring fair value and expanding disclosures about fair value measurements.

Accounting principles define 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. A fair value hierarchy has been established, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The following describes three levels of inputs that are 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 markets that are not active; discounted cash flows; 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; including general partner estimates and recent third-party appraisals.

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.

Where quoted market prices are available in an active market, securities are classified with Level 1 of the valuation hierarchy. Level 1 securities include highly-liquid government bonds and exchange traded equities. If quoted market prices are not available, then Level 2 fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 3 securities include hedge funds, private equity, real assets, and partnerships where there is no immediate market pricing option available.

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, 2009:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Cash equivalents	\$ 347,092	\$ -	\$ -	\$ 347,092
Common stocks	17,767,594	-	-	17,767,594
Fixed income	2,734,638	-	-	2,734,638
Mutual funds	32,390,115	-	-	32,390,115
Real estate	264,892	-	-	264,892
Partnerships	<u>2,771,245</u>	<u>3,847,065</u>	<u>14,362,561</u>	<u>20,980,871</u>
Total Investments	56,275,576	3,847,065	14,362,561	74,485,202
Pledges receivable	-	1,703,236	6,728,384	8,431,620
Life insurance	-	333,361	-	333,361
Planned giving	<u>-</u>	<u>380,067</u>	<u>2,047,716</u>	<u>2,427,783</u>
Total assets measured at fair value	<u>\$ 56,275,576</u>	<u>\$ 6,263,729</u>	<u>\$ 23,138,661</u>	<u>\$ 85,677,966</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, 2009:

<u>Description</u>	<u>Beginning Balance</u>	<u>Net Purchases, Sales, and Transfers</u>	<u>Net Gains and (Losses)</u>	<u>Ending Balance</u>
Partnerships	\$ 13,675,512	\$ 878,904	\$ (191,855)	\$ 14,362,561
Pledges receivable	6,448,870	-	279,514	6,728,384
Planned giving	<u>2,124,157</u>	<u>-</u>	<u>(76,441)</u>	<u>2,047,716</u>
Total Level 3	<u>\$ 22,248,539</u>	<u>\$ 878,904</u>	<u>\$ 11,218</u>	<u>\$ 23,138,661</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 asset balance of the Foundation's interest in planned gifts at September 30, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Charitable remainder trusts	\$ 2,047,716	\$ 2,124,157
Pooled income fund	75,159	70,455
Charitable gift annuities	<u>304,908</u>	<u>379,209</u>
Total	<u>\$ 2,427,783</u>	<u>\$ 2,573,821</u>

Note 6 - OPERATING LEASES

The Foundation rents facilities under a lease agreement expiring in November 2012, payable in monthly installments of \$10,041. 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, 2009, the amount was \$822 per month. Minimum annual lease payments are as follows for the fiscal years ended September 30:

2010	\$ 133,952
2011	137,954
2012	142,074
2013	<u>23,794</u>
Total	<u>\$ 437,774</u>

Lease expense for the years ended September 30, 2009 and 2008 totaled \$130,007 and \$100,660, respectively.

VENTURA COUNTY COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION

NOTES TO COMBINED FINANCIAL STATEMENTS

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.

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, 2009, the Foundation was the owner of 70 agency endowment funds with a combined fair value of \$9,245,453. 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, 2009, the Foundation had made investment commitments to partnerships that are not readily marketable in an amount not to exceed \$5,714,178.

Note 9 - NET ASSETS RELEASED FROM RESTRICTIONS

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

	<u>2009</u>	<u>2008</u>
Regranting	\$ 323,054	\$ 1,064,096
Time restriction met	1,804,008	3,008,000
Planned giving	<u>-</u>	<u>18,097</u>
Total	<u>\$ 2,127,062</u>	<u>\$ 4,090,193</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, 2009, the Foundation has an excess of \$9,485,494 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, 2009, \$30,768,323 of the Foundation's long-term investments and money market funds were held in custodial accounts by a bank and invested by seven separate asset managers in numerous securities and mutual funds. In addition, a total of \$28,746,078 was invested in two mutual funds and \$14,362,561 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.

VENTURA COUNTY COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 11 - 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 12 - RETIREMENT PLAN

The Foundation has a SIMPLE IRA plan for eligible employees, defined as those who have received at least \$5,000 in compensation in the prior year and are reasonably expected to earn at least that same amount in the current year. Under the plan, employees may defer a percentage of their income up to the maximum allowed by the IRS. The Foundation provides a matching contribution equal to 100% of the elected deferrals up to 3% of their annual compensation. For the years ended September 30, 2009 and 2008 the SIMPLE IRA expense totaled \$28,930 and \$33,455, respectively.

Note 13 - RECLASSIFICATION

Net assets as of September 30, 2008 have been reclassified to conform with the Board of Directors' interpretation of the change in law effective January 1, 2009, for classification of accumulated earnings on permanently restricted endowment assets. The net result is a decrease in unrestricted net assets of \$1,752,626 and an increase in temporarily restricted and permanently restricted net assets in the amount of \$592,121 and \$1,160,505, respectively.

Other amounts from the September 30, 2008 financial statements have been reclassified to conform to the September 30, 2009 financial statement presentation.

Note 14 - SUBSEQUENT EVENTS

The Foundation has adopted a 403(b) plan that will replace the SIMPLE IRA plan in Note 11 effective January 1, 2010.

As a consequence of historic market declines in Foundation funds through March 2009, the board determined in July to adjust the distribution formulas for some funds in order to preserve long term endowment values. Based on the fund's value relative to historic cost average as of June 30, 2009, the annual distribution formula for the 2009-2010 fiscal year was adjusted to a range of 2-5% of the twelve quarter rolling average. Consistent with the UPMIFA requirements and the commitment to preserve long term endowments, the board will review this policy in 2010 based on market conditions and performance.

