

# CHAC

Independent Auditor's Report  
and Financial Statements

Years Ended June 30, 2015 and 2014

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
CHAC

We have audited the accompanying financial statements of CHAC (formerly known as Community Health Awareness Council) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 CHAC as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Young, Craig & Co., LLP

*Fernanda Amaral, CPA*

Fernanda Amaral, CPA  
Partner

September 23, 2015

**CHAC**  
 Statements of Financial Position  
 June 30, 2015 and 2014

	2015	2014
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 367,024	\$ 189,469
Accounts receivable	235,308	298,723
Contributions receivable	277,350	208,400
Prepaid expenses	6,756	4,125
TOTAL CURRENT ASSETS	886,438	700,717
Deposits	47,248	46,360
Certificates of deposit	-	78,008
Investments	478,803	330,731
Property and equipment, net	3,429,140	3,489,700
	3,955,191	3,944,799
TOTAL ASSETS	\$ 4,841,629	\$ 4,645,516
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 19,969	\$ 2,122
Accrued liabilities	155,685	127,923
TOTAL CURRENT LIABILITIES	175,654	130,045
Funds Held in Trust	50,255	50,257
TOTAL LIABILITIES	225,909	180,302
<b>NET ASSETS</b>		
Unrestricted	4,039,571	3,938,389
Board-designated restriction	278,799	278,169
	4,318,370	4,216,558
Temporarily restricted	297,350	248,656
TOTAL NET ASSETS	4,615,720	4,465,214
TOTAL LIABILITIES AND NET ASSETS	\$ 4,841,629	\$ 4,645,516

**CHAC**  
 Statements of Activities  
 Years Ended June 30, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
Public support:						
Individual contributions	\$ 224,932	\$ 25,000	\$ 249,932	\$ 336,118	\$ 15,300	\$ 351,418
Corporate and foundation grants	23,050	297,350	320,400	66,397	233,356	299,753
Capital campaign	-	-	-	15,032	-	15,032
Special events, net of expenses of \$0 and \$1,601 respectively	11,971	-	11,971	6,182	-	6,182
Miscellaneous	20,737	-	20,737	14,000	-	14,000
Total public support	<u>280,690</u>	<u>322,350</u>	<u>603,040</u>	<u>437,729</u>	<u>248,656</u>	<u>686,385</u>
Other support:						
Joint power agencies	293,886	-	293,886	289,938	-	289,938
Government grants	497,840	-	497,840	223,324	-	223,324
First Five	551,885	-	551,885	538,424	-	538,424
Contributed services	532,068	-	532,068	429,132	-	429,132
Private and operating contracts	276,607	-	276,607	180,164	-	180,164
Total other support	<u>2,152,286</u>	<u>-</u>	<u>2,152,286</u>	<u>1,660,982</u>	<u>-</u>	<u>1,660,982</u>
Revenue:						
Program service fees	255,753	-	255,753	219,306	-	219,306
Realized gain on investment	1,974	-	1,974	14,809	-	14,809
Unrealized gain (loss) on investment	(4,499)	-	(4,499)	14,323	-	14,323
Interest and dividends	3,976	-	3,976	6,710	-	6,710
Total revenue	<u>257,204</u>	<u>-</u>	<u>257,204</u>	<u>255,148</u>	<u>-</u>	<u>255,148</u>
Net assets released from restrictions:						
Satisfaction of usage restrictions	273,656	(273,656)	-	284,597	(284,597)	-
Total support and revenue	<u>\$ 2,963,836</u>	<u>\$ 48,694</u>	<u>\$ 3,012,530</u>	<u>\$ 2,638,456</u>	<u>\$ (35,941)</u>	<u>\$ 2,602,515</u>

