Ventura County Community Foundation and Subsidiary

Consolidated Financial Statements

September 30, 2015
(With Comparative Totals for 2014)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ventura County Community Foundation and Subsidiary
Camarillo, California

We have audited the accompanying consolidated financial statements of Ventura County Community Foundation and Subsidiary (a California nonprofit corporation) (the "Foundation"), which comprise the consolidated statement of financial position as of September 30, 2015, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ventura County Community Foundation and Subsidiary as of September 30, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of an Error

The financial statements of the Foundation as of September 30, 2014, were audited by other auditors whose report dated December 17, 2014, expressed an unmodified opinion on those financial statements. As discussed in Note 12 to the financial statements, the Company has adjusted its 2014 financial statements to restate certain balances relating to contributions and grants receivable. The other auditors reported on the financial statements before the restatements.

As part of our audit of the 2015 financial statements, we also audited the adjustments to the 2014 financial statements to restate the contributions and grants receivable balances. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the Foundation's 2014 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2014 financial statements as a whole.

Report on Summarized Comparative Information

The combined and consolidated financial statements of Ventura County Community Foundation and Subsidiary as of September 30, 2014, were audited by other auditors whose report dated December 17, 2014, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014, is consistent in all material respects, with the audited financial statements from which it has been derived inclusive of the restatements as disclosed in Note 12.

Armanino LLP

Armanino LLP
Los Angeles, California

July 3, 2018

Ventura County Community Foundation and Subsidiary
Consolidated Statement of Financial Position
September 30, 2015
(With Comparative Totals for 2014)

	2015	(As Restated) 2014
ASSETS		
Current assets		
Cash and cash equivalents	$ 7,476,425	$ 7,148,338
Current portion of contributions and grants receivable	2,726,064	4,065,733
Accounts receivable	61,855	62,344
Prepaid and other current assets	52,159	84,996
Investments	92,092,350	94,536,868
Total current assets	102,408,853	105,898,279
Fixed assets		
Land	2,185,000	2,185,000
Buildings	7,866,373	7,860,848
Furniture and equipment	447,969	447,969
Leasehold improvements	121,765	117,983
Accumulated depreciation	(814,100)	(515,594)
Total fixed assets	9,807,007	10,096,206
Other assets		
Contributions and grants receivable, net of current portion	-	1,640,827
Cash surrender value of life insurance	343,146	330,874
Charitable gift annuities	566,500	591,821
Pooled income fund	51,478	55,534
Total other assets	961,124	2,619,056
Total assets	$ 113,176,984	$ 118,613,541

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

Ventura County Community Foundation and Subsidiary
Consolidated Statement of Financial Position
September 30, 2015
(With Comparative Totals for 2014)

	2015	(As Restated) 2014
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 150,623	$ 138,708
Current portion of grants payable	918,836	1,821,986
Current portion of notes payable	149,793	93,762
Total current liabilities	1,219,252	2,054,456
Long-term liabilities		
Notes payable	6,546,041	6,695,834
Grants payable, net of current portion	412,500	-
Funds held as agency endowments	12,190,134	13,076,508
Planned giving liability	445,200	445,231
Deferred revenue	15,490	16,419
Total long-term liabilities	19,609,365	20,233,992
Total liabilities	20,828,617	22,288,448
Commitments and contingencies (Note 9)		
Net assets		
Unrestricted	86,820,743	88,027,386
Temporarily restricted	4,381,893	7,151,976
Permanently restricted	1,145,731	1,145,731
Total net assets	92,348,367	96,325,093
Total liabilities and net assets	$ 113,176,984	$ 118,613,541

