



**Central Valley**  
**COMMUNITY**  
**FOUNDATION**

**AND SUPPORTING ORGANIZATIONS**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED**  
**DECEMBER 31, 2016 AND 2015**

**CENTRAL VALLEY COMMUNITY FOUNDATION  
AND SUPPORTING ORGANIZATIONS**

**FOR THE YEARS ENDED  
DECEMBER 31, 2016 AND 2015**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Central Valley Community Foundation and Supporting Organizations  
Fresno, California

We have audited the accompanying consolidated financial statements of the Central Valley Community Foundation (the "Foundation") and Supporting Organizations, which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 Foundation'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 Foundation'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.

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## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Central Valley Community Foundation and Supporting Organizations as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position, activities and schedule of functional expenses on pages 26-31 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Price Pange & Company*

Clovis, California  
August 1, 2017

**CENTRAL VALLEY COMMUNITY FOUNDATION  
AND SUPPORTING ORGANIZATIONS  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2016 AND 2015**

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 9,221,473	\$ 6,053,560
Investment securities	45,696,468	44,741,462
Investments in other entities	25,722,090	24,049,616
Assessment fees and other receivables	130,376	252,924
Prepaid expenses and other assets	192,971	80,130
Commodities	5,158,234	3,350,507
Contributions receivable	261,020	880,197
Bequest receivable	1,461,269	8,000
Note receivable	1,107,582	1,200,849
Loan receivable	100,000	100,000
Property and equipment, net	96,104	78,072
Program related investment, net	902,500	902,500
Land and real estate held for investment	<u>1,056,816</u>	<u>1,056,816</u>
Total assets	<u>\$ 91,106,903</u>	<u>\$ 82,754,633</u>
 <u>LIABILITIES</u>		
Accounts payable	\$ 93,908	\$ 115,072
Taxes payable	-	45,193
Accrued expenses	93,517	90,516
Grants and pledges payable, net	11,646,036	14,423,920
Agency and trust funds	10,241,715	9,562,611
Note payable, program related investment	1,000,000	1,000,000
Deferred unrelated business income tax	<u>1,255,747</u>	<u>1,169,663</u>
Total liabilities	<u>24,330,923</u>	<u>26,406,975</u>
 <u>NET ASSETS</u>		
Unrestricted	19,049,214	14,190,033
Temporarily restricted	32,851,545	28,923,401
Permanently restricted	<u>14,875,221</u>	<u>13,234,224</u>
Total net assets	<u>66,775,980</u>	<u>56,347,658</u>
Total liabilities and net assets	<u>\$ 91,106,903</u>	<u>\$ 82,754,633</u>

See Independent Auditor's Report and Notes to the Financial Statements.

**CENTRAL VALLEY COMMUNITY FOUNDATION  
AND SUPPORTING ORGANIZATIONS  
CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gain and support:				
Gifts and contributions	\$ 11,659,721	\$ 5,599,216	\$ 1,640,997	\$ 18,899,934
Administrative assessments	111,974	-	-	111,974
Investment income (losses), net	1,382,957	1,748,052	-	3,131,009
Equity earnings on investees	-	1,682,698	-	1,682,698
Grant income	809,622	-	-	809,622
Other income	19,479	-	-	19,479
Total revenues, gain and support before net assets released from restrictions	<u>13,983,753</u>	<u>9,029,966</u>	<u>1,640,997</u>	<u>24,654,716</u>
Net assets released from restrictions	<u>5,101,822</u>	<u>(5,101,822)</u>	<u>-</u>	<u>-</u>
Total revenue, gain and support after net assets released from restrictions	<u>19,085,575</u>	<u>3,928,144</u>	<u>1,640,997</u>	<u>24,654,716</u>
Costs and expenses:				
Program services	10,456,721	-	-	10,456,721
Management and general	1,971,799	-	-	1,971,799
Fundraising	200,849	-	-	200,849
Loss on write down of commodities	1,163,347	-	-	1,163,347
Tax provision:				
Current	347,577	-	-	347,577
Deferred	86,101	-	-	86,101
Total costs and expenses	<u>14,226,394</u>	<u>-</u>	<u>-</u>	<u>14,226,394</u>
Change in net assets before reclassifications	4,859,181	3,928,144	1,640,997	10,428,322
Donor reclassifications	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, beginning of year	<u>14,190,033</u>	<u>28,923,401</u>	<u>13,234,224</u>	<u>56,347,658</u>
Net assets, end of year	<u>\$ 19,049,214</u>	<u>\$ 32,851,545</u>	<u>\$ 14,875,221</u>	<u>\$ 66,775,980</u>

See Independent Auditor's Report and Notes to the Financial Statements.

**CENTRAL VALLEY COMMUNITY FOUNDATION  
AND SUPPORTING ORGANIZATIONS  
CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gain and support:				
Gifts and contributions	\$ 10,451,802	\$ 3,901,325	\$ 151,021	\$ 14,504,148
Administrative assessments	120,018	-	-	120,018
Investment income, net	(1,484,854)	2,802,379	-	1,317,525
Equity earnings on investees	-	1,494,900	-	1,494,900
Grant income	1,122,982	-	-	1,122,982
Other income	4,119	6,968	-	11,087
Total revenues, gain and support before net assets released from restrictions	<u>10,214,067</u>	<u>8,205,572</u>	<u>151,021</u>	<u>18,570,660</u>
Net assets released from restrictions	<u>19,324,977</u>	<u>(19,324,977)</u>	<u>-</u>	<u>-</u>
Total revenue, gain and support after net assets released from restrictions	<u>29,539,044</u>	<u>(11,119,405)</u>	<u>151,021</u>	<u>18,570,660</u>
Costs and expenses:				
Program services	22,692,340	-	-	22,692,340
Management and general	1,035,935	-	-	1,035,935
Fundraising	234,166	-	-	234,166
Loss on write down of commodities	1,897,281	-	-	1,897,281
Tax provision:				
Current	89,821	-	-	89,821
Deferred	190,372	-	-	190,372
Total costs and expenses	<u>26,139,915</u>	<u>-</u>	<u>-</u>	<u>26,139,915</u>
Change in net assets before reclassifications	3,399,129	(11,119,405)	151,021	(7,569,255)
Donor reclassifications	<u>143,622</u>	<u>(299,457)</u>	<u>155,835</u>	<u>-</u>
Net assets, beginning of year	<u>10,647,282</u>	<u>40,342,263</u>	<u>12,927,368</u>	<u>63,916,913</u>
Net assets, end of year	<u>\$ 14,190,033</u>	<u>\$ 28,923,401</u>	<u>\$ 13,234,224</u>	<u>\$ 56,347,658</u>

See Independent Auditor's Report and Notes to the Financial Statements.

