COMMUNITY FOUNDATION
SANTA CRUZ COUNTY AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
December 31, 2016 and 2015
with
Independent Auditor's Report

COMMUNITY FOUNDATION SANTA CRUZ COUNTY AND SUBSIDIARIES

TABLE OF CONTENTS

Independent Auditor's Report

To the Board of Directors of
Community Foundation Santa Cruz County:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Community Foundation Santa Cruz County (the "Foundation") and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2016, and the related consolidated statements of activities and changes in net assets, functional expenses, 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.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation Santa Cruz County and Subsidiaries as of December 31, 2016, 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.

Report on Summarized Comparative Information

We have previously audited the 2015 consolidated financial statements of Community Foundation Santa Cruz County and Subsidiaries, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 27, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Novogradac & Company LLP

Walnut Creek, California
May 10, 2017

COMMUNITY FOUNDATION SANTA CRUZ COUNTY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2016 (with comparative totals for 2015)

	2016				2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
ASSETS					
Cash and cash equivalents	$ 238,910	$ 414,229	$ 111,507	$ 764,646	$ 1,001,645
Investments (note 3)	700,313	47,362,473	52,807,445	100,870,231	89,694,192
Charitable trust assets (note 5)	-	546,331	1,283,552	1,829,883	1,510,321
Grants and other accounts receivable (note 4)	641,735	158,000	16,250	815,985	147,030
Deposits and prepaid expenses	29,082	7,950	-	37,032	30,662
Fixed assets, net (note 7)	7,818,074	-	-	7,818,074	8,079,606
TOTAL ASSETS	$ 9,428,114	$ 48,488,983	$ 54,218,754	$ 112,135,851	$ 100,463,456
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and other liabilities	$ 84,227	$ 4,461	$ -	$ 88,688	$ 66,204
Grants payable (note 6)	521,520	1,493,340	-	2,014,860	1,153,345
Agency funds (note 11)	-	10,260,635	-	10,260,635	7,007,509
Charitable trust liabilities (note 5)	-	-	814,118	814,118	827,396
Charitable gift annuity liability	-	770,606	-	770,606	681,014
Note payble - tax-exempt bonds (note 8)	1,346,204	-	-	1,346,204	1,433,030
Total liabilities	1,951,951	12,529,042	814,118	15,295,111	11,168,498
Net assets					
Unrestricted	7,476,163	-	-	7,476,163	6,827,680
Temporarily restricted	-	35,959,941	-	35,959,941	31,912,907
Permanently restricted	-	-	53,404,636	53,404,636	50,554,371
Total net assets (note 10)	7,476,163	35,959,941	53,404,636	96,840,740	89,294,958
TOTAL LIABILITIES AND NET ASSETS	$ 9,428,114	$ 48,488,983	$ 54,218,754	$ 112,135,851	$ 100,463,456

see accompanying notes

COMMUNITY FOUNDATION SANTA CRUZ COUNTY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the year ended December 31, 2016 (with comparative totals for 2015)

	2016				2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
PUBLIC SUPPORT AND REVENUE					
Contributions and grants	$ 1,025,361	$ 8,813,921	$ 1,064,391	$ 10,903,673	$ 10,343,490
Investment income (loss)	1,688	6,969,249	-	6,970,937	(1,713,064)
Increase in deficit in endowment	847,796	(847,796)	-	-	-
Change in split-interest agreements	-	(19,879)	30,374	10,495	(143,970)
Foundation services fees	158,087	-	-	158,087	119,503
Other income	17,689	-	-	17,689	19,154
Reclassification of net assets					
Satisfaction of time and/or purpose restrictions	10,662,725	(10,662,725)	-	-	-
Endowment of donor advised funds	-	(1,755,500)	1,755,500	-	-
Interfund foundation services fees	(1,549,764)	1,549,764	-	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	11,163,582	4,047,034	2,850,265	18,060,881	8,625,113
EXPENSES					
Grants and disbursements:					
Arts, history, and culture	957,022	-	-	957,022	970,801
Community development	521,956	-	-	521,956	213,011
Education/youth development	2,249,084	-	-	2,249,084	962,920
Environment	1,287,655	-	-	1,287,655	914,441
Health	1,272,581	-	-	1,272,581	579,124
Human services	955,293	-	-	955,293	877,803
Other	85,750	-	-	85,750	79,815
Regional water management	521,520	-	-	521,520	78,369
Total grants and disbursements	7,850,861	-	-	7,850,861	4,676,284
Supporting services, Programs	1,549,638	-	-	1,549,638	1,639,243
	9,400,499	-	-	9,400,499	6,315,527
Supporting services, Operations					
Marketing and development	683,481	-	-	683,481	430,603
Management and general	431,119	-	-	431,119	430,605
Total supporting services, Operations	1,114,600	-	-	1,114,600	861,208
TOTAL EXPENSES	10,515,099	-	-	10,515,099	7,176,735
CHANGE IN NET ASSETS	648,483	4,047,034	2,850,265	7,545,782	1,448,378
NET ASSETS AT BEGINNING OF YEAR	6,827,680	31,912,907	50,554,371	89,294,958	87,846,580
NET ASSETS AT END OF YEAR	$ 7,476,163	$ 35,959,941	$ 53,404,636	$ 96,840,740	$ 89,294,958

COMMUNITY FOUNDATION SANTA CRUZ COUNTY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

For the year ended December 31, 2016 (with comparative totals for 2015)

	2016				2015
	Program Services	Marketing/ Development	Management and General	Total	Total
GRANTS AND DISBURSEMENTS	$ 7,850,861	$ -	$ -	$ 7,850,861	$ 4,676,284
SUPPORTING SERVICES					
PERSONNEL EXPENSES					
Salaries	725,862	320,148	201,939	1,247,949	1,150,693
Payroll taxes and employee benefits	221,336	97,622	61,578	380,536	306,580
Total personnel expenses	947,198	417,770	263,517	1,628,485	1,457,273
OTHER EXPENSES					
General and administrative	84,114	37,098	23,401	144,613	163,470
Conferences and meetings	14,142	6,237	3,934	24,313	18,999
Advertising and marketing	17,763	7,834	4,942	30,539	27,240
Professional services	186,168	82,111	51,793	320,072	322,937
Repairs and maintenance	75,774	33,421	21,081	130,276	119,509
Insurance	21,221	9,360	5,903	36,484	37,980
Depreciation	163,704	72,203	45,545	281,452	281,232
Interest expense	39,554	17,447	11,003	68,004	71,811
Total other expenses	602,440	265,711	167,602	1,035,753	1,043,178
Total supporting services	1,549,638	683,481	431,119	2,664,238	2,500,451
Total expenses	$ 9,400,499	$ 683,481	$ 431,119	$ 10,515,099	$ 7,176,735