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through December 18, 2009, the date of the financial statements.

VENTURA COUNTY COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 15 - 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 of the gift date. As a result of this interpretation, the Foundation has classified with the explicit prohibition by the donor 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.

Endowment net assets are composed of the following as of September 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$ 52,496,398	\$ 557,535	\$ 1,160,505	\$ 54,214,438
Board-restricted	210,873	-	-	210,873
Total endowments	<u>\$ 52,707,271</u>	<u>\$ 557,535</u>	<u>\$ 1,160,505</u>	<u>\$ 54,425,311</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.

VENTURA COUNTY COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 15 - ENDOWMENT FUNDS (continued)

Changes in endowment net assets for the year ended September 30, 2009 are:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets Including board designated, beginning of year	\$ 52,677,970	\$ -	\$ -	\$ 52,677,970
Net asset reclassification based on change in law	(1,752,626)	592,121	1,160,505	-
Endowment net assets, after reclassification	50,925,344	592,121	1,160,505	52,677,970
Net investment return (investment income, realized and unrealized gains and losses)	2,479,679	67,547	-	2,547,226
Contributions	1,651,497	-	-	1,651,497
Appropriation of endowment assets for expenditure	<u>(2,349,249)</u>	<u>(102,133)</u>	<u>-</u>	<u>(2,451,382)</u>
Endowment net assets, end of year	<u>\$ 52,707,271</u>	<u>\$ 557,535</u>	<u>\$ 1,160,505</u>	<u>\$ 54,425,311</u>

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 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 restricted by the explicit terms of the specific fund. The spending policy in effect for the year ended September 30, 2009, was to distribute 5% of a rolling 12 quarter average of the fair value of the assets as of June 30, 2008. 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.

VENTURA COUNTY COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 15 - ENDOWMENT FUNDS (continued)

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, 2009, the Foundation held 61 endowment funds where the market value had fallen below the original corpus due to market conditions. The amount of the shortfall totaled \$1,340,325.

SUPPLEMENTAL INFORMATION

VENTURA COUNTY COMMUNITY FOUNDATION

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

September 30, 2009 and 2008

ASSETS, LIABILITIES, AND NET ASSETS

	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash and equivalents	\$ 9,709,730	\$ 9,464,436
Other current assets	<u>1,734,512</u>	<u>1,770,226</u>
Total Current Assets	11,444,242	11,234,662
INVESTMENTS	62,122,345	60,713,337
OTHER ASSETS	<u>9,575,603</u>	<u>9,576,978</u>
TOTAL ASSETS	<u>\$ 83,142,190</u>	<u>\$ 81,524,977</u>
LIABILITIES		
Current liabilities	\$ 1,711,484	\$ 1,526,179
Other liabilities	<u>9,514,619</u>	<u>9,438,998</u>
Total Liabilities	<u>11,226,103</u>	<u>10,965,177</u>
NET ASSETS	<u>71,916,087</u>	<u>70,559,800</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 83,142,190</u>	<u>\$ 81,524,977</u>

ACTIVITIES AND CHANGES IN NET ASSETS

	<u>2009</u>	<u>2008</u>
REVENUE, GAINS, AND OTHER SUPPORT		
Contributions	\$ 3,737,700	\$ 4,999,272
Investment income (loss)	3,306,331	(8,624,568)
Other support	<u>405,183</u>	<u>291,671</u>
Total Revenue, Gains, and Other Support	7,449,214	(3,333,625)
EXPENSES		
Grants and distributions	4,049,558	3,474,329
Other expenses	<u>2,043,369</u>	<u>2,277,467</u>
Total Expenses	<u>6,092,927</u>	<u>5,751,796</u>
CHANGE IN NET ASSETS	1,356,287	(9,085,421)
NET ASSETS, BEGINNING OF YEAR	<u>70,559,800</u>	<u>79,645,221</u>
NET ASSETS, END OF YEAR	<u>\$ 71,916,087</u>	<u>\$ 70,559,800</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, 2009 and 2008

ASSETS, LIABILITIES, AND NET ASSETS

	<u>2009</u>	<u>2008</u>
CASH AND CASH EQUIVALENTS	\$ 140,815	\$ 29,817
INVESTMENTS	<u>12,362,857</u>	<u>14,789,781</u>
TOTAL ASSETS	<u>\$ 12,503,672</u>	<u>\$ 14,819,598</u>
LIABILITIES	\$ 3,190,270	\$ 5,098,842
NET ASSETS	<u>9,313,402</u>	<u>9,720,756</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,503,672</u>	<u>\$ 14,819,598</u>

ACTIVITIES AND CHANGES IN NET ASSETS

	<u>2009</u>	<u>2008</u>
REVENUE AND GAINS		
INVESTMENT INCOME (LOSS)	\$ 283,046	\$ (2,351,747)
EXPENSES		
Grants and Distributions	494,500	1,427,250
Other Expenses	<u>195,900</u>	<u>231,467</u>
Total Expenses	<u>690,400</u>	<u>1,658,717</u>
CHANGE IN NET ASSETS	(407,354)	(4,010,464)
NET ASSETS, BEGINNING OF YEAR	<u>9,720,756</u>	<u>13,731,220</u>
NET ASSETS, END OF YEAR	<u>\$ 9,313,402</u>	<u>\$ 9,720,756</u>

The accompanying notes are an integral part of these financial statements