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

Ventura County Community Foundation and Subsidiary
Consolidated Statement of Activities
For the Year Ended September 30, 2015
(With Comparative Totals for 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	(As Restated) 2014 Total
Revenue and other support					
Grants and contributions	$ 4,035,857	$ 202,623	$ -	$ 4,238,480	$ 3,209,754
Rental income	650,924	-	-	650,924	619,236
Other revenue	152,063	-	-	152,063	231,550
Net assets released from restriction	2,925,277	(2,925,277)	-	-	-
Total revenue and other support	7,764,121	(2,722,654)	-	5,041,467	4,060,540
Investment returns					
Realized gains on investments	6,371,488	-	-	6,371,488	3,534,129
Unrealized gains (losses) on investments	(10,619,567)	-	-	(10,619,567)	1,885,496
Interest and dividend income	2,046,284	-	-	2,046,284	979,727
Change in value of split interest	(74,845)	-	-	(74,845)	158,393
Total investment returns	(2,276,640)	-	-	(2,276,640)	6,557,745
Total revenue, gains and other support	5,487,481	(2,722,654)	-	2,764,827	10,618,285
Functional expenses					
Program services					
Grants and distributions	3,371,840	-	-	3,371,840	3,581,708
Other program services	1,418,545	-	-	1,418,545	1,382,093
Total program services	4,790,385	-	-	4,790,385	4,963,801
Supporting services					
Management and general	1,903,739	-	-	1,903,739	1,834,521
Total supporting services	1,903,739	-	-	1,903,739	1,834,521
Total functional expenses	6,694,124	-	-	6,694,124	6,798,322
Change in net assets from operations	(1,206,643)	(2,722,654)	-	(3,929,297)	3,819,963
Bad debt expense	-	47,429	-	47,429	-
Change in net assets	(1,206,643)	(2,770,083)	-	(3,976,726)	3,819,963
Net assets, beginning of year	88,027,386	7,151,976	1,145,731	96,325,093	92,505,130
Net assets, end of year	$ 86,820,743	$ 4,381,893	$ 1,145,731	$ 92,348,367	$ 96,325,093

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

Ventura County Community Foundation and Subsidiary
Consolidated Statement of Cash Flows
For the Year Ended September 30, 2015
(With Comparative Totals for 2014)

	2015	2014
Cash flows from operating activities		
Change in net assets	$ (3,976,726)	$ 3,819,963
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Bad debt expense	47,429	-
Depreciation and amortization	298,506	284,137
Loss on disposition of property and equipment	-	673
Realized gains on sales of investments	(6,371,488)	(3,534,129)
Unrealized (gains) losses on investments	10,619,567	(1,885,496)
Donated stock	(1,700,862)	(154,729)
Change in value of split-interest agreements	74,845	(158,393)
Changes in operating assets and liabilities		
Decrease in contributions receivable, net	2,933,067	4,901,850
Decrease in accounts receivable	489	-
Decrease in prepaid and other current assets	32,835	(19,111)
Decrease (increase) in cash surrender value of life insurance	(12,272)	(7,870)
Decrease in charitable gift annuities	25,322	(1,110,133)
Increase in accounts payable and accrued expenses	11,914	(245,106)
Increase (decrease) in grants payable	(490,650)	131,980
Decrease in funds held as agency endowment	(886,374)	1,466,562
Decrease in planned giving liability	(31)	188,668
Decrease in deferred revenue	(929)	(6,743)
Net cash provided by operating activities	604,642	3,672,123
Cash flows from investing activities		
Purchases of investments	(65,134,482)	(14,941,189)
Proceeds from sales of investments	64,960,996	10,479,191
Purchase of property and equipment	(9,307)	(67,211)
Net cash used in investing activities	(182,793)	(4,529,209)
Cash flows from financing activities		
Principal payments on long-term debt	(93,762)	(10,404)
Net cash used in financing activities	(93,762)	(10,404)
Net increase (decrease) in cash and cash equivalents	328,087	(867,490)
Cash and cash equivalents, beginning of year	7,148,338	8,015,828
Cash and cash equivalents, end of year	$ 7,476,425	$ 7,148,338

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

Ventura County Community Foundation and Subsidiary
Consolidated Statement of Cash Flows
For the Year Ended September 30, 2015
(With Comparative Totals for 2014)

	2015	2014
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 157,269	$ 273,150
Supplemental schedule of noncash investing and financing activities		
In-kind contribution of goods for special events	$ -	$ 34,972
In-kind contribution of stock	$ 1,700,862	$ 154,729

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

1. NATURE OF OPERATIONS

Ventura County Community Foundation (the "Foundation"), was formed to provide a vehicle through which contributions and bequests can be made for charitable and related purposes, primarily in Ventura County, enabling and promoting philanthropy to improve our communities, with the provision that these funds would be administered and distributed by an independent organization. The Foundation is a fiduciary over more than 600 individual funds, each established with a gift instrument describing either the general or specific purpose for which grants are made.

