West Valley Community Services of Santa Clara County, Inc.

Audited Financial Statements

JUNE 30, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
West Valley Community Services, Inc.:

We have audited the accompanying statement of financial position of West Valley Community Services, Inc. (a nonprofit organization) as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2010 financial statements and, in our report dated October 26, 2010 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Valley Community Services, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2011, on our consideration of West Valley Community Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Pleasanton, California
September 20, 2011

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.
Statement of Financial Position
June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2011	Summarized 2010
ASSETS					
Cash	$275,914	$121,936		$397,850	$461,165
Accounts receivable	2,275			2,275	2,275
Grants and awards receivable	227,770	12,600		240,370	313,660
Prepaid expenses	17,618			17,618	21,005
TOTAL CURRENT ASSETS	523,577	134,536		658,113	798,105
Investments	316,738			316,738	262,289
Endowment assets		729,065	$528,171	1,257,236	1,088,498
Prepaid land lease	920,990			920,990	941,165
Property and equipment, net	4,338,808			4,338,808	4,407,203
TOTAL ASSETS	$6,100,113	$863,601	$528,171	$7,491,885	$7,497,260
LIABILITIES					
Accounts payable	$21,064			$21,064	$34,879
Accrued compensation	60,137			60,137	59,992
Deferred revenue	18,150			18,150	19,875
Refundable deposits	16,150			16,150	17,758
Current portion of long term debt	105,322			105,322	100,020
TOTAL CURRENT LIABILITIES	220,823			220,823	232,524
Long term debt	5,526,655			5,526,655	5,567,291
TOTAL LIABILITIES	5,747,478			5,747,478	5,799,815
NET ASSETS					
Unrestricted					
Designated for replacement reserves	153,600			153,600	134,400
Designated for operating purposes	199,035			199,035	364,411
Temporarily restricted		$863,601		863,601	670,463
Permanently restricted			$528,171	528,171	528,171
TOTAL NET ASSETS	352,635	863,601	528,171	1,744,407	1,697,445
TOTAL LIABILITIES AND NET ASSETS	$6,100,113	$863,601	$528,171	$7,491,885	$7,497,260

The accompanying notes are an integral part of this financial statement.

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.
Statement of Activities
For the Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2011	Summarized 2010
SUPPORT AND REVENUE					
Government awards	$457,603			$457,603	$765,692
Foundation grants	66,500	$291,635		358,135	388,399
Donations	131,036			131,036	151,302
In-kind donations	891,692			891,692	847,344
United Way allocation	1,575	15,750		17,325	21,987
Special events, net	29,222			29,222	15,924
Program fees & rental income	321,643			321,643	316,137
Interest income	129			129	198
Investment income	54,449	168,738		223,187	114,084
Net assets released from restrictions					
Expiration of time & purpose restrictions	282,985	(282,985)			
Total support and revenue	2,236,834	193,138		2,429,972	2,621,067
EXPENSES					
Program services					
Family resources					167,210
Vista village housing	385,803			385,803	430,806
Affordable housing	91,005			91,005	99,767
Family assistance	1,426,474			1,426,474	1,535,883
Transitional housing	134,515			134,515	139,439
Rotating shelter	17,706			17,706	159,810
Supporting services					
Management and general	212,100			212,100	69,653
Fund-raising	115,407			115,407	89,736
Total expenses	2,383,010			2,383,010	2,692,304
INCREASE / (DECREASE) IN NET ASSETS	(146,176)	193,138		46,962	(71,237)
NET ASSETS AT BEGINNING OF YEAR	498,811	670,463	$528,171	1,697,445	1,768,682
NET ASSETS AT END OF YEAR	$352,635	$863,601	$528,171	$1,744,407	$1,697,445

The accompanying notes are an integral part of this financial statement.

