

West Valley Community Services of Santa Clara County, Inc.

Audited Financial Statements

JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of West Valley Community Services of Santa Clara County, Inc.:

We have audited the accompanying financial statements of West Valley Community Services of Santa Clara County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, 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 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.

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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Valley Community Services of Santa Clara County, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2013 on our consideration of the West Valley Community Services of Santa Clara County, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering West Valley Community Services of Santa Clara County, Inc.'s internal control over financial reporting and compliance.

We have previously audited West Valley Community Services of Santa Clara County, Inc.'s June 30, 2012 financial statements, and expressed an unmodified audit opinion on those audited financial statements in our report dated September 11, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been obtained.

A handwritten signature in blue ink, appearing to be 'D. D. S.', is located above the typed text.

Pleasanton, California
October 8, 2013

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.
Statement of Financial Position
June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013	Summarized 2012
ASSETS					
Cash	\$95,619	\$41,174		\$136,793	\$328,736
Grants and awards receivable	88,418	218,900		307,318	217,488
Prepaid expenses	31,411			31,411	19,337
TOTAL CURRENT ASSETS	215,448	260,074		475,522	565,561
Investments	202,615			202,615	311,572
Endowment investments		273,738	\$529,171	802,909	1,243,593
Prepaid land lease	880,640			880,640	900,815
Property and equipment, net	3,884,386			3,884,386	4,100,646
TOTAL ASSETS	\$5,183,089	\$533,812	\$529,171	\$6,246,072	\$7,122,187
LIABILITIES					
Accounts payable	\$29,908			\$29,908	\$24,731
Accrued compensation	67,933			67,933	62,367
Deferred revenue	15,601			15,601	16,325
Refundable deposits	17,119			17,119	15,850
Current portion of long term debt	34,351			34,351	110,666
TOTAL CURRENT LIABILITIES	164,912			164,912	229,939
Long term debt	4,837,422			4,837,422	5,480,882
TOTAL LIABILITIES	5,002,334			5,002,334	5,710,821
NET ASSETS					
Unrestricted					
Designated for replacement reserves	192,000			192,000	172,800
Designated for operating purposes	(11,245)			(11,245)	(206,617)
Temporarily restricted		\$533,812		533,812	916,012
Permanently restricted			\$529,171	529,171	529,171
TOTAL NET ASSETS	180,755	533,812	529,171	1,243,738	1,411,366
TOTAL LIABILITIES AND NET ASSETS	\$5,183,089	\$533,812	\$529,171	\$6,246,072	\$7,122,187

The accompanying notes are an integral part of this financial statement.

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.
Statement of Activities
For the Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013	Summarized 2012
SUPPORT AND REVENUE					
Government awards	\$317,896			\$317,896	\$349,962
Foundation grants	37,000	\$175,000		212,000	314,605
Donations	127,447	49,200		176,647	161,563
In-kind donations	1,279,220			1,279,220	1,233,013
United Way allocation		93,900		93,900	15,750
Special events, net	70,876			70,876	38,176
Program fees & rental income	321,868			321,868	304,445
Interest income	9			9	49
Investment income	31,043	110,379		141,422	(19,742)
Loss on asset disposal	(14,965)			(14,965)	
Other income	853			853	247
Net assets released from restriction:					
Expiration of time & purpose restrictions	810,679	(810,679)			
Total support and revenue	<u>2,981,926</u>	<u>(382,200)</u>		<u>2,599,726</u>	<u>2,398,068</u>
EXPENSES					
Program services					
Vista village housing	407,525			407,525	444,625
Affordable housing	98,032			98,032	80,705
Family assistance	1,691,123			1,691,123	1,626,676
Transitional housing	210,915			210,915	235,186
Supporting services					
Management and general	148,674			148,674	176,406
Fund-raising	211,085			211,085	167,511
Total expenses	<u>2,767,354</u>			<u>2,767,354</u>	<u>2,731,109</u>
INCREASE / (DECREASE) IN NET ASSETS	214,572	(382,200)		(167,628)	(333,041)
NET ASSETS AT BEGINNING OF YEAR	<u>(33,817)</u>	<u>916,012</u>	<u>\$529,171</u>	<u>1,411,366</u>	<u>1,744,407</u>
NET ASSETS AT END OF YEAR	<u>\$180,755</u>	<u>\$533,812</u>	<u>\$529,171</u>	<u>\$1,243,738</u>	<u>\$1,411,366</u>

The accompanying notes are an integral part of this financial statement.