**CHAC**  
 Statements of Activities  
 Years Ended June 30, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Functional expenses:						
Program services:						
First Five	\$ 603,036	\$ -	\$ 603,036	\$ 588,648	\$ -	\$ 588,648
In-House Prevention/Intervention	530,719	-	530,719	585,570	-	585,570
School Prevention/Intervention	1,258,845	-	1,258,845	954,835	-	954,835
Restorative Justice	119,503	-	119,503	87,317	-	87,317
Total program services	<u>2,512,103</u>	<u>-</u>	<u>2,512,103</u>	<u>2,216,370</u>	<u>-</u>	<u>2,216,370</u>
Support services:						
Management and general	204,488	-	204,488	175,557	-	175,557
Fundraising	145,433	-	145,433	145,068	-	145,068
Total support services	<u>349,921</u>	<u>-</u>	<u>349,921</u>	<u>320,625</u>	<u>-</u>	<u>320,625</u>
Total functional expenses	<u>2,862,024</u>	<u>-</u>	<u>2,862,024</u>	<u>2,536,995</u>	<u>-</u>	<u>2,536,995</u>
Change in net assets	101,812	48,694	150,506	101,461	(35,941)	65,520
Net assets, beginning of year	4,216,558	248,656	4,465,214	4,115,097	284,597	4,399,694
Net assets, end of year	<u>\$ 4,318,370</u>	<u>\$ 297,350</u>	<u>\$ 4,615,720</u>	<u>\$ 4,216,558</u>	<u>\$ 248,656</u>	<u>\$ 4,465,214</u>

**CHAC**  
**Statements of Functional Expenses**  
**Year Ended June 30, 2015**

	Program Services					Support Services			Total Expenses
	First Five	In-House Prevention/ Intervention	School Prevention/ Intervention	Competency Development Services	Total	Management and General	Fundraising	Total	
Salaries	\$ 411,850	\$ 312,256	\$ 640,576	\$ 94,678	\$ 1,459,360	\$ 131,760	\$ 132,302	\$ 264,062	\$ 1,723,422
Contributed services	-	79,510	446,251	-	525,761	-	-	-	525,761
Employee benefits	38,196	22,164	19,381	6,946	86,687	20,113	804	20,917	107,604
Workers' compensation	2,456	1,555	2,784	327	7,122	1,002	-	1,002	8,124
Payroll taxes	30,036	24,761	42,845	7,158	104,800	9,721	10,044	19,765	124,565
Total salaries and related expenses	482,538	440,246	1,151,837	109,109	2,183,730	162,596	143,150	305,746	2,489,476
Dues/miscellaneous	1,148	7,099	3,041	432	11,720	1,664	715	2,379	14,099
Insurance	4,244	3,892	4,810	566	13,512	1,839	-	1,839	15,351
Marketing/promotion	2,925	2,092	3,117	364	8,498	1,116	1,440	2,556	11,054
Mileage/parking	15.00	6,128	698	270	7,111	6	-	6	7,117
Office/computer equipment	6,850	4,208	7,789	2,044	20,891	1,680	-	1,680	22,571
Occupancy	29,878	6,860	12,648	1,472	50,858	4,829	0	4,829	55,687
Postage/printing	2,137	1,352	2,424	285	6,198	924	-	924	7,122
Professional fees	6,124	3,795	6,942	817	17,678	5,477	-	5,477	23,155
Program services	28,919	18,342	3,343	-	50,604	6,307	-	6,307	56,911
Service charges	43	46	122	8	219	4,714	-	4,714	4,933
Stipends/intern expense	11,802	14,691	31,437	1,050	58,980	215	-	215	59,195
Supplies	6,739	2,112	3,718	419	12,988	1,522	128	1,650	14,638
Telecommunications	3,179	1,966	5,423	468	11,036	1,676	-	1,676	12,712
Bad debt	-	7,443	-	-	7,443	-	-	-	7,443
Total expenses before depreciation	586,541	520,272	1,237,349	117,304	2,461,466	194,565	145,433	339,998	2,801,464
Depreciation	16,495	10,447	21,496	2,199	50,637	9,923	-	9,923	60,560
Total expenses	<u>\$ 603,036</u>	<u>\$ 530,719</u>	<u>\$ 1,258,845</u>	<u>\$ 119,503</u>	<u>\$ 2,512,103</u>	<u>\$ 204,488</u>	<u>\$ 145,433</u>	<u>\$ 349,921</u>	<u>\$ 2,862,024</u>



