

West Valley Community Services of Santa Clara County, Inc.

Audited Financial Statements

JUNE 30, 2008

## TABLE OF CONTENTS

### FINANCIAL SECTION

Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to the Financial Statements	6

### COMPLIANCE and INTERNAL CONTROL

Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	12
--	----

# Deborah Daly CPA

3015 Hopyard Road, Suite S  
Pleasanton, CA 94566

www.dalycpa.com  
Office (925) 426-1996  
Fax (925) 426-1196

## 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, 2008, 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 2007 financial statements and, in our report dated October 3, 2007, 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, 2008, 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 30, 2008, 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.



Pleasanton, California  
October 31, 2008

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.  
Statement of Financial Position  
June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2008</u>	<u>Summarized 2007</u>
<b>ASSETS</b>					
Cash	\$418,192	\$3,490		\$421,682	\$317,512
Accounts receivable	1,450			1,450	1,450
Grants receivable	251,817	82,600		334,417	389,684
Pledges receivable	1,500			1,500	2,600
Prepaid expenses	10,795			10,795	21,387
<b>TOTAL CURRENT ASSETS</b>	<b>683,754</b>	<b>86,090</b>		<b>769,844</b>	<b>732,633</b>
Investments	947,313		\$519,371	1,466,684	1,509,859
Prepaid land lease	981,515			981,515	1,001,690
Property and equipment, net	4,791,882			4,791,882	5,005,919
<b>TOTAL ASSETS</b>	<b>\$7,404,464</b>	<b>\$86,090</b>	<b>\$519,371</b>	<b>\$8,009,925</b>	<b>\$8,250,101</b>
<b>LIABILITIES</b>					
Accounts payable	\$30,002			\$30,002	\$42,553
Accrued compensation	65,223			65,223	12,369
Deferred revenue	20,775			20,775	20,775
Refundable deposits	12,895			12,895	16,750
Current portion of long term debt	107,683			107,683	86,831
<b>TOTAL CURRENT LIABILITIES</b>	<b>236,578</b>			<b>236,578</b>	<b>179,278</b>
Long term debt	5,662,545			5,662,545	5,701,786
<b>TOTAL LIABILITIES</b>	<b>5,899,123</b>			<b>5,899,123</b>	<b>5,881,064</b>
<b>NET ASSETS</b>					
Unrestricted					
Designated for replacement reserves	96,000			96,000	76,800
Designated for operating purposes	1,409,341			1,409,341	1,710,266
Temporarily restricted		\$86,090		86,090	62,600
Permanently restricted			\$519,371	519,371	519,371
<b>TOTAL NET ASSETS</b>	<b>1,505,341</b>	<b>86,090</b>	<b>519,371</b>	<b>2,110,802</b>	<b>2,369,037</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$7,404,464</b>	<b>\$86,090</b>	<b>\$519,371</b>	<b>\$8,009,925</b>	<b>\$8,250,101</b>

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, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2008</u>	<u>Summarized 2007</u>
<b>SUPPORT AND REVENUE</b>					
Government grants	\$379,697			\$379,697	\$330,478
Foundations	471,672	\$42,500		514,172	391,708
Donations	86,007	3,490		89,497	83,642
In-kind donations	676,570			676,570	690,701
United Way allocation		85,475		85,475	67,325
Special events	59,282			59,282	68,715
Less: Direct expense	(12,283)			(12,283)	(5,705)
Program fees, rent income & fees	289,942			289,942	326,714
Interest income	1,077			1,077	889
Investment income	(51,180)			(51,180)	188,109
Expiration of time restrictions	107,975	(107,975)			
Total support and revenue	<u>2,008,759</u>	<u>23,490</u>		<u>2,032,249</u>	<u>2,142,576</u>
<b>EXPENSES</b>					
Program services					
Family resources	441,103			441,103	288,359
Vista village	461,151			461,151	401,228
Affordable housing	88,747			88,747	89,452
Family assistance	845,181			845,181	850,306
Transitional housing	158,585			158,585	156,845
Rotating shelter	150,430			150,430	140,109
Supporting services					
Management and general	73,462			73,462	62,854
Fund-raising	71,825			71,825	42,886
Total expenses	<u>2,290,484</u>			<u>2,290,484</u>	<u>2,032,039</u>
INCREASE / (DECREASE) IN NET ASSETS	(281,725)	23,490		(258,235)	110,537
NET ASSETS AT BEGINNING OF YEAR	<u>1,787,066</u>	<u>62,600</u>	<u>519,371</u>	<u>2,369,037</u>	<u>2,258,500</u>
NET ASSETS AT END OF YEAR	<u>\$1,505,341</u>	<u>\$86,090</u>	<u>\$519,371</u>	<u>\$2,110,802</u>	<u>\$2,369,037</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, 2008

