

WEST VALLEY COMMUNITY SERVICES  
OF SANTA CLARA COUNTY

JUNE 30, 2016

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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, 2016, 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, 2016, 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.

### **Emphasis of Matter**

As discussed in Note 7 to the financial statements, the Organization's unrestricted net assets are in a deficit position. Our opinion is not modified with respect to this matter.

### **Report on Summarized Comparative Information**

We have previously audited the Organization's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 30, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Hood & Strong LLP*

San Jose, California  
January 27, 2017

# West Valley Community Services of Santa Clara County

## Statement of Financial Position

<i>June 30, 2016 (with comparative totals for 2015)</i>	2016	2015
<b>Assets</b>		
Cash	\$ 322,556	\$ 103,454
Grants and awards receivable	266,453	350,112
Prepaid expenses	31,491	39,396
Total current assets	620,500	492,962
Investments	1,042,878	1,125,800
Prepaid land lease, net	820,115	840,290
Property and equipment, net	3,289,974	3,486,655
Total assets	\$ 5,773,467	\$ 5,945,707
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Current portion of long-term debt	\$ 36,814	\$ 35,949
Accounts payable	9,166	18,592
Accrued compensation	49,641	32,840
Deferred revenue	11,725	11,725
Refundable deposits	18,721	19,575
Total current liabilities	126,067	118,681
Accrued interest	753,413	690,904
Long-term debt	4,173,084	4,204,967
Total liabilities	5,052,564	5,014,552
<b>Net Assets:</b>		
Unrestricted deficit	(467,182)	(467,100)
Designated for replacement reserves	249,600	230,400
Total unrestricted (deficit) net assets	(217,582)	(236,700)
Temporarily restricted	403,202	632,572
Permanently restricted	535,283	535,283
Total net assets	720,903	931,155
Total liabilities and net assets	\$ 5,773,467	\$ 5,945,707

See accompanying notes to financial statements.

# West Valley Community Services of Santa Clara County

## Statement of Activities

*Year Ended June 30, 2016 (with comparative totals for 2015)*

	2016				2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>Public Support and Revenue:</b>					
Government awards	\$ 488,248			\$ 488,248	\$ 448,076
Foundation grants	255,433	\$ 175,000		430,433	240,076
Contributions	175,078			175,078	151,063
In-kind contributions	1,127,081			1,127,081	1,684,253
United Way	57,777			57,777	148,904
Special events, net of direct expense of \$26,647 and \$32,803, respectively	33,075	2,000		35,075	59,326
Program fees and rental income	338,437			338,437	327,622
Investment income	10,443	(2,426)		8,017	26,289
Other income	2,000			2,000	3,584
Net assets released from restrictions	403,944	(403,944)			
Total public support and revenue	2,891,516	(229,370)		2,662,146	3,089,193
<b>Expenses</b>					
<b>Program services:</b>					
Vista Village housing	369,073			369,073	430,630
Affordable housing	127,233			127,233	137,579
Family assistance	1,769,889			1,769,889	2,251,623
Transitional housing	133,877			133,877	193,078
<b>Supporting services:</b>					
Management and general	262,212			262,212	102,975
Fundraising	210,114			210,114	160,731
Total expenses	2,872,398			2,872,398	3,276,616
<b>Change in Net Assets</b>	19,118	(229,370)		(210,252)	(187,423)
<b>Net Assets - beginning of year</b>	(236,700)	632,572	\$ 535,283	931,155	1,118,578
<b>Net Assets - end of year</b>	\$ (217,582)	\$ 403,202	\$ 535,283	\$ 720,903	\$ 931,155

See accompanying notes to financial statements.

# West Valley Community Services of Santa Clara County

## Statement of Functional Expenses

Year Ended June 30, 2016 (with comparative totals for 2015)