**CHAC**  
**Statements of Functional Expenses**  
**Year Ended June 30, 2014**

	Program Services					Support Services			Total Expenses
	First Five	In-House Prevention/ Intervention	School Prevention/ Intervention	Competency Development Services	Total	Management and General	Fundraising	Total	
Salaries	\$ 400,610	\$ 338,438	\$ 485,115	\$ 67,702	\$ 1,291,865	\$ 126,560	\$ 122,428	\$ 248,988	\$ 1,540,853
Contributed services	-	127,136	301,996	-	429,132	-	-	-	429,132
Employee benefits	30,396	18,110	18,620	2,771	69,897	11,226	863	12,089	81,986
Workers' compensation	3,455	2,303	4,679	511	10,948	926	-	926	11,874
Payroll taxes	28,969	23,046	34,235	3,903	90,153	9,161	9,307	18,468	108,621
Total salaries and related expenses	463,430	509,033	844,645	74,887	1,891,995	147,873	132,598	280,471	2,172,466
Dues/miscellaneous	1,223	4,189	3,750	1,090	10,252	598	505	1,103	11,355
Insurance	-	3,001	5,866	713	9,580	(493)	4,520	4,027	13,607
Marketing/promotion	3,391	3,102	4,126	539	11,158	1,006	900	1,906	13,064
Mileage/parking	-	2,858	163	352	3,373	22	8	30	3,403
Office/computer equipment	4,370	2,869	5,335	866	13,440	2,153	-	2,153	15,593
Occupancy	12,863	11,573	22,720	2,652	49,808	7,416	4,513	11,929	61,737
Postage/printing	2,978	2,663	3,757	491	9,889	1,355	-	1,355	11,244
Professional fees	5,730	3,874	7,540	868	18,012	3,440	1,960	5,400	23,412
Program services	54,915	21,647	3,457	251	80,270	39	-	39	80,309
Service charges	151	438	682	37	1,308	2,090	-	2,090	3,398
Stipends/intern expense	12,862	688	20,665	1,222	35,437	142	-	142	35,579
Supplies	6,718	2,573	4,228	543	14,062	1,326	64	1,390	15,452
Telecommunications	3,060	2,098	4,282	989	10,429	1,323	-	1,323	11,752
Bad debt	-	4,063	-	-	4,063	-	-	-	4,063
Total expenses before depreciation	571,691	574,669	931,216	85,500	2,163,076	168,290	145,068	313,358	2,476,434
Depreciation	16,957	10,901	23,619	1,817	53,294	7,267	-	7,267	60,561
Total expenses	<u>\$ 588,648</u>	<u>\$ 585,570</u>	<u>\$ 954,835</u>	<u>\$ 87,317</u>	<u>\$ 2,216,370</u>	<u>\$ 175,557</u>	<u>\$ 145,068</u>	<u>\$ 320,625</u>	<u>\$ 2,536,995</u>

**CHAC**  
 Statements of Cash Flows  
 Years Ended June 30, 2015 and 2014

	2015	2014
Cash Flows From Operating Activities		
Change in net assets	\$ 150,506	\$ 65,520
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt	7,443	4,063
Depreciation	60,560	60,561
Realized (gain) loss on investments	1,256	(12,284)
Unrealized (gain) loss on investments	4,730	(14,322)
Decrease (increase) in:		
Accounts receivable	55,972	(94,168)
Contributions receivable	(68,950)	34,941
Deposits	(888)	(13,647)
Prepaid expenses	(2,631)	208
Increase (decrease) in:		
Accounts payable	17,847	(70,403)
Accrued liabilities	27,762	6,877
Funds held in trust	(2)	3,760
Net cash provided by (used in) operating activities	253,605	(28,894)
 Cash Flows From Investing Activities		
Redemption in certificates of deposit	78,016	133,032
Reinvested interest from certificates of deposit	(8)	(1,648)
Purchase of investments	(278,554)	-
Sale of investments-marketable bonds	128,554	-
Reinvested dividends and interest from investments	(4,058)	(4,799)
Net cash provided by (used in) investing activities	(76,050)	126,585
 Net increase in cash	177,555	97,691
 Cash, beginning of year	189,469	91,778
 Cash, end of year	\$ 367,024	\$ 189,469

# CHAC

Notes to Financial Statements  
June 30, 2015 and 2014

## Note A - Nature of Organization and Summary of Significant Accounting Policies

### Nature of organization

CHAC (formerly known as Community Health Awareness Council) was organized on May 15, 1973, as a joint powers agency whose members are the City of Los Altos, the City of Mountain View, the Town of Los Altos Hills, the Los Altos School District, the Mountain View-Whisman School District and the Mountain View-Los Altos Union High School District. CHAC receives funding from its members, the County of Santa Clara and other contributors.

CHAC provides treatment services and prevention and intervention counseling services concentrating on positive alternatives to health abuse and self-destructive behaviors for the residents in the Los Altos, Los Altos Hills and Mountain View and surrounding communities. It also provides the supervision and practicum requirements for interns pursuing licensing as Marriage & Family Therapists, Licensed Clinical Social Workers, Ph.D. and Psy.D. psychologists.