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2011

							Supporting Services		Total	Summarized
	Vista Village	Affordable Housing	Family Assistance	Transitional Housing	Rotating Shelter	Total	Mgmt & General	Fund Raising	2011	2010
Salaries	$37,088	$62,271	$346,117	$63,051	$8,559	$517,086	$48,013	$64,300	$629,399	$745,040
Payroll taxes	3,840	4,385	30,657	5,507	672	45,061	4,678	5,844	55,583	64,264
Employee benefits	5,414	4,858	38,676	10,207	1,317	60,472	5,555	8,099	74,126	74,080
Subtotal compensation	46,342	71,514	415,450	78,765	10,548	622,619	58,246	78,243	759,108	883,384
Bad debts							6,706		6,706	
Conferences & meetings	74	195	675	111		1,055	1,691	461	3,207	7,045
Direct assistance (includes in-kind)			899,373	929	4,694	904,996			904,996	1,079,055
Dues, fees & other charges	259	653	3,320	1,102		5,334	3,268	4,392	12,994	7,105
Equipment lease / purchase	1,497	595	4,066	767		6,925	602	944	8,471	8,216
Insurance	1,459	1,706	16,002	2,225	485	21,877	3,891	2,853	28,621	31,256
Interest expense (includes in-kind)	114,348	5,340	29,681	21,600	734	171,703	31,909	5,513	209,125	203,482
Maintenance & repairs	10,644	88	3,464	2,235		16,431	70	136	16,637	22,245
Outside services	787	916	12,183	1,201	13	15,100	41,022	7,331	63,453	56,343
Postage	159	186	1,347	238	11	1,941	206	3,290	5,437	3,901
Printing	401	477	3,332	628		4,838	459	5,097	10,394	18,990
Program expenses		6,250	9,675	192		16,117			16,117	16,383
Supplies	178	206	5,009	435	296	6,124	546	2,717	9,387	17,260
Telephone	627	725	5,286	939	172	7,749	721	1,141	9,611	9,582
Travel	21	134	1,895	209	753	3,012	856	80	3,948	6,828
Utilities	32,504	2,020	13,859	9,079		57,462	2,009	3,209	62,680	64,271
Subtotal before:	209,300	91,005	1,424,617	120,655	17,706	1,863,283	152,202	115,407	2,130,892	2,435,347
Depreciation / Amortization	176,503		1,857	13,860		192,220	59,898		252,118	256,957
TOTAL	$385,803	$91,005	$1,426,474	$134,515	$17,706	$2,055,503	$212,100	$115,407	$2,383,010	$2,692,304

The accompanying notes are an integral part of this financial statement.

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2011

	Total 2011	Summarized 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase / (decrease) in net assets	$46,962	($71,237)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized changes in investments	(184,108)	($147,250)
Realized earnings re-invested	(39,079)	33,166
Amortization of long term lease	20,175	20,175
Depreciation expense	231,943	236,782
(Increase) decrease in operating assets		
Accounts receivable		200
Grants and awards receivable	73,290	(24,239)
Prepaid expenses	3,387	(9,970)
Increase (decrease) in operating liabilities		
Accounts payable	(13,815)	13,789
Deferred revenue	(1,725)	(1,025)
Refundable deposits	(1,608)	(1,142)
Accrued compensation	145	923
NET CASH PROVIDED / (USED) BY OPERATING ACTIVITIES	135,567	50,172
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased		(8,800)
Property and equipment additions	(163,548)	(4,911)
NET CASH PROVIDED / (USED) BY INVESTING ACTIVITIES	(163,548)	(13,711)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principle payments on long term obligations	(35,334)	(93,550)
NET CASH PROVIDED / (USED) BY FINANCING ACTIVITIES	(35,334)	(93,550)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(63,315)	(57,089)
BEGINNING CASH AND CASH EQUIVALENTS	461,165	518,254
ENDING CASH AND CASH EQUIVALENTS	$397,850	$461,165
Supplemental Disclosures:		
Cash paid for interest expense	$132,202	$126,558

The accompanying notes are an integral part of this financial statement.

NOTE A - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

SUMMARY OF ACTIVITIES

West Valley Community Services of Santa Clara County, Inc. (the Organization) is a community-based non-profit health and welfare Organization, incorporated in the state of California in 1976. The Organization's mission is to encourage the sharing of community resources; provide basic human needs in a caring and dignified environment; and provide opportunities for volunteers to participate in community activities.