**CENTRAL VALLEY COMMUNITY FOUNDATION  
AND SUPPORTING ORGANIZATIONS  
CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Supporting Services			Total Expenses
	Program Services	Management and General	Fundraising	
Salaries	\$ 295,536	\$ 431,523	\$ 104,313	\$ 831,372
Payroll taxes and benefits	51,881	75,753	18,312	145,946
Workmen's compensation	2,639	3,853	932	7,424
<b>Total personnel costs</b>	<b>350,056</b>	<b>511,129</b>	<b>123,557</b>	<b>984,742</b>
Accounting and legal fees	31,369	24,210	5,853	61,432
Administrative assessments	-	-	-	-
Advisory committee	7,718	-	-	7,718
Board retreat	5,059	-	-	5,059
Board/staff development training/coaching	494	-	-	494
Capacity building	11,792	17,218	4,162	33,172
Comissions expense	-	234,088	-	234,088
Education and training	2,971	12,448	3,009	18,428
Fees and memberships	8,948	12,832	3,102	24,882
Gifts, grants and program events	9,452,285	-	-	9,452,285
Insurance	9,116	13,310	3,217	25,643
Interest	21,108	-	-	21,108
Investment management services	27,805	136,625	-	164,430
Marketing and advertising	68,122	13,415	3,243	84,780
Meetings, luncheons, dinners	1,859	2,714	656	5,229
Office supplies	33,762	56,378	13,628	103,768
Other	53,496	6,016	2,254	61,766
Packing	-	703,484	-	703,484
Printing	6,159	8,992	2,174	17,325
Project consultants	249,409	-	-	249,409
Receptions and other events	-	70,039	-	70,039
Rent and related	75,008	109,522	26,475	211,005
Taxes and licenses	10,424	15,205	3,676	29,305
Telephone and internet	16,546	6,470	1,564	24,580
Travel and auto	4,452	6,500	1,571	12,523
Workshops	1,090	-	-	1,090
<b>Subtotal</b>	<b>10,098,992</b>	<b>1,449,466</b>	<b>74,584</b>	<b>11,623,042</b>
<b>Total expenses before depreciation</b>	<b>10,449,048</b>	<b>1,960,595</b>	<b>198,141</b>	<b>12,607,784</b>
Depreciation	7,673	11,204	2,708	21,585
<b>Total costs and expenses</b>	<b>\$ 10,456,721</b>	<b>\$ 1,971,799</b>	<b>\$ 200,849</b>	<b>\$ 12,629,369</b>

See Independent Auditor's Report and Notes to the Financial Statements.

**CENTRAL VALLEY COMMUNITY FOUNDATION  
AND SUPPORTING ORGANIZATIONS  
CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Supporting Services			Total Expenses
	Program Services	Management and General	Fundraising	
Salaries	\$ 301,327	\$ 314,895	\$ 100,976	\$ 717,198
Payroll taxes and benefits	63,685	66,553	21,341	151,579
Workmen's compensation	3,000	3,136	1,006	7,142
<b>Total personnel costs</b>	<b>368,012</b>	<b>384,584</b>	<b>123,323</b>	<b>875,919</b>
Accounting and legal fees	53,872	34,321	11,006	99,199
Administrative assessments	-	-	-	-
Advisory committee	-	7,624	-	7,624
Bad debt reserve (recoveries)	-	-	-	-
Board retreat	-	-	-	-
Board/staff development training/coaching	-	22,812	-	22,812
Capacity building	16,263	16,996	5,450	38,709
Education and training	-	700	-	700
Fees and memberships	7,297	7,447	2,388	17,132
Gifts, grants and program events	21,947,013	-	-	21,947,013
Insurance	7,398	7,731	2,479	17,608
Interest	20,943	-	-	20,943
Investment management services	-	179,815	-	179,815
Marketing and advertising	17,896	12,234	3,923	34,053
Meetings, luncheons, dinners	6,597	6,894	2,211	15,702
Office supplies	52,267	54,592	17,506	124,365
Other	-	28,777	-	28,777
Printing	8,825	9,223	2,957	21,005
Project consultants	100,691	111,694	35,817	248,202
Receptions and other events	-	65,963	-	65,963
Rent and related	55,818	58,331	18,705	132,854
Taxes and licenses	11,598	12,121	3,887	27,606
Telephone and internet	5,413	5,657	1,814	12,884
Travel and auto	3,476	3,632	1,165	8,273
Workshops	4,381	-	-	4,381
<b>Subtotal</b>	<b>22,319,748</b>	<b>646,564</b>	<b>109,308</b>	<b>23,075,620</b>
<b>Total expenses before depreciation</b>	<b>22,687,760</b>	<b>1,031,148</b>	<b>232,631</b>	<b>23,951,539</b>
Depreciation	4,580	4,787	1,535	10,902
<b>Total costs and expenses</b>	<b>\$ 22,692,340</b>	<b>\$ 1,035,935</b>	<b>\$ 234,166</b>	<b>\$ 23,962,441</b>

See Independent Auditor's Report and Notes to the Financial Statements.

**CENTRAL VALLEY COMMUNITY FOUNDATION  
AND SUPPORTING ORGANIZATIONS  
CONSOLIDATED STATEMENT OF CASH FLOWS  
DECEMBER 31, 2016 AND 2015**

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 10,428,322	\$ (7,569,255)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	21,585	10,902
Loss on write down of commodities	1,163,347	1,897,281
Unrealized (gains) losses	(1,547,187)	1,653,301
Equity earnings on investee	(1,672,474)	(2,115,919)
Donated securities and commodities	(11,902,675)	(8,666,117)
Changes in operating assets and liabilities:		
Accounts, contributions and bequest receivable	(711,544)	(612,905)
Prepaid expenses and other assets	(112,841)	(29,272)
Accounts and grants payable	(2,799,048)	13,433,764
Pledges payable	86,084	190,047
Accrued expenses and taxes payable	(42,192)	111,045
Agency and trust funds	679,104	(8,019)
Net cash provided by (used in) operating activities	(6,409,519)	(1,705,147)
Cash flows provided by (used in) investing activities:		
Purchase of property and equipment	(40,716)	(79,973)
Proceeds from sale of property and equipment	1,099	-
Proceeds from advance payment and sale of commodities	8,820,580	3,196,623
Principal received on note receivable	93,267	88,404
Purchase of investment securities	(7,806,488)	(8,424,666)
Proceeds from sales of investment securities	8,509,690	8,335,019
Net cash provided by (used in) investing activities	9,577,432	3,115,407
Increase in cash and cash equivalents	3,167,913	1,410,260
Cash and cash equivalents, beginning of year	6,053,560	4,643,300
Cash and cash equivalents, end of year	\$ 9,221,473	\$ 6,053,560
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	\$ 20,333	\$ 20,278
Income taxes paid	\$ 123,610	\$ 65,390

See Independent Auditor's Report and Notes to the Financial Statements.

**CENTRAL VALLEY COMMUNITY FOUNDATION  
AND SUPPORTING ORGANIZATIONS  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE 1 – ORGANIZATION AND OPERATIONS**

Nature of Operations

The Central Valley Community Foundation (the “Foundation”), formerly the Fresno Regional Foundation, is a California non-profit corporation formed in 1966 for the purpose of improving the quality of life in the Central San Joaquin Valley. It promotes and encourages charitable giving, provides grants to qualified organizations and projects, and administers funds established by donors and others for the benefit of the community. The Foundation is primarily supported by contributions and grants from the general public, private foundations, investment earnings and administrative fees from services as a fiscal agent and fund manager.

The Foundation administers approximately 220 separate donor funds established by businesses and individuals for various charitable purposes. Funds provided to the Foundation by such donors are administered in accordance with the terms established by the donors and/or the Foundation’s Board of Directors, as appropriate. The Foundation generally assesses each fund an administration fee based on the fund’s average balance.

In connection with the acquisition of a real estate property and other assets, the Foundation formed Edna Lake, LLC in 2008 and FRF Holdings, LLC in 2013 to hold title to real estate parcels and other assets. In anticipation of further acquisitions of real estate parcels and other assets, the Foundation formed CVCF Holdings, LLC in 2016. Additionally in 2016, the Foundation formed LHCF, LLC to manage, operate and maintain a public park located in Lost Hills, California. The LLC’s were formed to protect the Foundation from any claims related to assets acquired. These financial statements include the account balances and financial activities of the Foundation and its wholly owned LLCs.

Supporting Organizations

The Foundation is the named beneficiary of at least two Supporting Organizations. One of the Supporting Organizations was funded in 2002 and the other was funded in 2010. Supporting Organizations are established by certain donors in connection with sponsoring non-profit organizations similar to the Foundation and have independent Boards of Directors.