### Income taxes

CHAC is exempt from income taxes under Section 501(c)(3) and Section 23701(d) of the Internal Revenue Code and California Revenue and Taxation Code, respectively, and contributions to it are tax deductible. CHAC has been classified as a publicly supported organization that is not a private foundation.

CHAC has adopted the provisions of Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 740-10-25, *Income Taxes*, which requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. CHAC does not believe its financial statements include any uncertain tax positions.

CHAC is subject to potential examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and the State of California. The tax years that remain subject to potential examination for the U.S. federal jurisdiction is June 30, 2012 and forward. The State of California tax jurisdiction is subject to potential examination for fiscal tax years June 30, 2011 and forward.

### Basis of accounting

The financial statements have been prepared on the accrual basis in accordance with accounting standards generally accepted in the United States of America. Consequently, revenue and support is recognized when earned and expenses are recorded when the obligation is incurred and accordingly reflect all significant receivables, payables and other liabilities.

### Financial statement presentation

CHAC presents information regarding its financial position and activities according to three classes of net assets (unrestricted, temporarily restricted and permanently restricted) based upon the existence or absence of donor-imposed restrictions.

Unrestricted net assets: Net assets that are not subject to donor-imposed restrictions. Temporarily restricted net assets that are released from restriction in the same period as received are presented as unrestricted net assets in these financial statements.

# CHAC

Notes to Financial Statements  
June 30, 2015 and 2014

## Note A - Nature of Organization and Summary of Significant Accounting Policies, continued

### Financial statement presentation (continued)

Board-designated restriction: Net assets that are not subject to donor-imposed restrictions that have been restricted by the Board for specific purposes. These funds may be disbursed at the discretion of the Board.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations may or will be met, either by actions of CHAC and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets: Net assets subject to permanent donor-imposed stipulations can be removed only by the donor. Currently, CHAC has no permanently restricted net assets.

### Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Accounts receivable

Accounts receivable for amounts due from client fees and grants are carried at the original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. Management has determined that no allowance for bad debts is required at June 30, 2015 and 2014.

CHAC has elected to record bad debt for client service fees using the direct write-off method. Generally accepted accounting principles (GAAP) require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

### Contributions Receivable

Contributions receivable represent unconditional promises to give by donors. Current contributions receivable are expected to be collected during the next performance year and are recorded at net realizable value.

### Fair value measurements

The estimated fair values of CHAC's short-term financial instruments, including cash, certificates of deposit, mutual funds, receivables, prepaid expenses, accounts payable and accrued liabilities arising in the ordinary course of business, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization.

# CHAC

Notes to Financial Statements  
June 30, 2015 and 2014

## Note A - Nature of Organization and Summary of Significant Accounting Policies, continued

### Investments

CHAC has a policy for its investments that provides for the use of socially responsible pooled funds and/or nationally recognized mutual funds, within a range of fixed income and growth and income investments. Earnings and income from the investments are available for CHAC operations. Investments in debt securities, and in equity securities that have readily determinable market values, are accounted for and reported at fair value. Investments received by gift are recorded at market value on the date of donation.

Dividends, interest and other investment income are reported in the period earned as an increase in unrestricted net assets unless the use of the income is limited by donor-imposed restrictions, in which case it is reported as an increase in temporarily or permanently restricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donor, stipulation or law.

### Property and equipment

Property and equipment are recorded at historical cost. Assets received as donations are recorded at their estimated fair market value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Acquisitions of property and equipment of \$2,000 or more are capitalized and depreciated using the straight-line method over their useful lives ranging from 3 to 39 years. Depreciation begins when the property and equipment is placed in service. Expenditures representing general maintenance and repairs are expensed in the year incurred.

### Compensated absences

Accumulated unpaid employee vacation benefits are recognized as liabilities when employees have earned such compensated absences and to the extent that it is probable that these will be paid upon termination or retirement. CHAC's policy on sick leave benefits is to record amounts as operating expenses in the period sick leave is taken. As of June 30, 2015 and 2014, compensated absences liabilities were \$129,356 and \$111,397, respectively.

### Contributions

Contributions are recognized in the period received and are considered to be available for unrestricted use unless specifically restricted by the donor. Grants to support CHAC's programs may be recorded as temporarily restricted revenues when received, if applicable, and released from those restrictions when the usage restrictions have been satisfied. Restricted contributions whose restrictions are met in the same reporting period are shown as unrestricted support.

