

**WEST VALLEY COMMUNITY SERVICES
OF SANTA CLARA COUNTY**

June 30, 2021

INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS

West Valley Community Services of Santa Clara County

Independent Auditors' Report and Financial Statements

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A Century Strong

Independent Auditors' Report

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

Report on the Financial Statements

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, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Valley Community Services of Santa Clara County as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hood & Strong LLP

San Jose, California
February 8, 2022

West Valley Community Services of Santa Clara County

Statement of Financial Position

| <i>June 30, 2021 (with comparative totals for 2020)</i> | 2021 | 2020 |
|---|---------------|--------------|
| Assets | | |
| Cash and cash equivalents | \$ 758,163 | \$ 743,049 |
| Grants and awards receivable | 618,901 | 821,928 |
| Prepaid expenses | 73,449 | 54,096 |
| Total current assets | 1,450,513 | 1,619,073 |
| Investments | 5,109,513 | 4,430,692 |
| Prepaid land lease, net | 719,240 | 739,415 |
| Property and equipment, net | 4,312,326 | 2,947,542 |
| Total assets | \$ 11,591,592 | \$ 9,736,722 |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Current portion of long-term debt | \$ 12,247 | \$ 11,924 |
| Accounts payable | 74,409 | 138,522 |
| Accrued expenses | 204,063 | 164,740 |
| Deferred revenue | 195,362 | 7,100 |
| Refundable deposits | 23,451 | 24,342 |
| Total current liabilities | 509,532 | 346,628 |
| Accrued interest | 277,384 | 214,169 |
| Long-term debt, net of current portion | 3,988,035 | 4,277,818 |
| Total liabilities | 4,774,951 | 4,838,615 |
| Net Assets: | | |
| Without donor restrictions | 4,543,597 | 1,499,928 |
| With donor restrictions | 2,273,044 | 3,398,179 |
| Total net assets | 6,816,641 | 4,898,107 |
| Total liabilities and net assets | \$ 11,591,592 | \$ 9,736,722 |

See accompanying notes to financial statements.

West Valley Community Services of Santa Clara County

Statement of Activities

Year Ended June 30, 2021 (with comparative totals for 2020)

| | 2021 | | 2020 | |
|---|-------------------------------|----------------------------|--------------|--------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| Public Support and Revenue: | | | | |
| Government awards | \$ 2,242,239 | | \$ 2,242,239 | \$ 1,246,234 |
| Foundation grants | 444,712 | \$ 205,000 | 649,712 | 1,604,966 |
| Contributions | 1,456,915 | 664,099 | 2,121,014 | 2,763,596 |
| In-kind contributions | 2,378,498 | | 2,378,498 | 2,033,323 |
| United Way | 62,000 | | 62,000 | 250,500 |
| Special events, net of direct expense of \$98,030 and \$69,313, respectively | 171,731 | | 171,731 | 190,051 |
| Program fees and rental income | 387,680 | | 387,680 | 405,791 |
| Investment income | 270,725 | 12,274 | 282,999 | 58,071 |
| Forgiveness of debt | 232,343 | | 232,343 | 2,000 |
| Other income | | | - | 500 |
| Net assets released from restrictions | 2,006,508 | (2,006,508) | - | - |
| Total public support and revenue | 9,653,351 | (1,125,135) | 8,528,216 | 8,555,032 |
| Expenses | | | | |
| Program Services: | | | | |
| Vista Village housing | 739,601 | | 739,601 | 584,256 |
| Family assistance | 4,167,541 | | 4,167,541 | 3,974,475 |
| Greenwood Apartments | 82,369 | | 82,369 | 79,021 |
| COVID-19 relief | 839,978 | | 839,978 | 979,561 |
| Total program services | 5,829,489 | - | 5,829,489 | 5,617,313 |
| Supporting Services: | | | | |
| Management and general | 388,792 | | 388,792 | 196,735 |
| Fundraising | 391,401 | | 391,401 | 261,909 |
| Total supporting services | 780,193 | | 780,193 | 458,644 |
| Total expenses | 6,609,682 | - | 6,609,682 | 6,075,957 |
| Change in Net Assets | 3,043,669 | (1,125,135) | 1,918,534 | 2,479,075 |
| Net Assets, beginning of year | 1,499,928 | 3,398,179 | 4,898,107 | 2,419,032 |
| Net Assets, end of year | \$ 4,543,597 | \$ 2,273,044 | \$ 6,816,641 | \$ 4,898,107 |

See accompanying notes to financial statements.