COMMUNITY FOUNDATION SANTA CRUZ COUNTY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the year ended December 31, 2016 (with comparative totals for 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 7,545,782	$ 1,448,378
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	281,452	281,232
Amortization of bond financing costs included in interest expense	13,174	13,174
Realized and unrealized losses (gains)	(4,646,663)	3,980,870
Change in split-interest agreements	(10,495)	143,970
(Increase) decrease in operating assets:		
Charitable trust assets	(319,562)	230,562
Grants and other accounts receivable	(668,955)	205,115
Deposits and prepaid expenses	(6,370)	12,696
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	22,484	6,717
Grants payable	861,515	(825,667)
Agency funds	3,253,126	987,355
Charitable trust liabilities	(13,278)	(75,853)
Charitable gift annuity liability	89,592	(11,090)
Net cash provided by operating activities	6,401,802	6,397,459
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of securities, net	(6,518,881)	(6,121,808)
Purchase of fixed assets	(19,920)	-
Net cash used in investing activities	(6,538,801)	(6,121,808)
CASH FLOWS FROM FINANCING ACTIVITIES		
Retirement of tax-exempt bonds	(100,000)	(250,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(236,999)	25,651
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,001,645	975,994
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 764,646	$ 1,001,645
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest expense	$ 54,830	$ 58,637

see accompanying notes

1. General

Community Foundation Santa Cruz County ("CFSCC" or the "Foundation") is a California nonprofit public benefit corporation classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3) and as a non-private foundation under Section 509(a)(1) of the Internal Revenue Code of 1986. CFSCC was organized in 1982 to enhance the quality of life by seeking, accepting, managing and disbursing funds to address a variety of community needs throughout Santa Cruz County. Grants and technical assistance services provided are in accordance with the terms of CFSCC's guidelines and are subject to approval of the Board of Directors of CFSCC.

The Regional Water Management Foundation ("RWMF"), a subsidiary of CFSCC and a California nonprofit public benefit corporation, was organized on August 21, 2007 to implement and administer Integrated Regional Water Management Grants awarded by the State of California and such other grants from state, federal or other sources as may be awarded to RWMF from time to time. Since 2007, in addition to implementing and administering the grants, RWMF has expanded its scope of activities to include those aimed at addressing water issues in Santa Cruz County. RWMF is a Type I supporting organization under Section 509(a)(3) of the Internal Revenue Code.

NLMJ Borina Land, LLC (collectively with RWMF, the "Subsidiaries"), a California limited liability company, was organized on September 26, 2013 to be operated for the exclusive purpose of holding title to agricultural land held for investment, collecting income therefrom and turning over the entire amount thereof, less expenses to CFSCC. NLMJ Borina Land, LLC is wholly owned by CFSCC.

2. Summary of significant accounting policies

Principles of consolidation

The accompanying consolidated financial statements include the assets, liabilities, net assets, and financial activities of the Foundation and Subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Basis of accounting

The Foundation and Subsidiaries prepare their consolidated financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Basis of presentation

The Foundation and Subsidiaries are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets: Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets consist primarily of operating reserves, capital assets, and general operating support. Unrestricted net assets also include cumulative unrealized losses on donor-restricted endowment funds to the extent that such losses reduce the endowment fund balance below the historical gift amount.

2. Summary of significant accounting policies (continued)

Basis of presentation (continued)

Temporarily Restricted Net Assets: Net assets that are subject to donor-imposed stipulations which can be fulfilled either by actions of those stipulations and/or expire with the passage of time and subject to the variance power of the Board of Directors. Temporarily restricted net assets consist primarily of temporarily restricted contributions, including non-endowed donor-advised funds, charitable gift annuities, cash surrender value of life insurance, investments in charitable trusts, and accumulated earnings on endowed funds. When a donor restriction expires, that is, 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.

Permanently Restricted Net Assets: Net assets that are subject to donor-imposed stipulations whereby the historic gift amount is to be preserved in perpetuity and are subject to the variance power of the Board of Directors. While the historic gift is to remain permanently maintained, the Foundation and Subsidiaries may expend the accumulated earnings, which are temporarily restricted, in accordance with donor specifications.

Use of estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America includes the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Fair value of financial instruments

The financial instruments of the Foundation and Subsidiaries include cash and cash equivalents, investments, grants and other accounts receivable, accounts payable and other liabilities, grants payable and note payable - tax exempt bonds. The recorded values of these financial instruments approximate their fair values. The carrying amount of cash and cash equivalents, grants and other accounts receivable, accounts payable and other liabilities and grants payable approximates fair value because of the short maturities of those investments. The carrying amount of note payable - tax exempt bonds approximates fair value since stated rate is similar to rates currently available to the Foundation for debt with similar terms and remaining maturities.

Cash and cash equivalents

For purposes of the consolidated statements of cash flows, the Foundation and Subsidiaries consider all highly liquid investments with an initial maturity of three months or less at the date of acquisition to be cash equivalents. The carrying amounts of cash and cash equivalents approximate their fair values.

The Foundation and Subsidiaries maintain their cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation and Subsidiaries have not experienced any losses in such accounts. The Foundation and Subsidiaries believe they are not exposed to any significant credit risk on cash and cash equivalents.

2. Summary of significant accounting policies (continued)

Revenue recognition

Contributions and grants: Contributions and grants are recognized as revenue when received or unconditionally promised and are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor-imposed restrictions. Unconditional pledges to give are recorded as contributions when pledged at the net present value of the amounts expected to be collected. Unconditional pledges to give that are expected to be received in future periods are discounted annually using the current interest rate the funds would earn. Amortization of the discount is recorded as contribution revenue.

Grants and other accounts receivable consist primarily of unconditional promises to give. Receivables are stated at the amount management expects to collect from outstanding balances. Management closely monitors outstanding balances and provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are generally written off through a charge to the valuation allowance and a credit to accounts receivable. As of December 31, 2016 and 2015 , the balance of the allowance for doubtful accounts was $0.

