

WEST VALLEY COMMUNITY SERVICES
OF SANTA CLARA COUNTY

JUNE 30, 2020

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

West Valley Community Services of Santa Clara County

Independent Auditors' Report and Financial Statements

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Independent Auditors' Report

TO THE BOARD OF DIRECTORS
WEST VALLEY COMMUNITY SERVICES
OF SANTA CLARA COUNTY
Cupertino, California

Report on the Financial Statements

We have audited the accompanying financial statements of **WEST VALLEY COMMUNITY SERVICES OF SANTA CLARA COUNTY (the Organization)**, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 15, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hood & Strong LLP

San Jose, California
January 15, 2021

West Valley Community Services of Santa Clara County

Statement of Financial Position

<i>June 30, 2020 (with comparative totals for 2019)</i>	2020	2019
Assets		
Cash	\$ 743,049	\$ 448,019
Grants and awards receivable	821,928	437,424
Prepaid expenses	54,096	80,658
Total current assets	1,619,073	966,101
Investments	4,430,692	1,876,865
Prepaid land lease, net	739,415	759,590
Property and equipment, net	2,947,542	3,217,338
Total assets	\$ 9,736,722	\$ 6,819,894
Liabilities and Net Assets		
Liabilities:		
Current portion of long-term debt	\$ 11,924	\$ 11,611
Accounts payable	138,522	30,264
Accrued compensation	164,740	113,202
Deferred revenue	7,100	7,100
Refundable deposits	24,342	24,408
Total current liabilities	346,628	186,585
Accrued interest	214,169	198,069
Long-term debt, net of current portion	4,277,818	4,016,208
Total liabilities	4,838,615	4,400,862
Net Assets:		
Without donor restrictions:		
Undesignated	1,499,928	685,129
Designated for replacement reserves		307,200
Total without donor restrictions	1,499,928	992,329
With donor restrictions	3,398,179	1,426,703
Total net assets	4,898,107	2,419,032
Total liabilities and net assets	\$ 9,736,722	\$ 6,819,894

See accompanying notes to financial statements.

West Valley Community Services of Santa Clara County

Statement of Activities

Year Ended June 30, 2020 (with comparative totals for 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Public Support and Revenue:				
Government awards	\$ 1,246,234		\$ 1,246,234	\$ 1,246,729
Foundation grants	1,406,966	\$ 198,000	1,604,966	654,453
Contributions	369,195	2,394,401	2,763,596	532,817
In-kind contributions	2,033,323		2,033,323	1,648,009
United Way	250,500		250,500	60,000
Special events, net of direct expense of \$69,313 and \$60,437, respectively	190,051		190,051	186,165
Program fees and rental income	405,791		405,791	389,422
Investment income	42,828	15,243	58,071	64,104
Forgiveness of debt	2,000		2,000	671,133
Other income	500		500	-
Net assets released from restrictions	636,168	(636,168)		-
Total public support and revenue	6,583,556	1,971,476	8,555,032	5,452,832
Expenses				
Program Services:				
Vista Village housing	584,256		584,256	559,362
Family assistance	3,974,475		3,974,475	3,465,687
Greenwood Apartments	79,021		79,021	105,124
COVID-19 relief	979,561		979,561	-
Total program services	5,617,313	-	5,617,313	4,130,173
Supporting Services:				
Management and general	196,735		196,735	188,432
Fundraising	261,909		261,909	261,751
Total supporting services	458,644		458,644	450,183
Total expenses	6,075,957	-	6,075,957	4,580,356
Change in Net Assets	507,599	1,971,476	2,479,075	872,476
Net Assets, beginning of year	992,329	1,426,703	2,419,032	1,546,556
Net Assets, end of year	\$ 1,499,928	\$ 3,398,179	\$ 4,898,107	\$ 2,419,032

See accompanying notes to financial statements.