Program Services

The Organization owns and operates a four-plex for the working homeless and a twenty-four unit housing complex for low-income families and individuals. The Organization operates a shelter for homeless men, in collaboration with faith based organizations. The Organization provides screening services for the City of Cupertino's Below Market Rate program. The Organization provides a food closet supplied by Second Harvest Food Bank, local grocery stores, and bakeries for low-income families. The Organization accepts donations that are passed to individuals and families in the community on an as needed basis for emergency assistance. The Organization works closely with a variety of local agencies' to provide families with information and referral services, and to help the emergency needs of lower income families residing within the community. The Organization serves as an extension unit of the Salvation Army. The Organization provides parent workshops and intensive case management services to higher risk families.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting. The significant accounting policies that follow enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

The Organization prepares its financial statements in accordance with Accounting Standards for Not-for-profit Organizations. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. The Organization has elected to report as an increase in unrestricted net assets any restricted revenue received in the current period for which the restrictions have been met in the current period. Temporary restricted net assets include those assets, which are subject to a donor restriction and for which the applicable restriction was not met at the end of the current reporting period. Permanently restricted net assets include those assets, subject to non-expiring donor restrictions, such as endowments.

Income Taxes

The Organization is exempt from federal and state income taxes under section 501(c) 3 of the Internal Revenue Code and Section 23701(d) of the California Code; accordingly, income taxes are not provided for in the financials. The Organization is not classified as a private foundation. The Financial Accounting Standards Boards (FASB) interpretation No. 48, *Accounting for Uncertainty in Income Taxes,* subsequently included in the FASB codification as ASC 740 prescribes a recognition threshold and a measurement attribute for financial statement recognition of tax positions taken or expected to be taken on a tax return. Management has evaluated its uncertain tax positions and related income tax contingencies and does not believe any material uncertain tax positions exist.

Estimates

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

Cash and Cash Equivalents

For purposes of the statement of cash flows the Organization considers cash and cash equivalents to include all cash accounts held in banks and other financial institutions.

Investments and Endowment Assets

The Organization carries investments and endowment assets created by a permanently restricted endowment and donor designated funds in equities, money funds and bonds with readily determinable fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Interest and gains restricted by donors are reported as increases in temporarily restricted net assets and reclassified to unrestricted net assets, in the year, the donor restrictions are satisfied.

Contributions

The Organization accounts for contributions received and contributions made in accordance with Accounting Standards for Not-for-profit Organizations. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the nature of the donor's intentions. Restricted contributions are reported as an increase in temporarily or permanently restricted net assets. When the restriction is met, the amount is shown as a reclassification from temporarily restricted net assets to unrestricted net assets.

Contributions In-kind

Donated equipment and other goods are recorded at estimated fair market value on the day of donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair market value at the time the services are rendered.

Revenue Recognition

The Organization recognizes revenue on the accrual basis of accounting. Government awards and program fees are recognized as revenue in the period in which the service is provided. Foundation grants and donations are recognized as revenue when received, or pledged in writing. The Organization's primary revenue sources are grants and awards from local governments and foundations, donations from individuals, and rental income from clients served.

Allowance for Doubtful Accounts

The Organization maintains an allowance on awards and grants receivable, based on management's assessment of uncollectible balances at the end of the respective period. Balances still outstanding after management has used reasonable collection efforts are written off to bad debts expense. For the year ended June 30, 2011 a valuation allowance of $6,706 was considered necessary.

Property, Equipment and Depreciation

Property and equipment is recorded at cost when purchased or, if contributed, at estimated fair market value when donated. It is the Organization's policy to capitalize items costing more than $750. Depreciation is computed using the straight-line method over the assets estimated useful lives, which range from five to twenty seven and one half years. Depreciation is charged to the activity benefiting from the use of the facilities or equipment.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2010, from which the information was obtained. In addition, certain reclasses have been made to the prior year financial statements in order for them to conform to the current year balance.

Indirect Expense Allocations

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have allocated to the various programs based on the number of full time equivalent staff members in each activity based on management estimates.