The Lyles Foundation (“LF”) was established in October 2002 as a non-profit charitable trust and Supporting Organization to the Central Valley Community Foundation. The Indenture, which established the Lyles Foundation Trust, specifically states that it was organized to support the charitable activities of the Central Valley Community Foundation. Immediately following its organization and again in 2012, the Lyles Foundation Trust received donations consisting of shares of stock in privately held businesses that had an “S” election in effect for Federal and State of California income tax purposes. Future sales of the donated stock by the Lyles Foundation Trust as well as its share of the private company’s annual earnings give rise to an Unrelated Business Income Tax (“UBIT”). For this reason, the value of the donations for financial reporting purposes has been adjusted to reflect any estimated deferred tax liability. Any UBIT incurred is paid directly by the Lyles Foundation Trust. The value of any private company stock is determined by an independent business valuation expert upon donation and annually thereafter. As a Type I Supporting Organization, the Board of Directors comprise of three directors elected by the Foundation and two members elected by the LF.

The Silkwood Family Foundation (“SFF”) was established in 1999 as a non-profit charitable trust and Type III Supporting Organization to the Central Valley Community Foundation for their various community services and programs. As a Type III Supporting Organization, the Board of Directors comprise of two directors elected by the Foundation, two directors elected by SFF, and one jointly elected by the four directors. This supporting organization was initially funded during 2010.

**CENTRAL VALLEY COMMUNITY FOUNDATION  
AND SUPPORTING ORGANIZATIONS  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Principles of Consolidation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include accounts of the Lyles Foundation and Silkwood Family Foundation. All intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of various demand and interest bearing accounts on deposit with insured financial and brokerage institutions. The Foundation considers all investments with an original maturity of three months or less to be cash equivalents.

Investment Securities

The Foundation maintains master trust and brokerage accounts for the investment of Agency and Trust Funds and certain of its Net Assets. All of the Foundation's investment securities are available for sale. Investment income and expenses, including realized and unrealized gains and losses, are generally allocated to the various maintained funds based on their relative fair values. Investment income, including unrealized gains and losses, interest, dividends and related items are recognized in the Consolidated Statement of Activities or Agency and Trust Funds Liability, as appropriate, as they occur. The Foundation's investment managers or advisors estimate such investments at their fair values based on quoted closing brokerage prices or other factors.

Land and Real Estate Held for Investment

Land and real estate held for investment is stated at its fair value as determined by real estate sales options applicable to the land, formal real estate appraisals and/or the Foundation's real estate consultant, less any sales option deposits collected. Appreciation or declines in land value during the year are recorded as unrealized gains or losses on real estate investments in the Consolidated Statement of Activities.

Fair Value of Certain Financial Instruments

The Foundation considers its cash and cash equivalents, assessment fees, receivables, prepaid expenses and other assets, accounts payable, and accrued expenses to be short-term in nature, and therefore their fair values approximate their carrying values. The carrying amount of grants payable approximates fair value because such liabilities are recorded at estimated net present value based on anticipated future cash flows.

Allowance for Doubtful Accounts

The Foundation provides an allowance for doubtful accounts based on its review of the outstanding receivables and Program Related Investments. In considering the allowance account reserve, the Foundation evaluates certain factors including the organization and borrower's ability to pay, their financial condition, loan collateralized assets and others. Recoveries of accounts and programs previously written-off or changes in allowance estimates are recognized as income when received or recorded.

Reclassification

Certain reclassifications were made to the 2015 financial statements in order to conform to the presentation shown. These reclassifications had no effect on the Foundation's net assets at December 31, 2015.

**CENTRAL VALLEY COMMUNITY FOUNDATION  
AND SUPPORTING ORGANIZATIONS  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Property and Equipment

Property and equipment are stated at cost or, if donated, at the fair value at the date of donation. All assets acquired by the Foundation whose initial value or cost exceeds \$1,000 are capitalized and depreciated. Routine repairs and maintenance, including planned major maintenance activities are expensed when incurred. Depreciation and amortization are recorded using the straight-line method over estimated useful lives of 3 to 10 years.

Donations and Grants

Donations and Grants are recorded as Unrestricted, Temporarily Restricted, or Permanently Restricted depending on the existence or nature of donor-imposed restrictions. Donations and grants, including unconditional promises to give are recorded in the year the contribution is made or received. When a donor restriction expires, either when a stipulated time restriction ends or a purpose restriction is accomplished, Temporarily Restricted Net Assets are reclassified to Unrestricted Net Assets and reported in the Consolidated Statement of Activities as Net Assets Released from Restrictions. Donations received and expended in the same fiscal year are recorded as Unrestricted Funds. Unrestricted Net Assets also include decreases in the fair market value of any Permanently Restricted Net Assets.

Permanently Restricted Funds consist of amounts donated by specific individuals with the understanding that the amounts contributed shall be maintained in perpetuity. Generally, investment earnings, including capital appreciation on the Foundation's Permanently Restricted Funds are available to fund various Foundation activities. Investment earnings and investment gains and losses are classified as Temporarily Restricted or Unrestricted Funds, as appropriate.

Agency and Trust Funds

The Foundation also serves as a fiscal agent for third party donors that conduct various community programs. As a fiscal agent, the Foundation has received funds with donor-imposed restrictions for which it does not have either 1) a unilateral right to redirect the funds to other uses ("variance power") or 2) significant involvement in the determination of specific beneficiaries. Such funds are not considered contributions and are recorded as Agency and Trust Fund liabilities. Changes in the Agency and Trust Fund liabilities are reported separately and are not included in the Foundation's Consolidated Statement of Activities.

Endowment Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets (Permanently Restricted Funds) that attempt to provide a predictable stream of funding to programs supported by endowments while seeking to maintain the purchasing power of the endowments' assets. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes the projected return objective through diversification of asset classes. The portfolio is designed to generate real rates of return in excess of inflation with regard to an appropriate balance of risk and reward for long-term capital growth.

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 income (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

**CENTRAL VALLEY COMMUNITY FOUNDATION  
AND SUPPORTING ORGANIZATIONS  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Endowment Investment and Spending Policies (Continued)

The spending policy calculates the amount of money annually distributable from the Foundation's various endowed funds for grants and administration. At December 31, 2016 and 2015, the spending policy seeks to distribute an amount equal to 4.5% of the fund balance, calculated over a 16 quarter average. Accordingly, over the long term, the Foundation expects its current spending policy to allow its endowment assets to grow at an average rate of 1% annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment returns.

Method of Accounting for the Lyles Foundation (Supporting Organization)

The Lyles Foundation has significant investments in a number of limited partnerships. These individual limited partnerships generally encounter delays in completing their accounting and reporting their annual valuations to Lyles Foundation. In prior years, the completion of the Foundation's financial statements has been delayed as a result of the delay in receiving the Lyles Foundation accounting. In order to expedite the preparation of the Foundation's financial statements, the Foundation has decided not to wait for the completion of the Lyles Foundation 2016 accounting and instead report the 2015 and 2014 Lyles Foundation balances. The net asset value of Lyles Foundation for the year ended December 31, 2015 increased by \$2,487,623. The net asset value of the Lyles Foundation for the year ended December 31, 2014 decreased by \$10,564,555. The ultimate change in value, if any, for the Lyles Foundation's activities for the year ended December 31, 2016 will be reflected in the Foundation's consolidated financial statements for the year ending December 31, 2017. This policy is being applied consistently in current and future years and will allow the Foundation to prepare its consolidated financial statements in a timely manner.

Donated In-Kind Assets and Services

Donated in-kind assets are recognized as contributions if they have ascertainable fair values and are able to be realized in cash or other liquid assets. Donated services are recognized as contributions if they 1) significantly enhance non-financial assets or 2) involve a service that would otherwise have been purchased and whose values can be objectively measured. The Foundation received donated investment securities of approximately \$101,000 and \$221,700 for the years ended December 31, 2016 and 2015, respectively. The Foundation received approximately \$46,200 in donated services during the year ended December 31, 2016. The Foundation did not receive any donated services during the year ended December 31, 2015.

Marketing and Advertising

The Foundation expenses all marketing and advertising costs as incurred. Total marketing and advertising costs for the years ended December 31, 2016 and 2015 were \$84,780 and \$34,053, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results will differ from those estimates.

