WEST VALLEY COMMUNITY SERVICES OF SANTA CLARA COUNTY

JUNE 30, 2019

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

West Valley Community Services of Santa Clara County

Independent Auditors' Report
and Financial Statements

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HOOD & STRONG LLP
CERTIFIED PUBLIC ACCOUNTANTS

A Century Strong

Independent Auditors' Report

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

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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 9, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Effect of Adopting New Accounting Standard

As described in Note 2, the Organization adopted the Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-14, Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Accordingly, the accounting change has been retrospectively applied to prior periods presented with the exception of the omission of certain information as permitted by the ASU. Our opinion is not modified with respect to that matter.

Hood & Strong LLP

San Jose, California
January 15, 2020

West Valley Community Services of Santa Clara County

Statement of Financial Position

June 30, 2019 (with comparative totals for 2018)	2019	2018
Assets		
Cash	$ 448,019	$ 569,319
Grants and awards receivable	437,424	491,834
Prepaid expenses	80,658	67,474
Total current assets	966,101	1,128,627
Investments	1,876,865	1,492,314
Prepaid land lease, net	759,590	779,765
Property and equipment, net	3,217,338	3,292,798
Total assets	$ 6,819,894	$ 6,693,504
Liabilities and Net Assets		
Liabilities:		
Current portion of long-term debt	$ 11,611	$ 32,569
Accounts payable	30,264	13,226
Accrued compensation	113,202	101,357
Deferred revenue	7,100	9,750
Refundable deposits	24,408	21,643
Total current liabilities	186,585	178,545
Accrued interest	198,069	856,453
Long-term debt, net of current portion	4,016,208	4,111,950
Total liabilities	4,400,862	5,146,948
Net Assets:		
Without donor restrictions:		
Undesignated (deficit)	685,129	(63,556)
Designated for replacement reserves	307,200	288,000
Total without donor restrictions	992,329	224,444
With donor restrictions	1,426,703	1,322,112
Total net assets	2,419,032	1,546,556
Total liabilities and net assets	$ 6,819,894	$ 6,693,504

See accompanying notes to financial statements.

West Valley Community Services of Santa Clara County

Statement of Activities

Year Ended June 30, 2019 (with comparative totals for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Public Support and Revenue:				
Government awards	$ 1,246,729		$ 1,246,729	$ 1,147,490
Foundation grants	331,453	$ 323,000	654,453	452,248
Contributions	291,676	241,141	532,817	386,045
In-kind contributions	1,648,009		1,648,009	1,571,493
United Way		60,000	60,000	171,000
Special events, net of direct expense of $60,437 and $46,550, respectively	182,165	4,000	186,165	181,697
Program fees and rental income	389,422		389,422	353,931
Investment income	64,104		64,104	84,111
Forgiveness of debt	671,133		671,133	2,000
Net assets released from restrictions	523,550	(523,550)		
Total public support and revenue	5,348,241	104,591	5,452,832	4,350,015
Expenses				
Program services:				
Vista Village housing	559,362		559,362	511,685
Affordable housing				3,068
Family assistance	3,465,687		3,465,687	2,853,802
Greenwood Apartments	105,124		105,124	76,999
Total program services	4,130,173	-	4,130,173	3,445,554
Supporting services:				
Management and general	188,432		188,432	233,537
Fundraising	261,751		261,751	206,411
Total supporting services	450,183		450,183	439,948
Total expenses	4,580,356	-	4,580,356	3,885,502
Change in Net Assets	767,885	104,591	872,476	464,513
Net Assets, beginning of year	224,444	1,322,112	1,546,556	1,082,043
Net Assets, end of year	$ 992,329	$ 1,426,703	$ 2,419,032	$ 1,546,556

See accompanying notes to financial statements.

West Valley Community Services of Santa Clara County

Statement of Functional Expenses

Year Ended June 30, 2019 (with comparative totals for 2018)

