

West Valley Community Services of Santa Clara County, Inc.

Audited Financial Statements

JUNE 30, 2010

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of West Valley Community Services of Santa Clara County, Inc., formerly Cupertino Community Services (a nonprofit organization) as of June 30, 2010, 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 2009 financial statements and, in our report dated October 14, 2009, 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 of Santa Clara County, Inc. as of June 30, 2010, 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 October 26, 2010, on our consideration of West Valley Community Services of Santa Clara County, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of West Valley Community Services of Santa Clara County, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Pleasanton, California
October 26, 2010

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.
Statement of Financial Position
June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2010	Summarized 2009
ASSETS					
Cash	\$363,629	\$97,536		\$461,165	\$518,254
Accounts receivable	2,275			2,275	2,475
Awards receivable	301,060	12,600		313,660	289,421
Prepaid expenses	21,005			21,005	11,035
TOTAL CURRENT ASSETS	<u>687,969</u>	<u>110,136</u>		<u>798,105</u>	<u>821,185</u>
Investments	262,289			262,289	242,251
Endowment assets		560,327	\$528,171	1,088,498	985,652
Prepaid land lease	941,165			941,165	961,340
Property and equipment, net	4,407,203			4,407,203	4,639,074
TOTAL ASSETS	<u>\$6,298,626</u>	<u>\$670,463</u>	<u>\$528,171</u>	<u>\$7,497,260</u>	<u>\$7,649,502</u>
LIABILITIES					
Accounts payable	\$34,879			\$34,879	\$21,090
Accrued compensation	59,992			59,992	59,069
Deferred revenue	19,875			19,875	20,900
Refundable deposits	17,758			17,758	18,900
Current portion of long term debt	100,020			100,020	155,364
TOTAL CURRENT LIABILITIES	<u>232,524</u>			<u>232,524</u>	<u>275,323</u>
Long term debt	5,567,291			5,567,291	5,605,497
TOTAL LIABILITIES	<u>5,799,815</u>			<u>5,799,815</u>	<u>5,880,820</u>
NET ASSETS					
Unrestricted					
Designated for replacement reserves	134,400			134,400	115,200
Designated for operating purposes	364,411			364,411	1,026,559
Temporarily restricted		\$670,463		670,463	107,552
Permanently restricted			\$528,171	528,171	519,371
TOTAL NET ASSETS	<u>498,811</u>	<u>670,463</u>	<u>528,171</u>	<u>1,697,445</u>	<u>1,768,682</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$6,298,626</u>	<u>\$670,463</u>	<u>\$528,171</u>	<u>\$7,497,260</u>	<u>\$7,649,502</u>

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, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2010	Summarized 2009
SUPPORT AND REVENUE					
Government awards	\$765,692			\$765,692	\$931,047
Foundation grants	155,579	\$232,820		388,399	180,914
Donations	142,502		\$8,800	151,302	85,741
In-kind donations	847,344			847,344	589,512
United Way allocation		21,987		21,987	72,050
Special events, net	15,924			15,924	46,355
Program fees & rental income	316,137			316,137	308,961
Interest income	198			198	388
Investment income	20,038	94,046		114,084	(238,781)
Net assets released from restrictions					
Expiration of time & purpose restrictions	346,269	(346,269)			
Total support and revenue	<u>2,609,683</u>	<u>2,584</u>	<u>8,800</u>	<u>2,621,067</u>	<u>1,976,187</u>
EXPENSES					
Program services					
Family resources	167,210			167,210	471,984
Vista village housing	430,806			430,806	444,285
Affordable housing	99,767			99,767	66,655
Family assistance	1,535,883			1,535,883	907,048
Transitional housing	139,439			139,439	146,477
Rotating shelter	159,810			159,810	143,323
Supporting services					
Management and general	69,653			69,653	64,335
Fund-raising	89,736			89,736	74,201
Total expenses	<u>2,692,304</u>			<u>2,692,304</u>	<u>2,318,307</u>
INCREASE / (DECREASE) IN NET ASSETS	(82,621)	2,584	8,800	(71,237)	(342,120)
NET ASSETS AT BEGINNING OF YEAR					
As previously reported	1,141,759	107,552	519,371	1,768,682	2,110,802
Adjustment for reclassification of endowment earnings	(560,327)	560,327			
Beginning balance restated	<u>581,432</u>	<u>667,879</u>	<u>519,371</u>	<u>1,768,682</u>	<u>2,110,802</u>
NET ASSETS AT END OF YEAR	<u>\$498,811</u>	<u>\$670,463</u>	<u>\$528,171</u>	<u>\$1,697,445</u>	<u>\$1,768,682</u>