Functional Classification of Expenses

The costs of providing the Foundation's various charitable and general services have been summarized on a functional basis in the Consolidated Schedule of Functional Expenses. Accordingly, direct and indirect expenses have been allocated to program services or other activities based on their specific identification or the personnel resources utilized in the function. Supporting services consist principally of general, administrative and management costs not directly allocable to Program Services or Fundraising Activities.

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Tax Exempt Status

The Foundation and its Supporting Organizations have qualified as non-profit organizations and have been granted tax-exempt status pursuant to Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). The Foundation's LLCs are subject to the State of California's minimum tax for each entity.

Generally accepted accounting principles provides accounting and disclosures guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Foundation's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

**NOTE 3 – PROPERTY AND EQUIPMENT, NET**

Property and equipment consist of the following at December 31:

	2016	2015
Furniture, fixtures and office equipment	\$ 167,976	\$ 157,662
Leasehold improvements	10,895	-
Software	40,369	25,725
Less accumulated depreciation	<u>(123,136)</u>	<u>(105,315)</u>
Total property and equipment, net	<u>\$ 96,104</u>	<u>\$ 78,072</u>

Depreciation expense for the years ended December 31, 2016 and 2015 was \$21,585 and \$10,902, respectively.

**NOTE 4 – INVESTMENT SECURITIES**

Investment securities consist of the following at December 31:

	Fair Value	
	2016	2015
Equities	\$ 22,944,843	\$ 22,100,442
Fixed income	17,715,244	18,427,409
Mutual funds	4,141,858	3,319,088
Exchange Traded products	<u>894,523</u>	<u>894,523</u>
Total investments	<u>\$ 45,696,468</u>	<u>\$ 44,741,462</u>

At December 31, 2016 and 2015, approximately \$42,782,000 and \$41,674,000, respectively, of the Foundation's funds were held in custodial accounts at SEI Private Trust Company. These custodial accounts are managed by SEI Investments ("SEI"), an independent investment management and advisory firm. The investment securities and cash and cash equivalents are invested primarily in SEI sponsored mutual funds and investment pools. At December 31, 2016 and 2015, approximately 59% and 56% of the Foundation's total investment securities at SEI were invested in SEI Large and Small "Cap" Funds. Approximately 41% and 44% of the Foundation's SEI investment securities were invested in SEI Core Fixed Income Funds at December 31, 2016 and 2015, respectively.

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**NOTE 4 – INVESTMENT SECURITIES** (Continued)

SEI manages the Foundation’s funds in accordance with an Investment Policy established by the Foundation’s Investment Committee and approved by its Board of Directors after considering the Foundation’s needs for near-term financial resources, appropriate asset allocations and diversification. SEI provides insurance to protect the Foundation’s custodial account balances from SEI’s 1) errors and omissions, an aggregate of \$75,000,000 applicable to all accounts, including the Foundation’s or 2) its employees’ dishonesty, a total of \$60,000,000 per occurrence. These custodial accounts are not insured by the Securities Investor Protection Corporation (“SIPC”) or the Federal Deposit Insurance Corporation (“FDIC”).

At December 31, 2015, approximately \$4,912,000 of the Lyles Foundation’s funds, including approximately \$1,652,000, of the Lyles Foundation’s cash and cash equivalents were held by Credit Suisse, an independent investment management and advisory firm. The funds with Credit Suisse are covered by a combination of insurance provided by FDIC, SIPC and private insurance provided by Credit Suisse. No amounts were held at Credit Suisse for the year ended December 31, 2016.

The Foundation also maintains cash balances in various accounts with other financial institutions. At December 31, 2016 and 2015, cash in the amounts of approximately \$7,121,000 and \$3,817,070, respectively, were in excess of insurance provided by the FDIC.

The Foundation’s investment earnings from investment securities activities during December 31 were as follows:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 1,581,011	\$ 2,540,871
Unrealized gains (losses)	1,547,186	(1,398,301)
Realized gains	<u>2,812</u>	<u>174,955</u>
Total investment income (losses), net	<u>\$ 3,131,009</u>	<u>\$ 1,317,525</u>

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the levels of risk associated with certain investment securities, it is reasonably possible that changes, either increases or decreases, in the values of investment securities will occur in the near term and those changes could materially affect the Foundation’s account balances and amounts reported in the Statement of Activities.

**NOTE 5 – INVESTMENTS IN OTHER ENTITIES**

The Lyles Foundation has significant investments in other entities that are accounted for under the equity method of accounting. Under the equity method of accounting, an investor accounts for the ownership interest in another entity initially at cost and that value is periodically adjusted to reflect the changes in value due to the investor’s ownership share in the entities income or losses. The primary criteria in determining whether the equity method of accounting should be used is whether an investor is deemed to have the ability to significantly influence the investee’s operating and financial policies, and is not solely based on the ownership percentage.

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**NOTE 5 – INVESTMENTS IN OTHER ENTITIES** (Continued)

The Lyles Foundation's investments in other entities are as follows for the years ended December 31 (see Note 2 - Method of Accounting for the Lyles Foundation):

	2016		2015	
	Ownership Interest	Carrying Value	Ownership Interest	Carrying Value
Lyles Diversified, Inc.	6.21%	\$ 16,899,156	6.09%	\$ 15,233,904
Lyles Investments, LLC	1.54%	3,104,800	1.55%	3,290,453
Lyles United, LLC	1.49%	5,616,441	1.52%	5,431,357
Pelco Sales, Inc. Liquidating Trust	2.07%	90,025	2.07%	93,902
Total investments in other entities		<u>\$ 25,710,422</u>		<u>\$ 24,049,616</u>

The Lyles Foundation has the ability to significantly influence the activities of the investees as the Lyles Foundation has certain Board of Director representatives that serve as the investee's management and participate in the investees' policy-making processes.

**NOTE 6 – COMMODITIES**

During the year ended December 31, 2016 and 2015, the Foundation received donated commodities of various agricultural products valued at approximately \$11,791,700 and \$8,444,400, respectively. The Foundation recognizes donated assets at its fair value on the date of donation. The Foundation has retained a third party processor to facilitate the sale of the commodities on behalf of the Foundation. Such donations were made so that the net proceeds could be distributed as grants, consistent with the purpose of the donor with approval of the Foundation's Board of Directors.

Commodities held for sale are required to be carried at the lower of cost or market (net realizable value). During the year ended December 31, 2016 and 2015, the Foundation recognized an aggregate write-down of its commodity of \$1,163,347 and \$1,897,281, respectively to its net realizable value. Commodities held for sale totaled \$5,158,234 and \$3,350,507 for the years ended December 31, 2016 and 2015.

**NOTE 7 – CONTRIBUTIONS RECEIVABLE**

Contributions Receivable comprises amounts due from grantors for the implementation of various community programs activities and services. The Foundation generally has discretion as to how funds are disbursed and expended for such programs and services. Grants are generally made by the Grantor in various annual progress installments, based upon contractual agreements. Grant progress payments are dependent upon approval by the Grantor of project or program progress reports.

The Foundation's Contributions Receivable consists of the following at December 31:

	2016	2015
The California Endowment	\$ -	\$ 141,447
James Irvine Foundation	-	186,966
Bechtel Foundation	250,000	-
The William and Flora Hewlett Foundation	-	467,000
Focus Forward	6,020	84,784
Other	5,000	-
Total contributions receivable	<u>\$ 261,020</u>	<u>\$ 880,197</u>

See Independent Auditor's Report.

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**NOTE 7 – CONTRIBUTIONS RECEIVABLE** (Continued)

Contributions receivable at December 31, 2016 represent unconditional promises to give to the Foundation that remain uncollected at year-end and are expected to be collected as follows:

Less than one year	\$ 81,020
Two to five years	180,000
More than five years	<u>-</u>
Total	<u>\$ 261,020</u>

**NOTE 8 – NOTE RECEIVABLE**

During 2009, the Foundation was included as one of the beneficiaries of a decedent's estate. The Foundation recorded the fair value of the bequest as a contribution at that time. During August 2010, the estate sold certain assets to be received by the Foundation to another beneficiary in exchange for a promissory note. The estate sold two agricultural real estate properties including its one-half interest in a limited liability company for a total sale price of \$1,737,000. Terms of the sale required a down payment of 10% of the sale price, and the remaining balance of \$1,563,000 to be financed by the estate over 10 years at a rate of 5.5% annually. The promissory note is collateralized by the properties.

