

WEST VALLEY COMMUNITY SERVICES  
OF SANTA CLARA COUNTY

JUNE 30, 2017

---

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

# West Valley Community Services of Santa Clara County

## Independent Auditors' Report and Financial Statements

---

<b>Independent Auditors' Report</b>	1 - 2
<b>Financial Statements:</b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 17



A Century Strong

## **Independent Auditors' Report**

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

We have audited the accompanying financial statements of **WEST VALLEY COMMUNITY SERVICES OF SANTA CLARA COUNTY (the Organization)**, which comprise the statement of financial position as of June 30, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Hood & Strong LLP*

San Jose, California  
January 11, 2018

# West Valley Community Services of Santa Clara County

## Statement of Financial Position

<i>June 30, 2017 (with comparative totals for 2016)</i>	2017	2016
<b>Assets</b>		
Cash	\$ 687,024	\$ 322,556
Grants and awards receivable	369,205	266,453
Prepaid expenses	30,796	31,491
Total current assets	1,087,025	620,500
Investments	1,165,017	1,042,878
Prepaid land lease, net	799,940	820,115
Property and equipment, net	3,195,119	3,289,974
Total assets	\$ 6,247,101	\$ 5,773,467
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Current portion of long-term debt	\$ 31,606	\$ 30,084
Accounts payable	69,021	9,166
Accrued compensation	88,014	49,641
Deferred revenue	11,725	11,725
Refundable deposits	20,254	18,721
Total current liabilities	220,620	119,337
Accrued interest	798,230	753,413
Long-term debt	4,146,208	4,179,814
Total liabilities	5,165,058	5,052,564
<b>Net Assets:</b>		
Unrestricted deficit	(422,380)	(467,182)
Designated for replacement reserves	268,800	249,600
Total unrestricted (deficit) net assets	(153,580)	(217,582)
Temporarily restricted	700,340	403,202
Permanently restricted	535,283	535,283
Total net assets	1,082,043	720,903
Total liabilities and net assets	\$ 6,247,101	\$ 5,773,467

See accompanying notes to financial statements.

# West Valley Community Services of Santa Clara County

## Statement of Activities

*Year Ended June 30, 2017 (with comparative totals for 2016)*

	2017				2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>Public Support and Revenue:</b>					
Government awards	\$ 803,570			\$ 803,570	\$ 488,248
Foundation grants	183,417	\$ 418,250		601,667	430,433
Contributions	505,547	13,696		519,243	175,078
In-kind contributions	1,312,537			1,312,537	1,127,081
United Way	43,224			43,224	57,777
Special events, net of direct expense of \$46,550 and \$26,647, respectively	116,869	9,800		126,669	35,075
Program fees and rental income	333,326			333,326	338,437
Investment income	26,357	81,978		108,335	8,017
Other income	2,000			2,000	2,000
Net assets released from restrictions	226,586	(226,586)			
Total public support and revenue	3,553,433	297,138		3,850,571	2,662,146
<b>Expenses</b>					
<b>Program services:</b>					
Vista Village housing	388,183			388,183	369,073
Affordable housing	154,023			154,023	127,233
Family assistance	2,306,212			2,306,212	1,769,889
Transitional housing	93,090			93,090	133,877
<b>Supporting services:</b>					
Management and general	298,855			298,855	262,212
Fundraising	249,068			249,068	210,114
Total expenses	3,489,431			3,489,431	2,872,398
<b>Change in Net Assets</b>	64,002	297,138		361,140	(210,252)
<b>Net Assets, beginning of year</b>	(217,582)	403,202	\$ 535,283	720,903	931,155
<b>Net Assets, end of year</b>	\$ (153,580)	\$ 700,340	\$ 535,283	\$ 1,082,043	\$ 720,903

See accompanying notes to financial statements.

# West Valley Community Services of Santa Clara County

## Statement of Functional Expenses

Year Ended June 30, 2017 (with comparative totals for 2016)