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, 2010

	Program Services						Supporting Services		Total	Summarized	
	Family Resources	Vista Village	Affordable Housing	Family Assistance	Transitional Housing	Rotating Shelter	Total	Mgmt & General	Fund Raising	2010	2009
Salaries	\$110,117	\$42,827	\$64,797	\$314,807	\$55,490	\$93,370	\$681,408	\$29,291	\$34,342	\$745,040	\$837,009
Payroll taxes	8,317	4,496	4,336	26,594	4,616	8,357	56,716	3,434	4,114	64,264	68,659
Employee benefits	7,315	4,022	5,214	25,572	7,467	8,510	58,099	7,023	8,958	74,080	86,539
Subtotal compensation	125,748	51,344	74,347	366,973	67,574	110,237	796,223	39,748	47,413	883,384	992,207
Bad debts											1,500
Conferences & meetings	448	221	302	2,096	505	1,456	5,027	1,550	469	7,045	5,812
Direct assistance (includes in-kind)		750		1,059,420	95	18,790	1,079,055			1,079,055	604,684
Dues, fees & other charges	381	239	723	1,532	867	543	4,285	1,767	1,052	7,105	8,571
Equipment lease / purchase	502	464	584	3,450	811	952	6,763	454	999	8,216	8,989
Insurance	1,793	1,610	2,089	11,916	2,935	3,401	23,743	3,938	3,575	31,256	25,572
Interest expense (includes in-kind)	25,110	117,127	4,627	13,554	24,091	7,880	192,388	3,000	8,094	203,482	219,562
Maintenance & repairs	13	14,705	98	3,489	3,409	169	21,883	196	166	22,245	18,975
Outside services	5,345	3,044	4,016	20,678	8,969	3,315	45,366	4,059	6,918	56,343	65,121
Postage	238	109	126	950	171	239	1,832	124	1,945	3,901	5,541
Printing	206	437	540	3,634	732	879	6,426	467	12,097	18,990	16,580
Program expenses			7,860	6,669	730	1,123	16,383			16,383	8,276
Supplies	552	692	779	9,277	1,194	2,751	15,245	688	1,328	17,260	12,972
Telephone	993	475	628	3,349	1,240	1,379	8,064	442	1,076	9,582	9,584
Travel	1,061	138	507	2,022	262	2,517	6,507	108	213	6,828	7,725
Utilities	2,092	31,174	2,041	10,909	9,787	3,324	59,328	1,441	3,502	64,271	61,126
Subtotal before:	164,482	222,529	99,264	1,519,918	123,370	158,954	2,288,517	57,984	88,847	2,435,347	2,072,796
Depreciation / Amortization	2,728	208,277	503	15,965	16,069	856	244,399	11,669	889	256,957	245,511
TOTAL	\$167,210	\$430,806	\$99,767	\$1,535,883	\$139,439	\$159,810	\$2,532,915	\$69,653	\$89,736	\$2,692,304	\$2,318,307

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, 2010

	<u>Total 2010</u>	<u>Summarized 2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	(\$71,237)	(\$342,120)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized changes in investments	(147,250)	\$150,998
Investment earnings re-invested	33,166	87,783
Amortization of long term lease	20,175	20,175
Depreciation expense	236,782	225,336
(Increase) decrease in operating assets		
Accounts receivable	200	(825)
Awards receivable	(24,239)	44,996
Pledges receivable		1,300
Prepaid expenses	(9,970)	(240)
Increase (decrease) in operating liabilities		
Accounts payable	13,789	(8,912)
Deferred revenue	(1,025)	125
Refundable deposits	(1,142)	6,005
Accrued compensation	923	(6,154)
NET CASH PROVIDED / (USED) BY OPERATING ACTIVITIES	<u>50,172</u>	<u>178,467</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(8,800)	
Property and equipment additions	(4,911)	(72,528)
NET CASH PROVIDED / (USED) BY INVESTING ACTIVITIES	<u>(13,711)</u>	<u>(72,528)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principle repayments on LTD, net of accrued interest	(93,550)	(9,367)
NET CASH PROVIDED / (USED) BY FINANCING ACTIVITIES	<u>(93,550)</u>	<u>(9,367)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>(57,089)</u>	<u>96,572</u>
BEGINNING CASH AND CASH EQUIVALENTS	<u>518,254</u>	<u>421,682</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$461,165</u>	<u>\$518,254</u>
 Supplemental Disclosures:		
Cash paid for interest expense	\$76,075	\$80,575