	Program Services							Supporting Services			Total	Summarized
	Family Resources	Vista Village	Affordable Housing	Family Assistance	Transitional Housing	Rotating Shelter	Total	Mgmt & General	Fund Raising	Total	2008	2007
Compensation	\$266,113	\$55,331	\$57,136	\$106,631	\$66,214	\$95,367	\$646,791	\$38,810	\$20,067	\$58,877	\$705,668	\$530,884
Payroll taxes	22,495	4,677	4,830	9,014	5,597	8,061	54,674	3,281	1,696	4,977	59,650	50,552
Employee benefits	25,721	5,348	5,522	10,306	6,400	9,218	62,515	3,751	1,940	5,691	68,206	43,238
Subtotal compensation	314,328	65,356	67,488	125,951	78,211	112,646	763,980	45,842	23,703	69,545	833,525	624,674
Bad debts												5,000
Direct assistance				89,273	4,781	7,831	101,885				101,885	71,029
Direct assistance, in-kind				597,201			597,201				597,201	616,777
Dues, fees & other charges	1,731	267	192	569	564	293	3,615	2,684	455	3,139	6,754	5,766
Equipment lease / purchase	3,323	947	676	943	2,105	1,034	9,028	413	1,181	1,595	10,623	
Insurance	9,780	2,034	2,100	3,919	2,434	3,505	23,772	1,426	738	2,164	25,936	21,435
Interest expense	17,473	79,877	3,495	4,992	23,367	5,492	134,696	2,496	6,490	8,986	143,682	152,663
Interest expense, in-kind	10,769	49,231	2,154	3,077	2,769	3,385	71,385	1,538	4,000	5,539	76,924	73,924
Maintenance & repair	626	9,260	127	217	2,906	195	13,330	773	222	995	14,325	34,891
Outreach												16,180
Outside services	38,346	6,207	5,268	8,311	8,404	3,109	69,643	2,546	9,466	12,012	81,656	35,605
Postage	1,671	51	49	58	46	59	1,933	22	2,100	2,122	4,056	4,551
Printing	3,792	403	288	529	384	1,056	6,453	220	10,384	10,604	17,057	6,864
Program expenses	1,280		66	104	117	858	2,424	-	91	91	2,515	
Staff, volunteer, board support	4,703	727	543	969	654	1,057	8,653	4,736	1,855	6,592	15,244	8,964
Supplies	10,977	3,136	2,195	3,136	2,823	3,450	25,719	1,568	4,077	5,646	31,364	39,090
Telephone	3,693	928	662	924	1,534	1,013	8,753	405	1,157	1,562	10,314	9,954
Travel	2,049	231	311	379	423	658	4,050	1,282	342	1,624	5,674	3,539
Utilities	9,219	25,649	1,876	2,615	9,507	2,868	51,734	6,182	3,372	9,554	61,288	50,706
Subtotal before:	433,760	244,304	87,489	843,164	141,028	148,509	1,898,254	72,135	69,634	141,769	2,040,023	1,781,611
Depreciation / Amortization	7,343	216,847	1,258	2,017	17,557	1,921	246,943	1,327	2,191	3,518	250,461	250,428
<b>TOTAL</b>	<b>\$441,103</b>	<b>\$461,151</b>	<b>\$88,747</b>	<b>\$845,181</b>	<b>\$158,585</b>	<b>\$150,430</b>	<b>\$2,145,197</b>	<b>\$73,462</b>	<b>\$71,825</b>	<b>\$145,287</b>	<b>\$2,290,484</b>	<b>\$2,032,039</b>