### Contributed services

Contributions of services are recognized when they are received if the services create or enhance nonfinancial assets, or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. Volunteers and interns contributed 31,802 and 28,301 hours for the years ended June 30, 2015 and 2014, respectively, as counselors and educators for the various programs sponsored by CHAC during those years. The estimated fair value of these contributed services recognized as revenues was \$525,761 and \$429,132 for the years ended June 30, 2015 and 2014, respectively. Additionally, no hours or value is recognized

# CHAC

Notes to Financial Statements  
June 30, 2015 and 2014

## Note A - Nature of Organization and Summary of Significant Accounting Policies, continued

### Contributed services (continued)

for office work volunteers. These services are not recognized in the accompanying financial statements because they neither require specialized skills nor would have been typically purchased had they not been donated. The value of these services is not readily determinable.

### Functional allocation of expenses

CHAC allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on payroll dollars.

### Joint cost allocation

Expenses that have the result of furthering fundraising as well as the program and/or management functions are allocated based on the proportionate value of the expense to each function. Newsletters and certain special event costs are so allocated.

### Reclassification

Certain reclassifications have been made to the prior years' financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported change in net assets or net assets.

## Note B - Concentration of Credit Risk

CHAC's bank accounts at certain financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for interest bearing accounts and for an unlimited amount for non-interest bearing account. The cash accounts at a brokerage firm are insured by the Securities Investors Protection Corporation (SIPC) up to \$250,000 and the securities are insured by the SIPC up to \$500,000. CHAC has not experienced any losses arising from the credit risk as of June 30, 2015. Management believes CHAC is not exposed to any significant credit risk on these accounts.

## Note C - Accounts Receivable

Accounts receivable consisted of the following categories as of June 30:

	<u>2015</u>	<u>2014</u>
Client fees	\$ 8,073	\$ 23,489
Contracts and grants	227,235	275,235
	<u>\$ 235,308</u>	<u>\$ 298,724</u>

Grants receivable are conditional based on performance of specific programs and filing corresponding grant reports.

# CHAC

Notes to Financial Statements  
June 30, 2015 and 2014

## Note D - Fair Value of Investments

Effective July 1, 2008, CHAC adopted FASB ASC 820, *Fair Value Measurement and Disclosures*, which provides a framework for measuring fair value under generally accepted accounting principles. ASC 820 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in ASC 820, fair value is 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, CHAC uses various methods including market, income and cost approaches. Based on these approaches, CHAC often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. CHAC utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, CHAC is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 — Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 — Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 — Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The following is a description of the valuation methodology used for certain instruments measured at fair value:

### Community Foundation investment pool

The Community Foundation is based on pricing and valuations using prices from the custodian bank and its pricing vendors, quarterly and audited financial statements from managers of private equity and hedge funds, and through initial and ongoing due diligence and monitoring by the investment and the Community Foundation's consultant, staff and investment committee. CHAC's fair value of the investment in the Community Foundation is based on reviewing and monitoring the Community Foundation valuation and assessing if the fair value is reasonable.

## CHAC

Notes to Financial Statements  
June 30, 2015 and 2014

### Note D - Fair Value of Investments, continued

The table below presents the balances of investments measured at fair value on a recurring basis by level within the hierarchy:

	2015			
	Total	Level 1	Level 2	Level 3
Schwab portfolio	\$ 275,247	\$ 275,247	\$ -	\$ -
Community Foundation investment pool	203,555	-	-	203,555
	\$ 478,802	\$ 275,247	\$ -	\$ 203,555

  

	2014			
	Total	Level 1	Level 2	Level 3
Marketable bonds	\$ 128,724	\$ 128,724	\$ -	\$ -
Community Foundation investment pool	202,007	-	-	202,007
	\$ 330,731	\$ 128,724	\$ -	\$ 202,007

The changes in Level 3 assets measured at fair value on a recurring basis are summarized as follows:

	2015	2014
Beginning balance, July 1,	\$ 202,007	\$ 175,507
Interest and dividends	2,124	2,899
Net realized gains (loss)	1,974	14,809
Unrealized gains (loss)	189	11,257
Management fees	(2,739)	(2,465)
Ending balance, June 30,	\$ 203,555	\$ 202,007



## CHAC

Notes to Financial Statements  
June 30, 2015 and 2014

### Note D - Fair Value of Investments, continued

At June 30, 2015 and 2014, investments in equity securities that have readily determinable market values and all investments in debt securities are accounted for and reported at fair value under provisions prescribed in FASB ASC 320, *Investments-Debt and Equity Securities*.