West Valley Community Services of Santa Clara County

Statement of Functional Expenses

Year Ended June 30, 2020 (with comparative totals for 2019)

	2020								2019
	Vista Village	Family Assistance	Greenwood Apartments	COVID-19 Relief	Total Program	Management and General	Fundraising	Total	Total
Salaries	\$ 210,297	\$ 833,424		\$ 81,827	1,125,548	\$ 65,756	\$ 143,594	\$ 1,334,898	\$ 1,173,495
Payroll taxes and benefits	48,975	187,159	\$ (287)	6,369	242,216	22,485	33,190	297,891	307,245
Subtotal salaries and benefits	259,272	1,020,583	(287)	88,196	1,367,764	88,241	176,784	1,632,789	1,480,740
Conferences and meetings	31	6,581		1,526	8,138	12,764	(342)	20,560	20,354
Direct assistance, including in-kind of \$2,033,323 and \$1,648,009, respectively		2,654,880		843,548	3,498,428			3,498,428	2,203,412
Dues, fees and other charges	261	9,353	2,949	1,062	13,625	4,977	6,934	25,536	23,162
Equipment	2,701	9,706		1,029	13,436	806	1,604	15,846	19,908
Insurance	9,296	31,610			40,906	1,471	6,387	48,764	60,216
Interest	9,401		6,548		15,949	458		16,407	22,476
Maintenance and repairs	14,670	41,784	624	5,185	62,263	853	1,595	64,711	56,526
Outside services	3,410	50,052	5,000	14,553	73,015	51,026	49,553	173,594	155,140
Postage	305	1,194		390	1,889	450	2,696	5,035	5,496
Printing		474			474	208	10,607	11,289	8,077
Other expenses	3,605	84,297	1,084	17,013	105,999			105,999	88,272
Supplies	722	5,321	11	5,244	11,298	4,467	660	16,425	16,692
Telephone	2,284	11,739		603	14,626	550	1,585	16,761	14,578
Travel		9,479			9,479	2,094	872	12,445	18,436
Utilities	39,135	17,050	4,492	1,212	61,889	683	2,974	65,546	57,459
Subtotal before depreciation and amortization	345,093	3,954,103	20,421	979,561	5,299,178	169,048	261,909	5,730,135	4,250,944
Depreciation and amortization	239,163	20,372	58,600		318,135	27,687		345,822	329,412
Total expenses as shown on the Statement of Activities	584,256	3,974,475	79,021	979,561	5,617,313	196,735	261,909	6,075,957	4,580,356
Direct benefit to participants of special events							69,313	69,313	60,437
Total	\$ 584,256	\$ 3,974,475	\$ 79,021	\$ 979,561	\$ 5,617,313	\$ 196,735	\$ 331,222	\$ 6,145,270	\$ 4,640,793

See accompanying notes to financial statements.

West Valley Community Services of Santa Clara County

Statement of Cash Flows

<i>Year Ended June 30, 2020 (with comparative totals for 2019)</i>	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 2,479,075	\$ 872,476
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gain on investments	(12,587)	(26,334)
Recognition of forgiveness of debt	(2,000)	(671,133)
Amortization of land lease	20,175	20,175
Depreciation expense	325,647	309,237
Change in operating assets and liabilities:		
Grants and awards receivable	(384,504)	54,410
Prepaid expenses	26,562	(13,184)
Accounts payable	110,636	17,038
Accrued compensation	51,538	11,845
Deferred revenue		(2,650)
Refundable deposits	(66)	2,765
Accrued interest	15,949	10,750
Net cash provided by operating activities	2,630,425	585,395
Cash Flows from Investing Activities:		
Purchase of investments	(2,891,240)	(452,217)
Proceeds from sale of investments	350,000	94,000
Property and equipment additions	(15,851)	(233,777)
Net cash used by investing activities	(2,557,091)	(591,994)
Cash Flows from Financing Activities		
Proceeds from Paycheck Protection Program Loan	275,535	
Principal payments on long term obligations	(13,839)	(114,701)
Net cash provided (used by) investing activities	261,696	(114,701)
Net Change in Cash and Cash Equivalents	335,030	(121,300)
Cash and Cash Equivalents, beginning of year	448,019	569,319
Cash and Cash Equivalents, end of year	\$ 783,049	\$ 448,019

Supplemental Disclosures:

Cash paid for interest expense	\$ 2,228	\$ 8,939
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See accompanying notes to financial statements.

West Valley Community Services of Santa Clara County

Notes to the Financial Statements

Note 1 - Description of the Organization:

West Valley Community Services of Santa Clara County (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 unite the community to fight hunger and homelessness and its vision is a community where every person has food on the table and every person has a roof over their head.