During May 2011, the Foundation was assigned the estate's promissory note and deed of trust for the real estate properties sold. The balance on the note, including accrued interest at December 31, 2016 and 2015 was \$1,107,582 and \$1,200,849, respectively.

**NOTE 9 – BEQUEST RECEIVABLE**

The Foundation was included as one of the beneficiaries of a decedent's estate during the years ended December 31, 2016 and 2015. At December 31, 2016 and 2015, the Foundation had bequest receivables in the amount of \$1,461,269 and \$8,000, respectively. The estate's assets are comprised primarily of investment securities and other various assets. Remaining amounts ultimately available to the Foundation from this estate are dependent upon future events and valuation assessments and cannot be reasonably determined at this time. Such amounts will be recognized as donations when actually distributed to the Foundation by the estate.

**NOTE 10 – LAND AND REAL ESTATE HELD FOR INVESTMENT**

The Foundation owns two commercial land parcels that were donated in the prior years. The fair value of the Foundation's Land and Real Estate Held for Investment was \$1,056,816 at December 31, 2016 and 2015, respectively. Increases or decreases in the fair value of the land parcels are recognized in the Consolidated Statement of Activities as gains or losses on real estate investments in accordance with the Foundation's policies.

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**NOTE 11 – PROGRAM RELATED INVESTMENT AND NOTE PAYABLE**

The Foundation implemented a program which provides financing to Valley Small Business Development Corporation (“VSBDC”) to make micro loans to small businesses and farmers in the San Joaquin Valley community. The Foundation obtained financing from Wells Fargo Bank for an amount up to \$1,000,000, with interest only payments made on the outstanding balance at an annual interest rate of 2%. Interest only payments are due quarterly and the principal balance is payable on the maturity date in February 2021. The note due to Wells Fargo Bank is unsecured. At December 31, 2016 and 2015, the balance outstanding on this note to Wells Fargo Bank was \$1,000,000 each year. Interest expense related to the loan for the years ended December 31, 2016 and 2015 was \$20,333 and \$20,278, respectively.

The funds received from the Wells Fargo Bank loan to the Foundation were re-loaned to VSBDC. Funds advanced to VSBDC bear interest at 3% annually. Funding of the loan by the Foundation to VSBDC was used to finance small businesses and farmers based on certain lending criteria that would not otherwise be available in traditional bank financing. Financing of the loans by the VSBDC to the borrower bears interest at various rates based on the borrower’s credit worthiness and other factors. At December 31, 2016 and 2015, the amount due to the Foundation from VSBDC was \$950,000 each. The Foundation has recorded an allowance reserve of \$47,500 related to this Program Related Investment at December 31, 2016 and 2015. The Foundation has security interests in the assets of the micro loan borrowers in an event of default as collateral. Interest income for the years ended December 31, 2016 and 2015 was \$28,501 each year.

**NOTE 12 – CHARITABLE REMAINDER AND OTHER TRUSTS**

The Foundation is named as a remainder beneficiary of several charitable remainder and other trusts administered by other trustees. The balances in the trusts and the income thereon, are available in various amounts to the life beneficiaries. In several cases, the donors have the right to change the beneficiary prior to their demise. Any balances remaining in the trusts upon the demise of the life beneficiaries may be distributed to the Foundation and/or other named beneficiaries. Amounts ultimately available to the Foundation from these trusts are dependent upon future events and cannot reasonably be determined. Such amounts are recognized as donations when the donor’s conditions are met and/or when received by the Foundation.

**NOTE 13 – LEASE COMMITMENTS**

The Foundation’s administrative office lease expired January 2015 and was extended on a month-to-month basis. During April 2015, the Foundation entered into a new lease agreement for a period of 124 months in another building which commenced August 2015. The Foundation or lessor has the option to terminate the lease on the last day of the 64<sup>th</sup> full calendar month under certain conditions. Terms of the agreement provides for the Foundation to make monthly rental payments of \$17,093 commencing December 2015 through November 2025. In addition to the base rent, the Foundation is responsible for other costs related to common area maintenance of the facilities. The aggregate future commitment remaining on this lease is as follows: \$205,117 for each year from 2017 to 2019, and an aggregate of \$1,213,610 from 2020 and thereafter, expiring November 2025. Rent and related expense for the years ended December 31, 2016 and 2015 was \$211,005 and \$132,854, respectively.

The Foundation leases a copier under an operating lease agreement with base monthly lease payments of \$496, plus applicable taxes and usage fees through September 2020. The aggregate future commitment remaining on this lease is as follows: \$6,435 each year from 2017 through 2019, and \$5,363 in 2020. Total office expense related to the lease was \$6,547 and \$2,220 for the years ended December 31, 2016 and 2015, respectively.

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**NOTE 14 – GRANTS AND PLEDGES PAYABLE**

Grants and pledges payable, net of discount, at December 31, 2016, consist of approved grant and pledge commitments that are expected to be paid during the following year-ends:

	<u>Grants Payable</u>	<u>Pledges Payable</u>
2016	\$ -	\$ 2,500,000
2017	864,101	1,000,000
2018	41,000	1,000,000
2019	31,500	1,000,000
2020 and thereafter	<u>500</u>	<u>7,000,000</u>
	937,101	12,500,000
Less discount	<u>-</u>	<u>(1,791,065)</u>
Total grants and pledges payable, net	<u>\$ 937,101</u>	<u>\$ 10,708,935</u>

The pledges have been discounted to net present value using a 3.0% discount rate determined during the year of origination of the initial pledge.

**NOTE 15 – AGENCY AND TRUST FUND LIABILITY**

The Foundation's Agency and Trust Fund Liability activities consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Contributions and grant income	\$ 836,021	\$ 765,893
Investment income (expense):		
Interest and dividends	351,455	677,094
Investment gains (losses), net	337,195	(700,488)
Investment management fees	(45,643)	(44,044)
Administrative assessments paid to the Central Valley Community Foundation	(111,444)	(108,741)
Gifts and grants made	<u>(688,480)</u>	<u>(597,733)</u>
Total agency and trust fund activity	679,104	(8,019)
Agency and trust fund balance, beginning of year	<u>9,562,611</u>	<u>9,570,630</u>
Agency and trust fund balance, end of year	<u>\$ 10,241,715</u>	<u>\$ 9,562,611</u>

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**NOTE 16 – FAIR VALUE MEASUREMENTS**

In accordance with generally accepted accounting principles, fair value is defined as the price that the Foundation would receive upon selling an asset or have paid to transfer a liability at the reporting date. Generally accepted accounting principles established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity.

Unobservable inputs are those that reflect the reporting entity's own assumptions about the factors market participants would use in pricing the asset or liability developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, and fair value is determined through the use of other valuation methodologies.

Level 3 – Valuations based on inputs that are not observable and significant to the overall fair value measurement, including the Foundation's own assumptions in determining the fair value of assets or liabilities.