The estimated carrying and fair values of CHAC's financial instruments at June 30 are as follows:

	2015		2014	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Community Foundation investment pool	\$ 177,739	\$ 203,555	\$ 176,380	\$ 202,007
Schwab Portfolio	278,925	275,248	-	-
Marketable bonds	-	-	130,185	128,724
Total investments	\$ 456,664	\$ 478,803	\$ 306,565	\$ 330,731

Investment return for the years ended June 30 is summarized as follows:

	2015	2014
Interest and dividends	\$ 4,058	\$ 4,799
Net realized gain (loss)	(1,256)	12,284
Unrealized gain (loss)	(4,730)	14,322
Total unrestricted investment income	\$ (1,928)	\$ 31,405

## CHAC

### Notes to Financial Statements June 30, 2015 and 2014

#### Note E - Property and Equipment

Property and equipment at June 30 consisted of:

	2015		
	Cost	Accumulated Depreciation	Net
Land	\$ 1,371,249	\$ -	\$ 1,371,249
Building and improvements	2,141,374	-	2,141,374
Furniture and equipment	51,039	(134,522)	(83,483)
	<u>\$ 3,563,662</u>	<u>\$ (134,522)</u>	<u>\$ 3,429,140</u>

  

	2014		
	Cost	Accumulated Depreciation	Net
Land	\$ 1,371,249	\$ -	\$ 1,371,249
Building and improvements	2,141,374	-	2,141,374
Furniture and equipment	51,039	(73,962)	(22,923)
	<u>\$ 3,563,662</u>	<u>\$ (73,962)</u>	<u>\$ 3,489,700</u>

Depreciation expense is \$60,560 and \$60,561 as of June 30, 2015 and 2014, respectively.

#### Note F - Fund Held in Trust

The fund held in trust is set up and maintained for the Challenge Team, a not-for-profit organization organized by the local community groups, including CHAC. The fund balance is \$50,255 and \$50,257 as of June 30, 2015 and 2014, respectively.

#### Note G - Contingent Liabilities

State grants and contracts require the fulfillment of certain conditions as set forth in the terms of the contract or grant award agreement, and are subject to audit by the grantor. Failure to comply with these conditions could result in the return of funds to the grantor. Although it is a possibility, CHAC believes that it has complied with the conditions of its contracts and grant award agreements, and no significant liabilities will result from audit.

# CHAC

## Notes to Financial Statements June 30, 2015 and 2014

### Note H - Restricted Net Assets

Temporarily restricted net assets contain donor-imposed restrictions that expire upon the passage of time or once specific actions are undertaken by CHAC. These net assets are then released and reclassified to unrestricted net assets from which they are expended.

Restricted net assets for the years ended June 30 are as follows:

	<u>2015</u>	<u>2014</u>
Temporarily restricted net assets:		
Prevention plus program - Sunnyvale School District	\$ 167,700	\$ 142,700
General support	59,650	15,300
Teen talk program	50,000	50,000
Psychology fund	20,000	33,808
In-house prevention program	-	6,848
	<u>\$ 297,350</u>	<u>\$ 248,656</u>

Restricted net assets released are as follows for the years ended June 30:

	<u>2015</u>	<u>2014</u>
Temporarily restricted net assets:		
Prevention plus program - Sunnyvale School District	\$ 167,700	\$ 167,700
Teen talk program	50,000	50,000
Psychology fund	33,808	18,947
General Support	15,300	47,950
In-house prevention program	6,848	-
	<u>\$ 273,656</u>	<u>\$ 284,597</u>

### Note I - Endowments and Net Asset Classifications

CHAC's endowments consist of funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board designated those net assets to function as a Board endowment. The Board designated endowment has similar goals as did the permanently restricted endowment fund, with the preservation of the principal or corpus being the main objective.

