

WEST VALLEY COMMUNITY SERVICES
OF SANTA CLARA COUNTY

JUNE 30, 2018

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

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, 2018, 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 entity'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 entity'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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 11, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hood & Strong LLP

San Jose, California
January 9, 2019

West Valley Community Services of Santa Clara County

Statement of Financial Position

<i>June 30, 2018 (with comparative totals for 2017)</i>	2018	2017
Assets		
Cash	\$ 569,319	\$ 687,024
Grants and awards receivable	491,834	369,205
Prepaid expenses	67,474	30,796
Total current assets	1,128,627	1,087,025
Investments	1,492,314	1,165,017
Prepaid land lease, net	779,765	799,940
Property and equipment, net	3,292,798	3,195,119
Total assets	\$ 6,693,504	\$ 6,247,101
Liabilities and Net Assets		
Liabilities:		
Current portion of long-term debt	\$ 32,569	\$ 31,606
Accounts payable	13,226	69,021
Accrued compensation	101,357	88,014
Deferred revenue	9,750	11,725
Refundable deposits	21,643	20,254
Total current liabilities	178,545	220,620
Accrued interest	856,453	798,230
Long-term debt	4,111,950	4,146,208
Total liabilities	5,146,948	5,165,058
Net Assets:		
Unrestricted deficit	(63,556)	(422,380)
Designated for replacement reserves	288,000	268,800
Total unrestricted (deficit) net assets	224,444	(153,580)
Temporarily restricted	786,829	700,340
Permanently restricted	535,283	535,283
Total net assets	1,546,556	1,082,043
Total liabilities and net assets	\$ 6,693,504	\$ 6,247,101

See accompanying notes to financial statements.

West Valley Community Services of Santa Clara County

Statement of Activities

Year Ended June 30, 2018 (with comparative totals for 2017)

	2018			2017	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Public Support and Revenue:					
Government awards	\$ 1,147,490			\$ 1,147,490	\$ 803,570
Foundation grants	152,248	\$ 300,000		452,248	601,667
Contributions	325,166	60,879		386,045	519,243
In-kind contributions	1,571,493			1,571,493	1,312,537
United Way	71,000	100,000		171,000	43,224
Special events, net of direct expense of \$60,437 and \$46,550, respectively	170,697	11,000		181,697	126,669
Program fees and rental income	353,931			353,931	333,326
Investment income	30,666	53,445		84,111	108,335
Other income	2,000			2,000	2,000
Net assets released from restrictions	438,835	(438,835)			
Total public support and revenue	4,263,526	86,489		4,350,015	3,850,571
Expenses					
Program services:					
Vista Village housing	511,685			511,685	388,183
Affordable housing	3,068			3,068	154,023
Family assistance	2,853,802			2,853,802	2,306,212
Greenwood Apartments	76,999			76,999	93,090
Supporting services:					
Management and general	233,537			233,537	298,855
Fundraising	206,411			206,411	249,068
Total expenses	3,885,502			3,885,502	3,489,431
Change in Net Assets	378,024	86,489		464,513	361,140
Net Assets, beginning of year	(153,580)	700,340	\$ 535,283	1,082,043	720,903
Net Assets, end of year	\$ 224,444	\$ 786,829	\$ 535,283	\$ 1,546,556	\$ 1,082,043

See accompanying notes to financial statements.

West Valley Community Services of Santa Clara County

Statement of Expenses

Year Ended June 30, 2018 (with comparative totals for 2017)

	2018								2017	
	Vista Village	Affordable Housing	Family Assistance	Greenwood Apartments	Total Program	Management and General	Fundraising	Total	Total	
Salaries and Benefits:										
Salaries	\$ 173,756	\$ 1,858	\$ 711,373	\$ 6,591	\$ 893,578	\$ 32,649	\$ 134,574	\$ 1,060,801	\$ 1,011,001	
Payroll taxes	15,111	162	61,865	573	77,711	2,839	11,703	92,253	82,813	
Employee benefits	23,756	600	93,755		118,111	16,356	17,598	152,065	127,274	
Subtotal salaries and benefits	212,623	2,620	866,993	7,164	1,089,400	51,844	163,875	1,305,119	1,221,088	
Expenses:										
Conferences and meetings	517	4	4,263	3	4,787	5,734	5,106	15,627	4,782	
Direct assistance, including in-kind of \$1,528,528 and \$1,312,537, respectively			1,767,367		1,767,367			1,767,367	1,508,087	
Dues, fees and other charges	180	2	4,104	2,502	6,788	7,874	5,273	19,935	9,354	
Equipment	1,556	7	6,501	(386)	7,678	1,640	1,213	10,531	9,818	
Insurance	7,672	192	26,145		34,009	999	5,310	40,318	38,991	
Interest				11,222	11,222	63,335		74,557	62,363	
Maintenance and repairs	15,557	4	24,065	2,276	41,902	1,340	1,134	44,376	30,708	
Outside services	11,001	4	34,728	314	46,047	66,978	12,533	125,558	154,480	
Postage	305	2	1,391	11	1,709	67	2,071	3,847	4,743	
Printing	131	2	7,897		8,030	862	4,373	13,265	18,470	
Other expenses	4,550		62,228	440	67,218	152	143	67,513	37,592	
Supplies	1,625	24	9,734	43	11,426	18,960	1,280	31,666	24,101	
Telephone	1,997	205	11,285	63	13,550	318	1,521	15,389	11,696	
Travel	41		7,638		7,679	432	1,727	9,838	5,265	
Utilities	32,923	2	5,561	3,838	42,324	357	852	43,533	74,867	
Subtotal before depreciation and amortization	290,678	3,068	2,839,900	27,490	3,161,136	220,892	206,411	3,588,439	3,216,405	
Depreciation and amortization	221,007		13,902	49,509	284,418	12,645		297,063	273,026	
Total	\$ 511,685	\$ 3,068	\$ 2,853,802	\$ 76,999	\$ 3,445,554	\$ 233,537	\$ 206,411	\$ 3,885,502	\$ 3,489,431	