The following is a summary of the inputs used as of December 31, 2016 in valuing the Foundation's assets carried at fair value:

Asset Description	Level 1	Level 2	Level 3	Total
Investment securities:				
Equities	\$22,944,843	\$ -	\$ -	\$22,944,843
Fixed income	17,715,244	-	-	17,715,244
Mutual funds	4,141,858	-	-	4,141,858
Exchange Traded products	894,523	-	-	894,523
Program related investment, net	-	902,500	-	902,500
Land and real estate held for investment	-	1,056,816	-	1,056,816
Assets measured at fair value	<u>\$45,696,468</u>	<u>\$ 1,959,316</u>	<u>\$ -</u>	<u>\$47,655,784</u>

The following is a summary of the inputs used as of December 31, 2015 in valuing the Foundation's assets carried at fair value:

Asset Description	Level 1	Level 2	Level 3	Total
Investment securities:				
Equities	\$22,100,442	\$ -	\$ -	\$22,100,442
Fixed income	18,427,409	-	-	18,427,409
Mutual funds	3,319,088	-	-	3,319,088
Exchange Traded products	894,523	-	-	894,523
Program related investment, net	-	902,500	-	902,500
Land and real estate held for investment	-	1,056,816	-	1,056,816
Assets measured at fair value	<u>\$44,741,462</u>	<u>\$ 1,959,316</u>	<u>\$ -</u>	<u>\$46,700,778</u>

See Independent Auditor's Report.

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**NOTE 16 – FAIR VALUE MEASUREMENTS** (Continued)

The following methods and assumptions were used by the Foundation in estimating the fair value of other financial instruments:

Investment Securities – All of the Foundation’s Investment Securities are available for sale, and are stated at their fair value based on quoted closing prices.

Program Related Investments – The fair value of Program Related Investments approximates its carrying value, net of considerations for uncollectible accounts.

Land Held for Investment – The fair value of land is generally determined by independent real estate appraisals, as updated for changes in market conditions.

**NOTE 17 – RETIREMENT PLAN**

The Foundation maintains an Internal Revenue Code Section 403(b) plan (the “Plan”) for eligible employees administered by the American Funds Service Company. An employee becomes eligible to participate after completing 30 days of service. The Plan provides for the Foundation to make discretionary and/or matching contributions of up to 5% of the deferring employee’s salary. The Foundation’s matching contributions for the years ended December 31, 2016 and 2015 was \$29,340 and \$31,762, respectively.

**NOTE 18 – RESTRICTED NET ASSETS**

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the Foundation to classify as Permanently Restricted Net Assets, the fair value of the original gift as of the gift date, the original value of subsequent gifts, including any accumulations to the donor-restricted endowments made in accordance with the applicable gift instruments. The remaining portion of the donor-restricted endowment fund that is not classified as Permanently Restricted Net Assets is classified as Temporarily Restricted Net Assets until those amounts are appropriated for expenditure by the Foundation, or classified as Unrestricted Net Asset if the fund balance declines below the original gift value.

Variance Power

The Foundation’s fund agreements generally provide the Foundation with variance power. Variance power grants the Foundation’s governing board the power to modify certain restrictions or conditions on the distribution of funds for any specified charitable purpose or purposes, or to a specified charitable organization or organizations, if such restrictions or conditions becomes, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served.

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**NOTE 18 – RESTRICTED NET ASSETS** (Continued)

Temporarily Restricted Net Assets

Temporarily Restricted Net Assets are available for the following activities at December 31:

<u>Programs</u>	<u>2016</u>	<u>2015</u>
Arts, science and culture	\$ 345,219	\$ 389,365
Community development	490,989	144,405
Drought related	462,663	160,494
Education	3,595,115	3,697,580
Employment	-	-
Environmental	3,336,509	3,181,289
Health and human services	2,623,657	2,694,157
Mental Health	-	2,432
Parks and musical organizations	892,875	850,109
Interest in supporting organizations	18,505,104	16,018,123
Youth development	1,453,437	1,102,814
Other philanthropy	855,580	478,759
Veteran and military support	290,397	203,874
Total temporarily restricted net assets	<u>\$ 32,851,545</u>	<u>\$ 28,923,401</u>

Permanently Restricted Net Assets

Permanently Restricted Net Assets are dedicated to the following activities at December 31:

<u>Programs</u>	<u>2016</u>	<u>2015</u>
Animal related	\$ 10,000	\$ 10,000
Arts and culture	181,047	181,047
Education	3,618,450	1,998,463
Environmental	106,161	106,161
Health and human services	296,809	112,296
Parks and musical organizations	1,221,863	1,221,863
Youth development	7,495,908	7,495,908
Other philanthropy	1,944,983	2,108,486
Total permanently restricted net assets	<u>\$ 14,875,221</u>	<u>\$ 13,234,224</u>

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**NOTE 18 – RESTRICTED NET ASSETS** (Continued)

Permanently Restricted Net Assets (Continued)

The Foundation's Endowment Net Assets by Composition is as follows for the year ended December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor designated endowment funds	\$ 1,315,579	\$ 1,592,444	\$ 14,875,221	\$ 17,783,244
Board designated endowment fund	<u>1,705,961</u>	<u>-</u>	<u>-</u>	<u>1,705,961</u>
Total endowment funds	<u>\$ 3,021,540</u>	<u>\$ 1,592,444</u>	<u>\$ 14,875,221</u>	<u>\$ 19,489,205</u>

The Foundation's Endowment Net Assets by Composition is as follows for the year ended December 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor designated endowment funds	\$ 1,356,182	\$ 1,347,273	\$ 13,234,224	\$ 15,937,679
Board designated endowment fund	<u>1,708,815</u>	<u>-</u>	<u>-</u>	<u>1,708,815</u>
Total endowment funds	<u>\$ 3,064,997</u>	<u>\$ 1,347,273</u>	<u>\$ 13,234,224</u>	<u>\$ 17,646,494</u>

The Foundation classifies as endowments (permanently restricted net assets) funds that have both explicit restrictions by donors in their agreements prohibiting the spending of principal and endowment funds which are subject to the Foundation's spending policy, absent of specific donor restrictions on the spending of principal under the guidelines of UPMIFA. The following represents endowment funds that have explicit donor stipulations prohibiting the spending of principal and endowment funds that do not have specific donor stipulations, however subject to the Foundation's endowment spending policies at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Endowment funds with explicit donor restrictions on expending principal	\$ 1,499,971	\$ 1,499,971
Endowment funds subject to the Foundation's spending policy	<u>13,375,250</u>	<u>11,734,253</u>
Total permanently restricted net assets	<u>\$ 14,875,221</u>	<u>\$ 13,234,224</u>

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**NOTE 18 – RESTRICTED NET ASSETS** (Continued)

Permanently Restricted Net Assets (Continued)

The changes in endowment net assets for the years ended December 31, 2016 and 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2014	\$ 1,023,689	\$ 2,521,781	\$ 12,927,368	\$ 16,472,838
Investment return:				
Investment income	157,462	1,129,280	-	1,286,742
Net appreciation (realized and unrealized)	<u>(159,338)</u>	<u>(1,083,533)</u>	<u>-</u>	<u>(1,242,871)</u>
Total investment return	(1,876)	45,747	-	43,871
Contributions and others	27,596	-	151,019	178,615
Appropriation of endowment assets for expenditure	(253,616)	(1,220,255)	-	(1,473,871)
Other changes and reclassifications	<u>2,269,204</u>	<u>-</u>	<u>155,837</u>	<u>2,425,041</u>
Endowment net assets, December 31, 2015	3,064,997	1,347,273	13,234,224	17,646,494
Investment return:				
Investment income	72,214	579,142	-	651,356
Net appreciation (realized and unrealized)	<u>72,150</u>	<u>520,240</u>	<u>-</u>	<u>592,390</u>
Total investment return	144,364	1,099,382	-	1,243,746
Contributions and others	-	-	1,640,997	1,640,997
Appropriation of endowment assets for expenditure	(187,821)	(854,211)	-	(1,042,032)
Other changes and reclassifications	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, December 31, 2016	<u>\$ 3,021,540</u>	<u>\$ 1,592,444</u>	<u>\$ 14,875,221</u>	<u>\$ 19,489,205</u>

At any time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original level of the donor's original contributions. This deficit is usually the result of unfavorable market fluctuations that occur after the original contribution. Such deficits are reported as Unrestricted Net Assets. At December 31, 2016 and 2015, the Foundation had approximately \$2,820 and \$8,200, respectively, of Permanently Restricted Funds in which the value at year-end was below the original level required by the donor.