Additionally, the Foundation is the sole Member of the VCCF Nonprofit Center LLC, which houses 16 nonprofit organizations and provides free conference room space to over 3,000 nonprofits in its community and is described more fully in Note 2. Subsequent to yearend, the number of nonprofits housed decreased from 16 to 10 and the conference room space has been leased to another tenant who makes the room available for a fee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying consolidated financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Principles of consolidation

VCCF Nonprofit Center, LLC is a wholly-owned subsidiary of the Foundation whose primary operating asset is a commercial building located in Camarillo, California, serving as the VCCF Nonprofit Center, the Foundation's offices, and the VCCF resource library. The Foundation's investment in the VCCF Nonprofit Center utilized 83% of the Cornerstone Administrative funds, whose designated purpose was to support the operations of the Foundation and the VCCF resource library. Returns from the building are awarded to the Cornerstone Administrative funds (at approximately 63%) and to the Foundation (at approximately 37%) representing the proportionate share of their full investments, respectively. The accounts of VCCF Nonprofit Center, LLC are included in these financial statements. The Foundation has eliminated all material inter-company accounts and transactions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Supporting organization

The Foundation works with one supporting organization. The Foundation appoints a majority of the members of the governing board of the supporting organization. The governing board may create its own investment policy and grant guidelines. In prior years, the Foundation's financial statements were presented as combined with the Martin V. and Martha K. Smith Foundation, which is a supporting organization administered by the Foundation. The Foundation has elected not to present the combined results for the fiscal year. The assets of the supporting organization remain under management by the Foundation. Total assets of the supporting organization as of September 30, 2015 were $10,188,761. In 2028, the Foundation will obtain an economic interest in the Martin V. and Martha K. Smith Foundation.

Classification of net assets

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

- *Unrestricted net assets, Undesignated* - Includes contributions with no donor imposed restrictions. Contributions with donor-imposed restrictions that are subject to the variance power established by the Foundation's governing documents are also considered unrestricted. The variance provision gives the Board of Directors (the "Board") the power to modify any restriction placed on gifts to the Foundation that becomes incapable of fulfillment or is no longer consistent with the charitable needs of the community. 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, consistent with all legal requirements. Contributions with donor imposed restrictions that are met during the same fiscal year as the contribution is made are included as unrestricted support that increases unrestricted net assets.

- *Temporarily restricted net assets* - Includes contributions that are subject to donor imposed restrictions that will be met by the passage of time. 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 consolidated Statements of Activities as "net assets released from restrictions."

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification of net assets (continued)

- *Permanently restricted net assets* - These are subject to donor imposed restrictions that will be maintained in perpetuity. The investment income generated from these assets is temporarily restricted by law until appropriated by the Board in support of the purpose of each fund and in accordance with the Foundation's programs and operations. The Foundation's permanently restricted net assets consist of contributions from and related activity of perpetual funds not subject to the variance power, and held by the Foundation as defined under the Uniform Prudent Management of Institutional Funds Act ("UPMIFA").

Classification on fund basis

Within net assets, the Foundation has further classified its funds as:

- Endowed - Consists of funds for various purposes, mostly subject to the variance power and are all governed by UPMIFA, that are intended to last in perpetuity. These funds are invested in the Foundation's investment pool, and are subject to the Foundation's spending policy which provides for a specific appropriation for distribution on an annual basis.
- Quasi-endowed – Consists of funds for particular purposes, subject to the variance power, that were established with the intent that they are available to be spent at any time if so desired, but are intended to be long term assets of the Foundation. These funds are invested in the Foundation's investment pool.
- Pass-through – Consists of donor-advised funds for particular purposes, subject to a variance power, that were established with the intent that they would be spent within 12 to 18 months and are held in a money market fund.

Within these classifications there are additional types of funds:

- Advised funds – The Foundation offers several types of funds that enable donors to identify funding opportunities aligned with their values and charitable interest. Donor advised funds allow donors to recommend grant recipients, subject to the Foundation's due diligence and approval.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification on fund basis (continued)

- Agency and Designated Funds – The Foundation receives and distributes assets under certain agency and intermediary arrangements. U.S. GAAP establishes standards for transactions in which a recipient organization accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor. U.S. GAAP requires that if a not-for-profit organization establishes a fund at a recipient organization with its own funds and specifies itself or its affiliate as the beneficiary of that fund (Agency Funds), the recipient organization must account for the transfer of such assets as a liability. The liability is reflected under agency endowments on the accompanying consolidated statements of financial position. In addition, related amounts received or distributed, investment income or loss, and expenses are presented separately in the accompanying consolidated statement of activities.
- Board-designated endowment – Unrestricted funds which were previously donor-advised and currently do not have a donor-advisor so the Board of the Foundation acts as the advisor.
- Field of Interest – These funds enable donors to identify a broad charitable purpose or a category of interest (e.g., arts, education or human services) and/or geographic area or target population (e.g., senior citizens, children and youth or immigrants).
- General – Unrestricted funds available for operations of the Foundation.
- Planned giving – These include charitable remainder trusts, charitable gift annuities, life insurance and pooled income funds.
- Scholarship funds – The Foundation administers a scholarship program. The majority are designed for current or former residents of Ventura County.