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

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE A - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

SUMMARY OF ACTIVITIES

West Valley Community Services of Santa Clara County, Inc., formerly Cupertino Community Services, (the Organization) is a community-based non-profit health and welfare Organization, incorporated in the state of California in 1976. On July 24, 2007 West Valley Community Services of Santa Clara County, Inc.'s RESTATED ARTICLES OF INCORPORATION were approved by the State of California Secretary and, on that date, the name of the Organization changed from Cupertino Community Services to West Valley Community Services of Santa Clara County, Inc. 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 units, housing complex for low-income families and individuals. The Organization operates a shelter for homeless men, in collaboration with twenty four 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 the 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 agency's to provide families with information and referral services, and to help the emergency needs of lower income families residing within the community. And, the Organization serves as an extension unit of the Salvation Army. Parent workshops and intensive case management services are provided to higher risk families; with children ages zero to five, ensuring children are developmentally ready for kindergarten.

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.

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.

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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 restricted net assets and reclassified to unrestricted net assets, in the year, when the donor restrictions are met.

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 existence and, or nature of any donor restrictions. 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 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 are recognized as revenue when received 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 does not maintain an allowance on awards and grants receivable, as reimbursements from funding sources for the various programs are likely to be received. In addition, the Organization does not maintain an allowance on program fees due as these amounts are considered trivial. Balances still outstanding after management has used reasonable collection efforts are written off directly to bad debts expense.

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, 2009, 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.

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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 SFAS 157, Fair Value Measurements on July 1, 2008, subsequently included in the Codification as ASC 820. ASC 820 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 various valuation approaches. ASC 820 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs 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 availability of valuation techniques and observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on inputs that are less observable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market exist. Accordingly, the degree of judgment exercised by the Organization in determining fair value is greatest for assets and liabilities categorized in Level 3.

The carrying amounts of cash, certificates of deposits and receivables that are expected to be received in less than one year approximate fair value because of the short maturity of these financial instruments. The Organization values its mortgages and notes payable using quoted market prices and other relevant information generated by market transactions as documented in each debt agreement. The Organization's financial instruments at June 30, 2010 are summarized as follows:

<u>Financial assets</u>	<u>Carrying Amount</u>	<u>(Level 1)</u>
Cash	\$461,165	\$461,165
Receivables, current	\$315,935	\$315,935
Endowment investments	\$1,350,787	\$1,350,787
<u>Financial liabilities</u>		
Notes & mortgages payable	\$5,667,311	\$5,667,311

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Accounting Standards Codification

FASB Accounting Standards Codification - On July 1, 2009, the Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Codification (ASC) 105-10, *Generally Accepted Accounting Principles* (Codification). ASC 105-10 establishes the exclusive authoritative reference for U.S. GAAP in financial statements, except for SEC rules and interpretive releases, which are also authoritative for SEC registrants. The Codification supersedes all existing non-SEC accounting and reporting standards. The Organization has included the references to the Codification, as appropriate, in these financial statements.

Accounting for Uncertainty in Income Taxes

In July 2006, the Financial Accounting Standards Board issued Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), subsequently included in the Codification as ASC 740. In December 2008, the FASB deferred the effective date of FIN 48 for nonpublic enterprises to the annual financial statements for fiscal years beginning after December 15, 2007. ASC 740 establishes standards for the recognition of income taxes for tax positions taken, in income tax returns. The Organization has adopted the provisions of ASC 740; there was no impact on the financial statements.

Fair Value Measurements

In September 2006, the Financial Accounting Standards Board issued ASC 820 (formerly SFAS No. 157, *Fair Value Measurements*) which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This statement applies under other accounting pronouncements that require or permit fair value measurements. FASB has previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this statement does not require any new fair value measurements. This statement is effective for fiscal years beginning after November 15, 2007, except for non-financial assets and liabilities measured at fair value on a non-recurring basis for which the effective date will be for fiscal years beginning after November 15, 2008. The adoption of ASC 820 for financial assets and liabilities and non-financial assets did not have an impact on the Organization's financial statements.