## CHAC

Notes to Financial Statements  
June 30, 2015 and 2014

### Note I - Endowments and Net Asset Classifications, continued

Endowment net asset composition, by type of fund, as of June 30 is as follows:

	2015	
	Unrestricted	Total
Board-designated endowment fund	\$ 278,799	\$ 278,799
Total funds	\$ 278,799	\$ 278,799
	2014	
	Unrestricted	Total
Board-designated endowment fund	\$ 278,169	\$ 278,169
Total funds	\$ 278,169	\$ 278,169

Changes in endowment net assets for the fiscal year ended June 30 are as follows:

	2015	
	Unrestricted	Total
Endowment net assets, beginning of year	\$ 278,169	\$ 278,169
Investment return:		
Investment income	2,236	2,236
Net appreciation (realized and unrealized)	1,133	1,133
Total investment return	3,369	3,369
Appropriation of endowment assets for expenditures	(2,739)	(2,739)
Endowment net assets, end of year	\$ 278,799	\$ 278,799
	2014	
	Unrestricted	Total
Endowment net assets, beginning of year	\$ 251,645	\$ 251,645
Investment return:		
Investment income	3,023	3,023
Net appreciation (realized and unrealized)	25,966	25,966
Total investment return	28,989	28,989
Appropriation of endowment assets for expenditures	(2,465)	(2,465)
Endowment net assets, end of year	\$ 278,169	\$ 278,169

# CHAC

Notes to Financial Statements  
June 30, 2015 and 2014

## Note I - Endowments and Net Asset Classifications, continued

### Return objectives and risk parameters

CHAC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that CHAC must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. CHAC expects its endowment funds, over time, to provide an average unrealized and realized combined rate of return of approximately 7 percent annually. Actual returns in any given year may vary from this amount.

### Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, CHAC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). CHAC targets a diversified asset allocation that places a greater emphasis on equity-based investment to achieve its long-term return objectives within prudent risk constraints. CHAC expects its corpus to increase by 2% each year.

### Spending policy and how the investment objectives relate to spending policy

CHAC has a policy of evaluating whether funds should be appropriated for distribution each year during its budget process. In establishing this policy, CHAC considered the long-term expected return on its endowment. Accordingly, over the long term, CHAC expects the current spending policy to allow its endowment to grow at an average of 2 percent annually. If the endowment funds provide an average rate of return of approximately 7 percent annually, as stated above, then this would allow approximately 5 percent of its fair market value to be prudently spent towards its operating expenses. If during the budget process, it is determined that this money is not needed for the upcoming year, it remains unrestricted for use in subsequent years. This is consistent with CHAC's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional growth through new gifts and investment return.

## Note J - Revenue from Joint Powers

During the years ended June 30, funding was authorized by Joint Powers Agencies as follows:

	<u>2015</u>	<u>2014</u>
School districts:		
Los Altos School District	\$ 47,509	\$ 46,125
Mountain View/Whisman School District	67,681	66,095
Mountain View/Los Altos Union High School District	47,232	45,920
Cities:		
City of Los Altos	34,032	33,365
Town of Los Altos Hills	5,400	6,400
City of Mountain View	92,032	92,033
	<u>\$ 293,886</u>	<u>\$ 289,938</u>

## CHAC

Notes to Financial Statements  
June 30, 2015 and 2014

### Note K - Private Unemployment Insurance

CHAC has unemployment insurance through a private program in lieu of participation in the California state unemployment compensation system. Deposits to the program plus an allocated share of investment income are reduced by benefits paid and an allocated share of operating expenses.

Deposits for the years ended June 30, 2015 and 2014 were \$0 and \$13,174, respectively. Claims paid for the years ended June 30, 2015 and 2014 were \$0 and \$599, respectively. The policy calls for a reserve account to provide for future claims based on a profile. The reserve balances at June 30, 2015 and 2014 were \$47,248 and \$46,360, respectively.

### Note L - Retirement Plan

Effective January 1, 2009, CHAC started its 401(k) plan that is managed by ADP Retirement Services. A selection of investments is offered that enables employees to diversify their retirement plan accounts. ADP Retirement Services provides a full range of investment options from well-known and respected money managers. All regular employees working more than twenty hours a week are eligible to participate immediately with their employment in the CHAC.

CHAC contributes to the retirement savings accounts of employees who choose to participate in the retirement plan. CHAC will equally match employee contributions up to 2 percent of employee earnings. Employee contributions are subject to the IRS limitations for each year. Matching contributions for the years ended June 30, 2015 and 2014 were \$16,137 and \$2,296, respectively.

### Note M - Subsequent Events

In preparing these financial statements, CHAC has evaluated subsequent events and transactions for potential recognition or disclosure through September 23, 2015, the date the financial statements were available to be issued. No subsequent events were identified that required adjustment to or disclosure within the financial statements.