Income tax status

The Foundation is a nonprofit public benefit corporation organized under the laws of California and, as such, is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and corresponding state provisions.

The Foundation's federal income tax and informational returns for tax years ending September 30, 2012 and subsequent remain subject to examination by the Internal Revenue Service. The returns for California, the Foundation's only state tax jurisdiction, remain subject to examination by the California Franchise Tax Board for tax years ending September 30, 2011 and subsequent.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consolidated 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

Cash and cash equivalents

For purposes of the consolidated statement of cash flows, the Foundation considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents. There are additional cash and cash equivalents in the investment portfolio that are part of the strategic investment allocation as advised by our investment consultant, and approved by the Investment Committee and the Foundation's full board. These are detailed in Note 3.

Contributions and contributions receivable

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. The Foundation routinely assesses the financial strength of its donors and records an allowance for potentially uncollectible accounts when deemed necessary. At September 30, 2015, contributions receivable is shown net of an allowance for potentially uncollectible accounts in the amount of $48,929 due to the unpredictability of collections.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable

Accounts receivable consists primarily of cash held in trust by the property management firm for the VCCF Nonprofit Center, LLC. These funds are for operations and tenant deposits. In addition, there are receivables from two tenants of the VCCF Nonprofit Center, LLC; one for tenant improvements that are being paid over time and the other is for the reimbursement of shared expenses.

Investments

Investments are monitored by the Board of Directors' investment oversight committee and are stated at fair value. Unrealized gains and losses are recognized aggregately. Realized gains and losses are recognized immediately and are computed using the specific identification method.

Fixed assets

Purchases of fixed assets are recorded at cost. Donated items are recorded at fair value when received.

Depreciation and amortization on both purchased and donated items are recorded using the straight line method over the shorter of the estimated useful life of the related asset or the term of the lease for leasehold improvements as follows:

Buildings	40 years
Furniture and equipment	5 - 7 years
Leasehold improvements	5 years

Normal repairs and maintenance are expensed as incurred, whereas significant charges which materially increase values or extend useful lives are capitalized and depreciated or amortized over the estimated useful lives of the related assets.

Depreciation and amortization for the year ended September 30, 2015 was $298,506.

Impairment of long-lived assets

Management reviews each asset or asset group for impairment whenever events or circumstances indicate that the carrying value of an asset or asset group may not be recoverable. During the year ended September 30, 2015, the Foundation determined that no assets were impaired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and grants payable

Grants are recorded as expenses when they are recommended by the donor and the Board approves grants retrospectively, subject to the due diligence process of the Foundation. For funds held to benefit specific Agencies, the Board approves those grants at the beginning of the fiscal year, and those are recorded as expenses when they are requested by the Agency. Grants payable at September 30, 2015 includes $412,500 in grants which are scheduled to be paid during the fiscal years ending September 30, 2017 and 2018 and accordingly have been classified as long-term liabilities.

Concentrations

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, 2015 the Foundation has an excess of approximately $7,200,000 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.

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, 2015, hundreds of volunteers gave their time and expertise to the Foundation in a wide variety of areas including service on the Board; 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.

Donated property and investments

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

Reclassifications

Certain 2014 balances have been reclassified in order to conform to the 2015 presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

The Foundation has evaluated events subsequent to September 30, 2015, to assess the need for potential recognition or disclosure in the consolidated financial statements. Such events were evaluated through July 3, 2018, the date which the financial statements were available to be issued. Based upon this evaluation it was determined no subsequent events occurred, except as disclosed in Notes 1, 6, 9 and 11, that require recognition or additional disclosure in the consolidated financial statements.

3. FAIR VALUE MEASUREMENT

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 ASC 820 are described as follows:

- *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 market 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.

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.