Fair Value Measurements

The Organization adopted the provisions of Fair Value Measurements ASC 820 which applies to all financial instruments that are being measured and reported on a fair value basis. Under ASC 820 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. In determining fair value, the Organization uses a fair value hierarchy which is categorized into three levels as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

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.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The Organization's financial assets measured at fair value, at June 30, 2011, are summarized as follows:

Financial assets	Carrying Amount	(Level 1)
Investments	$316,738	$316,738
Endowment	$1,257,236	$1,257,236

NOTE B – RECEIVABLES

At June 30, 2011 accounts and awards receivable are all due within one year, and are reported at $242,645, net of $6,706 allowance for doubtful accounts.

NOTE C – ENDOWMENT – BENEFICIAL INTEREST IN PERPETUAL TRUST

The Organization classifies endowment funds in accordance with Accounting Standards Codification 958-205: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds. This standard provides guidance on the net asset classification of donor-restricted endowment funds subject to the Uniform Prudent Management of Institutional Funds Act, UPMIFA.

The Board of Directors of the Organization has interpreted the UPMIFA as requiring the preservation of fair value as of the original gift date of the donor restricted endowment funds absent any explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The portion of the endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation of deflation, (5) the expected total return form income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

NOTE C – ENDOWMENT – BENEFICIAL INTEREST IN PERPETUAL TRUST (Continued)

The Organization is a beneficiary of a testamentary endowment, originally granted in 2005, which is administered by Morgan Stanley Smith Barney with the donor stipulation that the principal be maintained in perpetuity and distributions used for unrestricted purposes. Any earnings not distributed are reinvested in the endowment fund at the direction of the Board of Directors and are reported as temporarily restricted until spent, at which time will be reclassified to unrestricted.

Endowment Net Asset Composition by restriction as of June 30, 2011 is as follows:

Permanently restricted	$528,171
Temporarily restricted	$729,065
Total	$1,257,236

Changes in Endowment Net Assets, from the prior year to the current year, are as follows:

Invested at beginning of year	$1,088,498
Invested at end of year	$1,257,236
Change in value	$168,738

Changes in endowment investments, for the year ended June 30, 2011, are as follows:

Interest & Dividends	$29,367
Unrealized Gains/Losses	$138,722
Realized Gains/Losses	$12,091
Investment Fees	($11,442)
Total	$168,738

NOTE D – INVESTMENTS

Investments at June 30, 2011 are carried at fair value in the statement of financial position, and consist of the following:

Cash & Money Funds	$5,852
Exchange Traded Funds	$310,886
Total	$316,738

Investment income consists of the following:

Interest & Dividends	$8,271
Unrealized Gains/Losses	$45,386
Realized Gains/Losses	$4,813
Investment Fees	($4,021)
Total	$54,449

NOTE E – PREPAID LAND LEASE

The City of Cupertino entered into an agreement to lease land from the Santa Clara County Central Fire Protection District in February 2000 and subsequently transferred all rights and responsibilities of said agreement to the Organization, which has occupied the premises since April 2003. The lease term is 57 years from the date of possession, in exchange for an advanced rental payment of $1,150,000. The lease is amortized on a straight-line basis. For the year ending June 30, 2011 amortization is $20,175. The lease is reported net of accumulated amortization expense, $229,010, in the Statement of Financial Position, $920,990.

NOTE F - PROPERTY AND EQUIPMENT

At June 30, 2011 property and equipment and related accumulated depreciation is as follows:

Land	$355,000
Building	5,562,886
Building furniture & fixtures	90,096
Vehicles	79,859
Office furniture & equipment	127,687
Subtotal	6,215,528
Less: accumulated depreciation	(1,876,720)
Net Book Value	$4,338,808

NOTE G - CONTINGENT LIABILITIES

Conditions contained within the various contracts awarded to the Organization are subject to the funding agencies' criteria under which expenditures may be charged against and are subject to audit under such criteria. Occasionally, such audits may determine that certain costs incurred may not comply with the established criteria governing them. In such cases, the Organization could be held responsible for repayments to the funding agency or be subject to reductions in future funding. Management does not anticipate any questioned costs for contracts administered during the period.