West Valley Community Services of Santa Clara County

Statement of Functional Expenses

| | 2021 | | | | | | | | 2020 |
|--|------------------|----------------------|-------------------------|--------------------|------------------|---------------------------|-------------|--------------|--------------|
| | Vista Village | Family Assistance | Greenwood Apartments | COVID-19 Relief | Total Program | Management and General | Fundraising | Total | Total |
| Year Ended June 30, 2021 (with comparative totals for 2020) | | | | | | | | | |
| Salaries | \$ 239,191 | \$ 1,017,864 | | \$ 144,713 | \$ 1,401,768 | \$ 49,735 | \$ 193,019 | \$ 1,644,522 | \$ 1,334,898 |
| Payroll taxes and benefits | 42,374 | 200,287 | | 15,008 | 257,669 | 23,601 | 33,381 | 314,651 | 297,891 |
| Subtotal salaries and benefits | 281,565 | 1,218,151 | | 159,721 | 1,659,437 | 73,336 | 226,400 | 1,959,173 | 1,632,789 |
| Conferences and meetings | 326 | 2,250 | | 2,001 | 4,577 | 14,522 | 1,814 | 20,913 | 20,560 |
| Direct assistance, including in-kind of \$2,378,498 and \$2,033,323, respectively | | 2,538,803 | | 632,602 | 3,171,405 | 185,017 | | 3,356,422 | 3,498,428 |
| Dues, fees and other charges | (23) | 12,997 | \$ 3,214 | 986 | 17,174 | 5,196 | 33,022 | 55,392 | 25,536 |
| Equipment | 1,281 | 10,563 | | 753 | 12,597 | 881 | 1,033 | 14,511 | 15,846 |
| Insurance | 13,268 | 57,253 | | | 70,521 | 1,715 | 9,119 | 81,355 | 48,764 |
| Interest | 63,913 | | 6,235 | | 70,148 | 2,737 | | 72,885 | 16,407 |
| Maintenance and repairs | 16,055 | 14,283 | | 3,915 | 35,905 | 607 | 1,796 | 38,308 | 64,711 |
| Outside services | 5,216 | 68,948 | 5,000 | 18,446 | 97,610 | 84,542 | 13,539 | 195,691 | 173,594 |
| Postage | 348 | 1,509 | | 222 | 2,079 | 303 | 4,103 | 6,485 | 5,035 |
| Printing | | 352 | | | 352 | 3,395 | 18,325 | 22,072 | 11,289 |
| Other expenses | 1,401 | 182,004 | 1,302 | 9,006 | 193,713 | | 75,723 | 269,436 | 105,999 |
| Supplies | 627 | 6,279 | | 6,920 | 13,826 | 11,721 | 336 | 25,883 | 16,425 |
| Telephone | 2,200 | 11,198 | | 1,875 | 15,273 | 815 | 1,812 | 17,900 | 16,761 |
| Travel | | 1,125 | | 136 | 1,261 | 6 | 72 | 1,339 | 12,445 |
| Utilities | 51,097 | 22,749 | 6,366 | 3,395 | 83,607 | (76) | 4,307 | 87,838 | 65,546 |
| Subtotal before depreciation and amortization | 437,274 | 4,148,464 | 23,769 | 839,978 | 5,449,485 | 384,717 | 391,401 | 6,225,603 | 5,730,135 |
| Depreciation and amortization | 302,327 | 19,077 | 58,600 | | 380,004 | 4,075 | | 384,079 | 345,822 |
| Total expenses as shown on the Statement of Activities | 739,601 | 4,167,541 | 82,369 | 839,978 | 5,829,489 | 388,792 | 391,401 | 6,609,682 | 6,075,957 |
| Direct benefit to participants of special events | | | | | | | 98,030 | 98,030 | 69,313 |
| Total | \$ 739,601 | \$ 4,167,541 | \$ 82,369 | \$ 839,978 | \$ 5,829,489 | \$ 388,792 | \$ 489,431 | \$ 6,707,712 | \$ 6,145,270 |

See accompanying notes to financial statements.