	2019							2018
	Vista Village	Family Assistance	Greenwood Apartments	Total Program	Management and General	Fundraising	Total	Total
Salaries	$ 162,257	$ 801,936	$ 20,856	$ 985,049	$ 43,114	$ 145,332	$ 1,173,495	$ 1,060,801
Payroll taxes	15,042	67,243	1,811	84,096	2,759	12,233	99,088	92,253
Employee benefits	28,643	127,037	1,348	157,028	23,935	27,194	208,157	152,065
Subtotal salaries and benefits	205,942	996,216	24,015	1,226,173	69,808	184,759	1,480,740	1,305,119
Conferences and meetings	45	3,522	7	3,574	12,332	4,448	20,354	15,627
Direct assistance, including in-kind of $1,648,009 and $1,571,493, respectively		2,203,412		2,203,412			2,203,412	1,767,367
Dues, fees and other charges	137	9,529	2,674	12,340	3,211	7,611	23,162	19,935
Equipment	3,108	13,601	357	17,066	858	1,984	19,908	10,531
Insurance	8,501	28,904		37,405	16,971	5,840	60,216	40,318
Interest	9,217		13,259	22,476			22,476	74,557
Maintenance and repairs	19,714	25,062	7,227	52,003	3,045	1,478	56,526	44,376
Outside services	11,785	43,034	5,136	59,955	55,051	40,134	155,140	125,558
Postage	354	1,733	46	2,133	1,122	2,241	5,496	3,847
Printing		448		448	1,487	6,142	8,077	13,265
Other expenses	7,945	79,321	1,006	88,272			88,272	67,513
Supplies	455	4,812	61	5,328	9,840	1,524	16,692	31,666
Telephone	1,896	10,569	180	12,645	441	1,492	14,578	15,389
Travel		13,795		13,795	2,547	2,094	18,436	9,838
Utilities	39,665	11,359	3,776	54,800	655	2,004	57,459	43,533
Subtotal before depreciation and amortization	308,764	3,445,317	57,744	3,811,825	177,368	261,751	4,250,944	3,588,439
Depreciation and amortization	250,598	20,370	47,380	318,348	11,064		329,412	297,063
Total expenses as shown on the Statement of Activities	559,362	3,465,687	105,124	4,130,173	188,432	261,751	4,580,356	3,885,502
Direct benefit to participants of special events						60,437	60,437	46,550
Total	$ 559,362	$ 3,465,687	$ 105,124	$ 4,130,173	$ 188,432	$ 322,188	$ 4,640,793	$ 3,932,052

See accompanying notes to financial statements.

West Valley Community Services of Santa Clara County

Statement of Cash Flows

Year Ended June 30, 2019 (with comparative totals for 2018)	2019	2018
Cash Flows from Operating Activities		
Change in net assets	$ 872,476	$ 464,513
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gain on investments	(26,334)	(60,603)
Recognition of forgiveness of debt	(671,133)	(2,000)
Amortization of land lease	20,175	20,175
Depreciation expense	309,237	276,888
In-kind donation of property and equipment		(42,965)
Change in operating assets and liabilities:		
Grants and awards receivable	54,410	(122,629)
Prepaid expenses	(13,184)	(36,678)
Accounts payable	17,038	(55,795)
Accrued compensation	11,845	13,343
Deferred revenue	(2,650)	(1,975)
Refundable deposits	2,765	1,389
Accrued interest	10,750	56,586
Net cash provided by operating activities	585,395	510,249
Cash Flows from Investing Activities:		
Purchase of investments	(452,217)	(333,691)
Proceeds from sale of investments	94,000	66,997
Property and equipment additions	(233,777)	(331,602)
Net cash used by investing activities	(591,994)	(598,296)
Cash Flows from Financing Activities		
Principal payments on long term obligations	(114,701)	(29,658)
Net cash used by investing activities	(114,701)	(29,658)
Net Change in Cash and Cash Equivalents	(121,300)	(117,705)
Cash and Cash Equivalents, beginning of year	569,319	687,024
Cash and Cash Equivalents, end of year	$ 448,019	$ 569,319
Supplemental Disclosures:		
Cash paid for interest expense	$ 8,939	$ 16,334

See accompanying notes to 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. <u>Basis of Accounting</u>

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. <u>Description of Net Assets</u>

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.

c. <u>Revenue Recognition</u>

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.

Program fees and rental income are recognized in the period the service is provided.

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. <u>Cash and Cash Equivalents</u>

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. <u>Grants and Awards Receivable</u>

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. <u>Investments and Endowment Assets</u>

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.

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 spent.

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.

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, 2018 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 August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) Presentation of Financial Statements of *Not-for-Profit Entities*, which changes presentation and disclosure requirements for nonprofit entities to provide more relevant information about their resources (and the changes in those resources) to donors, granters, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses, and liquidity. This ASU was adopted as of July 1, 2018. Accordingly, the accounting change has been retrospectively applied to all periods presented with the exception of the omission of prior year liquidity and availability of resource information as permitted by the ASU.

Pronouncement effective in the future

In June 2018, the FASB issued 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 ASU is effective for fiscal years beginning after December 15, 2018. The Organization is currently evaluating the impact the adoption of this ASU will have on its financial statements.

o. Subsequent Events

The Organization has evaluated subsequent events from June 30, 2019 through January 15, 2020, 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.

Note 3 - Liquidity and Availability of Resources:

The Organization's financial assets at June 30, 2019 that are available to meet general expenditures over the next twelve months are as follows:

Financial assets:	
Cash and cash equivalents	$ 448,019
Grants and awards receivable	437,424
Investments	1,876,865
Estimated endowment draw	25,000
Total	2,787,308
Less amounts not available to be used within one year:	
Net assets with donor restrictions – purpose restrictions	375,088
Net assets with donor restrictions – endowment, including accumulated earnings	866,615
Client housing deposits	24,408
Board designated replacement reserves	307,200
Financial assets available to meet general expenditures over the next twelve months	$ 1,213,997

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). As of the Statement of Financial Position date, the Organization had approximately 100 days of normal operating expenses available. 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. The Organization's endowment funds are also invested with a board designated replacement reserve fund that is designated for building maintenance on all the Organization's property. The Organization has used grants from the City of Cupertino to renovate Vista Village and Greenwood Court Apartments. The use of City funding has limited the use of the board designated endowment funds. Additional funding from the City of Cupertino will be used in the coming 12 months to renovate another Vista Village apartment.