NOTE H – DEFERRED REVENUE AND REFUNDABLE DEPOSITS

Income received from perspective tenants relating to their last month of occupancy is deferred and recognized over the period to which the last month of rental relates. Refundable deposits represent cleaning deposits received from perspective tenants. At June 30, 2011 deferred revenue is $18,150 and refundable deposits are $16,150.

NOTE I - DEFINED CONTRIBUTION PENSION PLAN

The Organization has a defined contribution pension plan that qualifies under IRS Code 403(b). The plan covers all employees who have completed ninety days of employment at the Organization. Contributions calculated are equal to one percent of each employee’s salary, which totaled $2,900 for the year ended June 30, 2011.

NOTE J – CONTINGENCIES

The Organization has entered into two loan agreements, whereby payback terms are contingent on the Organization’s apartment complex, Vista Village, generating positive cash flow. These two agreements are with the City of Cupertino and Lenders for Community Development. The amount to be paid under these loan arrangements is fifty percent and ten percent of Vista Village positive cash flows, respectively. For the year ended June 30, 2011 Vista Village did not generate positive cash flow; hence, the Organization did not pay down any amounts due under these loan agreements.

NOTE K - OPERATING LEASES

The Organization entered into an operating lease agreement with US Bank in February 2008 for a photocopier. Future minimum lease payments are $2,208 for the year ended June 30, 2012 and $1,288 for the year ended June 30, 2013.

NOTE L – FINANCIAL INSTRUMENTS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments and grants receivable. The Organization maintains a majority of their cash in bank deposit accounts that, at times, may exceed federally insured limits of $250,000. The organization has not experienced any losses in such accounts. Management believes the organization is not exposed to any significant credit risk related to cash. At June 30, 2011, the Organization's uninsured cash balance is $0 and the endowment funds and investments are not federally insured. For the year ended June 30, 2011 concentrations of grants & awards receivables are as follows: 45% of the awards receivable is due from the City of Cupertino and 37% is due from Santa Clara County. Concentrations of grants awarded during the year are as follows: 30% of the awards received are from the City of Cupertino, 34% of the grants received are from El Camino Hospital and 29% of the grants received are from The Health Trust. The ability of certain of the Organization's grants & awards to continue to provide amounts comparable with prior years may be dependent upon current and future economic conditions and budget constraints. While the Board of Directors believes the Organization has the resources to continue current and future programs, its ability to do so, and the extent to which it does continue, may be dependent on the above factors.

NOTE M – DEBT

At June 30, 2011 debt consists of the following mortgages, notes, and bonds payable:

Description	Interest	Ref	Due	Secured Property	Amount Due	Current	Long Term
Series A Bonds	6.38%	1	10/2031	Vista Village	$798,153	$72,408	$725,745
City of Cupertino	0.00%	2	TBD	Vista Village	2,424,124		2,424,124
City of Sunnyvale	3.00%	3	12/2041	Vista Village	100,000		100,000
Santa Clara County	3.00%	4	12/2041	Vista Village	286,852	16,725	270,127
Santa Clara County	6.00%	5	TBD	Vista Village	1,103,005		1,103,005
City of Santa Clara	0.00%	6	TBD	Vista Village	40,000		40,000
Lenders for C Dev	2.00%	7	4/2033	Vista Village	401,201		401,201
Cal Bank & Trust	6.50%	1	7/2026	Fourplex	161,451	6,771	154,680
City of Cupertino	3.00%	1	7/2026	Fourplex	317,191	9,418	307,773
				Total	$5,631,977	$105,322	$5,526,655

Principle Repayment Terms

1. Principle and interest are amortized monthly and payments are current.
2. Principle payments are due each year to the extent Vista Village has surplus cash at the end of each fiscal year. The amount due is equal to 50% of the surplus cash. If, at the end of the term loan, an amount is still due, it will be forgiven, if a default on the remaining loan conditions has not otherwise occurred.
3. Principle is due at the end of the loan term; interest is due to the extent Vista Village has positive cash flow. During the year ended June 30, 2011 Vista Village did not have positive cash flow.
4. Annual principle payments required are $16,725, until loan is paid off.
5. Principle and interest are deferred for 30 years.
6. Principle and interest are deferred for the term of the loan. At the end of the loan, the amount will be forgiven, if a default on the remaining loan conditions has not otherwise occurred.
7. Principle payments are due each year to the extent Vista Village has surplus cash at the end of each fiscal year. The amount due is equal to 10% of the surplus cash. If, at the end of the term loan, an amount is still due, it will be forgiven, if a default on the remaining loan conditions has not otherwise occurred.