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2013

						Supporting Services			Total	Summarized
	Vista Village	Affordable Housing	Family Assistance	Transitional Housing	Total	Mgmt & General	Fund Raising	Total	2013	2012
Salaries	\$47,481	\$69,471	\$220,780	\$98,857	\$436,589	\$54,898	\$114,109	\$169,007	\$605,596	\$631,274
Payroll taxes	4,324	4,041	20,373	8,759	37,497	4,923	10,651	15,574	53,071	55,555
Employee benefits	7,386	9,904	26,524	12,898	56,712	4,889	12,422	17,311	74,023	84,484
Subtotal compensation	59,191	83,416	267,677	120,514	530,798	64,710	137,182	201,892	732,690	771,313
Bad debts										16,647
Conferences & meetings	56	50	458	104	668	914	1,725	2,639	3,307	8,320
Direct assistance (includes in-kind)			1,327,054	1,850	1,328,904				1,328,904	1,219,502
Dues, fees & other charges	17,260	638	1,504	947	20,349	7,116	7,235	14,351	34,700	9,904
Equipment lease / purchase	547	488	2,627	1,017	4,679	599	1,327	1,926	6,605	7,809
Insurance	2,963	1,951	12,081	5,396	22,391	9,957	5,591	15,548	37,939	28,396
Interest expense (includes in-kind)	77,213			15,337	92,550	19,303		19,303	111,853	205,274
Maintenance & repairs	12,610	195	7,808	8,123	28,736	239	531	770	29,506	22,011
Outside services	1,095	964	9,451	1,817	13,327	33,948	6,124	40,072	53,399	46,910
Postage	151	143	837	294	1,425	174	4,494	4,668	6,093	3,928
Printing	36	34	234	71	375	40	11,445	11,485	11,860	6,774
Program expenses		5,950	8,377	8,398	22,725				22,725	24,898
Special events expense							20,737	20,737	20,737	9,471
Supplies	1,526	1,240	7,973	2,381	13,120	1,652	6,144	7,796	20,916	10,468
Telephone	999	906	5,228	2,238	9,371	1,126	2,475	3,601	12,972	10,356
Travel	181	277	2,191	768	3,417	224	1,239	1,463	4,880	4,270
Utilities	33,381	1,780	9,543	9,292	53,996	2,182	4,836	7,018	61,014	58,845
Subtotal before:	207,209	98,032	1,663,043	178,547	2,146,831	142,184	211,085	353,269	2,500,100	2,465,098
Depreciation / Amortization	200,316		28,080	32,368	260,764	6,490		6,490	267,254	266,011
TOTAL	\$407,525	\$98,032	\$1,691,123	\$210,915	\$2,407,595	\$148,674	\$211,085	\$359,759	\$2,767,354	\$2,731,109

The accompanying notes are an integral part of this financial statement.

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2013

	<u>Total 2013</u>	<u>Summarized 2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase / (decrease) in net asset:	(\$167,628)	(\$333,041)
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Unrealized changes in investments	27,156	\$49,824
Realized earnings re-invested	(168,578)	(30,015)
Amortization of long term lease	20,175	20,175
Depreciation expense	247,079	245,836
(Increase) decrease in operating asset:		
Grants and awards receivable	(89,830)	25,157
Prepaid expenses	(12,074)	(1,719)
Increase (decrease) in operating liabilities:		
Accounts payable	5,177	3,667
Deferred revenue	(724)	(1,825)
Refundable deposits	1,269	(300)
Accrued compensation	5,566	2,230
NET CASH PROVIDED / (USED) BY OPERATING ACTIVITIES	<u>(132,412)</u>	<u>(20,011)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment donations		(1,000)
Investment distributions	691,063	
Property and equipment additions	(30,819)	(7,674)
NET CASH PROVIDED / (USED) BY INVESTING ACTIVITIES	<u>660,244</u>	<u>(8,674)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principle payments on long term obligations	(90,537)	(105,322)
Interest accrued on long term obligations	63,896	64,393
Recognition of forgivable loan	(23,417)	
Term loan pay off	(669,717)	
NET CASH PROVIDED / (USED) BY FINANCING ACTIVITIES	<u>(719,775)</u>	<u>(40,929)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>(191,943)</u>	<u>(69,114)</u>
BEGINNING CASH AND CASH EQUIVALENTS	<u>328,736</u>	<u>397,850</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$136,793</u>	<u>\$328,736</u>
 Supplemental Disclosures:		
Cash paid for interest expense	\$111,853	\$128,350

The accompanying notes are an integral part of this financial statement.