West Valley Community Services of Santa Clara County

Statement of Cash Flows

| <i>Year Ended June 30, 2021 (with comparative totals for 2020)</i> | 2021 | 2020 |
|---|-------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ 1,918,534 | \$ 2,479,075 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Realized and unrealized gain on investments | (260,122) | (12,587) |
| Recognition of forgiveness of debt | (232,343) | (2,000) |
| Amortization of land lease | 20,175 | 20,175 |
| Depreciation expense | 363,904 | 305,647 |
| In-kind donation of property and equipment | (328,829) | |
| Change in operating assets and liabilities: | | |
| Grants and awards receivable | 203,027 | (384,504) |
| Prepaid expenses | (19,353) | 26,562 |
| Accounts payable | (64,113) | 110,636 |
| Accrued expenses | 39,323 | 51,538 |
| Deferred revenue | 188,262 | |
| Refundable deposits | (891) | (66) |
| Accrued interest | 65,129 | 15,949 |
| Net cash provided by operating activities | 1,892,703 | 2,610,425 |
| Cash Flows from Investing Activities: | | |
| Purchase of investments | (1,562,508) | (2,891,240) |
| Proceeds from sale of investments | 1,143,809 | 350,000 |
| Property and equipment additions | (1,399,859) | (35,851) |
| Net cash used by investing activities | (1,818,558) | (2,577,091) |
| Cash Flows from Financing Activities | | |
| Proceeds from Paycheck Protection Program Loan | | 275,535 |
| Principal payments on long term obligations | (59,031) | (13,839) |
| Net cash (used) provided by investing activities | (59,031) | 261,696 |
| Net Change in Cash and Cash Equivalents | 15,114 | 295,030 |
| Cash and Cash Equivalents, beginning of year | 743,049 | 448,019 |
| Cash and Cash Equivalents, end of year | \$ 758,163 | \$ 743,049 |
| Supplemental Disclosures: | | |
| Cash paid for interest expense | \$ 1,915 | \$ 2,228 |

See accompanying notes to financial statements.

West Valley Community Services of Santa Clara County

Notes to the Financial Statements

Note 1 - Description of the Organization:

West Valley Community Services of Santa Clara County (the Organization) is a community-based non-profit health and welfare organization, incorporated in the state of California in 1976. The Organization's mission is to unite the community to fight hunger and homelessness and its vision is a community where every person has food on the table and every person has a roof over their head.

The Organization owns and operates a twenty-four unit housing complex (Vista Village) and a four-plex (Greenwood Apartments) for low-income families and individuals. The Organization provides a food closet supplied by Second Harvest Food Bank, local grocery stores, and bakeries for low-income families. The Organization works closely with a variety of local agencies to provide families with information and referral services, to help the emergency needs of lower income families residing within the community and accepts donations that are passed to individuals and families on an as needed basis for emergency assistance. The Organization provides parenting workshops and intensive case management services to higher risk families.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with U.S generally accepted accounting principles (U.S. GAAP).

b. Description of Net Assets

Net Assets Without Donor Restrictions – the portion of net assets that are not restricted by donor-imposed stipulations. These net assets are intended for use by management and the Board of Directors for general operations. Included in net assets without donor restrictions at June 30, 2021 are certain board designated funds for long-term asset replacement reserves, in the amount of \$408,705.

Net Assets With Donor Restrictions – the portion of net assets that are subject to donor-imposed stipulations. Some donor-imposed stipulations are temporary in nature, the use of which is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization. Some donor-imposed stipulations are permanent in nature, the use of which is limited by donor-imposed stipulations that neither expire by passage of time nor can be removed by actions of the Organization.

West Valley Community Services of Santa Clara County

Notes to the Financial Statements

c. Revenue Recognition

The Organization recognizes grants and contributions, including unconditional promises to give, as revenue at their fair value in the period the grant or contribution is made. Contributed support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. If a donor restriction is not met within the year in which it is received, it is recognized as net assets with donor restrictions. When such restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. All other contributed support is recognized as revenue without donor restrictions when received or unconditionally promised.

Revenues from government agencies are recognized when the services are rendered, and costs incurred. The Organization accounts for its grants and contracts revenue as contributions, unless there are terms in the agreements that would require recognition in accordance with the guidance for contracts with customers. For the year ending June 30, 2021, none of the grants and contracts were accounted for as contracts with customers.

Program fees and rental income are recognized in the period the service is provided and performance obligations have been met.