NOTE M – DEBT (Continued)

Future annual principal payments due each year ending is as follows:

2011	$105,322
2012	110,775
2013	116,578
2014	128,506
2015	135,456
Thereafter	5,035,340
Total	$5,631,977

NOTE N – BOARD DESIGNATED NET ASSETS

The board of directors has designated the Organization's unrestricted net assets for replacement reserves and general operating purposes. Future repairs and replacement costs of Vista Village are set aside in equal amounts, $19,200 annually, as recommended by an engineering study conducted in 2004. The accumulated replacement reserves set aside at June 30, 2011 is $153,600 and the remaining balance for general operating purposes is $199,035.

NOTE O – TEMPORARY RESTRICTED NET ASSETS

At June 30, 2011 the Organization's temporarily restricted net asset activity is as follows:

Purpose	Beginning	Additions	Released	Ending
Time restricted, FY 2012	$0	$25,750	$0	$25,750
Emergency Assistance	$12,600	$45,000	($46,350)	$11,250
Van Purchase	$3,490	$0	$0	$3,490
Healthy Eating Program	$0	$118,000	($118,000)	$0
Community Access Education	$0	$8,635	($8,635)	$0
Urgent Community Response	$0	$10,000	($10,000)	$0
Building Improvements	$0	$100,000	($100,000)	$0
Endowment Earnings	$560,327	$168,738	$0	$729,065
Total	$576,417	$476,123	($282,985)	$769,555

NOTE P – PERMANENTLY RESTRICTED NET ASSETS

At June 30, 2011 the Organization's permanently restricted net assets consist of testamentary endowment with the donor stipulation that the principal be maintained in perpetuity and income earned be used for unrestricted purposes. The Organization has invested the principal in equities, bonds, and other money funds, managed by Smith Barney. The amount permanently restricted at June 30, 2011 is $528,171.

NOTE Q - CONTRIBUTIONS IN-KIND

The Organization has many volunteers that have donated significant amounts of time both for program services and for supporting services. Management estimates approximately 17,735 hours were contributed by individuals during the year ended June 30, 2011. No amount for this time has been recognized in the accompanying statement of activities as this volunteer time does not meet the criteria required for recognition.

NOTE Q - CONTRIBUTIONS IN-KIND (continued)

The Organization received, and recognized, the following in-kind donations:

Food, Clothing & Other Needs	$814,768
Interest on long term loans	$76,924
Total	$891,692

NOTE R – SPECIAL EVENTS

During the year ended June 30, 2011 the Organization participated in the following special events:

Income:	Fall Event	Spring Event	Taste of Compassion	Total
Donations	$9,035	$3,240	$31,077	$43,352
Event Sales	$4,389			$4,389
Total Income	$13,424	$3,240	$31,077	$47,741
Expense:				
Facility & Food	$1,138	$309	$17,072	$18,519
Total Expenses	$1,138	$309	$17,072	$18,519
Proceeds	$12,286	$2,931	$14,005	$29,222

NOTE S – SUBSEQUENT EVENTS

Management of the Organization has reviewed the results of operations for the period of time from its year end June 30, 2011 through September 20, 2011, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements. Management has determined that a subsequent event has occurred, the nature of which requires disclosure in the footnotes, as follows: investment funds have decreased in value by 5% or $73,178 at August 31, 2011.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
West Valley Community Services of Santa Clara County, Inc.:

We have audited the financial statements of West Valley Community Services of Santa Clara County, Inc. (a nonprofit organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated September 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained In *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Valley Community Services of Santa Clara County, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Valley Community Services of Santa Clara County, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Valley Community Services of Santa Clara County, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of West Valley Community Services of Santa Clara County, Inc. in a separate letter dated September 20, 2011.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Pleasanton, California
September 20, 2011