3. FAIR VALUE MEASUREMENT (continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of September 30, 2015:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 3,662,200	$ -	$ -	$ 3,662,200
Fixed income composite	13,178,501	-	-	13,178,501
Hedge fund composite	-	-	13,406,817	13,406,817
Non-U.S. equity composite	16,065,319	-	-	16,065,319
Private equity composite	-	-	10,186,467	10,186,467
Real assets composite	2,738,131	-	-	2,738,131
U.S. equity composite	32,854,915	-	-	32,854,915
Total investments measured at fair value	68,499,066	-	23,593,284	92,092,350
Life insurance	-	343,146	-	343,146
Planned gifts	-	617,978	-	617,978
Total investments	$ 68,499,066	$ 961,124	$ 23,593,284	$ 93,053,474

The following table provides a reconciliation of assets measured at fair value using significant unobservable inputs (Level 3) during the year ended September 30, 2015:

	Beginning Balance (As Restated)	Purchases	Sales	Net Gains	Ending Balance
Hedge fund composite	$ 13,666,628	$ 8,671,000	$ (8,977,080)	$ 46,269	$ 13,406,817
Private equity composite	10,167,174	1,592,149	(2,711,502)	1,138,646	10,186,467
	$ 23,833,802	$ 10,263,149	$ (11,688,582)	$ 1,184,915	$ 23,593,284

Limited partnerships holding publicly traded securities, limited partnerships holding real estate, and private equity holdings are recorded at estimated fair value based on the net asset value of the Foundation's ownership interest in the partners' capital, which includes assumptions and methods that were prepared by the general partner of the limited partnerships and were reviewed by the Foundation's management. The Foundation believes that the reported amounts for these investments are a reasonable estimate of fair value at September 30, 2015.

4. INVESTMENTS

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended September 30, 2015:

	VCCF	Agency	Total
Investment earnings			
Dividends and interest	$ 2,046,284	$ 307,503	$ 2,353,787
Net unrealized losses	(10,619,567)	(1,601,956)	(12,221,523)
Net realized gains	6,371,488	962,555	7,334,043
	(2,201,795)	(331,898)	(2,533,693)
Investment fees			
Administrative fees	1,033,682	142,066	1,175,748
Investment expense	391,847	55,617	447,464
	1,425,529	197,683	1,623,212
	$ (3,627,324)	$ (529,581)	$ (4,156,905)

While many of the investment managers report costs in net dollars, some managers report gross of fees which VCCF accounts for as a separate expense. Investment expenses that were reported separately for the year ended September 30, 2015 totaled $391,847 and are included within management and general expenses in the accompanying statement of activities. Part of these expenses includes the investment consultant fee which is explained in more detail in Note 9. Adminstrative fees represent fees charged by the Foundation for services provided and all non-agency administrative fees totaling $1,033,682 have been eliminated from the consolidated financial statements.

In seeking to attain the investment objectives set forth in the governing investment policy, the Board exercises prudence and appropriate care in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA requires fiduciaries to apply the standard of prudence in investment decision making, stating "Management and investment decisions about an individual asset must be made not in isolation but rather in the context of the institutional fund's Portfolio…" All investment actions and decisions must be based solely on the interest of the Foundation. Fiduciaries must provide full and fair disclosure to the Board of all material facts regarding any potential conflicts of interests.

5. PLANNED GIFTS

Charitable gift annuities

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 ("planned giving liability" - see below) is the value of the annuity contract as determined by Section 72 of the Internal Revenue Code and the tax tables thereunder.

Charitable remainder trusts

The Foundation is the residual beneficiary of irrevocable trusts, which may be earmarked for restricted purposes and/or other agencies, 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. The Foundation has not recorded an estimate of the value to be received from these trusts due to the uncertainty of collection.

Pooled income fund

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.

Planned gifts consist of the following:

Charitable gift annuities	$ 566,500
Pooled income funds	51,478
	617,978
Planned giving liability	(445,200)
	$ 172,778

6. NOTES PAYABLE

Notes payable are detailed as follows:

Note payable to Community Bank secured by real property at a variable rate of interest (2.50% at September 30, 2015). Monthly interest and principal payments of $11,111. Final interest and principal payment of $3,751,699 due February 2017.	$ 3,922,222
Note payable to Community Bank secured by real property at a variable rate of interest (3.3340% at September 30, 2015). Monthly interest and principal payments of $3,536. Final interest and principal payment of $718,912 due February 2019.	773,612
Unsecured Program Related Investment note payable to the Conrad Hilton Foundation. Interest only payments due quarterly at 2%. Note initially matures January 2019. Will automatically renew for one year increments for five more years. Unpaid accrued interest and principal of $2,000,000 due at maturity.	2,000,000
	6,695,834
Current portion	(149,793)
	$ 6,546,041

The future maturities of the notes payable are as follows:

Year ending September 30,	
2016	$ 149,793
2017	3,806,366
2018	18,069
2019	2,721,606
	$ 6,695,834

On March 22, 2017, The Foundation refinanced its Community Bank loans with a $4,600,000 loan from Clearinghouse Community Development Financial Institution. Interest and principal payments of $22,361 to $24,757 for the first eleven months and $27,091 for the remainder of the loan are based on a 27 year amortization and are required beginning May 1, 2017 and continuing through April 1, 2044. Interest is 6.25% on the unpaid balance for the first 12 monthly payments and 5.75% for the remaining 312 monthly payments.