See accompanying notes to financial statements.

West Valley Community Services of Santa Clara County

Statement of Cash Flows

<i>Year Ended June 30, 2018 (with comparative totals for 2017)</i>	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ 464,513	\$ 361,140
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized loss on investments	(60,603)	(86,950)
Recognition of forgivable loan	(2,000)	(2,000)
Amortization of land lease	20,175	20,175
Depreciation expense	276,888	252,851
In-kind donation of property and equipment	(42,965)	
(Increase) decrease in operating assets and liabilities:		
Grants and awards receivable	(122,629)	(102,752)
Prepaid expenses	(36,678)	695
Accounts payable	(55,795)	59,855
Accrued compensation	13,343	38,373
Deferred revenue	(1,975)	
Refundable deposits	1,389	1,533
Accrued interest	56,586	44,817
Net cash provided by operating activities	510,249	587,737
Cash Flows from Investing Activities:		
Purchase of investments	(333,691)	(70,986)
Proceeds from sale of investments	66,997	35,797
Property and equipment additions	(331,602)	(157,996)
Net cash used by investing activities	(598,296)	(193,185)
Cash Flows from Financing Activities		
Principal payments on long term obligations	(29,658)	(30,084)
Net cash used by investing activities	(29,658)	(30,084)
Net Change in Cash and Cash Equivalents	(117,705)	364,468
Cash and Cash Equivalents, beginning of year	687,024	322,556
Cash and Cash Equivalents, end of year	\$ 569,319	\$ 687,024
Supplemental Disclosures:		
Cash paid for interest expense	\$ 16,334	\$ 17,547

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

Unrestricted Net Assets – the portion of net assets that is neither temporarily nor permanently 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 unrestricted net assets as long-term asset replacement reserves.

Temporarily Restricted Net Assets – the portion of net assets, 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.

Permanently Restricted Net Assets – the portion of net assets, 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 unrestricted net assets 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 temporarily restricted net assets. When such restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. All other contributed support is recognized as unrestricted revenue 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. 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.

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.

West Valley Community Services of Santa Clara County

Notes to the Financial Statements

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 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, 2017 from which the summarized information was derived.

West Valley Community Services of Santa Clara County

Notes to the Financial Statements

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

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*. The amendments in this ASU set forth the FASB’s changes to net asset classification requirements and the information presented about a not-for-profit entity’s liquidity, financial performance, and cash flows. The amendments in the ASU are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application of the amendments in the ASU is permitted. The Organization is evaluating the impact of this pronouncement on its financial statements.

o. Subsequent Events

The Organization has evaluated subsequent events from June 30, 2018 through January 9, 2019, the date these financial statements were available to be issued. Except for the events as discussed in Note 6, there were no other material subsequent events that required recognition or disclosure in the financial statements.

Note 3 - Investments:

Investments at June 30, 2018 consist of the following:

Cash and money funds	\$	475,953
Bond funds		147,582
Exchange traded funds		551,881
Fixed income		254,888
Equity funds		62,010
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Total	\$	1,492,314
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West Valley Community Services of Santa Clara County

Notes to the Financial Statements

For the year ending June 30, 2018, investment income consists of the following:

Interest and dividends	\$	23,509
Realized gains		55,866
Unrealized gains		4,736
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Total	\$	84,111

At June 30, 2018, all investments were measured using level 1 inputs.

Note 4 - 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, 2018 amortization is \$20,175. At June 30, 2018 prepaid land lease of \$779,765 is reported net of accumulated amortization expense of \$370,235.