	2017								2016
	Vista Village	Affordable Housing	Family Assistance	Transitional Housing	Total Program	Management and General	Fundraising	Total	Total
<b>Salaries and Benefits:</b>									
Salaries	\$ 93,562	\$ 106,375	\$ 550,527	\$ 30,464	\$ 780,928	\$ 76,823	\$ 153,250	\$ 1,011,001	\$ 771,458
Payroll taxes	7,664	8,713	45,095	2,495	63,967	6,293	12,553	82,813	70,040
Employee benefits	9,571	14,554	62,301	2,248	88,674	14,285	24,315	127,274	78,993
Subtotal salaries and benefits	110,797	129,642	657,923	35,207	933,569	97,401	190,118	1,221,088	920,491
<b>Expenses:</b>									
Conferences and meetings	407	200	1,492	24	2,123	1,362	1,297	4,782	2,039
Direct assistance, including in-kind of \$1,312,537 and \$1,106,581, respectively			1,505,617		1,505,617	2,470		1,508,087	1,270,531
Dues, fees and other charges	2,624	23	1,314	8	3,969	3,202	2,183	9,354	11,068
Equipment	596	685	4,055	3,320	8,656	292	870	9,818	8,865
Insurance	3,898	4,880	21,749	118	30,645	2,176	6,170	38,991	38,991
Interest				13,815	13,815	48,548		62,363	81,120
Maintenance and repairs	16,318	573	10,748	1,288	28,927	1,108	673	30,708	25,532
Outside services	2,398	3,450	15,662	2,226	23,736	113,383	17,361	154,480	106,555
Postage	196	109	1,356	56	1,717	115	2,911	4,743	3,778
Printing	233	224	1,270	37	1,764	904	15,802	18,470	8,557
Other expenses	1,902	5,596	24,606		32,104	5,488		37,592	24,984
Special event expense								-	15,336
Supplies	1,663	1,526	11,084	243	14,516	4,778	4,807	24,101	14,110
Telephone	819	1,371	7,329	219	9,738	665	1,293	11,696	11,030
Travel		186	1,082		1,268	3,544	453	5,265	2,198
Utilities	30,925	5,558	24,824	6,468	67,775	1,962	5,130	74,867	61,632
Subtotal before depreciation and amortization	172,776	154,023	2,290,111	63,029	2,679,939	287,398	249,068	3,216,405	2,606,817
Depreciation and amortization	215,407		16,101	30,061	261,569	11,457		273,026	265,581
<b>Total</b>	<b>\$ 388,183</b>	<b>\$ 154,023</b>	<b>\$ 2,306,212</b>	<b>\$ 93,090</b>	<b>\$ 2,941,508</b>	<b>\$ 298,855</b>	<b>\$ 249,068</b>	<b>\$ 3,489,431</b>	<b>\$ 2,872,398</b>

See accompanying notes to financial statements.

# West Valley Community Services of Santa Clara County

## Statement of Cash Flows

<i>Year Ended June 30, 2017 (with comparative totals for 2016)</i>	2017	2016
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 361,140	\$ (210,252)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized loss on investments	(86,950)	25,178
Recognition of forgivable loan	(2,000)	(2,000)
Amortization of land lease	20,175	20,175
Depreciation expense	252,851	245,406
In-kind donation of property and equipment		(20,500)
(Increase) decrease in operating assets and liabilities:		
Grants and awards receivable	(102,752)	83,660
Prepaid expenses	695	7,905
Accounts payable	59,855	(9,426)
Accrued compensation	38,373	16,801
Refundable deposits	1,533	(854)
Accrued interest	44,817	62,509
<b>Net cash provided by operating activities</b>	<b>587,737</b>	<b>218,602</b>
<b>Cash Flows from Investing Activities:</b>		
Purchase of investments	(70,986)	(35,142)
Proceeds from sale of investments	35,797	92,886
Property and equipment additions	(157,996)	(28,225)
<b>Net cash (used) provided by investing activities</b>	<b>(193,185)</b>	<b>29,519</b>
<b>Cash Flows from Financing Activities</b>		
Principal payments on long term obligations	(30,084)	(29,019)
<b>Net cash used by investing activities</b>	<b>(30,084)</b>	<b>(29,019)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>364,468</b>	<b>219,102</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>322,556</b>	<b>103,454</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 687,024</b>	<b>\$ 322,556</b>
<b>Supplemental Disclosures:</b>		
Cash paid for interest expense	\$ 17,547	\$ 18,612

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 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

---

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-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, 2016 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. Reclassifications

Certain reclassifications have been made to the 2016 financial statements in order to conform to the 2017 presentation. These reclassifications had no impact on net assets or the change in net assets.

o. 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.

p. Subsequent Events

The Organization has evaluated subsequent events from June 30, 2017 through January 11, 2018, 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.

**Note 3 - Investments:**

Investments at June 30, 2017 consist of the following:

Cash and money funds	\$	161,288
Bond funds		142,028
Exchange traded funds		592,021
Fixed income		211,430
Equity funds		58,250
<hr/>		
Total	\$	1,165,017

# West Valley Community Services of Santa Clara County

## Notes to the Financial Statements

---

For the year ending June 30, 2017, investment income consists of the following:

Interest and dividends	\$ 21,385
Unrealized Gains	86,950
<hr/>	
Total	\$ 108,335

At June 30, 2017, 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, 2017 amortization is \$20,175. At June 30, 2017 prepaid land lease of \$799,940 is reported net of accumulated amortization expense of \$350,060.