In-kind contributions are recognized at fair market value when donated. In-kind services, which require a specialized skill and which the Organization would have paid for if not contributed, have been recorded at their estimated fair market value as appropriate.

d. Cash and Cash Equivalents

Cash and cash equivalents consist of cash and money market funds. For purposes of reporting cash flows, the Organization considers all highly liquid investments with a maturity of 90 days or less at the date of purchase to be cash equivalents.

e. Grants and Awards Receivable

Receivables are stated at the amount management expects to collect from outstanding balances. There was no allowance for doubtful accounts as all amounts are deemed fully collectable.

f. Investments and Endowment Assets

The Organization reports its investments at their fair value. Investment earnings, including realized and unrealized gains and losses, are recorded in the Statement of Activities in the period they occur. Interest and dividend income are recorded when earned.

West Valley Community Services of Santa Clara County

Notes to the Financial Statements

g. Property and Equipment

Purchased property and equipment are stated at cost. Significant donated property and equipment are recorded at their estimated fair value on the date of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from five to twenty-seven and one half years. The Organization capitalizes property and equipment with a value over \$750.

h. Deferred Revenue and Refundable Deposits

Income received from tenants relating to their last month of occupancy is deferred and recognized in the tenant's last month of occupancy. Refundable deposits represent cleaning deposits received from tenants.

i. Fair Value Measurements

The Organization classifies its financial instruments measured at fair value on a recurring basis based on a fair value hierarchy with three levels of inputs as described below. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Level 1 values are based on unadjusted quoted prices in active markets for identical instruments. Level 2 values are based on significant observable market inputs, such as quoted prices for similar instruments or unobservable inputs that are corroborated by market data. Level 3 values are based on unobservable inputs that are not corroborated by market data. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying instrument.

j. Functional Expense Allocations

Direct costs are charged directly to the applicable program or services. Indirect costs, related to more than one function, are allocated to programs and services by management based on estimates of time incurred.

k. Income Taxes

The Organization is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

West Valley Community Services of Santa Clara County

Notes to the Financial Statements

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, 2020 from which the summarized information was derived.

m. Use of Estimates

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

n. Recent Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2020-07, Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets. This ASU changes the required presentation of in-kind contributions other than contributed services. The first element will require separate presentation on the Statement of Activities and the second element will require additional disclosure about how the in-kind gifts were utilized (in which program or as part of management and general or fundraising), donor restrictions associated with the gifts and valuation techniques employed. The ASU is effective for the Organization for the fiscal year beginning after June 15, 2021.

o. Subsequent Events

The Organization has evaluated subsequent events from June 30, 2021 through February 8, 2022, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in the financial statements.

West Valley Community Services of Santa Clara County

Notes to the Financial Statements

Note 3 - Liquidity and Availability of Resources:

The Organization's financial assets at June 30, 2021 that are available to meet general expenditures over the next twelve months were as follows:

| | |
|--|--------------|
| Financial assets | |
| Cash and cash equivalents | \$ 758,163 |
| Grants and awards receivable | 618,901 |
| Investments | 5,109,513 |
| <hr/> | |
| Total | 6,486,577 |
| Less amounts not available to be used within one year: | |
| Net assets with donor restrictions – purpose restrictions | (1,712,761) |
| Net assets with donor restrictions – endowment, including accumulated earnings | (904,132) |
| Client housing deposits | (23,451) |
| Board-designated asset replacement reserves | (408,705) |
| <hr/> | |
| Add: estimated endowment draw | 26,300 |
| <hr/> | |
| Financial assets available to meet general expenditures over the next twelve months | \$ 3,087,304 |

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 90 days of normal operating expenses, which are, on average, \$1,200,000 (exclusive of in-kind expenses, depreciation and amortization). The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Organization's endowment funds consist of a donor-restricted endowment. Annually, when the annual budget is prepared, a dollar amount is established to be transferred from endowment earnings to the general fund. This amount is to be used in support of programs to carry out the Organization's mission.

West Valley Community Services of Santa Clara County

Notes to the Financial Statements

Note 4 - Investments:

Investments at June 30, 2021 consisted of the following:

| | |
|-----------------------|--------------|
| Cash and money funds | \$ 279,569 |
| Bond funds | 464,483 |
| Exchange traded funds | 824,006 |
| Fixed income | 3,459,213 |
| Equity funds | 82,242 |
| <hr/> | |
| Total | \$ 5,109,513 |

At June 30, 2021, all investments were measured using level 1 inputs.