Note 4 - Investments:

Investments at June 30, 2019 consist of the following:

Cash and money funds	$ 23,327
Bond funds	259,525
Exchange traded funds	569,970
Fixed income	963,291
Equity funds	60,752
Total	$ 1,876,865

At June 30, 2019, 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, 2019 amortization is $20,175. At June 30, 2019 prepaid land lease of $759,590 is reported net of accumulated amortization expense of $390,410.

Note 6 - Property and Equipment:

At June 30, 2019 property and equipment consist of the following:

Land	$ 355,000
Building and improvements	6,206,274
Furniture and fixtures	238,777
Vehicles	204,415
Equipment	140,540
	7,145,006
Less accumulated depreciation	(3,927,668)
	$ 3,217,338

Note 7 - Long-Term Debt:

At June 30, 2019 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, 2019 there was no accrued interest.	$ 4,583
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, 2019, there was $69,000 of accrued interest.	189,519
Note payable to the Housing Trust 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, 2019 Vista Village did not have positive cash flow. Interest accrues at 2% per annum. At June 30, 2019, there was $129,069 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, 2019, 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, 2019, there was no accrued interest.	220,793
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, 2019 Vista Village did not have positive cash flow. Simple interest accrues at 3.0% per annum. At June 30, 2019 there was accrued interest of $53,000, but no amount has been recorded as a liability because the Organization expects all interest to be forgiven.	100,000
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, 2019 Vista Village did not have positive cash flow. At June 30, 2019, there was no accrued interest as this note bears no interest.	2,424,124
	4,027,819
Less current portion	(11,611)
Long-term debt, net of current portion	$ 4,016,208

Future annual principal payments are as follows:

Year Ending June 30,	Amount
2020	$ 11,611
2021	11,924
2022	12,247
2023	12,579
2024	12,922
Thereafter	3,966,536
Total	$ 4,027,819

Note 8 - Board Designated Net Assets:

The Board of Directors has designated a portion of the Organization's net assets without donor restrictions for replacement reserves. Future repairs and replacement costs of Vista Village are set aside in equal amounts of $19,200 annually, as recommended by an engineering study conducted in 2004. The accumulated replacement reserves set aside at June 30, 2019 are $307,200. Management plans on using the accumulated endowment earnings, should any replacement or repair expenditures arise in the near term.

Note 9 - Net Assets With Donor Restrictions:

At June 30, 2019, the Organization's net asset with donor restrictions activity is as follows:

Purpose	Beginning	Additions	Released	Ending
Endowments				
Endowment earnings	$ 309,625	$ 31,707	$ (25,000)	$ 316,332
Endowment funds	535,283	15,000		550,283
Total endowment funds	844,908	46,707	(25,000)	866,615
Purpose restrictions				
Event sponsorship	11,000	4,000	(11,000)	4,000
CARE program	175,000	198,000	(175,000)	198,000
FEP program	15,000		(15,000)	
Intern program	13,500		(13,500)	
Equipment acquisition	10,000	5,000	(2,837)	12,163
Education		21,000		21,000
Capital project		118,041	(17,041)	101,000
Special program	27,704	50,393	(39,172)	38,925
Total purpose restrictions	252,204	396,434	(273,550)	375,088
Time restrictions				
Emergency assistance – time restriction	225,000	185,000	(225,000)	185,000
Total	$ 1,322,112	$ 628,141	$ (523,550)	$ 1,426,703

Note 10 - 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).

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.

Endowment net assets by restriction as of June 30, 2019 are as follows:

Permanent in nature	$	550,283
Temporary in nature		316,332
Total	$	866,615

Changes in the endowment net assets for the year ended June 30, 2019 is as follows:

		Temporary in Nature		Permanent in Nature		Total Endowment
Endowment net assets, beginning of year	$	309,625	$	535,283	$	844,908
Contributions				15,000		15,000
Investment return		31,707				31,707
Appropriation of endowment assets for expenditure		(25,000)				(25,000)
Endowment net assets, end of year	$	316,332	$	550,283	$	866,615

Note 11 - 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 20,600 hours were contributed by individuals during the year ended June 30, 2019. 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 $1,648,009, for the year ending June 30, 2019.

Note 12 - 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, 2019. The Organization contributed $19,544 to the plan as of June 30, 2019.

Note 13 - 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, 2019, 66% of grant and award receivables are due from two grantors. For the year ended June 30, 2019, 94% of the government awards are from three government agencies and 45% 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 14 - 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.