Foundation services fees: The Foundation charges a monthly maintenance fee for endowed and non-endowed funds under management. These fees are recorded internally both as revenue and expense. All bequests are subject to a one-time fee. These fees help fund the general operations of the Foundation. Fees earned from funds other than agency funds and charitable gift annuities have been eliminated for financial statement presentation, in that these fees do not come from sources external to the Foundation. Foundation services fees earned from agency funds and bequest set up fees are included in foundation services fees on the accompanying consolidated statements of activities and changes in net assets.

Investments

Investments are stated at fair value. Investment purchases and sales are accounted for on a trade-date basis. Realized and unrealized gains and losses are calculated based upon the underlying cost of individual lots. Interest income is recorded when earned and dividends are recorded on the ex-dividend date.

Investments are made according to the finance policy adopted by the Foundation's Board of Directors. The guidelines provide for investment in equities, fixed income, and alternative investments. Outside advisors are utilized by the Foundation for the purpose of providing investment advice and report to the Finance Committee.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

The Foundation maintains master investment accounts (funds) for its endowed and non-endowed donor funds. Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly to the individual endowed and non-endowed funds based on the relationship of the market value of each donor fund to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

2. Summary of significant accounting policies (continued)

Investments (continued)

Investments include land owned by NLMJ Borina Land, LLC. NLMJ Borina Land, LLC leases the land pursuant to the terms of a lease agreement and accounts for its land lease as an operating lease. Lease revenue, net of operating expenses, is included in investment income on the accompanying consolidated statements of activities and changes in net assets.

Investments also include an impact investment loan receivable from a nonprofit organization. The impact investment loan receivable is carried at its outstanding principal balance, less an allowance for loan losses. Interest income is accrued on the principal loan balance. Management's determination of the level of allowance for loan losses rests upon various judgments and assumptions, including current and projected economic conditions. As of December 31, 2016, allowance for loan losses was $0.

Charitable trust assets

Charitable lead trust: The Foundation serves as trustee for a charitable lead trust. Under the term of the trust agreement, the Foundation is to receive annual distributions and make distributions to income beneficiaries. At the end of the term, or upon the death of the trustor, assets remaining in the trust will be dispersed in accordance with the term of the trust. As the amounts due to be received by the Foundation are immaterial, no receivable has been recorded for this trust. The Foundation records the assets held for income beneficiaries in the trust at their fair values based on current quoted market values. The corresponding liability is recorded as charitable trust liabilities on the accompanying consolidated statements of financial position.

Charitable remainder trusts: The Foundation is a 100% remainderman beneficiary under four charitable remainder trusts, two of which the Foundation also serves as trustee. At the end of the terms, or upon the death of the income beneficiaries, assets remaining in the trusts will be dispersed in accordance with the terms of the trusts. The Foundation records the amounts expected to be received based on the present value of the remainder interests using a discount rate of 2% as of December 31, 2016 and 2015.

In addition, for trusts in which the Foundation serves as trustee, the Foundation makes distributions to income beneficiaries for a given term or the life of the beneficiaries under the terms of these trust agreements and records the amounts held for income beneficiaries equal to the differences between the total assets held in the charitable remainder trusts at their fair values based on quoted market values and the amounts expected to be received by the Foundation. The corresponding liability is recorded as charitable trust liabilities on the accompanying consolidated statements of financial position.

Assets held in charitable gift annuities

The Foundation has established various charitable gift annuities. Under the terms of these agreements, donors contribute assets to the Foundation in exchange for a promise by the Foundation to pay fixed distributions to the donors for the lives of the donors. Upon the death of the donors, assets remaining in the charitable gift annuities will be transferred to a fund held for the benefit of a cause or an organization designated by the donors. The Foundation records the assets held in the charitable gift annuities as investments at their fair market values based on current quoted market prices and records a liability under the charitable gift annuities based on the estimated fair value, estimated by calculating the discounted value of the amounts due to the donors based on the Internal Revenue Service annuity and mortality tables. The Foundation recognizes contribution revenue for the difference between the fair value of the assets received and the annuity liability and for contributions made to the Foundation pursuant to the underlying agreements.

2. Summary of significant accounting policies (continued)

Assets held in charitable gift annuities (continued)
Annuity liabilities are recorded for the required life annuity payments at the present value of expected future cash payments discounted using current interest rates and actuarial assumptions. The annuity obligations are adjusted each year for changes in the life expectancy of the donors and are reduced as payments are made to the donors.

The Foundation is licensed by the State of California to enter into annuity agreements with donors. California statute requires entities with such a license to maintain a segregated reserve account equal to at least the present value of annuity liabilities, and must be calculated using California's prescribed mortality table and rate of interest. The Foundation has complied with this requirement.

Fair value measurements
The Foundation applies the accounting provisions related to fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement standards establish a three level hierarchy that prioritizes the information used in developing fair value estimates, and require disclosure of fair value measurements by level within the fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements), such as the reporting entity's own data. These provisions also provide valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows) and the cost approach (cost to replace the service capacity of an asset or replacement cost).

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of valuation hierarchy are defined as follows:

Level 1: Observable inputs such as quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs other than quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Unobservable inputs that reflect the Foundation's own assumptions.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the disclosed level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the item being measured.

2. Summary of significant accounting policies (continued)

Fair value measurements (continued)

The following tables present the Foundation's assets and liabilities that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of December 31, 2016:

	December 31, 2016			
	Level 1	Level 2	Level 3	Fair Value Measurements
Assets				
Investments	$ 97,887,518	$ -	$ 2,982,713	$ 100,870,231
Charitable trust assets	-	-	1,829,883	1,829,883
Total assets	$ 97,887,518	$ -	$ 4,812,596	$ 102,700,114
Liabilities				
Charitable gift annuity	$ -	$ -	$ 770,606	$ 770,606
Charitable trust liabilities	-	-	814,118	814,118
Total liabilities	$ -	$ -	$ 1,584,724	$ 1,584,724

Investments in equity, fixed income and liquid alternative securities, including U.S. Treasury securities, mutual funds, corporate bonds, asset backed securities and commodities, are classified as Level 1 of the fair value hierarchy because they are valued using quoted market prices, broker dealer quotations or alternative pricing sources with reasonable levels of price transparency. Assets and liabilities measured at fair value on a recurring basis using unobservable inputs include charitable trust assets and liabilities, charitable gift annuity investments in real estate, impact investments, investment in limited liability companies, and cash surrender value of life insurance, and are classified within Level 3 of the fair value hierarchy. Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques, and at least one significant model assumption or input is unobservable when the determination of the fair value requires significant judgment or estimation.