The Organization owns and operates a twenty-four unit housing complex (Vista Village) and a four-plex (Greenwood Apartments) for low-income families and individuals. The Organization provides a food closet supplied by Second Harvest Food Bank, local grocery stores, and bakeries for low-income families. The Organization works closely with a variety of local agencies to provide families with information and referral services, to help the emergency needs of lower income families residing within the community and accepts donations that are passed to individuals and families on an as needed basis for emergency assistance. The Organization provides parenting workshops and intensive case management services to higher risk families.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with U.S generally accepted accounting principles (U.S. GAAP).

b. Description of Net Assets

Net Assets Without Donor Restrictions – the portion of net assets that are not restricted by donor-imposed stipulations. These net assets are intended for use by management and the Board for general operations. The Board has designated certain net assets without donor restrictions as long-term asset replacement reserves.

Net Assets With Donor Restrictions – the portion of net assets that are subject to donor-imposed stipulations. Some donor-imposed stipulations are temporary in nature, the use of which is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization. Some donor-imposed stipulations are permanent in nature, the use of which is limited by donor-imposed stipulations that neither expire by passage of time nor can be removed by actions of the Organization.

West Valley Community Services of Santa Clara County

Notes to the Financial Statements

c. Revenue Recognition

The Organization recognizes grants and contributions, including unconditional promises to give, as revenue at their fair value in the period the grant or contribution is made. Contributed support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. If a donor restriction is not met within the year in which it is received, it is recognized as net assets with donor restrictions. When such restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. All other contributed support is recognized as revenue without donor restrictions when received or unconditionally promised.

Revenues from government agencies are recognized when the services are rendered, and costs incurred. The Organization accounts for its grants and contracts revenue as contributions, unless there are terms in the agreements that would require recognition in accordance with the guidance for contracts with customers. For the year ending June 30, 2020, none of the grants and contracts were accounted for as contracts with customers.

Program fees and rental income are recognized in the period the service is provided and performance obligation have been met.

In-kind contributions are recognized at fair market value when donated. In-kind services, which require a specialized skill and which the Organization would have paid for if not contributed, have been recorded at their estimated fair market value as appropriate.

d. Cash and Cash Equivalents

Cash and cash equivalents consist of cash and money market funds. For purposes of reporting cash flows, the Organization considers all highly liquid investments with a maturity of 90 days or less at the date of purchase to be cash equivalents.

e. Grants and Awards Receivable

Receivables are stated at the amount management expects to collect from outstanding balances. There was no allowance for doubtful accounts as all amounts are deemed fully collectable.

f. Investments and Endowment Assets

The Organization reports its investments at their fair value. Investment earnings, including realized and unrealized gains and losses, are recorded in the Statement of Activities in the period they occur. Interest and dividend income are recorded when earned.

West Valley Community Services of Santa Clara County

Notes to the Financial Statements

g. Property and Equipment

Purchased property and equipment are stated at cost. Significant donated property and equipment are recorded at their estimated fair value on the date of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from five to twenty-seven and one half years. The Organization capitalizes property and equipment with a value over \$750.

h. Deferred Revenue and Refundable Deposits

Income received from tenants relating to their last month of occupancy is deferred and recognized in the tenant's last month of occupancy. Refundable deposits represent cleaning deposits received from tenants.

i. Fair Value Measurements

The Organization classifies its financial instruments measured at fair value on a recurring basis based on a fair value hierarchy with three levels of inputs as described below. 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.

Level 1 values are based on unadjusted quoted prices in active markets for identical instruments. Level 2 values are based on significant observable market inputs, such as quoted prices for similar instruments or unobservable inputs that are corroborated by market data. Level 3 values are based on unobservable inputs that are not corroborated by market data. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying instrument.

j. Functional Expense Allocations

Direct costs are charged directly to the applicable program or services. Indirect costs, related to more than one function, are allocated to programs and services by management based on estimates of time incurred.

k. 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 Revenue and Taxation Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

West Valley Community Services of Santa Clara County

Notes to the Financial Statements

The Organization evaluates its uncertain tax positions and will recognize a loss contingency when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. Management has concluded that the Organization has taken no uncertain tax positions that would require adjustments to the financial statements.

l. 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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019 from which the summarized information was derived.

m. Use of Estimates

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

n. Recent Accounting Pronouncements

Adopted

In June 2018, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement or cancellation of liabilities, is a contribution or an exchange transaction. It provides a framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The Organization adopted this ASU on a modified prospective basis as of July 1, 2019 as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. The impact of adopting this guidance is reflected in the financial statements and did not have a significant impact on the financial statements or disclosures.