	2016								2015	
	Vista Village	Affordable Housing	Family Assistance	Transitional Housing	Total Program	Management and General	Fundraising	Total	Total	
<b>Salaries and Benefits:</b>										
Salaries	\$ 45,858	\$ 69,312	\$ 343,704	\$ 55,669	\$ 514,543	\$ 123,220	\$ 133,695	\$ 771,458	\$ 672,121	
Payroll taxes	4,149	7,047	30,450	5,277	46,923	10,503	12,614	70,040	63,848	
Employee benefits	4,679	7,948	34,342	5,952	52,921	11,846	14,226	78,993	85,511	
Subtotal salaries and benefits	54,686	84,307	408,496	66,898	614,387	145,569	160,535	920,491	821,480	
<b>Expenses:</b>										
Conferences and meetings	35	476	231	27	769	1,035	235	2,039	8,753	
Direct assistance, including in-kind of \$1,106,581 and \$1,655,501, respectively			1,266,790	3,741	1,270,531			1,270,531	1,753,108	
Dues, fees and other charges	805	117	2,111	2,407	5,440	3,663	1,965	11,068	10,584	
Equipment	522	910	3,897	643	5,972	1,353	1,540	8,865	9,272	
Insurance	2,308	4,641	17,044	2,146	26,139	6,064	6,788	38,991	38,992	
Interest	66,440			14,680	81,120			81,120	80,666	
Maintenance and repairs	5,982	12,427	3,134	3,145	24,688	366	478	25,532	47,329	
Outside services	1,925	2,228	17,939	1,583	23,675	77,325	5,555	106,555	98,816	
Postage	50	130	434	71	685	246	2,847	3,778	3,059	
Printing	119	310	1,236	184	1,849	1,562	5,146	8,557	6,490	
Other program expenses	1,200	5,900	17,884		24,984			24,984	36,065	
Special event expense						1,251	14,085	15,336	11,241	
Supplies	1,022	778	3,459	1,527	6,786	2,724	4,600	14,110	12,350	
Telephone	526	1,122	4,502	1,126	7,276	2,145	1,609	11,030	11,097	
Travel		64	103	11	178	1,943	77	2,198	4,935	
Utilities	19,365	13,823	11,794	7,317	52,299	4,679	4,654	61,632	68,330	
Subtotal before depreciation and amortization	154,985	127,233	1,759,054	105,506	2,146,778	249,925	210,114	2,606,817	3,022,567	
Depreciation and amortization	214,088		10,835	28,371	253,294	12,287		265,581	254,049	
<b>Total</b>	<b>\$ 369,073</b>	<b>\$ 127,233</b>	<b>\$ 1,769,889</b>	<b>\$ 133,877</b>	<b>\$ 2,400,072</b>	<b>\$ 262,212</b>	<b>\$ 210,114</b>	<b>\$ 2,872,398</b>	<b>\$ 3,276,616</b>	

See accompanying notes to financial statements.

# West Valley Community Services of Santa Clara County

## Statement of Cash Flows

<i>Year Ended June 30, 2016 (with comparative totals for 2015)</i>	2016	2015
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (210,252)	\$ (187,423)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized loss on investments	25,178	2,485
Interest accrued on long term obligations	81,120	80,666
Recognition of forgivable loan	(2,000)	(2,000)
Amortization of land lease	20,175	20,175
Depreciation expense	245,406	233,874
Permanently restricted contributions		(3,612)
In-kind donation of property and equipment	(20,500)	(28,752)
(Increase) decrease in operating assets and liabilities:		
Grants and awards receivable	83,660	(10,684)
Prepaid expenses	7,905	(9,741)
Accounts payable	(9,426)	(12,106)
Accrued compensation	16,801	(32,569)
Refundable deposits	(854)	360
<b>Net cash provided by operating activities</b>	<b>237,213</b>	<b>50,673</b>
<b>Cash Flows from Investing Activities:</b>		
Purchase of investments	(35,142)	(33,927)
Proceeds from sale of investments	92,886	47,000
Property and equipment additions	(28,225)	(14,257)
<b>Net cash provided (used) by investing activities</b>	<b>29,519</b>	<b>(1,184)</b>
<b>Cash Flows from Financing Activities</b>		
Principal payments on long term obligations	(47,630)	(47,630)
Permanently restricted contributions		3,612
<b>Net cash used by investing activities</b>	<b>(47,630)</b>	<b>(44,018)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>219,102</b>	<b>5,471</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>103,454</b>	<b>97,983</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 322,556</b>	<b>\$ 103,454</b>
<b>Supplemental Disclosures:</b>		
Cash paid for interest expense	\$ 18,612	\$ 18,328

See accompanying notes to financial statements.



# West Valley Community Services of Santa Clara County

## Notes to the Financial Statements

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### 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 encourage the sharing of community resources; provide basic human needs in a caring and dignified environment; and provide opportunities for volunteers to participate in community activities.

The Organization owns and operates a twenty-four unit housing complex and a four-plex for low-income families and individuals and provides screening services for the City of Cupertino's Below Market Rate program. 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

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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 received. 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.

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 eight 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

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### 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, 2015 from which the summarized information was derived.

# West Valley Community Services of Santa Clara County

## Notes to the Financial Statements

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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 currently evaluating the impact of this pronouncement on its financial statements.

o. Subsequent Events

The Organization has evaluated subsequent events from June 30, 2016 through January 27, 2017, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or disclosure in the financial statements.