The tables below present information about the changes in investments, charitable trust assets, charitable gift annuity and charitable trust liabilities for the year ended December 31, 2016:

Investments – Level 3	Real Estate	Other	Total
Balance, January 1, 2016	$ 2,785,000	$ 24,469	$ 2,809,469
Change in value	-	13,244	13,244
Contribution of interest in real estate	160,000	-	160,000
Total	$ 2,945,000	$ 37,713	$ 2,982,713

2. Summary of significant accounting policies (continued)

Fair value measurements (continued)

Charitable trust assets	
Balance, January 1, 2016	$ 1,510,321
Addition	295,260
Change in value of split-interest agreement	24,302
Balance, December 31, 2016	$ 1,829,883

Charitable gift annuity	
Balance, January 1, 2016	$ 681,014
Addition	141,105
Payments	(78,609)
Change in value of split-interest agreement	-
Balance, December 31, 2016	$ 770,606

Charitable trust liabilities	
Balance, January 1, 2016	$ 827,396
Change in value of split-interest agreement	(13,278)
Balance, December 31, 2016	$ 814,118

Fixed assets and depreciation

Fixed assets are stated at cost. Purchases of property, equipment or improvements costing more than $1,000 are capitalized and recorded at cost. Major improvements are charged to the fixed assets account, while maintenance and repairs, which do not extend the life of the respective assets, are expensed. When fixed assets are retired or otherwise disposed, the cost of the fixed asset and the related accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in income.

Depreciation is computed on the straight-line method over the estimated useful lives of the assets. The useful lives of the assets are estimated as follows:

Building and improvements	40 years
Land improvements	20 years
Office equipment and software	3 – 10 years

Impairment of long-lived assets

The Foundation and Subsidiaries review their long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation technique. There were no impairment losses recognized during 2016.

2. Summary of significant accounting policies (continued)

Bond financing costs and amortization

Bond financing costs incurred in connection with the issuance of the tax-exempt bonds were recorded at cost as a reduction from the principal balance of the underlying bonds. Amortization of bond financing costs over the term of the underlying bonds is included in interest expense on the accompanying consolidated statement of functional expenses.

Agency funds

Agency funds: When a not-for-profit organization establishes a fund at the Foundation with its own funds and specifies itself or its affiliate as the beneficiary of the fund, the Foundation accounts for the transfer of such assets as a liability. The liability is the total fair value of the funds and is reflected as agency funds on the accompanying statements of financial position. In addition, related amounts received or distributed, investment income or loss, and expenses are not presented on the accompanying consolidated statements of activities and changes in net assets.

Agency designated funds: The Foundation receives and distributes assets for the benefit of various other not-for-profit organizations under certain donor fund agreements. The Foundation accepts a contribution from a donor and agrees to transfer a portion of the return on investment of those assets, subject to the Foundation's spending policy, to another entity that is specified by the donor. The Foundation holds such funds as designated funds.

Grants and disbursements

Grants are made from available principal and income in accordance with the designations of donors. Endowed funds are subject to the Foundation's spending policy. Grants are recorded at the date of approval. Donor-advised grants below $50,000 are recorded at the date of approval by the Chief Executive Officer. Donor-advised grants above $50,000 are recorded at the date of approval by the Executive Committee. Grant awards are presented on the accompanying consolidated statements of activities and changes in net assets, net of grant refunds.

Recognition of donor restrictions

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a temporary restriction expires (that is, 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 accompanying consolidated statements of activities and changes in net assets as net assets released from restrictions. When restrictions on contributions are satisfied in the same period as the receipt of the contribution, the Foundation reports both the contribution received and the related expense in unrestricted net assets.

Functional allocation of expenses

The costs of providing the programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of activities and changes in net assets. Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on a prorated allocation of employee compensation.

2. Summary of significant accounting policies (continued)

Income taxes

CFSCC and RWMF have been granted tax exempt status by the Internal Revenue Service and the California Franchise Tax Board. In addition, CFSCC has received a ruling from the Internal Revenue Service that it is not a private foundation. CFSCC and RWMF have also registered with the Registry of Charitable Trusts of the Office of the Attorney General of the State of California. NLMJ Borina Land, LLC is disregarded for federal tax purposes and has been granted tax exempt status by the California Franchise Tax Board.

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires the Foundation and Subsidiaries to report information regarding their exposure to various tax positions taken by the Foundation and Subsidiaries. Management has determined whether any tax positions have met the recognition threshold and has measured the Foundation and Subsidiaries' exposure to those tax positions. Management believes that the Foundation and Subsidiaries have adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal tax authorities generally have the right to examine and audit the previous three years of tax returns filed. California tax authorities generally have the right to examine and audit the previous four years of tax returns filed. Any interest or penalties assessed to the Foundation and Subsidiaries are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying consolidated financial statements.

Endowment funds

The Financial Accounting Standards Board provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). This guidance improves disclosures about an organization's endowed funds (both donor-restricted endowment funds and board-designated endowment funds).

The Foundation classifies its unrealized losses on donor-restricted endowment funds as unrestricted net assets to the extent that such losses reduce the fund balance below the historical gift amount. Any gains in subsequent years will first offset the losses in unrestricted net assets before recording unrealized gains and losses as temporarily restricted net assets. As of December 31, 2016 and 2015, the cumulative deficit balance of donor-restricted endowment funds recognized as a reduction of unrestricted net assets was $0 and $847,796, respectively.

Recently issued accounting pronouncements

In August 2016, the Financial Accounting Standard Board (FASB) issued Accounting Standards Updates (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958). The major changes revolve around net asset classifications. ASU 2016-14 eliminates the distinction between resources with permanent restrictions and those with temporary restrictions by reducing the current three net asset classes (unrestricted, temporarily restricted, and permanently restricted) to two classes: net assets with donor restrictions and net assets without donor restrictions.