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, 2008

	<u>Total 2008</u>	<u>Summarized 2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	(\$258,235)	\$110,537
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized changes in investments	106,770	(\$127,033)
Amortization of long term lease	20,175	20,175
Depreciation	230,286	230,253
(Increase) decrease in operating assets		
Accounts receivable		
Grants receivable	55,267	(197,242)
Pledges receivable	1,100	6,200
Prepaid expenses	10,592	(12,741)
Increase (decrease) in operating liabilities		
Accounts payable	(12,551)	(13,268)
Deferred revenue	0	(9,875)
Refundable deposits	(3,855)	(1,275)
Accrued compensation	52,854	(1,739)
NET CASH PROVIDED / (USED) BY OPERATING ACTIVITIES	<u>202,403</u>	<u>3,992</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments purchased	(8,005)	(9,709)
Realized changes re-invested	(55,590)	(61,076)
Property and equipment additions	<u>(16,249)</u>	<u>(6,625)</u>
NET CASH PROVIDED / (USED) BY INVESTING ACTIVITIES	<u>(79,844)</u>	<u>(77,410)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principle repayments on LTD, net of accrued interest	<u>(18,389)</u>	2,031
NET CASH PROVIDED / (USED) BY FINANCING ACTIVITIES	<u>(18,389)</u>	2,031
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>104,170</u>	<u>(71,387)</u>
BEGINNING CASH AND CASH EQUIVALENTS	<u>317,512</u>	<u>388,899</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$421,682</u>	<u>\$317,512</u>

Supplemental Disclosures:

Interest Paid	\$81,656	\$152,663
---------------	----------	-----------

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, 2008

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 agencies 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.

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

#### 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

The Organization carries investments in equities 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. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the gains are recognized.

#### 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 contracts and program fees are recognized as revenue in the period in which the service is provided. 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 contracts 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 \$500. 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.

#### 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.

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, and accounts payable approximate fair value because of the short maturity of these instruments.

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, 2007, from which the summarized information was obtained.

NOTE B - CONCENTRATION OF CREDIT RISK

The Organization maintains cash at a local bank and investments in securities and bonds that are not insured by the Federal Deposit Insurance Corporation. At June 30, 2008, the Organization's uninsured cash balance is \$1,800,603. Management believes the organization is not exposed to any significant credit risk related to cash.

NOTE C – GRANTS RECEIVABLE

At June 30, 2008 grants receivable consist of unrestricted grants, \$264,417, and restricted grants, \$70,000, all due within one year.

NOTE D – INVESTMENTS

Investments at June 30, 2008 are stated at fair value and consist primarily of the following:

Equities	\$910,514
Certificates of deposit	\$34,288
Bonds	\$424,096
Money Funds	\$97,786
Total	<u>\$1,466,684</u>

Investment income is as follows:

Interest & Dividends	\$56,600
Unrealized Gains/Losses	(\$106,770)
Realized Gains/Losses	\$15,070
Investment Fees	(\$16,080)
Total	<u>(\$51,180)</u>

NOTE E - PROPERTY AND EQUIPMENT

At June 30, 2008 property and equipment and related accumulated depreciation is as follows:

Land	\$355,000
Building	5,366,519
Building furniture & fixtures	132,612
Vehicles	12,445
Office furniture & equipment	112,951
Subtotal	<u>5,979,527</u>
Less: accumulated depreciation	<u>(1,187,645)</u>
Net	<u>\$4,791,882</u>

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

NOTE F – 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 \$168,415 at \$981,585 in the Statement of Financial Position. The lease is being amortized on a straight-line basis. For the year ending June 30, 2008 amortization is \$20,175.

NOTE G – DEBT

At June 30, 2008 debt consists of mortgages, notes, and bonds as follows:

<u>Description</u>	<u>Interest</u>	<u>Ref</u>	<u>Date Due</u>	<u>Secured Property</u>	<u>Amount Due</u>	<u>Current</u>	<u>Long Term</u>
Series A Bonds	6.375%	1	10-31	Vista Village	\$987,357	\$59,937	\$927,420
City of Cupertino	0.000%	2	TBD	Vista Village	2,424,124		2,424,124
City of Sunnyvale	3.000%	3	12-41	Vista Village	100,000		100,000
Santa Clara County	3.000%	4	12-34	Vista Village	359,250	33,450	325,800
Santa Clara County	6.000%	5	TBD	Vista Village	968,401		968,401
City of Santa Clara	0.000%	6	TBD	Vista Village	40,000		40,000
Lenders for C Dev	2.000%	7	4-33	Vista Village	378,061		378,061
Cal Bank & Trust	6.500%	8	7-26	Four-plex	179,317	5,574	173,743
City of Cupertino	3.000%	9	7-26	Four-plex	333,718	8,722	324,996
				Total	\$5,770,228	\$107,683	\$5,662,545