Note 5 - Property and Equipment:

At June 30, 2018 property and equipment consist of the following:

Land	\$	355,000
Building and improvements		5,972,497
Furniture and fixtures		238,777
Vehicles		204,415
Equipment		140,540
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		6,911,229
Less accumulated depreciation		(3,618,431)
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	\$	3,292,798

West Valley Community Services of Santa Clara County

Notes to the Financial Statements

Note 6 - Long-Term Debt:

At June 30, 2018 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, 2018 there was no accrued interest.	\$ 6,583
Note payable to a bank due July 2026, collateralized by real property at the Greenwood Apartments requiring monthly payments of principal of \$1,422 plus accrued interest at 6.5% per annum.	103,394
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, 2018, there was \$66,000 of accrued interest.	200,825
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, 2018 Vista Village did not have positive cash flow. Interest accrues at 2% per annum. At June 30, 2018, there was \$119,852 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 6.0% per annum. At June 30, 2018, there was \$670,601 included in accrued interest.	747,800
Note payable to the County of Santa Clara due December 2034, collateralized by real property at Vista Village requiring annual payments of principal of \$16,725 plus accrued interest at 3.0% per annum.	220,793

West Valley Community Services of Santa Clara County

Notes to the Financial Statements

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, 2018 Vista Village did not have positive cash flow. Simple interest accrues at 3.0% per annum. At June 30, 2018 there was accrued interest of \$50,000, 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, 2018 Vista Village did not have positive cash flow. At June 30, 2018, there was no accrued interest as this note bears no interest.	2,424,124
	4,144,519
Less current portion	(32,569)
Long-term debt, net of current portion	\$ 4,111,950

Future annual principal payments are as follows:

Year Ending June 30,	Amount
2019	\$ 32,569
2020	33,905
2021	35,307
2022	36,780
2023	38,327
Thereafter	3,967,631
Total	\$ 4,144,519

The Organization is working with the County of Santa Clara to forgive the accrued interest and renegotiate repayment terms.

West Valley Community Services of Santa Clara County

Notes to the Financial Statements

Note 7 - Board Designated Net Assets:

The Board of Directors has designated a portion of the Organization's unrestricted net assets for replacement reserves. Future repairs and replacement costs of Vista Village are set aside in equal amounts, \$19,200 annually, as recommended by an engineering study conducted in 2004. The accumulated replacement reserves set aside at June 30, 2018 are \$288,000. Management plans on using the accumulated endowment earnings, should any replacement or repair expenditures arise in the near term.

Note 8 - Temporarily Restricted Net Assets:

At June 30, 2018, the Organization's temporarily restricted net asset activity is as follows:

Purpose	Beginning	Additions	Released	Ending
Endowment earnings	\$ 282,180	\$ 53,445	\$ (26,000)	\$ 309,625
Emergency assistance	171,667	225,000	(171,667)	225,000
Event sponsorship	9,800	11,000	(9,800)	11,000
CARE program	175,000	175,000	(175,000)	175,000
FEP program	12,500	15,000	(12,500)	15,000
Intern program		18,000	(4,500)	13,500
Equipment acquisition	30,750		(20,750)	10,000
Special program	18,443	27,879	(18,618)	27,704
Total	\$ 700,340	\$ 525,324	\$ (438,835)	\$ 786,829

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 permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The portion of the endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets in a manner consistent with the standard of prudence prescribed by 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 percent 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, 2018 are as follows:

Permanently restricted	\$	535,283
Temporarily restricted		309,625
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Total	\$	844,908

West Valley Community Services of Santa Clara County

Notes to the Financial Statements

Changes in the endowment net assets for the year ended June 30, 2018 is as follows:

	Temporarily Restricted	Permanently Restricted	Total Endowment
Endowment net assets, beginning of year	\$ 282,180	\$ 535,283	\$ 817,463
Interest and dividends	18,746		18,746
Realized gains	44,691		44,691
Unrealized losses	(9,992)		(9,992)
Appropriation of endowment assets for expenditure	(26,000)		(26,000)
<u>Endowment net assets, end of year</u>	<u>\$ 309,625</u>	<u>\$ 535,283</u>	<u>\$ 844,908</u>

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 16,100 hours were contributed by individuals during the year ended June 30, 2018. 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, the following in-kind donations for the year ending June 30, 2018:

Vehicle	\$ 42,965
Food Inventory	1,528,528
<u>Total</u>	<u>\$ 1,571,493</u>

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, 2018. The Organization contributed \$14,377 to the plan as of June 30, 2018.

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, 2018, 83% of grant and award receivables are due from three grantors. For the year ended June 30, 2018, 95% of the government awards are from three government agencies and 76% of foundation grants are from three 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.