2. Summary of significant accounting policies (continued)

Recently issued accounting pronouncements (continued)
In addition to the fundamental change in net asset classifications, the new standard also includes a number of specific amendments, such as the following:

- Reporting requirements of the underwater amounts of donor-restricted endowment funds in net assets with donor restrictions and disclosures about underwater endowments;
- Disclosure requirements of qualitative information on how the organization manages its liquid available resources and liquidity risks;
- Reporting requirements of the investment return, net of external and direct internal investment expenses (disclosure of those netted expenses is no longer required).

ASU 2016-14 applies to all non-profit organizations and is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted.

The Foundation is currently evaluating the impact the adoption of this standard will have on the consolidated financial statements.

Subsequent events
Subsequent events have been evaluated through May 10, 2017, which is the date the consolidated financial statements were available to be issued, and there are no subsequent events requiring disclosure.

3. Investments

Investments were comprised of the following as of December 31, 2016 and 2015:

	2016	2015
Cash and cash equivalents	$ 6,844,616	$ 8,446,533
Equities	78,722,086	54,678,104
Fixed income	6,061,572	17,308,884
Alternative investments	9,044,244	9,236,203
Other investments	197,713	24,469
Total investments	$ 100,870,231	$ 89,694,192

Investments are allocated among the following portfolios:

Long term portfolio: The portfolio has an investment objective of earning of 7% for the aggregate assets invested.

Socially responsible long term portfolio: The portfolio has an investment objective of earning of 7% and a long term outlook and additional requirements for social criteria.

Short duration fixed income portfolio: The portfolio has an investment objective of preservation of purchasing power with a target cash allocation of 20%.

Cash management portfolio: The portfolio has an investment objective of preservation of capital.

3. Investments (continued)

Charitable Gift Annuity Portfolio: Per the State of California, Department of Insurance, the calculated "required" amount of CGA reserve must be invested as specified in the applicable guidelines and the California Insurance Code, Sections 1170 through 1182, as amended by Section 11521.2. The Community Foundation meets this requirement. Between the Reserve and Surplus accounts the objective of the portfolio is preservation of capital.

The investment balance, as summarized above, is allocated among these portfolios as follows:

Donor portfolios	2016	2015
Long term	$ 80,886,903	$ 70,953,126
Socially responsible long term	14,156,214	12,106,784
Short duration fixed income	1,447,426	738,177
Cash preservation	1,553,183	682,690
Charitable gift annuity portfolio	1,094,549	892,873
Total donor portfolios	99,138,276	85,373,650
Cash management - operational	1,731,955	4,320,542
Total investments	$ 100,870,231	$ 89,694,192

Alternative investments - real estate
During 2013, NLMJ Borina Land, LLC received a gift of agricultural land. Pursuant to an operating lease agreement, NLMJ Borina Land, LLC receives rent revenue as the lessor of the underlying land. The rent revenue, net of incidental expenses, is included in investment income (loss) on the accompanying consolidated statements of activities and changes in net assets. NLMJ Borina Land, LLC recorded the property at the fair value as of the transfer date of $2,785,000. Real estate is included as part of the long-term portfolio.

Alternative investments - liquid alternatives
The goal of the liquid alternative investments is to produce a non-correlated fixed-income alternative investment with an expected return of treasury bills plus 4% to 6% consistently over three year rolling periods with financial instruments that are liquid and readily available on a daily basis. These alternative investments are intended to improve the risk/reward profile of the Foundation's investment portfolio. As of December 31, 2016 and 2015, the fair values of the liquid alternative investments were $9,044,244 and $9,236,203, respectively.

Alternative investments - impact investment
During 2014, the Board of Directors approved a finance policy that added impact investing as an allowable alternative investment. Impact investments, along with their financial returns, are to foster positive social, economic or environmental changes, which align and support the philanthropic objectives of the Foundation. On March 2, 2015, upon approval of the finance committee, the Foundation executed an agreement with a nonprofit organization to provide an unsecured loan in the amount of $350,000 as an impact investment from the socially responsible long term portfolio. The loan bears interest at 3% and matures on March 2, 2020. As of December 31, 2016 and 2015, the impact investment receivable was $350,000. During 2016 and 2015, interest income on the loan of $10,500 and $8,750, respectively, was included in investment income (loss) on the accompanying consolidated statements of activities and changes in net assets.

3. Investments (continued)

Other investments - investment in limited liability companies
In 2012, the Foundation received donations of noncontrolling interests in limited liability companies. The Foundation accepted the donations with a condition that the investments would be liquidated as soon as practical. The Foundation determined that the membership interests donated would be sold for $14,087 and recorded investments and corresponding contributions in those amounts, which represented management's best estimates of the assets' fair values at the date of the donation. As of December 31, 2016 and 2015, the fair values of membership interests were $5,564 and $5,022, respectively.

Other investments - cash surrender value of life insurance
The Foundation is the beneficiary of a $750,000 life insurance policy of an insured donor. During 2016 and 2015, the Foundation made premium payments of $19,000 in each year from the restricted contributions made by the insured donor. The asset is reported at the amount that could be realized at December 31, 2016. Cash surrender value of life insurance is estimated by the life insurance company. As of December 31, 2016 and 2015, the fair value of cash surrender value of life insurance was $32,149 and $19,447, respectively.

Investment income (loss)
The following schedule summarizes the investment return and its classification in the accompanying consolidated statements of activities and changes in net assets for the years ended December 31, 2016 and 2015:

	2016	2015
Interest	$ 414,002	$ 419,119
Dividends	1,924,052	1,860,635
Realized (losses) gains	(386,779)	1,683,736
Management fees	(501,260)	(411,687)
Unrealized gains (losses)	5,520,922	(5,264,867)
Total investment income (loss)	$ 6,970,937	$ (1,713,064)

During 2016 and 2015, dividends included $145,894 and $136,743, respectively, received by NLMJ Borina Land, LLC in connection with a lease on the underlying land. During 2016 and 2015, charitable gift annuity custodial fees of $13,780 and $11,948, respectively, are recognized as a reduction of realized gains. Investment management fees during 2016 consist of $193,284 paid to the Foundation's investment consultant and $307,976 paid to underlying investment managers.