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 an amount is still due, it will be forgiven, if a default on the remaining loan conditions has not 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, 2008 Vista Village did not have positive cash flow.
4. Principle and interest are deferred the first 3 years. Annual principle payments required are \$16,725. At June 30, 2008 the Organization is one year in arrears.
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 term the loan will be forgiven, if a default on the remaining loan conditions has not 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 an amount is still due, it will be forgiven, if a default on the remaining loan conditions has not occurred.
8. Principle and interest are amortized and payments are current.
9. Principle and interest are amortized and payments are current.

Future annual principal payments for these notes payable are as follows:

2009	107,683
2010	99,685
2011	104,783
2012	110,209
2013	116,982
Thereafter	5,230,886
Total	\$5,770,228

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

NOTE H - 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.

NOTE I – DEFERRED REVENUE AND REFUNDABLE DEPOSITS

Income received from perspective tenants relating to their last month of occupancy is prior to June 30, 2008 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, 2008 deferred revenue is \$20,775 and refundable deposits are \$12,895.

NOTE J - 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 are 21 years of age and have completed ninety days of employment at the Organization. Contributions and cost are determined to be one percent of each employee's annual salary, which totaled \$8,533 for the year ending June 30, 2008.

NOTE K - CONTRIBUTIONS IN-KIND

The Organization received, and recognized, the following in-kind donations: food and other direct assistance to clients \$597,201, interest on certain long-term loans \$76,924, and a 1995 Ford Explorer valued at \$2,445. Total in-kind recorded \$676,570.

In addition, the Organization has volunteers that have donated significant amounts of time both for program services and for supporting services. Management estimates approximately 27,010 hours were contributed by individuals during the year ended June 30, 2008. 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 L – CONTINGENCIES

The Organization has entered into two loan agreements, whereby the 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 terms is fifty percent and ten percent of the positive cash flows, respectively. For the year ending June 30, 2008 the Vista Village operations did not generate positive cash flow; hence, the Organization did not pay down any amounts due under these agreements.

NOTE M - 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, 2009, June 30, 2010, June 30, 2011, June 30, 2012 and \$1,288 for the year ended June 30, 2013.

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2008

NOTE N – TEMPORARY RESTRICTED NET ASSETS

At June 30, 2008 the Organization's temporary restricted net assets consist of:

<u>Restriction</u>	<u>Beginning</u>	<u>Additions</u>	<u>Released</u>	<u>Ending</u>
Foundation Time Restriction		\$20,000		\$20,000
Emergency Assistance		\$10,000	(\$10,000)	
Emergency Homelessness		\$12,500	(\$12,500)	
Van Purchase		\$3,490		\$3,490
United Way, Emergency Assistance		\$22,875	(\$22,875)	
United Way Time Restriction	\$62,600	\$62,600	(\$62,600)	\$62,600
Total	<u>\$62,600</u>	<u>\$131,465</u>	<u>(\$107,975)</u>	<u>\$86,090</u>

NOTE O – PERMANENTLY RESTRICTED NET ASSETS

At June 30, 2008 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 Salomon Smith Barney. The amount permanently restricted at June 30, 2008 is \$519,371.

NOTE P – CONCENTRATIONS

For the year ended June 30, 2008 the Organization received approximately 31% of its government funding from the City of Cupertino. In addition, approximately 30% of the grants receivable is from the City of Cupertino. The ability of certain of the Organization's grants, awards, and program fees 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 Q –SUBSEQUENT EVENTS

As of October 31, 2008 the Organization's investment balance amounted to \$1,192,429, which represents a decrease of approximately 19% or \$274,255 from June 30, 2008.

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, 2008, and have issued our report thereon dated October 31, 2008. 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*.

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 31, 2008