**CENTRAL VALLEY COMMUNITY FOUNDATION  
AND SUPPORTING ORGANIZATIONS  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE 18 – RESTRICTED NET ASSETS** (Continued)

Permanently Restricted Net Assets (Continued)

A description of the amounts classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets at December 31 is as follows:

	<u>2016</u>	<u>2015</u>
Permanently restricted net assets:		
Portion of permanently restricted funds that are required to be retained permanently either by explicit donor stipulation or by the Foundation's spending policy.	<u>\$ 14,875,221</u>	<u>\$ 13,234,224</u>
Temporarily restricted net assets:		
Portion of temporarily restricted funds, arising from Permanently Restricted Funds, subject to a purpose restriction under UPMIFA.	\$ 2,956,453	\$ 4,978,129
Temporary net assets with time restriction:		
Contributions and bequest receivable	261,020	888,197
Net assets of supporting organizations	18,506,518	16,018,123
Temporary net assets with purpose restriction:		
Other programs and activities	<u>11,127,554</u>	<u>7,038,952</u>
Total temporarily restricted net assets	<u>\$ 32,851,545</u>	<u>\$ 28,923,401</u>

Donor reclassifications

During the year ended December 31, 2015, the Foundation reclassified certain donor funds in accordance with their agreements. The reclassification had the effect of increasing unrestricted and permanently restricted net assets of \$143,622 and \$155,835, respectively, and decreasing temporarily restricted net assets of \$299,457 at December 31, 2015.

**NOTE 19 – CONTINGENCIES**

Financial Resources

The ability of the Foundation to maintain its present level of operations is dependent upon the continuity of sufficient annual financial support from grantors and other funders, program support, donations from individuals and fees from its ongoing operations. Operations are also supported by distributions of funds at the discretion of the Board of Directors.

**NOTE 20 – SUBSEQUENT EVENTS**

Management has evaluated and concluded that there are no other subsequent events that have occurred from December 31, 2016 through the date the financial statements were available to be issued at August 1, 2017 that would require additional disclosure or adjustment.

**SUPPLEMENTARY INFORMATION**

**CENTRAL VALLEY COMMUNITY FOUNDATION  
AND SUPPORTING ORGANIZATIONS  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2016**

<u>ASSETS</u>	CVCF	<u>Supporting Organizations</u>		Consolidated Total
		SFF	LF	
Cash and cash equivalents	\$ 7,290,056	\$ 45	\$ 1,931,372	\$ 9,221,473
Investment securities	43,044,999	72,472	2,578,997	45,696,468
Investments in other entities	11,668	-	25,710,422	25,722,090
Assessment fees and other receivables	130,376	-	-	130,376
Prepaid expenses and other assets	77,598	-	115,373	192,971
Commodities	5,158,234	-	-	5,158,234
Contributions receivable	261,020	-	-	261,020
Bequest receivable	1,461,269	-	-	1,461,269
Note receivable	1,107,582	-	-	1,107,582
Loan receivable	-	-	100,000	100,000
Property and equipment, net	96,104	-	-	96,104
Program related investment, net	902,500	-	-	902,500
Land and real estate held for investment	1,056,816	-	-	1,056,816
Total assets	<u>\$ 60,598,222</u>	<u>\$ 72,517</u>	<u>\$ 30,436,164</u>	<u>\$ 91,106,903</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 70,369	\$ -	\$ 23,539	\$ 93,908
Taxes payable	-	-	-	-
Accrued expenses	79,575	-	13,942	93,517
Grants and pledges payable, net	937,100	-	10,708,936	11,646,036
Agency and trust funds	10,241,715	-	-	10,241,715
Note payable, program related investment	1,000,000	-	-	1,000,000
Deferred unrelated business income tax	-	-	1,255,747	1,255,747
Total liabilities	<u>12,328,759</u>	<u>-</u>	<u>12,002,164</u>	<u>24,330,923</u>
<u>NET ASSETS</u>				
Unrestricted	19,049,214	-	-	19,049,214
Temporarily restricted	14,345,028	72,517	18,434,000	32,851,545
Permanently restricted	14,875,221	-	-	14,875,221
Total net assets	<u>48,269,463</u>	<u>72,517</u>	<u>18,434,000</u>	<u>66,775,980</u>
Total liabilities and net assets	<u>\$ 60,598,222</u>	<u>\$ 72,517</u>	<u>\$ 30,436,164</u>	<u>\$ 91,106,903</u>

**CENTRAL VALLEY COMMUNITY FOUNDATION  
AND SUPPORTING ORGANIZATIONS  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2015**

<u>ASSETS</u>	CVCF	<u>Supporting Organizations</u>		Consolidated Total
		SFF	LF	
Cash and cash equivalents	\$ 4,110,737	\$ 2,323	\$ 1,940,500	\$ 6,053,560
Investment securities	41,305,501	69,423	3,366,538	44,741,462
Investments in other entities	-	-	24,049,616	24,049,616
Assessment fees and other receivables	252,924	-	-	252,924
Prepaid expenses and other assets	80,130	-	-	80,130
Commodities	3,350,507	-	-	3,350,507
Contributions receivable	880,197	-	-	880,197
Bequest receivable	8,000	-	-	8,000
Note receivable	1,200,849	-	-	1,200,849
Loan receivable	-	-	100,000	100,000
Property and equipment, net	78,072	-	-	78,072
Program related investment, net	902,500	-	-	902,500
Land and real estate held for investment	1,056,816	-	-	1,056,816
Total assets	<u>\$ 53,226,233</u>	<u>\$ 71,746</u>	<u>\$ 29,456,654</u>	<u>\$ 82,754,633</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 115,072	\$ -	\$ -	\$ 115,072
Taxes payable	5,790	-	39,403	45,193
Accrued expenses	90,516	-	-	90,516
Grants and pledges payable, net	2,122,709	-	12,301,211	14,423,920
Agency and trust funds	9,562,611	-	-	9,562,611
Note payable, program related investment	1,000,000	-	-	1,000,000
Deferred unrelated business income tax	-	-	1,169,663	1,169,663
Total liabilities	<u>12,896,698</u>	<u>-</u>	<u>13,510,277</u>	<u>26,406,975</u>
<u>NET ASSETS</u>				
Unrestricted	14,190,033	-	-	14,190,033
Temporarily restricted	12,905,278	71,746	15,946,377	28,923,401
Permanently restricted	13,234,224	-	-	13,234,224
Total net assets	<u>40,329,535</u>	<u>71,746</u>	<u>15,946,377</u>	<u>56,347,658</u>
Total liabilities and net assets	<u>\$ 53,226,233</u>	<u>\$ 71,746</u>	<u>\$ 29,456,654</u>	<u>\$ 82,754,633</u>

**CENTRAL VALLEY COMMUNITY FOUNDATION  
AND SUPPORTING ORGANIZATIONS  
CONSOLIDATING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	CVCF	SFF	LF	Eliminating Entries	Consolidated Total
Revenues, gain and support:					
Gifts and contributions	\$ 17,625,539	\$ -	\$ 1,274,395	\$ -	\$ 18,899,934
Administrative assessments	839,827	-	-	(727,853)	111,974
Investment income (losses), net	2,187,012	5,629	938,368	-	3,131,009
Equity earnings on investees	-	-	1,682,698	-	1,682,698
Grant income	809,622	-	-	-	809,622
Other income	19,479	-	-	-	19,479
Total revenues, gain and support before net assets released from restrictions	<u>21,481,479</u>	<u>5,629</u>	<u>3,895,461</u>	<u>(727,853)</u>	<u>24,654,716</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue, gain and support after net assets released from restrictions	<u>21,481,479</u>	<u>5,629</u>	<u>3,895,461</u>	<u>(727,853)</u>	<u>24,654,716</u>
Costs and expenses:					
Program services	10,205,556	4,858	974,160	(727,853)	10,456,721
Management and general	1,971,799	-	-	-	1,971,799
Fundraising	200,849	-	-	-	200,849
Loss on write down of commodities	1,163,347	-	-	-	1,163,347
Tax provision:					
Current	-	-	347,577	-	347,577
Deferred	<u>-</u>	<u>-</u>	<u>86,101</u>	<u>-</u>	<u>86,101</u>
Total costs and expenses	<u>13,541,551</u>	<u>4,858</u>	<u>1,407,838</u>	<u>(727,853)</u>	<u>14,226,394</u>
Change in net assets	7,939,928	771	2,487,623	-	10,428,322
Net assets, beginning of year	<u>40,329,535</u>	<u>71,746</u>	<u>15,946,377</u>	<u>-</u>	<u>56,347,658</u>
Net assets, end of year	<u>\$ 48,269,463</u>	<u>\$ 72,517</u>	<u>\$ 18,434,000</u>	<u>\$ -</u>	<u>\$ 66,775,980</u>