4. Grants and other accounts receivable

Grants and other accounts receivable were comprised of the following as of December 31, 2016 and 2015:

	2016	2015
Accounts receivable - RWMF	$ 61,222	$ -
Grants receivable - RWMF	627,113	122,997
Contributions and grants receivable	127,650	24,033
Total	$ 815,985	$ 147,030

5. Charitable trust assets and liabilities

As of December 31, 2016 and 2015, the Foundation was a beneficiary of five and four charitable trusts, respectively. The Foundation serves as trustee for three of these trusts as of December 31, 2016 and 2015.

	2016		2015	
	Amounts expected to be received from trusts	Amounts held for income beneficiaries	Amounts expected to be received from trusts	Amounts held for income beneficiaries
Charitable Lead Trust A	$ -	$ 98,365	$ -	$ 100,877
Charitable Remainder Trust B	251,071	-	243,854	-
Charitable Remainder Trust C	147,354	215,087	130,488	204,398
Charitable Remainder Trust E	322,080	500,666	308,583	522,121
Charitable Remainder Trust F	295,260	-	-	-
Total	$ 1,015,765	$ 814,118	$ 682,925	$ 827,396

Charitable Lead Trust A
The Foundation is a beneficiary for the lifetime of the donor and also acts as trustee without compensation. The 1% annual unitrust distribution received by the Foundation totaled $1,009 and $1,132 in 2016 and 2015, respectively. As the amounts due to be received by the Foundation are immaterial, no receivable has been recorded for this Trust.

Charitable Remainder Trust B
The Foundation is a 100% remainderman beneficiary under the terms of the trust. The assets of the trust are in no way subject to the control of the Foundation at this time.

Charitable Remainder Trust C
The Foundation is a 100% remainderman beneficiary under the terms of the trust and also acts as trustee without compensation.

Charitable Remainder Trust E
The Foundation is a 100% remainderman beneficiary under the terms of the trust and also acts as trustee without compensation until July 31, 2016, the second anniversary from the creation date of the trust. Commencing on August 1, 2016, the Foundation became entitled to compensation for administrating the trust.

Charitable Remainder Trust F
The trust was established during 2016. The Foundation is a 100% remainderman beneficiary under the terms of the trust. The assets of the trust are in no way subject to the control of the Foundation at this time.

6. Grants payable

CFSCC and RWMF make grants to various organizations. As of December 31, 2016 and 2015, the balance of grants payable was $2,014,860 and $1,153,345, respectively, of which $521,520 and $71,187, respectively, pertained to RWMF. The following is a summary of grants authorized and payable at December 31, 2016:

Due in 2017	$ 1,477,860
Due in 2018	353,750
Due in 2019	119,250
Due in 2020	59,000
Due in 2021	5,000
Total grants payable	$ 2,014,860

7. Fixed assets

The Foundation's fixed assets were comprised of the following as of December 31, 2016 and 2015:

	2016	2015
Land	$ 1,083,604	$ 1,083,604
Land improvements	317,498	317,498
Building	7,343,077	7,343,077
Office equipment and software	797,733	777,813
Fixed assets	9,541,912	9,521,992
Less: accumulated depreciation	(1,723,838)	(1,442,386)
Fixed assets, net	$ 7,818,074	$ 8,079,606

Depreciation expense during 2016 and 2015 was $281,452 and $281,232, respectively.

8. Note payable - tax-exempt bonds

In January 2011, the Foundation closed a "Friends & Family" tax-exempt bond transaction and used the proceeds to repay the line of credit that was used to finance the construction of CFSCC's center for philanthropy. Twelve investors (including four board members) took advantage of this opportunity and saved the Foundation significant interest payments on other commercial real estate loan options. The Foundation will continue to raise funds to pay off the bond holders. The Foundation entered into an Indenture Agreement with the California Statewide Communities Development Authority (the "Authority") and Wells Fargo Bank, National Association (the "Trustee") to obtain loan proceeds funded by the issuance of tax-exempt revenue bonds (Community Foundation Santa Cruz County) Series 2011 in the amount of $2,500,000 to finance the construction of the Foundation's center for philanthropy. Proceeds from the sale of the bonds in the amount of $2,500,000 were loaned by the Authority to the Foundation under conditions stipulated in certain loan and regulatory agreements. Repayment of the loan is secured by a first deed of trust in favor of the Trustee acting on behalf of the Authority. The loan bears interest at an annual rate of 3.75% and requires payments of interest only, payable semi-annually on January 1 and July 1, beginning July 1, 2011. All principal and unpaid interest shall be payable at maturity on January 1, 2021.

8. Note payable - tax-exempt bonds (continued)

During 2016 and 2015, the Foundation retired $100,000 and $250,000, respectively, of the tax-exempt bonds. As of December 31, 2016 and 2015, the principal balance on the tax-exempt bonds was $1,400,000 and $1,500,000, respectively. In January 2016, the Foundation retired an additional $100,000 of the tax-exempt bonds. Interest expense during 2016 and 2015 was $54,830 and $58,637, respectively.

Note payable, tax-exempt bonds, consists of the following as of December 31,

	2016	2015
Principal balance	$ 1,400,000	$ 1,500,000
Less: unamortized debt issuance costs	(53,796)	(66,970)
Note payable, net	$ 1,346,204	$ 1,433,030

Debt issuance costs are being amortized to interest expense over the term of the loan. For 2016 and 2015, the effective interest rate was 4.71% and 4.65%, respectively. In connection with the issuance of the tax-exempt bonds, the Foundation incurred bond financing costs totaling $131,743. During 2016 and 2015, amortization expense for debt issuance costs was $13,174 in each year.

9. Employee retirement plan

In January 1997, the Foundation established a safe harbor 401(k) plan that requires the Foundation to contribute 3% if eligible employee compensation. Employees are eligible to participate in the plan starting on the first of the month following 90 days of employment. In addition to the 3% contribution, the Board of Directors approved discretionary contributions of $65,102 and $60,137, respectively, to the plan in 2016 and 2015. These amounts are included in payroll taxes and employee benefits on the accompanying consolidated statements of functional expenses.