Total interest expense on notes payable for the year ended September 30, 2015 was $157,269.

7. ENDOWMENTS

Interpretation of relevant law

The Board 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:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation.

Return objectives, risk parameters and strategies

Short-Term Portfolio - The Foundation offers a Short-Term Portfolio for funds or that portion of a fund that will be distributed in less than three years. The Short-Term Portfolio is intended to be invested in a manner consistent with the objectives of (i) maintaining the principal value of the invested assets, (ii) minimizing the potential that the principal value of assets will be impaired, and (iii) providing a liquid source of funds for distributions.

Due to the objective of preserving principal value of assets, the Short-Term Portfolio is expected to be invested exclusively in money market instruments and short-term fixed income securities such that the average credit quality of the portfolio is “A” or higher and the average duration of the portfolio is less than 24 months. Despite the intention to maintain principal value, the Board acknowledge that no securities with affiliated credit and/or interest rate risk are completely free of risk and principal losses may occur over short periods.

7. ENDOWMENTS (continued)

Return objectives, risk parameters and strategies (continued)

Long-Term Portfolio - The Long-Term Portfolio is designed for funds with an investment horizon of seven or more years. The primary investment objective of the Long-Term Portfolio is to achieve an annualized total return, net of fees and expenses, that is equal to or greater than the rate of inflation (as measured by the broad, domestic Consumer Price Index) plus any spending and investment expenses, such that purchasing power is maintained over time. The assets are to be managed in a manner that will meet the primary investment objective, while at the same time attempting to limit volatility in annual distributions. The primary objective of the portfolio may be expressed as:

Total Return greater than Consumer Price Index + Spending Policy + Investment Expenses

Given that this benchmark is not directly related to market performance, success or failure in achieving this goal should be evaluated over 10 to 20 years. A secondary objective is to achieve a total return in excess of the Policy Benchmark comprised of each strategic asset category benchmark weighted by its target allocation.

This portfolio has a broad target allocation of 50% equity, 20% fixed income and 30% alternative investments. It is designed for endowed funds and funds with a long-term spending horizon of seven or more years, and is generally appropriate for funds intended to be fully expended over a donor's lifetime.

Spending policy and how investment objectives relate to spending policy

The purpose of the spending policy is to calculate the amount of money annually distributed from the Foundation's various endowment funds, for grant-making and administration. The primary objectives of the spending policy are to balance the interests of current and future beneficiaries by not over spending in the short-term or over accumulating in the long-term, and maintain the purchasing power of distributions over time by growing the corpus of each endowment fund to pace long-term inflation.

The Foundation's spending and investment policies work in tandem to achieve these objectives. The investment policy establishes an achievable return objective through a diversified investment strategy. Over long periods of time (7+ years), the Foundation's spending rate plus that of inflation should be in alignment with the average annual total return achieved through investment earnings. In other words, by distributing an amount that is equal to investment earnings less inflation, the Board seeks to preserve purchasing power of future distributions by growing each endowed fund at the rate of inflation. Mathematically, this is represented by the following hypothetical formula:

5% spending + 2% inflation = 7% net investment return objective

7. ENDOWMENTS (continued)

Spending policy and how investment objectives relate to spending policy (continued)

A secondary objective is to achieve a reasonable degree of stability in payout for annual distributions to grantees. Predictability of distributions allows recipients, including the Foundation, to more accurately budget future income. Predictability also helps to insulate the Foundation's investment managers from pressure to generate undo short term liquidity, which allows them to focus on achieving the best total return over the long term. The Foundation utilizes a smoothing formula to help achieve stable and predictable year-over-year distributions.

In California, UPMIFA includes the provision that an appropriation of greater than 7% of the average fair market value averaged over the past three years is presumptively imprudent.