Fair Value Option

In February 2007, the Financial Accounting Standards Board issued ASC 825-10 (formerly SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*) which permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of this statement is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings, caused by measuring related assets and liabilities without having to apply complex hedge accounting provisions. This statement is effective for an entity's first fiscal year that begins after November 15, 2007. The management of the Organization has evaluated this statement and there was no impact on its financial statements.

NOTE B – RECEIVABLES

At June 30, 2010 accounts and awards receivable are as follows: unrestricted \$303,335, and temporarily restricted \$12,600, all due within one year.

NOTE C – ENDOWMENT – BENEFICIAL INTEREST IN PERPETUAL TRUST

In August 2008, the Financial Accounting Standards Board issued FASB Staff Position 117-1, "Endowments of Not for Profit organizations; Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, (UPMIFA) and Enhanced Disclosures for All Endowment funds." This standard provides guidance on the net asset classification of donor restricted endowment funds and enhanced disclosures required for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006. FAS 117-1 (now included in the FASB Accounting Standards Codification in sub-topic 958-205) is officially named "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."

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

This FSP provides guidance on the net asset classification of donor-restricted endowment funds that are subject to the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The FSP also modifies the disclosures about an organization's *endowment funds* (both donor-restricted endowment funds and *board-designated endowment funds*), whether or not the organization is subject to UPMIFA. The State of California enacted UPMIFA effective June 23, 2008, the provisions of which apply to endowment funds existing on or established after that date. The Board of Directors has determined that the Organization's permanently restricted net assets meet the definition of endowment funds under UPMIFA.

The Board of Directors of the Organization has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the 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 or deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

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 Type of Fund as of June 30, 2010 is as follows:

Permanently restricted	\$528,171
Temporarily restricted	<u>\$560,327</u>
Total	<u><u>\$1,088,498</u></u>

Changes in Endowment Net Assets, for the year ended June 30, 2010, is as follows:

Invested at beginning of year	\$985,652
Invested at end of year	<u>\$1,088,498</u>
Change in value	<u><u>\$102,846</u></u>

Changes in endowment investments are as follows:

Interest & Dividends	\$31,683
Unrealized Gains/Losses	\$98,019
Realized Gains/Losses	(\$25,689)
Investment Fees	(\$9,967)
Donations	<u>\$8,800</u>
Total	<u><u>\$102,846</u></u>

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE D – INVESTMENTS

Investments at June 30, 2010 are carried at fair value in the statement of financial position, and consist of the following:

Cash & Money Funds	\$5,047
Exchange Traded Funds	<u>\$257,242</u>
Total	<u><u>\$262,289</u></u>

Investment income consists of the following:

Interest & Dividends	\$5,371
Unrealized Gains/Losses	\$49,231
Realized Gains/Losses	(\$31,317)
Investment Fees	<u>(\$3,247)</u>
Total	<u><u>\$20,038</u></u>

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 reported net of amortization expense of \$208,835 at \$941,165 in the Statement of Financial Position. The lease is being amortized on a straight-line basis. For the year ending June 30, 2010 amortization is \$20,175.

NOTE F - PROPERTY AND EQUIPMENT

At June 30, 2010 property and equipment and related accumulated depreciation is as follows:

Land	\$355,000
Building	5,400,665
Building furniture & fixtures	89,086
Vehicles	79,859
Office furniture & equipment	128,714
Construction in progress	<u>3,642</u>
Subtotal	6,056,966
Less: accumulated depreciation	<u>(1,649,763)</u>
Net	<u><u>\$4,407,203</u></u>

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 against the grants may not comply with the established criteria governing them. In such cases, the Organization could be held responsible for repayments to the funding agency for the costs or be subject to reductions of future funding in the amount of such costs. Management does not anticipate any questioned costs for the contracts and grants administered during the period.

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE H – DEFERRED REVENUE AND REFUNDABLE DEPOSITS

Income received from perspective tenants relating to their last month of occupancy received prior to June 30, 2010 is deferred and recognized over the periods to which the last month of rental relates. Refundable deposits represent cleaning deposits received from perspective tenants. At June 30, 2010 deferred revenue is \$19,875 and refundable deposits are \$17,758.