### Note 5 - Property and Equipment:

At June 30, 2017 property and equipment consist of the following:

Land	\$ 355,000
Building and improvements	5,654,004
Furniture and fixtures	236,946
Vehicles	163,895
Equipment	129,262
<hr/>	
	6,539,107
Less accumulated depreciation	(3,343,988)
<hr/>	
	\$ 3,195,119

# West Valley Community Services of Santa Clara County

## Notes to the Financial Statements

---

### Note 6 - Long-Term Debt:

At June 30, 2017 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, 2017 there was no accrued interest.	\$ 8,583
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.	113,384
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, 2017, there was \$63,000 of accrued interest.	211,837
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, 2017 Vista Village did not have positive cash flow. Interest accrues at 2% per annum. At June 30, 2017, there was \$110,817 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, 2017, there was \$624,413 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.	231,087

# West Valley Community Services of Santa Clara County

## Notes to the Financial Statements

<p>Note payable to the City of Sunnyvale due December 2041, collateralized by real property at Vista Village. Principal is due at the end of the loan and interest is due to the extent Vista Village has positive cash flow. For the year ended June 30, 2017 Vista Village did not have positive cash flow. Simple interest accrues at 3.0% per annum. At June 30, 2017 there was accrued interest of \$47,000, but no amount has been recorded as a liability because the Organization expects all interest to be forgiven.</p>	100,000
<p>Note payable to the City of Cupertino due July 2059, collateralized by real property at Vista Village. Principal payments are due each year to the extent Vista Village has surplus cash at the end of each year. The amount due is equal to 50% of the surplus cash. If, at the end of the term loan, an amount is still due, the loan will be forgiven, if a default on the remaining loan conditions has not otherwise occurred. For the year ended June 30, 2017 Vista Village did not have positive cash flow. At June 30, 2017, there was no accrued interest as this note bears no interest.</p>	2,424,123
	4,177,814
<u>Less current portion</u>	(31,606)
<u>Long-term debt, net of current portion</u>	<u>\$ 4,146,208</u>

Future annual principal payments are as follows:

Year Ending June 30,	Amount
2018	\$ 31,606
2019	32,887
2020	34,232
2021	35,645
2022	37,128
Thereafter	4,006,316
<u>Total</u>	<u>\$ 4,177,814</u>

# 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, 2017 are \$268,800. 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, 2017, the Organization's temporarily restricted net asset activity is as follows:

Purpose	Beginning	Additions	Released	Ending
Endowment earnings	\$ 226,202	\$ 81,978	\$ (26,000)	\$ 282,180
Emergency assistance		195,000	(23,333)	171,667
Event sponsorship	2,000	9,800	(2,000)	9,800
CARE program	175,000	175,000	(175,000)	175,000
FEP Program		12,500		12,500
Equipment acquisition		30,750		30,750
Special program		18,696	(253)	18,443
<b>Total</b>	<b>\$ 403,202</b>	<b>\$ 523,724</b>	<b>\$ (226,586)</b>	<b>\$ 700,340</b>



# West Valley Community Services of Santa Clara County

## Notes to the Financial Statements

---

### 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, 2017 are as follows:

Permanently restricted	\$ 535,283
Temporarily restricted	282,180
<hr/>	
Total	\$ 817,463

Changes in the endowment net assets for the year ended June 30, 2017 is as follows:

	Temporarily Restricted	Permanently Restricted	Total Endowment
Endowment net assets, beginning of year	\$ 226,202	\$ 535,283	\$ 761,485
Interest and dividends	17,825		17,825
Unrealized gains	64,153		64,153
Appropriation of endowment assets for expenditure	(26,000)		(26,000)
<hr/>			
Endowment net assets, end of year	\$ 282,180	\$ 535,283	\$ 817,463

### 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 16,800 hours were contributed by individuals during the year ended June 30, 2017. No amount for this time has been recognized in the accompanying Statement of Activities as this volunteer time does not meet the criteria required for recognition. The Organization received, and recognized, contributed food inventory in the amount of \$1,312,537, for the year ending June 30, 2017.

### 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, 2017. The Organization contributed \$10,004 to the plan as of June 30, 2017.

# 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.

As of June 30, 2017, 80% of grant and award receivables are due from three grantors. For the year ended June 30, 2017, 92% of the government awards are from two government agencies and 79% 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.