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE A - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

SUMMARY OF ACTIVITIES

West Valley Community Services of Santa Clara County, Inc. (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.

Program Services

The Organization owns and operates a four-plex for the working homeless and a twenty-four unit housing complex for low-income families and individuals and the Organization 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.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting. The significant accounting policies that follow enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

The Organization prepares its financial statements in accordance with Accounting Standards for Not-for-profit Organizations. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Temporary restricted net assets include those assets, which are subject to a donor restriction and for which the applicable restriction was not met at the end of the current reporting period. Permanently restricted net assets include those assets, subject to non-expiring donor restrictions, such as endowments.

Income Taxes

The Organization is exempt from federal and state income taxes under section 501(c)3 of the Internal Revenue Code and Section 23701(d) of the California Code; accordingly, income taxes are not provided for in the financials. The Organization is not classified as a private foundation. The Financial Accounting Standards Board prescribes a recognition threshold and a measurement attribute for financial statement recognition of tax positions taken or expected to be taken on a tax return. Management has evaluated its uncertain tax positions and related income tax contingencies and does not believe any material uncertain tax positions exist.

Estimates

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

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Cash and Cash Equivalents

For purposes of the statement of cash flows the Organization considers all cash held in banks and other financial institutions, regardless of maturity, to be cash equivalents.

Investments and Endowment Assets

The Organization carries investments and endowment assets, originally created by permanently restricted donor funds in equities, money funds and bonds with readily determinable fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investment earnings restricted by donors are reported as increases in temporarily restricted net assets and reclassified to unrestricted net assets, as donor restrictions are satisfied.

Contributions

The Organization accounts for contributions received and contributions made in accordance with Accounting Standards for Not-for-profit Organizations. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the nature of the donor's intentions. Restricted contributions are reported as an increase in temporarily or permanently restricted net assets. When the restriction is met, the amount is shown as a reclassification from temporarily restricted net assets to unrestricted net assets.

Contributions In-kind

Donated equipment and other goods are recorded at estimated fair market value on the day of donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at their estimated fair market value at the time the services are rendered.

Revenue Recognition

The Organization recognizes revenue on the accrual basis of accounting. Government awards and program fees are recognized as revenue in the period in which the service is provided. Foundation grants and donations are recognized as revenue when awarded or pledged in writing. The Organization's primary revenue sources are grants and awards from local governments and foundations, donations from individuals, and rental income from clients served.

Allowance for Doubtful Accounts

The Organization maintains an allowance on awards and grants receivable, based on management's assessment of uncollectible balances at the end of the respective period. Balances still outstanding after management has used reasonable collection efforts are written off to bad debts expense.

Property, Equipment and Depreciation

Property and equipment is recorded at cost when purchased or, if contributed, at estimated fair market value when donated. It is the Organization's policy to capitalize items costing more than \$750. Depreciation is computed using the straight-line method over the assets estimated useful lives, which range from five to twenty eight and one half years. Depreciation is charged to the activity benefiting from the use of the facilities or equipment.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2012, from which the information was obtained. Certain reclassifications have been made to the prior year financial statements in order for them to conform to the current year presentation.

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013

Indirect Expense Allocations

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs are allocated to the various programs, management & general and fund-raising based on the number of full time equivalent staff members working in each area.

Fair Value Measurements

The Organization has adopted the provisions of Fair Value Measurements, ASC 820, which applies to all financial instruments that are being measured and reported on a fair value basis. 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. In determining fair value, the Organization uses a fair value hierarchy which is categorized as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment. Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The carrying amounts reported in the statement of financial position for the following items approximate fair value because of the short maturity of these instruments: cash and cash equivalents, grants and awards receivable, prepaid expenses, accounts payable, deferred revenue, refundable deposits and accrued compensation. In-kind donations are valued at Level 2 inputs, as they include quoted prices for similar assets in active markets.