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 \$1,802 for the year ended June 30, 2010.

NOTE J – CONTINGENCIES

The Organization has entered into two loan agreements, whereby payback terms are contingent on 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, 2010 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 a five year operating lease agreement with US Bank in February 2008 for a photocopier. Future minimum lease payments are \$2,208 for the years ended June 30, 2011, 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, 2010, the Organization's uninsured cash balance is \$64,954. Endowment assets and investments are not federally insured.

For the year ended June 30, 2010 concentrations of grants & awards receivables are as follows: 36% of the awards receivable is due from the City of Cupertino. Approximately 27% and 33% of the grants received are from El Camino Hospital and First 5, respectively. Approximately 36% of the awards earned are from Santa Clara County.

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.

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

NOTE M – DEBT

At June 30, 2010 debt consists of the following mortgages, notes, and bonds payable:

<u>Description</u>	<u>Interest</u>	<u>Ref</u>	<u>Due</u>	<u>Secured Property</u>	<u>Amount Due</u>	<u>Current</u>	<u>Long Term</u>
Series A Bonds	6.38%	1	10/2031	Vista Village	\$865,329	\$68,002	\$797,327
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	295,222	16,725	278,497
Santa Clara County	6.00%	5	TBD	Vista Village	1,058,137		1,058,137
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	393,334		393,334
Cal Bank & Trust	6.50%	1	7/2026	Four-Plex	167,795	6,346	161,449
City of Cupertino	3.00%	1	7/2026	Four-Plex	323,370	8,947	314,423
				Total	\$5,667,311	\$100,020	\$5,567,291

Principle Repayment Terms

1. Principle and interest are amortized 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, 2010 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.

Future annual principal payments due are as follows:

<u>Year Ending</u>	<u>Amount</u>
2011	\$100,020
2012	105,380
2013	110,837
2014	116,644
2015	128,581
Thereafter	5,105,849
Total	\$5,667,311

NOTE N – BOARD DESIGNATED NET ASSETS

The board of directors has designated the Organization's unrestricted net assets for general operating and for replacement reserves. Future repairs and replacement costs of Vista Village are set aside in amounts equal to the amount recommended by an engineering study conducted on the Organization's Vista Village facility, \$134,400. The balance of unrestricted net assets are set aside for general operating, which amounted to \$364,411 at June 30, 2010.

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

NOTE O – TEMPORARY RESTRICTED NET ASSETS

At June 30, 2010 the Organization's temporarily restricted net assets consist of:

<u>Purpose</u>	<u>Beginning</u>	<u>Additions</u>	<u>Released</u>	<u>Ending</u>
General Operations, FY 09	\$50,000		(\$50,000)	
Emergency Assistance	\$12,600	\$21,987	(\$21,987)	\$12,600
Van Purchase	\$3,490			\$3,490
House of Hope	\$41,462		(\$41,462)	
Direct Assistance		\$24,000	(\$24,000)	
Healthy Eating Program		\$106,000	(\$106,000)	
Community Access Education		\$15,000	(\$15,000)	
Urgent Community Response		\$40,320	(\$40,320)	
Food Pantry Support		\$35,000	(\$35,000)	
Emergency Housing		\$12,500	(\$12,500)	
Endowment Earnings	\$560,327	\$94,046		\$654,373
Total	\$667,879	\$348,853	(\$346,269)	\$670,463

NOTE P – PERMANENTLY RESTRICTED NET ASSETS

At June 30, 2010 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 is 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, 2010 is \$528,171.

NOTE Q – SPECIAL EVENTS

During the year ended June 30, 2010 the Organization participated in the following special events:

<u>Income:</u>	<u>Fall Event</u>	<u>Spring Event</u>	<u>Total</u>
Donations	\$10,833	\$2,500	\$13,333
Event Sales	\$3,443	\$5,530	\$8,973
Total Income	\$14,276	\$8,030	\$22,306
<u>Expense:</u>			
Facility & Food	\$5,744	\$638	\$6,382
Total Expenses	\$5,744	\$638	\$6,382
Proceeds	\$8,532	\$7,392	\$15,924

NOTE R - CONTRIBUTIONS IN-KIND

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

Food, Clothing & Other Needs	\$770,420
Interest on long term debt	\$76,924
Total	\$847,344

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE R - CONTRIBUTIONS IN-KIND (continued)

The Organization has many volunteers that have donated significant amounts of time both for program services and for supporting services. Management estimates approximately 7,280 hours were contributed by individuals during the year ended June 30, 2010. 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 S – SUBSEQUENT EVENTS

Management of the Organization has reviewed the results of operations for the period of time from its year end June 30, 2010 through October 24, 2010, 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 nor have any subsequent events occurred, the nature of which would require disclosure.