Spending rate and smoothing formula

The current spending rate is 5% (or less for underwater funds based on the schedule below). This spending rate is applied to the trailing 12-quarter average market value for each endowment fund for the period ending June 30 of the prior fiscal year.

Additionally, a support fee based on the market value for each endowment fund is assessed semi-annually in December (based on September 30 value) and June (based on March 31 value).

Where a fund has not been in existence for 12 quarters, the actual number of quarters that the fund has been in existence will be used. All new endowment funds must be invested for four full quarters before any distributions are made.

The spending policy will be applied to both donor restricted and board designated (quasi) endowment funds. It does not apply to endowment funds with specific donor restrictions as to expenditure where the gift instrument defines a specific spending formula.

The Foundation will maintain a record of the historic gift value of each donor restricted endowment fund. This includes the terms of any Foundation solicitation from which a donor restricted fund resulted. Historic gift value means a) the fair value in dollars of an endowment fund at the time it first became an endowment fund, b) plus the fair value in dollars of each subsequent donation to the fund at the time it is made, c) plus accumulations to the endowment fund if specifically directed by the donor's gift instrument.

7. ENDOWMENTS (continued)

Spending rate and smoothing formula (continued)

Underwater Funds - 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, 2015, the Foundation held 72 endowment funds where the market value had fallen below the original corpus due to market conditions. The amount of the shortfall totaled $483,805. Underwater funds will experience a reduction in payout based on the schedule below. The reduced payout is intended to allow for recovery of the historic gift value over a reasonable period of time, while not completely eliminating payout in support of charitable programs.

The following is a summary of the asset allocation guidelines, with allowable ranges for each asset type:

Underwater Amounts	Adjusted Spending Rates
Less than 1%	5%
1% to less than 10%	4%
10% to less than 20%	3%
20% or more	2%

Endowment net asset composition by type of fund

Endowment net asset composition by type of fund as of September 30, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 608,477	$ 1,145,731	$ 1,754,208
Funds functioning as endowments	83,956,697	2,747,680	-	86,704,377
	$ 83,956,697	$ 3,356,157	$ 1,145,731	$ 88,458,585

Temporarily restricted funds functioning as endowments include $2,726,064 of time-restricted and $21,616 of planned giving net assets.

7. ENDOWMENTS (continued)

Changes in endowment net assets during the year ended

Changes in endowment net assets for the fiscal year ended September 30, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, September 30, 2014	$ 85,646,745	$ 6,563,166	$ 1,145,731	$ 93,355,642
Investment return (loss)				
Investment income (loss)	1,312,639	(2,834,193)	-	(1,521,554)
Total investment return (loss)	1,312,639	(2,834,193)	-	(1,521,554)
Appropriation of net assets	(3,002,687)	(372,816)	-	(3,375,503)
	(1,690,048)	(3,207,009)	-	(4,897,057)
Balance, September 30, 2015	$ 83,956,697	$ 3,356,157	$ 1,145,731	$ 88,458,585

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets during the year are as follows:

	Released from Restrictions	Balance, September 30, 2015
Endowment earnings	$ (166,735)	$ 608,477
Planned giving	(12,136)	337,821
Regranting	-	709,531
Time-restricted	(2,746,406)	2,726,064
	$ (2,925,277)	$ 4,381,893

9. COMMITMENTS AND CONTINGENCIES

Leases

The Foundation leases its office space from the VCCF Nonprofit Center, LLC for $20,138 per month plus operating expenses. During the year ended September 30, 2015, the Foundation paid or accrued $244,630 in rents to the VCCF Nonprofit Center, LLC, which has been eliminated in the consolidated financial statements. In December 2017, the Foundation's lease decreased to $5,455 per month plus operating expenses.

9. COMMITMENTS AND CONTINGENCIES (continued)

Leases (continued)

VCCF Nonprofit Center, LLC leases office space to several Ventura County focused nonprofit organizations which expire at various dates through May 2023.

The scheduled minimum lease payments under the lease terms are as follows:

Year ending September 30,	
2016	$ 673,791
2017	673,791
2018	441,764
2019	662,440
2020	749,332
Thereafter	1,603,733
	$ 4,804,851

Investment commitments

At September 30, 2015, the Foundation had made investment commitments to partnerships that are not readily marketable in an amount not to exceed $5,241,986.

Investment consultant fees

The Foundation is committed to its current investment consultant fee schedule with Canterbury Consulting, Inc. ("Canterbury") through December 2017. During the year ended September 30, 2015, the Foundation paid $104,770 to Canterbury.