The Organization adopted ASU 2014-09, *Revenue from Contract with Customers* (Topic 606), as amended, as of July 1, 2019. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a modified retrospective basis.

West Valley Community Services of Santa Clara County

Notes to the Financial Statements

o. Subsequent Events

The Organization has evaluated subsequent events from June 30, 2020 through January 15, 2021, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in the financial statements, except for the ongoing impact of COVID-19 pandemic as discussed in Note 14, and the event discussed in Note 15.

Note 3 - Liquidity and Availability of Resources:

The Organization's financial assets at June 30, 2020 that are available to meet general expenditures over the next twelve months are as follows:

Financial assets	
Cash and cash equivalents	\$ 743,049
Grants and awards receivable	821,928
Investments	4,430,692
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Total	5,995,669
Less amounts not available to be used within one year:	
Net assets with donor restrictions – purpose restrictions	(2,789,615)
Net assets with donor restrictions – endowment, including accumulated earnings	(560,283)
Client housing deposits	(24,342)
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Add: estimated endowment draw	10,000
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Financial assets available to meet general expenditures over the next twelve months	\$ 2,631,429
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The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 90 days of normal operating expenses, which are, on average, \$720,000 (exclusive of in-kind expenses). The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Organization's endowment funds consist of a donor-restricted endowment. Annually, when the annual budget is prepared, a dollar amount is established to be transferred from endowment earnings to the general fund. This amount is to be used in support of programs to carry out the Organization's mission.

West Valley Community Services of Santa Clara County

Notes to the Financial Statements

Note 4 - Investments:

Investments at June 30, 2020 consist of the following:

Cash and money funds	\$ 52,665
Bond funds	374,789
Exchange traded funds	380,157
Fixed income	3,366,655
Equity funds	256,426
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Total	\$ 4,430,692

At June 30, 2020, all investments were measured using level 1 inputs.

Note 5 - Prepaid Land Lease:

The Organization entered into an agreement to lease land from the Santa Clara County Central Fire Protection District in October 2001. 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, 2020 amortization is \$20,175. At June 30, 2020 prepaid land lease of \$739,415 is reported net of accumulated amortization expense of \$410,585.

Note 6 - Property and Equipment:

At June 30, 2020 property and equipment consist of the following:

Land	\$ 355,000
Building and improvements	6,242,124
Furniture and fixtures	238,777
Vehicles	204,415
Equipment	140,540
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	7,180,856
Less accumulated depreciation	4,233,314
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	\$ 2,947,542

West Valley Community Services of Santa Clara County

Notes to the Financial Statements

Note 7 - Long-Term Debt:

At June 30, 2020 long-term debt consists of the following:

Note payable to City of Santa Clara due October 2021, collateralized by real property at Vista Village. Principal and interest payments are deferred for the term of the loan. At the end of the loan, all principal and interest will be forgiven, if a default on the remaining loan conditions has not otherwise occurred. As management does not anticipate a default occurring, each year \$2,000 is recognized as a principal payment and a contribution to the Organization. At June 30, 2020 there was no accrued interest.	\$ 2,583
Note payable to City of Cupertino due July 2026, collateralized by real property at the Greenwood Apartments requiring annual payments of principal of \$13,836 plus accrued interest at 3.0%. Amortization of the note is calculated on the first \$220,000, plus accrued interest from the first five years of the note. A remaining balance of \$100,000 is due at the end of the term along with accrued interest thereon. At June 30, 2020, there was \$72,000 of accrued interest.	177,907
Note payable to the Housing Trust of Santa Clara County due April 2033, collateralized by real property at Vista Village. Principal payments are due each year to the extent Vista Village has surplus cash at the end of each 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. For the year ended June 30, 2020 Vista Village did not have positive cash flow. Interest accrues at 2% per annum. At June 30, 2020, there was \$138,470 included in accrued interest.	341,000
Note payable to the County of Santa Clara due August 2033, collateralized by real property at Vista Village. Principal and interest are deferred for the term of the loan. Simple interest accrues at 3.0% per annum. At June 30, 2020, there was no accrued interest.	747,800
Note payable to the County of Santa Clara due December 2034, collateralized by real property at Vista Village. Principal and interest are deferred for the term of the loan. Simple interest accrues at 3.0% per annum. At June 30, 2020, there was no accrued interest.	220,793