Note 5 - Prepaid Land Lease:

The Organization entered into an agreement to lease land from the Santa Clara County Central Fire Protection District in October 2001. The lease term is 57 years from the date of possession, in exchange for an advanced rental payment of \$1,150,000. The lease is amortized on a straight-line basis. For the year ending June 30, 2021 amortization is \$20,175. At June 30, 2021 prepaid land lease of \$719,240 is reported net of accumulated amortization expense of \$430,760.

Note 6 - Property and Equipment:

At June 30, 2021 property and equipment consisted of the following:

| | |
|-------------------------------|--------------|
| Land | \$ 355,000 |
| Building and improvements | 7,654,787 |
| Furniture and fixtures | 345,178 |
| Vehicles | 384,177 |
| Equipment | 140,540 |
| <hr/> | |
| | 8,879,682 |
| Less accumulated depreciation | (4,567,356) |
| <hr/> | |
| | \$ 4,312,326 |

West Valley Community Services of Santa Clara County

Notes to the Financial Statements

Note 7 - Long-Term Debt:

At June 30, 2021 long-term debt consisted 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, 2021 there was no accrued interest. This note was forgiven in October 2021. | \$ 583 |
| Note payable to City of Cupertino due July 2026, collateralized by real property at the Greenwood Apartments requiring annual payments of principal of \$13,836 plus accrued interest at 3.0%. Amortization of the note is calculated on the first \$220,000, plus accrued interest from the first five years of the note. A remaining balance of \$100,000 is due at the end of the term along with accrued interest thereon. At June 30, 2021, there was \$75,000 of accrued interest. | 165,982 |
| Note payable to the Housing Trust of Santa Clara County 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, 2021 Vista Village did not have positive cash flow. Interest accrues at 2% per annum. At June 30, 2021, there was \$148,060 included in accrued interest. | 341,000 |
| Note payable to the County of Santa Clara due August 2033, collateralized by real property at Vista Village. Principal and interest are deferred for the term of the loan. Simple interest accrues at 3.0% per annum. At June 30, 2021, there was \$34,481 included in accrued interest. | 747,800 |
| Note payable to the County of Santa Clara due December 2034, collateralized by real property at Vista Village. Principal and interest are deferred for the term of the loan. Simple interest accrues at 3.0% per annum. At June 30, 2021, there was \$19,843 included in accrued interest. | 220,793 |

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, 2021 Vista Village did not have positive cash flow. Simple interest accrues at 3.0% per annum. At June 30, 2021 there was accrued interest, 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, 2021 Vista Village did not have positive cash flow. At June 30, 2021, there was no accrued interest as this note bears no interest.</p> | 2,424,124 |
| | 4,000,282 |
| Less current portion | (12,247) |
| Long-term debt, net of current portion | \$ 3,988,035 |

Future annual principal payments are as follows:

| Year Ending June 30, | Amount |
|----------------------|--------------|
| 2022 | \$ 12,247 |
| 2023 | 12,579 |
| 2024 | 12,922 |
| 2025 | 13,274 |
| 2026 | 13,638 |
| Thereafter | 3,935,622 |
| Total | \$ 4,000,282 |

West Valley Community Services of Santa Clara County

Notes to the Financial Statements

Note 8 - Net Assets With Donor Restrictions:

At June 30, 2021, the Organization's net asset with donor restrictions activity were as follows:

| Purpose | Beginning | Additions | Released | Ending |
|--|---------------------|-------------------|-----------------------|---------------------|
| <i>Endowments</i> | | | | |
| Endowment earnings | \$ 331,575 | \$ 12,274 | | \$ 343,849 |
| Endowment funds | 560,283 | | | 560,283 |
| Total endowment funds | 891,858 | 12,274 | | 904,132 |
| <i>Purpose restrictions</i> | | | | |
| CARE program | 198,000 | 205,000 | \$ (198,000) | 205,000 |
| Equipment acquisition | 5,000 | | | 5,000 |
| Education | 21,000 | 25,000 | (1,200) | 44,800 |
| COVID-19 Relief | 737,496 | 32,187 | (398,431) | 371,252 |
| Capital project | 1,525,649 | 498,735 | (1,400,031) | 624,353 |
| Special program | 19,176 | 68,177 | (8,846) | 78,507 |
| Total purpose restrictions | 2,506,321 | 829,099 | (2,006,508) | 1,368,912 |
| <i>Time restrictions</i> | | | | |
| Emergency assistance – time restriction | | 40,000 | | 40,000 |
| Total | \$ 3,398,179 | \$ 881,373 | \$ (2,006,508) | \$ 2,273,044 |

Note 9 - Endowment Net Assets:

The Organization was the beneficiary of an endowment contribution in 2005, with the donor stipulation that the principal be maintained in perpetuity and earnings used for unrestricted purposes. The Organization complies with the requirements of the Uniform Prudent Management of Institutional Funds Act as enacted by the State of California (UPMIFA).