The Organization's financial assets measured at fair value, at June 30, 2013, are summarized as follows:

<u>Investment type</u>	<u>Fair Value</u>	<u>Level 1</u>
Investments	\$202,615	\$202,615
Endowment Investments	\$802,909	\$802,909
Total	<u>\$1,005,524</u>	<u>\$1,005,524</u>

NOTE B – RECEIVABLES

At June 30, 2013 grants and awards receivable are all due within one year, and are reported at \$307,318, which is net of \$0 allowance for doubtful accounts.

NOTE C – ENDOWMENT – BENEFICIAL INTEREST IN PERPETUAL TRUST

The Organization classifies endowment funds in accordance with Accounting Standards Codification 958-205: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds. This standard provides guidance on the net asset classification of donor-restricted endowment funds subject to the Uniform Prudent Management of Institutional Funds Act, UPMIFA.

The Board of Directors of the Organization has interpreted the 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.

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013

NOTE C – ENDOWMENT – BENEFICIAL INTEREST IN PERPETUAL TRUST (Continued)

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 SPMIFA. In accordance with SPMIFA, 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 is a beneficiary of a testamentary endowment, originally granted in 2005, which is administered by Charles Schwab with the donor stipulation that the principal be maintained in perpetuity and distributions used for unrestricted purposes. Any earnings not distributed are reinvested in the endowment fund at the direction of the Board of Directors and are reported as temporarily restricted until spent, at which time will be reclassified to unrestricted.

Endowment Net Asset Composition by restriction as of June 30, 2013 is as follows:

Endowment assets:	<u>End of Year</u>
Permanently restricted	\$529,171
Temporarily restricted	<u>\$273,738</u>
Total	<u><u>\$802,909</u></u>

Changes in the Endowment Investments, from prior year to current year, are as follows:

	<u>Total</u>	<u>Temporarily</u>	<u>Permanently</u>
	<u>Endowment</u>	<u>Restricted</u>	<u>Restricted</u>
Invested at beginning of year	\$1,243,593	\$714,422	\$529,171
Invested at end of year	<u>\$802,909</u>	<u>\$273,738</u>	<u>\$529,171</u>
Change in value	<u><u>(\$440,684)</u></u>	<u><u>(\$440,684)</u></u>	<u><u>\$0</u></u>

Components of the changes in endowment investments, for the year ended June 30, 2013, are as follows:

Interest & Dividends	\$29,390
Unrealized Gains/Losses	(\$26,623)
Realized Gains/Losses	\$113,680
Distributions	(\$551,063)
Investment Fees	<u>(\$6,068)</u>
Total	<u><u>(\$440,684)</u></u>

NOTE D – INVESTMENTS

Investments at June 30, 2013 are carried at fair value in the statement of financial position, and consist of the following:

<u>Investment type</u>	<u>Cupertino</u>
Cash & Money Funds	\$21,192
Exchange Traded Funds	<u>\$181,423</u>
Total	<u><u>\$202,615</u></u>

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE D – INVESTMENTS (continued)

Investment income consists of the following:

Interest & Dividends	\$8,652
Unrealized Gains/Losses	(\$533)
Realized Gains/Losses	\$24,943
Investment Fees	<u>(\$2,019)</u>
Total	<u><u>\$31,043</u></u>

NOTE E – PREPAID LAND LEASE

The City of Cupertino entered into an agreement to lease land from the Santa Clara County Central Fire Protection District in February 2000 and subsequently transferred all rights and responsibilities of said agreement to the Organization, which has occupied the premises since April 2003. The lease term is 57 years from the date of possession, in exchange for an advanced rental payment of \$1,150,000. The lease is amortized on a straight-line basis. For the year ending June 30, 2013 amortization is \$20,175. At June 30, 2013 prepaid land lease is reported net of accumulated amortization expense, \$269,360, in the Statement of Financial Position, \$880,640.