West Valley Community Services of Santa Clara County

Notes to the Financial Statements

<p>Note payable to the City of Sunnyvale due December 2041, collateralized by real property at Vista Village. Principal is due at the end of the loan and interest is due to the extent Vista Village has positive cash flow. For the year ended June 30, 2020 Vista Village did not have positive cash flow. Simple interest accrues at 3.0% per annum. At June 30, 2020 there was accrued interest, but no amount has been recorded as a liability because the Organization expects all interest to be forgiven.</p>	100,000
<p>Note payable to the City of Cupertino due July 2059, collateralized by real property at Vista Village. Principal payments are due each year to the extent Vista Village has surplus cash at the end of each 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, the loan will be forgiven, if a default on the remaining loan conditions has not otherwise occurred. For the year ended June 30, 2020 Vista Village did not have positive cash flow. At June 30, 2020, there was no accrued interest as this note bears no interest.</p>	2,424,124
<p>Note payable to Technology Credit Union (original amount \$275,077) under the Paycheck Protection Program from the U.S. Small Business Administration. The 2-year note, maturing in April 2022, bears simple interest at 1% per year. The loan and accrued interest are forgivable if the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rent and utilities and maintains payroll levels.</p>	275,535
	4,289,742
Less current portion	(11,924)
<u>Long-term debt, net of current portion</u>	<u>\$ 4,277,818</u>

Future annual principal payments are as follows:

Year Ending June 30,	Amount
2021	\$ 11,924
2022	12,247
2023	12,579
2024	12,922
2025	13,274
<u>Thereafter</u>	<u>4,214,872</u>
<u>Total</u>	<u>\$ 4,277,818</u>

West Valley Community Services of Santa Clara County

Notes to the Financial Statements

Note 8 - Net Assets With Donor Restrictions:

At June 30, 2020, the Organization's net asset with donor restrictions activity is as follows:

Purpose	Beginning	Additions	Released	Ending
<i>Endowments</i>				
Endowment earnings	\$ 316,332	\$ 15,243	\$ (10,000)	\$ 321,575
Endowment funds	550,283	10,000		560,283
<hr/>				
Total endowment funds	866,615	25,243	(10,000)	881,858
<i>Purpose restrictions</i>				
Event sponsorship	4,000		(4,000)	
CARE program	198,000	198,000	(198,000)	198,000
Equipment acquisition	12,163	5,000	(12,163)	5,000
Education	21,000			21,000
COVID-19 Relief		922,715	(185,219)	737,496
Capital project	101,000	1,424,649		1,525,649
Special program	38,925	32,037	(51,786)	19,176
<hr/>				
Total purpose restrictions	375,088	2,582,401	(451,168)	2,506,321
<i>Time restrictions</i>				
Emergency assistance – time restriction	185,000		(185,000)	
<hr/>				
Total	\$ 1,426,703	\$ 2,607,644	\$ (636,168)	\$ 3,398,179

Note 9 - Endowment Net Assets:

The Organization was the beneficiary of an endowment contribution in 2005, with the donor stipulation that the principal be maintained in perpetuity and earnings used for unrestricted purposes. The Organization complies with the requirements of the Uniform Prudent Management of Institutional Funds Act as enacted by the State of California (UPMIFA).

West Valley Community Services of Santa Clara County

Notes to the Financial Statements

The Board of Directors of the Organization has interpreted 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 net assets with donor restrictions that are permanent in nature: (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 net assets with donor restrictions that are permanent in nature is classified as net assets with donor restrictions that are temporary in nature in a manner consistent with the standard of prudence prescribed by UPMIFA and represent accumulated earnings. In accordance with UPMIFA, 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's Board of Directors has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a variety of standard indices while assuming a moderate level of investment risk. The Organization expects its endowment funds to produce a net average annual total return, over the long term, equal to 7%. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Organization relies on an absolute return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Organization has a policy of appropriating for distribution each year between 2% and 3% of its endowment fund's average fair value; however, the actual distributions may vary depending on various factors, such as endowment performance and the cash flow needs of the Organization.