West Valley Community Services of Santa Clara County

Notes to the Financial Statements

The Board of Directors of the Organization has interpreted UPMIFA as requiring the preservation of fair value as of the original gift date of the donor restricted endowment funds absent any explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions that are permanent in nature: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The portion of the endowment fund that is not classified in net assets with donor restrictions that are permanent in nature is classified as net assets with donor restrictions that are temporary in nature in a manner consistent with the standard of prudence prescribed by UPMIFA and represent accumulated earnings. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation or deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

The Organization's Board of Directors has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a variety of standard indices while assuming a moderate level of investment risk. The Organization expects its endowment funds to produce a net average annual total return, over the long term, equal to 7%. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Organization relies on an absolute return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Organization has a policy of appropriating for distribution each year between 2% and 3% of its endowment fund's average fair value; however, the actual distributions may vary depending on various factors, such as endowment performance and the cash flow needs of the Organization.

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Notes to the Financial Statements

Endowment net assets by restriction as of June 30, 2021 are as follows:

| | |
|---------------------|------------|
| Permanent in nature | \$ 560,283 |
| Temporary in nature | 343,849 |
| <hr/> | |
| Total | \$ 904,132 |

Changes in the endowment net assets for the year ended June 30, 2021 is as follows:

| | Temporary in Nature | Permanent in Nature | Total Endowment |
|---|------------------------|------------------------|--------------------|
| Endowment net assets, beginning of year | \$ 331,575 | \$ 560,283 | \$ 891,858 |
| Investment return | 12,274 | | 12,274 |
| <hr/> | | | |
| Endowment net assets, end of year | \$ 343,849 | \$ 560,283 | \$ 904,132 |

Note 10 - Contributions In-Kind:

The Organization has many volunteers who have donated significant amounts of time both for program services and for supporting services. Management estimates approximately 13,800 hours were contributed by individuals during the year ended June 30, 2021. 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, 2021:

| | |
|----------------|--------------|
| Construction | \$ 328,829 |
| Rent | 185,017 |
| Food inventory | 1,864,652 |
| <hr/> | |
| Total | \$ 2,378,498 |

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, 2021. The Organization contributed \$18,678 to the plan as of June 30, 2021.

West Valley Community Services of Santa Clara County

Notes to the Financial Statements

Note 12 - Concentrations of Risk:

Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, grant and awards receivable and investments. The Organization maintains a majority of its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes the Organization is not exposed to any significant credit risk related to cash. Grant and awards receivables are due from various grantors and government agencies which mitigate the risk associated therein. Investments are subject to a formal investment policy and monitored regularly.

As of June 30, 2021, 26% of grant and award receivables are due from one grantor. For the year ended June 30, 2021, 70% of the government awards are from two government agencies and 61% of foundation grants are from two foundations. The ability of certain of the Organization's grantors to continue to provide amounts comparable with previous years may be dependent upon future economic conditions and budget constraints.

Note 13 - Commitments and Contingencies:

The Organization has received funds for specific purposes that are subject to review and audit by the grantor agencies. Amounts received from grantor agencies may be required to be repaid if funds are not used for the purpose for which they were intended. No provisions have been made for any liabilities that may arise from audits by these agencies as management believes it is in compliance with the provisions of the grants.

Note 14 - Impact of the COVID-19 Pandemic on Operations:

On March 11, 2020, the World Health Organization publicly characterized COVID-19 as a pandemic. Many federal, state and local governmental agencies declared a state of emergency and issued a variety of recommendations impacting travel, group gatherings, etc. The demand for rental assistance and other services from the Organization remains high, principally as a result of the pandemic. Additionally, in June 2021, the Organization received forgiveness of a portion of its Paycheck Protection Program loan in the amount of \$230,343 and paid in full the remaining amount outstanding of \$45,192.