**CENTRAL VALLEY COMMUNITY FOUNDATION  
AND SUPPORTING ORGANIZATIONS  
CONSOLIDATING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>CVCF</u>	<u>SFF</u>	<u>LF</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
Revenues, gain and support:					
Gifts and contributions	\$ 13,477,627	\$ -	\$ 1,026,521	\$ -	\$ 14,504,148
Administrative assessments	840,209	-	-	(720,191)	120,018
Investment income (losses), net	91,601	(2,165)	1,228,089	-	1,317,525
Equity earnings on investees	-	-	1,494,900	-	1,494,900
Grant income	1,122,982	-	-	-	1,122,982
Other income	11,087	-	-	-	11,087
Total revenues, gain and support before net assets released from restrictions	<u>15,543,506</u>	<u>(2,165)</u>	<u>3,749,510</u>	<u>(720,191)</u>	<u>18,570,660</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue, gain and support after net assets released from restrictions	<u>15,543,506</u>	<u>(2,165)</u>	<u>3,749,510</u>	<u>(720,191)</u>	<u>18,570,660</u>
Costs and expenses:					
Program services	9,374,421	4,238	14,033,872	(720,191)	22,692,340
Management and general	1,035,935	-	-	-	1,035,935
Fundraising	234,166	-	-	-	234,166
Loss on write down of commodities	1,897,281	-	-	-	1,897,281
Tax provision:					
Current	-	-	89,821	-	89,821
Deferred	<u>-</u>	<u>-</u>	<u>190,372</u>	<u>-</u>	<u>190,372</u>
Total costs and expenses	<u>12,541,803</u>	<u>4,238</u>	<u>14,314,065</u>	<u>(720,191)</u>	<u>26,139,915</u>
Change in net assets	3,001,703	(6,403)	(10,564,555)	-	(7,569,255)
Net assets, beginning of year	<u>37,327,832</u>	<u>78,149</u>	<u>26,510,932</u>	<u>-</u>	<u>63,916,913</u>
Net assets, end of year	<u>\$ 40,329,535</u>	<u>\$ 71,746</u>	<u>\$ 15,946,377</u>	<u>\$ -</u>	<u>\$ 56,347,658</u>

**CENTRAL VALLEY COMMUNITY FOUNDATION  
AND SUPPORTING ORGANIZATIONS  
CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	CVCF	SFF	LF	Eliminating Entries	Consolidated Total
Salaries	\$ 831,372	\$ -	\$ -	\$ -	\$ 831,372
Payroll taxes and benefits	145,946	-	-	-	145,946
Workmen's compensation	7,424	-	-	-	7,424
<b>Total personnel costs</b>	<b>984,742</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>984,742</b>
Accounting and legal fees	46,641	2,326	12,465	-	61,432
Administrative assessments	588,636	1,463	137,754	(727,853)	-
Advisory committee	7,718	-	-	-	7,718
Board retreat	5,059	-	-	-	5,059
Board/staff development training/coaching	494	-	-	-	494
Capacity building	33,172	-	-	-	33,172
Commissions expense	234,088	-	-	-	234,088
Education and training	18,428	-	-	-	18,428
Fees and memberships	24,722	-	160	-	24,882
Gifts, grants and program events	8,659,305	-	792,979	-	9,452,284
Insurance	25,643	-	-	-	25,643
Interest	21,108	-	-	-	21,108
Investment management services	136,443	1,045	26,943	-	164,431
Marketing and advertising	84,780	-	-	-	84,780
Meetings, luncheons, dinners	5,229	-	-	-	5,229
Office supplies	103,762	6	-	-	103,768
Other	57,899	8	3,859	-	61,766
Packing expense	703,484	-	-	-	703,484
Printing	17,325	-	-	-	17,325
Project consultants	249,409	-	-	-	249,409
Receptions and other events	70,039	-	-	-	70,039
Rent and related	211,005	-	-	-	211,005
Taxes and licenses	29,295	10	-	-	29,305
Telephone and internet	24,580	-	-	-	24,580
Travel and auto	12,523	-	-	-	12,523
Workshops	1,090	-	-	-	1,090
<b>Subtotal</b>	<b>11,371,877</b>	<b>4,858</b>	<b>974,160</b>	<b>(727,853)</b>	<b>11,623,042</b>
Total expenses before depreciation	12,356,619	4,858	974,160	(727,853)	12,607,784
Depreciation	21,585	-	-	-	21,585
<b>Total costs and expenses</b>	<b>\$ 12,378,204</b>	<b>\$ 4,858</b>	<b>\$ 974,160</b>	<b>\$ (727,853)</b>	<b>\$ 12,629,369</b>

**CENTRAL VALLEY COMMUNITY FOUNDATION  
AND SUPPORTING ORGANIZATIONS  
CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	CVCF	SFF	LF	Eliminating Entries	Consolidated Total
Salaries	\$ 717,198	\$ -	\$ -	\$ -	\$ 717,198
Payroll taxes and benefits	151,579	-	-	-	151,579
Workmen's compensation	<u>7,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,142</u>
Total personnel costs	<u>875,919</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>875,919</u>
Accounting and legal fees	78,167	1,622	19,410	-	99,199
Administrative assessments	585,954	1,534	132,703	(720,191)	-
Advisory committee	7,624	-	-	-	7,624
Board retreat	-	-	-	-	-
Board/staff development training/coaching	22,812	-	-	-	22,812
Capacity building	38,709	-	-	-	38,709
Education and training	700	-	-	-	700
Fees and memberships	16,962	10	160	-	17,132
Gifts, grants and program events	8,112,441	-	13,834,572	-	21,947,013
Insurance	17,608	-	-	-	17,608
Interest	20,943	-	-	-	20,943
Investment management services	137,555	1,072	41,188	-	179,815
Marketing and advertising	34,053	-	-	-	34,053
Meetings, luncheons, dinners	15,702	-	-	-	15,702
Office supplies	124,337	-	28	-	124,365
Other	22,966	-	5,811	-	28,777
Printing	21,005	-	-	-	21,005
Project consultants	248,202	-	-	-	248,202
Receptions and other events	65,963	-	-	-	65,963
Rent and related	132,854	-	-	-	132,854
Taxes and licenses	27,606	-	-	-	27,606
Telephone and internet	12,884	-	-	-	12,884
Travel and auto	8,273	-	-	-	8,273
Workshops	<u>4,381</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,381</u>
Subtotal	<u>9,757,701</u>	<u>4,238</u>	<u>14,033,872</u>	<u>(720,191)</u>	<u>23,075,620</u>
Total expenses before depreciation	10,633,620	4,238	14,033,872	(720,191)	23,951,539
Depreciation	<u>10,902</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,902</u>
Total costs and expenses	<u>\$ 10,644,522</u>	<u>\$ 4,238</u>	<u>\$ 14,033,872</u>	<u>\$ (720,191)</u>	<u>\$ 23,962,441</u>