NOTE T – PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2010 management became aware of an adjustment that requires the Organization to restate its beginning net assets, in order to present current year financial information accurately. During the year ended June 30, 2010 an amendment to UPMIFA standards was published. This amendment dealt with the accounting treatment and reporting of investment income earned on endowment funds, which – in part, defines the classification of endowment earnings as temporarily restricted until spent, at the direction of management, then are reclassified as unrestricted.

This restatement requires retroactive adjustment of all prior year's endowment earnings. Accordingly, management has elected to reclassify their reported endowment earnings retroactively back to the inception of the original endowment donation, as temporarily restricted. The net effect of this adjustment is a decrease in unrestricted net assets of \$560,327 and a corresponding increase temporarily restricted net assets for the same amount.

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, 2010, and have issued our report thereon dated October 26, 2010. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be 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 October 26, 2010.

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
October 26, 2010

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.
 Schedule of Federal Awards
 For the Year Ended June 30, 2010

<u>Federal Grantor and Program Title</u>	<u>Federal CFDA#</u>	<u>Total Expended</u>
Sacred Heart Rapid re-housing program	97.024	\$66,429
* Santa Clara County Cal-Works	93.714	\$224,899
Town of Los Gatos Comm Dev Block Grant Funds	14.225	\$9,941
City of Saratoga Comm Dev Block Grant Funds	14.225	\$15,164
City of Cupertino Comm Dev Block Grant Funds	14.225	\$39,458
* U.S. Dept of Housing and Urban Development Housing and Urban Transitional	14.235	\$84,745
City of Sunnyvale Comm Dev Block Grant Funds	14.225	\$10,774
Santa Clara County Emergency Food & Shelter Program	14.218	\$36,000
Santa Clara County Social Services Agency General Fund	93.914	\$50,000
Total expenditures of Federal Awards		<u>\$537,410</u>

* Denotes Major Program

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.
Notes to Schedule of Expenditures of Federal Awards
Years ended June 30, 2010

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OFFICE OF MANAGEMENT AND BUDGET
CIRCULAR A-133

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

Compliance

We have audited the compliance of West Valley Community Services of Santa Clara County, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2010. West Valley Community Services of Santa Clara County, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of West Valley Community Services of Santa Clara County, Inc.'s management. Our responsibility is to express an opinion on the West Valley Community Services of Santa Clara County, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about West Valley Community Services of Santa Clara County, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of West Valley Community Services of Santa Clara County, Inc.'s compliance with those requirements.

In our opinion, West Valley Community Services of Santa Clara County, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of West Valley Community Services of Santa Clara County, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered West Valley Community Services of Santa Clara County, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of West Valley Community Services of Santa Clara County, Inc.'s internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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
October 26, 2010

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2010

Section I Summary of Auditor Results Yes No

Financial Statements

Type of Auditor's Report?	Unqualified	
Internal Control Over Financial Reporting		
Material Weaknesses Identified?		X
Significant Deficiencies Identified, that are not considered Material Weaknesses?		X
Noncompliance material to the Financial Statements?		X

Federal Awards

Internal Control Over Major Program		
Material Weaknesses Identified?		X
Significant Deficiencies Identified, that are not considered Material Weaknesses?		X
Type of Auditor Report issued on Compliance for Major Program?	Unqualified	
Any Audit Findings Disclosed that are required to be reported in accordance with 510A of Circular A-133?		X

Identification of Major Programs

Name of Federal Program	CFDA#	
Santa Clara County, Cal-Works	93.714	
US Department of Housing and Urban Development	14.235	
Dollar threshold to distinguish between Type A and Type B programs?	\$300,000	
Auditee qualify as low risk?		X

Section II Financial Statement Findings

No matters were reported.

Section III Federal Award Findings and Questioned Costs

No matters were reported.

Section III Summary Schedule of Prior Year Audit Findings and Questioned Costs

No matters were reported.