10. Net assets

Unrestricted net assets

Unrestricted net assets consist of operating reserves, capital assets, general operating support, unrealized losses on donor-restricted endowment funds, and the RWMF supporting organization. At December 31, 2016 and 2015, unrestricted net assets consisted of the following:

	2016	2015
Board designated	$ 395,043	$ 306,757
Deficit of endowments	-	(791,473)
Undesignated	7,016,145	7,318,009
RWMF	64,975	50,710
Total unrestricted net assets	$ 7,476,163	$ 6,827,680

10. Net assets (continued)

Temporarily restricted net assets

Temporarily restricted net assets consist of non-endowed donor-advised funds, foundation contributions for special projects, charitable gift annuities, and the remaining portion of donor-restricted endowment funds that are not classified as permanently restricted net assets.

At December 31, 2016 and 2015, temporarily restricted net assets consisted of the following:

	2016	2015
Non-endowed	$ 27,358,744	$ 23,552,405
Charitable gift annuities	323,151	209,627
Grants, special projects, and pass-through	677,287	2,907,627
Cumulative earnings on permanently restricted net assets in excess of corpus	7,054,428	4,999,368
Charitable remainder trust assets	546,331	243,865
Total temporarily restricted net assets	$ 35,959,941	$ 31,912,907

Permanently restricted net assets

Permanently restricted net assets represent the fair value of the original gift as of the gift date and the original value of subsequent gifts to donor-restricted endowment funds.

The Foundation has adopted investment policies that preserve capital, regularly evaluate and control risk to ensure it is commensurate with the given investment style and objective of the portfolio and is invested with the care, skill, prudence, and diligence with the goal of producing returns equal to or exceeding prevailing standards among community foundations of similar asset size. The investment strategy for endowed funds utilizes a "total return," that is, the aggregate return from capital appreciation and dividend and interest income. Donors (the person or organization that established the fund) or the fund representative authorized by the fund agreement may choose the investment option for their fund when their fund is established. The donor or fund representative may also request to change their fund's investment option once per calendar year.

The Board of Directors, after conferring with counsel with respect to the provisions of both the Uniform Management of Institutional Funds Act ("UMIFA") and UPMIFA, has adopted a spending plan that continues to follow UMIFA by enforcing no spending of the permanently restricted portion of donor funds, which consists of the historic gift, or corpus, of the fund. The objective of endowed funds is that the principal gift(s) of the fund will be held forever. Charitable distributions will be spent from a fund's net earnings according to the Foundation's spending policy. The spending policy is established to ensure the availability of grant-making dollars to the community in perpetuity. Pursuant to the policy, the total target return is 7%. The funds available for grant-making use determined each year (which was 4% for 2016 and 2015) are calculated based on a 12-quarter moving average based on balances as of December 31. Both the finance committee and the Board of Directors of the Foundation must approve any changes to the spending percentage.

10. Net assets (continued)

Permanently restricted net assets (continued)
At December 31, 2016 and 2015, permanently restricted net assets consisted of the following:

	2016	2015
Permanently restricted net assets, beginning of year	$ 50,554,371	$ 49,690,212
Net change in split interest agreements	30,374	(104,770)
Contributions	1,064,391	968,929
Reclassification of net assets	1,755,500	-
Permanently restricted net assets, end of year	$ 53,404,636	$ 50,554,371

11. Agency funds

When a not-for-profit organization establishes a fund at the Foundation with its own funds and specifies itself or its affiliate as the beneficiary of the fund, the Foundation accounts for the transfer of such assets as a liability. The liability is the total fair value of the funds held by the Foundation and is reflected as agency funds on the accompanying consolidated statements of financial position. In addition, related amounts received or distributed, investment income or loss, and expenses are not presented on the accompanying consolidated statements of activities and changes in net assets.

There are two types of agency funds as described below:

Agency flex funds
Agency flex funds continue as long as the need for them exists. Payments may be paid out of both principal and income, at the request of the agency and approved by the Foundation's Board of Directors. Agency flex funds may be invested in either long term or short term pools.

Agency endowment funds
Agency endowment funds will continue to payout, subject to the spending plan for endowed funds, in perpetuity. All agency endowment funds are invested in a long term pool.

The Foundation complies with generally accepted accounting principles as they relate to agency funds by booking their value as a liability as follows:

11. Agency funds (continued)

Agency flex funds

	2016	2015
Peixoto Organic & Sustainable Farming Education Fund	$ 2,251,263	$ -
The Arts Council Fund	522,064	497,426
Hospice of Santa Cruz County Fund	491,116	457,908
Wharf to Wharf Scholarship Fund	488,052	465,019
Agri-Culture Farmworker Housing Fund	314,577	293,149
Ceiba Scholarship Fund	309,500	193,410
Monarch Services Agency Flex Fund	288,658	269,140
CASA Operating Fund	263,278	245,476
Pacific School Foundation Fund	257,438	163,510
CASA Capital Campaign Fund	172,551	173,115
Vajrapani Institute Fund	161,439	153,820
Friends of Santa Cruz Public Libraries Agency Flex Fund Suizner	130,868	122,020
Boys & Girls Club of Santa Cruz Fund	118,461	110,451
California Grey Bears Legacy Fund	117,858	114,647
Native Animal Rescue Fund	96,313	96,799
Happy Valley School Legacy Flex Fund	92,710	62,925
Stein Memorial Fund for Watsonville Public Libraries	62,780	73,736
Vajrapani Institute Wisdom Culture Legacy Fund	41,522	39,562
Main Beach Volleyball Club Scholarship Fund	34,923	32,562
Jacob's Heart Stewardship Fund	26,654	24,852
Aptos Sports Foundation Fund	25,262	23,578
Friends of Santa Cruz Public Libraries Agency Flex Fund	15,090	14,258
Georgette Dufresne Memorial Fund for Monarch Services	7,938	12,761
Total agency flex funds	$ 6,290,315	$ 3,640,124