# West Valley Community Services of Santa Clara County

## Notes to the Financial Statements

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### Note 3 - Investments:

Investments at June 30, 2016 consist of the following:

Cash and money funds	\$	28,996
Bond funds		139,817
Exchange traded funds		511,286
Fixed income		315,730
Equity funds		47,049
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Total	\$	1,042,878

For the year ending June 30, 2016, investment income consists of the following:

Interest and dividends	\$	33,195
Unrealized losses		(25,178)
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Total	\$	8,017

At June 30, 2016, 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, 2016 amortization is \$20,175. At June 30, 2016 prepaid land lease of \$820,115 is reported net of accumulated amortization expense of \$329,885.

# West Valley Community Services of Santa Clara County

## Notes to the Financial Statements

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### Note 5 - Property and Equipment:

At June 30, 2016 property and equipment consist of the following:

Land	\$ 355,000
Building and improvements	5,514,858
Furniture and fixtures	234,986
Vehicles	154,533
Equipment	121,734
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	6,381,111
Less accumulated depreciation	(3,091,137)
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	\$ 3,289,974

### Note 6 - Long-Term Debt:

At June 30, 2016 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, 2016 there was no accrued interest.	\$ 10,583
Note payable to a bank due July 2026, collateralized by real property at the transitional housing units requiring monthly payments of principal of \$1,422 plus accrued interest at 6.5% per annum.	122,747
Note payable to City of Cupertino due July 2026, collateralized by real property at the transitional housing units 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, 2016 there was \$60,000 of accrued interest.	222,563

# West Valley Community Services of Santa Clara County

## Notes to the Financial Statements

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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, 2016 Vista Village did not have positive cash flow. Interest accrues at 2% per annum. At June 30, 2016 there was \$101,958 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, 2016 there was \$591,455 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.	241,081
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, 2016 Vista Village did not have positive cash flow. Simple interest accrues at 3.0% per annum. At June 30, 2016 there was accrued interest of \$44,000 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, 2016 Vista Village did not have positive cash flow. At June 30, 2016 there was no accrued interest as this note bears no interest.	2,424,124
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	4,209,898
Less current portion	(36,814)
	<hr/>
Long-term debt, net of current portion	\$ 4,173,084

# West Valley Community Services of Santa Clara County

## Notes to the Financial Statements

Future annual principal payments are as follows:

Year Ending June 30,	Amount
2017	\$ 36,814
2018	37,728
2019	38,691
2020	39,740
2021	40,784
Thereafter	4,016,141
Total	
	\$ 4,209,898

**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, 2016 are \$249,600. The remaining unrestricted net assets is in a deficit position, for which 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, 2016 the Organization's temporarily restricted net asset activity is as follows:

Purpose	Beginning	Additions	Released	Ending
Emergency assistance	\$ 87,600		\$ (87,600)	
Event sponsorship	13,975	\$ 2,000	(13,975)	\$ 2,000
CARE program	175,000	175,000	(175,000)	175,000
Purchase of a mobile van	1,269		(1,269)	
Computer and IT upgrades				
Special program	2,100		(2,100)	
Endowment earnings	352,628	(2,426)	(124,000)	226,202
Total				
	\$ 632,572	\$ 174,574	\$ (403,944)	\$ 403,202



# West Valley Community Services of Santa Clara County

## Notes to the Financial Statements

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### 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).

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. 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.

# West Valley Community Services of Santa Clara County

## Notes to the Financial Statements

Endowment net assets by restriction as of June 30, 2016 are as follows:

Permanently restricted	\$ 535,283
Temporarily restricted	226,202
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Total	\$ 761,485

Changes in the endowment net assets for the year ended June 30, 2016 is as follows:

	Temporarily Restricted	Permanently Restricted	Total Endowment
Endowment net assets, beginning of year	\$ 352,628	\$ 535,283	\$ 887,911
Interest and dividends	22,686		22,686
Unrealized losses	(25,112)		(25,112)
Appropriation of endowment assets for expenditure	(124,000)		(124,000)
<hr/>			
Endowment net assets, end of year	\$ 226,202	\$ 535,283	\$ 761,485

### 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 20,877 hours were contributed by individuals during the year ended June 30, 2016. 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, 2016:

Vehicle	\$ 20,500
Food Inventory	1,106,581
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Total	\$ 1,127,081

# West Valley Community Services of Santa Clara County

## Notes to the Financial Statements

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### **Note 11 - Retirement Plan:**

The Organization has a 403(b) tax-deferred retirement plan for the benefit of employees. The Organization contributes up to 1% of each eligible employee's monthly pay for the year ended June 30, 2016. The Organization contributed \$3,739 to the plan as of June 30, 2016.

### **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.

As of June 30, 2016, 80% of grant and award receivables are due from two grantors. For the year ended June 30, 2016, 92% of the government awards are from two government agencies. 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 has been made for any liabilities that may arise from audits by these agencies.