Patterson Park

The Foundation has a Right of Termination on land that now makes up Patterson Park that it donated to the City of Oxnard under the condition that it be used only as a park for public use else ownership of the land will revert back to Ventura County Community Foundation. At the time of the donation the land had a recorded book value of $3,810,000.

10. RETIREMENT PLAN

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 6% of the eligible salary after one year of employment. For the year ended September 30, 2015, Foundation contributions to the 403(b) Plan totaled $18,085.

11. FIDUCIARY LIABILITY

In September 2015, the Foundation contracted with an independent, internationally respected accounting firm to conduct an independent fiduciary review on approximately 90% of the assets under the Foundation's management. Three main issues were uncovered during the review which included:

- Improper investment of funds in money market accounts
- Over allocation of interest income to the Foundation's unrestricted fund
- Assessment of fund administrative fees in excess of agreed upon amounts

As soon as the Foundation received notice from the independent firm of these issues, the Foundation self-disclosed the situation to the California Attorney General (“AG”). The Foundation also calculated the cost of reimbursing the approximately 48 funds impacted (of the total 600 funds) to make them whole. The cost of fixing these issues is approximately $1,800,000 with a repayment strategy approved by the AG's office. The repayment terms are as follows:

- Interest rate is set at 3%
- Two years of interest only payments
- Ten years of fully amortizing principal and interest payments

At the same time, the AG directed the Foundation to replenish the funds invested from the Cornerstone Administrative Endowment into the VCCF Nonprofit Center LLC. This replenishment is tied to the payoff of the note for the building that was secured with Clearinghouse. The AG also required the Foundation to have its policies and procedures revised by a third party, particularly with regard to classification and monitoring of its funds. The Foundation engaged with the Silicon Valley Community Foundation to complete this work. On December 6, 2017, the AG confirmed that the Foundation had taken the necessary steps to close the investigation.

12. RESTATEMENT

During the year ended September 30, 2015, management determined that certain transactions had been improperly recorded in prior years due to inadequate controls over financial reporting. The effects of the restatements on net assets are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Assets
Balances at September 30, 2014, as previously reported	$ 99,372,062	$ 10,402,939	$ 1,172,220	$110,947,221
Uncombine Martin V. and Martha K. Smith Foundation (See Note 2 - "Supporting Organization")	(11,013,696)	-	-	(11,013,696)
	88,358,366	10,402,939	1,172,220	99,933,525
Record allowance for charitable remainder trusts	-	(3,765,000)	-	(3,765,000)
Correction of Dahl Trust valuation	-	891,000	-	891,000
Write-off unsubstantiated pledge	-	(145,000)	-	(145,000)
Record adjustment for improperly classified agency fund endowments	(413,579)	-	-	(413,579)
Passthrough adjustment for agency funds	(170,477)	-	-	(170,477)
Reclassification of unrestrictednet assets previously shown in temporarily restricted	201,919	(207,295)	-	(5,376)
Reclassify earnings on permanently-restricted endowment	51,157	(24,668)	(26,489)	-
	(330,980)	(3,250,963)	(26,489)	(3,608,432)
Balances at September 30, 2014, as restated	$ 88,027,386	$ 7,151,976	$ 1,145,731	$ 96,325,093

12. RESTATEMENT (continued)

The effects of the restatements on various assets and liabilities are as follows:

	Contributions Receivable	Accounts Receivable	Planned Gifts	Funds Held as Agency Endowments
Balances at September 30, 2014, as previously reported	$ 4,773,509	$ 254,773	$ 4,412,355	$ 12,492,452
Record allowance for charitable remainder trusts	-	-	(3,765,000)	-
Correction of Dahl Trust valuation	891,000	-	-	-
Write-off unsubstantiated pledge	(145,000)	-	-	-
Record adjustment for improperly classified agency fund endowments	-	-	-	584,056
Reclassification of assets	187,051	(192,429)	-	-
	933,051	(192,429)	(3,765,000)	584,056
Balance at September 30, 2014, as restated	$ 5,706,560	$ 62,344	$ 647,355	$ 13,076,508

Management also determined that the balance of net assets at September 30, 2013 required similar restatement adjustments. The balance previously reported of $106,600,594, was reduced $14,095,464 to $92,505,130. The reductions included $10,511,363 to uncombine the Smith Foundation, $2,955,000 to record an allowance for charitable remainder trusts, $586,200 in adjustments to funds held as agency endowments, $78,522 write-off of unsubstantiated pledge and $35,621 in other reductions.