11. Agency funds (continued)

Agency endowment funds

	2016	2015
Temple Beth El Next Generation Fund	$ 967,988	$ 638,305
Happy Valley School Foundation Fund	678,379	638,905
Stein Memorial Endowment Fund	354,527	336,960
O'Neill Sea Odyssey Fund	306,221	283,412
Agriculture History Project Endowment Fund	194,872	141,559
Fund for Elkhorn Slough Foundation Fund	192,405	186,084
Bonny Doon Education Fund	161,598	107,071
Jimmie Cox Memorial Scholarship Fund	117,188	111,913
SPCA/Blackie's Senior Friends Fund	92,658	91,996
Santa Cruz Shakespeare Endowment Fund	78,600	74,702
T.H.A.N.K.S. Agriculture Education Fund	71,149	68,306
Court Appointed Special Advocates Fund	60,737	56,213
Pajaro Valley Historic Association Borina Archive Fund	52,628	48,988
Congregational Church of Soquel Endowment Fund	52,240	48,994
Museum of Art and History Endowment Fund	50,904	49,231
Watsonville Wetlands Watch Laura Hofmeister Scholarship Fund	45,770	45,178
Elkhorn Slough Foundation Fund	42,625	41,224
Agri-Culture Jeannie Witmer Memorial Scholarship Fund	38,531	33,622
Santa Cruz Sailing Foundation Fund	37,341	36,293
Kuumbwa Jazz Endowment Fund	34,482	30,175
Watsonville Wetlands Watch Endowment Fund	32,688	32,455
Monarch Services Fund	31,736	30,091
Agri-Culture J.J. Crosetti, Jr. Memorial Fund	29,776	25,284
Mountain Community Resources Endowment Fund	29,633	29,421
Pajaro Valley Quilt Association Agency Endowment	28,953	28,002
Second Harvest Food Forever Fund	28,190	27,988
John Mello Historical Preservation Endowment Fund	28,055	-
Ron and Dottie Tyler Fund for Restored Agrarian Equipment Maintenance	27,933	25,662
Snug & Dub Brown Children's Fund	27,145	26,940
Dottie Tyler Fund for Agrarian Oral History	27,030	26,111
Save Our Shores Forever Fund	25,751	24,475
Agri-Culture Sandhill Bluff Conservation Easement Monitoring Fund	22,587	21,825
Total agency endowment funds	$ 3,970,320	$ 3,367,385
Total agency funds	$ 10,260,635	$ 7,007,509

12. Major contributions

For the year ended December 31, 2016, 29% of CFSCC's annual contribution and grant revenue was provided from two companies and three individuals to their respective donor advised funds.

SUPPLEMENTARY INFORMATION

NOVOGRADAC
& COMPANY LLP®
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Supplementary Information

To the Board of Directors of
Community Foundation Santa Cruz County:

We have audited the consolidated financial statements of Community Foundation Santa Cruz County (the "Foundation") and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2016, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and our report thereon dated May 10, 2017, which expressed an unqualified opinion on those consolidated financial statements, appears on pages 1 to 2. Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The supplementary information of the Foundation and Subsidiaries shown on pages 29 to 30 is presented for purposes of additional analysis and is not a required part of the consolidated 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 audits 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.

Novogradac & Company LLP

Walnut Creek, California
May 10, 2017

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COMMUNITY FOUNDATION OF SANTA CRUZ COUNTY AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
December 31, 2016

	CFSCC	RWMF	NLMJ Borina Land, LLC	Eliminations	Total
ASSETS					
Cash and cash equivalents	$ 666,066	$ 98,580	$ -	$ -	$ 764,646
Investments	98,085,231	-	2,861,152	(76,152)	100,870,231
Charitable trust assets	1,829,883	-	-	-	1,829,883
Grants and other accounts receivable	326,511	639,187	-	(149,713)	815,985
Deposits and prepaid expenses	37,032	-	-	-	37,032
Fixed assets, net	7,818,074	-	-	-	7,818,074
TOTAL ASSETS	$ 108,762,797	$ 737,767	$ 2,861,152	$ (225,865)	$ 112,135,851
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and other liabilities	$ 87,128	$ 1,560	$ -	$ -	$ 88,688
Grants payable	1,493,340	671,233	-	(149,713)	2,014,860
Agency funds	10,260,635	-	-	-	10,260,635
Charitable trust liabilities	814,118	-	-	-	814,118
Charitable gift annuity liability	770,606	-	-	-	770,606
Tax-exempt bonds	1,346,204	-	-	-	1,346,204
Total liabilities	14,772,031	672,793	-	(149,713)	15,295,111
NET ASSETS					
Unrestricted	7,411,189	64,974	76,152	(76,152)	7,476,163
Temporarily restricted	34,574,941	-	1,385,000	-	35,959,941
Permanently restricted	52,004,636	-	1,400,000	-	53,404,636
Total net assets	93,990,766	64,974	2,861,152	(76,152)	96,840,740
TOTAL LIABILITIES AND NET ASSETS	$ 108,762,797	$ 737,767	$ 2,861,152	$ (225,865)	$ 112,135,851

COMMUNITY FOUNDATION OF SANTA CRUZ COUNTY AND SUBSIDIARIES

SUPPLEMENTARY INFORMATION

CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2016

	CFSCC	RWMF	NLMJ Borina Land, LLC	Eliminations	Total
PUBLIC SUPPORT AND REVENUE					
Contributions and grants	$ 10,333,668	$ 764,062	$ -	$ (194,057)	$ 10,903,673
Investment income	6,970,937	-	71,042	(71,042)	6,970,937
Change in split-interest agreements	10,495	-	-	-	10,495
Foundation services fees	158,087	-	-	-	158,087
Other income	17,689	-	-	-	17,689
TOTAL PUBLIC SUPPORT AND REVENUE	17,490,876	764,062	71,042	(265,099)	18,060,881
EXPENSES					
Grants and disbursements	7,329,342	715,576	-	(194,057)	7,850,861
Salaries	1,247,949	-	-	-	1,247,949
Payroll taxes and employee benefits	379,683	853	-	-	380,536
General and administrative	144,589	24	-	-	144,613
Conferences and meetings	22,380	1,933	-	-	24,313
Advertising and marketing	30,539	-	-	-	30,539
Professional services	288,660	31,412	-	-	320,072
Repairs and maintenance	130,276	-	-	-	130,276
Insurance	36,484	-	-	-	36,484
Depreciation	281,452	-	-	-	281,452
Interest expense	68,004	-	-	-	68,004
TOTAL EXPENSES	9,959,358	749,798	-	(194,057)	10,515,099
CHANGE IN NET ASSETS	7,531,518	14,264	71,042	(71,042)	7,545,782
NET ASSETS AT BEGINNING OF YEAR	86,459,248	50,710	2,790,110	(5,110)	89,294,958
NET ASSETS AT END OF YEAR	$ 93,990,766	$ 64,974	$ 2,861,152	$ (76,152)	$ 96,840,740