NOTE F - PROPERTY AND EQUIPMENT

At June 30, 2013 property and equipment and related accumulated depreciation is as follows:

Land	\$355,000
Building & improvements	5,545,204
Furniture & fixtures	153,678
Vehicles	105,280
Equipment	<u>92,142</u>
Subtotal	6,251,304
Less: accumulated depreciation	<u>(2,366,918)</u>
Net Book Value	<u><u>\$3,884,386</u></u>

NOTE G - CONTINGENT LIABILITIES

Conditions contained within the various contracts awarded to the Organization are subject to the funding agencies criteria under which expenditures may be charged against and are subject to audit under such criteria. Occasionally, such audits may determine that certain costs incurred may not comply with the established criteria governing them. In such cases, the Organization could be held responsible for repayments to the funding agency or be subject to reductions in future funding. Management does not anticipate any questioned costs for contracts administered during the period.

NOTE H – SUBSEQUENT EVENTS

Management of the Organization has reviewed the results of operations for the period of time from its year end June 30, 2013 through October 8, 2013, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013

NOTE I – DEFERRED REVENUE AND REFUNDABLE DEPOSITS

Income received from perspective 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 perspective tenants. At June 30, 2013 deferred revenue is \$15,601 and refundable deposits are \$17,119.

NOTE J – FINANCIAL INSTRUMENTS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments and grants receivable.

The Organization maintains a majority of their cash in bank deposit accounts that, at times, may exceed federally insured limits of \$250,000. 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. At June 30, 2013, the Organization's uninsured cash balance is \$0 and the endowment assets and investments are not federally insured.

At June 30, 2013 concentrations in grants & awards receivables are as follows: 58% of the balance receivable is due from El Camino Hospital. For the year ended June 30, 2013 42% of the government awards are from the City of Cupertino and 59% of the grants received are from El Camino Hospital. The ability of certain of the Organization's grants & awards to continue to provide amounts comparable with prior years may be dependent upon current and future economic conditions and budget constraints. While the Board of Directors believes the Organization has the resources to continue current and future programs, its ability to do so, and the extent to which it does continue, may be dependent on the above factors.

NOTE K – TEMPORARY RESTRICTED NET ASSETS

At June 30, 2013 the Organization's temporarily restricted net asset activity is as follows:

<u>Purpose</u>	<u>Beginning</u>	<u>Additions</u>	<u>Released</u>	<u>Ending</u>
Time Restricted, Emergency Assistance	\$15,750	\$93,900	(\$15,750)	\$93,900
Time Restricted, Event Sponsorship	\$18,035	\$20,000	(\$18,035)	\$20,000
CARE Program	\$125,000	\$140,000	(\$125,000)	\$140,000
Purchase of a mobile van	\$3,490	\$23,200	(\$25,421)	\$1,269
Food Pantry Support	\$7,110	\$6,000	(\$13,110)	
Emergency Assistance		\$30,000	(\$30,000)	
Computer & IT Upgrades	\$32,205		(\$27,300)	\$4,905
Pantry Awning		\$3,500	(\$3,500)	
Holiday Program		\$1,500	(\$1,500)	
Endowment Assets	\$714,422	\$110,379	(\$551,063)	\$273,738
Total	\$916,012	\$428,479	(\$810,679)	\$533,812

NOTE L – BOARD DESIGNATED NET ASSETS

The Board of Directors has designated the Organization's unrestricted net assets for replacement reserves and general operating purposes. 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, 2013 is \$192,000. The remaining unrestricted net assets is negative, for which management plans on using their accumulated investment earnings, as considered necessary, should any replacement or repair expenditures arise in the near term.

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE M – PERMANENTLY RESTRICTED NET ASSETS

At June 30, 2013 the Organization's permanently restricted net assets consist of testamentary endowment with the donor stipulation that the principal be maintained in perpetuity and income earned be used for unrestricted purposes. Permanently restricted assets at June 30, 2013 are invested as follows:

<u>Investment type</u>	<u>Endowment</u>
Cash & Money Funds	\$49,112
Fixed Income Funds	\$332,852
Equity Funds	\$48,933
Other Equity Funds	\$369,814
Accrued Interest	<u>\$2,198</u>
Total	<u><u>\$802,909</u></u>

NOTE N – DEBT

At June 30, 2013 debt consists of the following mortgages, notes, and bonds payable:

<u>Description</u>	<u>Interest</u>	<u>Ref</u>	<u>Due</u>	<u>Secured Property</u>	<u>Amount Due</u>	<u>Current</u>	<u>Long Term</u>
City of Cupertino	0.00%	2	7/2059	Vista Village	2,424,124		2,424,124
City of Sunnyvale	3.00%	3	12/2041	Vista Village	100,000		100,000
Santa Clara County	3.00%	4	12/2041	Vista Village	269,351	16,725	252,626
Santa Clara County	6.00%	5	8/2033	Vista Village	1,192,741		1,192,741
City of Santa Clara	0.00%	6	10/2021	Vista Village	16,583		16,583
Lenders for C Dev	2.00%	7	4/2033	Vista Village	417,409		417,409
Cal Bank & Trust	6.50%	1	7/2026	Fourplex	147,456	7,708	139,748
City of Cupertino	3.00%	1	7/2026	Fourplex	304,109	9,918	294,191
				Total	<u><u>\$4,871,773</u></u>	<u><u>\$34,351</u></u>	<u><u>\$4,837,422</u></u>

Principle Repayment Terms:

1. Principle and interest are amortized monthly.
2. Principle 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, 2013 Vista Village did not have positive cash flow.
3. Principle is due at the end of the loan term; interest is due to the extent Vista Village has positive cash flow. For the year ended June 30, 2013 Vista Village did not have positive cash flow.
4. Principle payments of \$16,725 are due annually, until loan is paid off.
5. Principle and interest are deferred for 30 years.
6. Principle and interest are deferred for the term of the loan. At the end of the loan, the amount will be forgiven, if a default on the remaining loan conditions has not otherwise occurred. Each year one – twentieth or \$2,000 is recognized as a contribution.
7. Principle 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, 2013 Vista Village did not have positive cash flow.

During the year ended June 30, 2013 management paid off the loan balance due on the Series A Bonds \$669,717, including an early pay off penalty of \$21,347.

WEST VALLEY COMMUNITY SERVICES of SANTA CLARA COUNTY, Inc.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013

NOTE N – DEBT (continued)

Future annual principal payments, due each year ending, are as follows:

<u>Year Ending</u>	<u>Amount</u>
2014	\$34,351
2015	35,129
2016	35,949
2017	36,814
2018	37,431
Thereafter	<u>4,692,099</u>
Total	<u><u>\$4,871,773</u></u>

NOTE O - 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 17,735 hours were contributed by individuals during the year ended June 30, 2013. 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:

Facility Usage	\$12,000
Direct Assistance	\$33,638
Food Inventory	<u>\$1,233,582</u>
Total	<u><u>\$1,279,220</u></u>

NOTE P – SPECIAL EVENTS

During the year ended June 30, 2013 the Organization participated in the following special events:

	<u>Chefs of Compassion</u>	<u>40th Anniversary</u>	<u>Taste of Compassion</u>	<u>Dash of Hope</u>	<u>Total</u>
Income:					
Donations	\$47,269	\$4,140	\$14,800	\$13,178	\$79,387
Auction Sales	\$5,697				\$5,697
Event Sales	\$14,403	\$1,600			\$16,003
Total Income	<u>\$67,369</u>	<u>\$5,740</u>	<u>\$14,800</u>	<u>\$13,178</u>	<u>\$101,087</u>
Expense:					
Facility & Food	<u>\$20,439</u>	<u>\$1,600</u>	<u>\$8,172</u>		<u>\$30,211</u>
Donor Direct Expense	<u>\$20,439</u>	<u>\$1,600</u>	<u>\$8,172</u>		<u>\$30,211</u>
Gross Proceeds	<u><u>\$46,930</u></u>	<u><u>\$4,140</u></u>	<u><u>\$6,628</u></u>	<u><u>\$13,178</u></u>	<u><u>\$70,876</u></u>

REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
West Valley Community Services of Santa Clara County, Inc.:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of West Valley Community Services of Santa Clara County, Inc., which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 8, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered West Valley Community Services of Santa Clara County, Inc.'s internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Valley Community Services of Santa Clara County, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of West Valley Community Services of Santa Clara County, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Valley Community Services of Santa Clara County, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Pleasanton, California
October 8, 2013