West Valley Community Services of Santa Clara County

Notes to the Financial Statements

Endowment net assets by restriction as of June 30, 2020 are as follows:

Permanent in nature	\$ 560,283
Temporary in nature	321,575
<hr/>	
Total	\$ 881,858

Changes in the endowment net assets for the year ended June 30, 2020 is as follows:

	Temporary in Nature	Permanent in Nature	Total Endowment
Endowment net assets, beginning of year	\$ 316,332	\$ 550,283	\$ 866,615
Contributions		10,000	10,000
Investment return	15,243		15,243
Appropriation of endowment assets for expenditure	(10,000)		(10,000)
<hr/>			
Endowment net assets, end of year	\$ 321,575	\$ 560,283	\$ 881,858

Note 10 - 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 19,400 hours were contributed by individuals during the year ended June 30, 2020. 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. The Organization received, and recognized, contributed food inventory in the amount of \$2,033,323, for the year ending June 30, 2020.

Note 11 - Retirement Plan:

The Organization has a 403(b) tax-deferred retirement plan for the benefit of employees. The Organization contributes up to 3% of each eligible employee's monthly pay for the year ended June 30, 2020. The Organization contributed \$20,691 to the plan as of June 30, 2020.

West Valley Community Services of Santa Clara County

Notes to the Financial Statements

Note 12 - Concentrations of Risk:

Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, grant and awards receivable and investments. The Organization maintains a majority of its cash in bank deposit accounts that, at times, may exceed federally insured limits. 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. Grant and awards receivables are due from various grantors and government agencies which mitigate the risk associated therein. Investments are subject to a formal investment policy and monitored regularly.

As of June 30, 2020, 43% of grant and award receivables are due from three grantors. For the year ended June 30, 2020, 88% of the government awards are from three government agencies and 68% of foundation grants are from two foundations. The ability of certain of the Organization's grantors to continue to provide amounts comparable with previous years may be dependent upon future economic conditions and budget constraints.

Note 13 - Commitments and Contingencies:

The Organization has received funds for specific purposes that are subject to review and audit by the grantor agencies. Amounts received from grantor agencies may be required to be repaid if funds are not used for the purpose for which they were intended. No provisions have been made for any liabilities that may arise from audits by these agencies as management believes it is in compliance with the provisions of the grants.

Note 14 - Impact of the COVID-19 Pandemic on Operations:

On March 11, 2020, the World Health Organization publicly characterized COVID-19 as a pandemic. Many federal, state and local governmental agencies declared a state of emergency and issued a variety of recommendations impacting travel, group gatherings, etc. As an essential business, the Organization has been operating continuously throughout the COVID-19 pandemic, providing food, rental assistance, information, and referrals to the growing number of people coming for help. However, COVID-19 has required the Organization to shift the way of delivering services, and in order to keep the clients, volunteers, and staff safe, and to ensure compliance with applicable social distancing mandates. As a result of COVID-19, the Organization received additional revenue from government resources as well as foundations and has incurred additional expense as noted in the Statement of Functional Expenses.

West Valley Community Services of Santa Clara County

Notes to the Financial Statements

The Organization received loan proceeds in the amount of \$275,535 (see Note 7) under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provided loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest may be forgivable as long as the Organization uses the loan proceeds for eligible purposes. The amount of loan forgiveness will be reduced if certain requirements are not met. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization has used the proceeds for the purposes consistent with the PPP and will apply for full forgiveness.

Note 15 – Capital Campaign:

Over the last five years, the Organization has seen an unprecedented increase in need for support and services. Robust job growth in Silicon Valley combined with the lack of new housing has pushed up rental costs, making it ever more difficult for low-income families to afford rent and food - making the services that the Organization provides even more necessary. COVID-19 has resulted in significant increases in client demand, as low income families struggle with joblessness and lack of savings undermining household stability and threatening food and housing security.

In order to help meet this demand, the Organization will renovate their facility to double the size of the food pantry, add a new dry food storage room, make better use of office space, and add a new 1,000-square-foot multipurpose room for client and staff use. The Organization will also purchase and customize a new 22-foot mobile pantry vehicle to take food to clients who have mobility or transportation challenges. These changes will allow to serve more clients both at the main office in Cupertino, and throughout the community.

The Organization has budgeted a total of approximately \$2,100,000 for this project and expects the construction to be done by May 2021. Through June 30, 2020, the Organization has raised approximately \$1,500,000. The total expenses incurred during the year is \$70,500 towards consulting fees and \$40,700 towards fundraising costs.