

Community Health Awareness Council

Independent Auditor's Report
and Financial Statements

Years Ended June 30, 2013 and 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Health Awareness Council

We have audited the accompanying financial statements of Community Health Awareness Council (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, 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 Community Health Awareness Council as of June 30, 2013 and 2012, 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

A handwritten signature in black ink, appearing to read "Raymond H. Skitt", written over a faint, illegible printed name.

Raymond H. Skitt, CPA
Partner

October 16, 2013

Community Health Awareness Council

Statements of Financial Position

June 30, 2013 and 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash	\$ 91,779	\$ 279,215
Accounts receivable	208,618	147,532
Contributions receivable	243,341	23,483
Prepaid expenses	4,333	4,551
TOTAL CURRENT ASSETS	548,071	454,781
Deposits	32,713	31,140
Certificates of deposit	234,390	230,884
Investments	274,327	259,776
Property and equipment, net	3,550,261	302,075
TOTAL ASSETS	\$ 4,639,762	\$ 1,278,656
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 72,525	\$ 8,141
Accrued liabilities	121,046	115,013
TOTAL CURRENT LIABILITIES	193,571	123,154
Funds Held in Trust	46,497	41,517
TOTAL LIABILITIES	240,068	164,671
NET ASSETS		
Unrestricted	3,863,452	755,881
Board-designated restriction	251,645	233,465
TOTAL NET ASSETS	4,115,097	989,346
Temporarily restricted	284,597	124,639
TOTAL NET ASSETS	4,399,694	1,113,985
TOTAL LIABILITIES AND NET ASSETS	\$ 4,639,762	\$ 1,278,656

Community Health Awareness Council

Statements of Activities

Years Ended June 30, 2013 and 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
Public support:						
Individual contributions	\$ 364,581	\$ 21,700	\$ 386,281	\$ 362,049	\$ -	\$ 362,049
Corporate and foundation grants	292,003	255,575	547,578	413,203	15,740	428,943
Capital campaign	2,104,793	-	2,104,793	-	-	-
Special events	147,788	-	147,788	112,040	-	112,040
Total public support	2,909,165	277,275	3,186,440	887,292	15,740	903,032
Other support:						
Joint power agencies	285,667	-	285,667	272,139	-	272,139
Government grants	191,354	-	191,354	93,616	-	93,616
First Five	537,469	-	537,469	331,565	-	331,565
Contributed services	488,452	-	488,452	468,283	-	468,283
Private and operating contracts	140,677	-	140,677	64,165	-	64,165
Total other support	1,643,619	-	1,643,619	1,229,768	-	1,229,768
Revenue:						
Program service fees	175,703	-	175,703	186,071	-	186,071
Gain on exchange of land and building	1,168,577	-	1,168,577	-	-	-
Realized gain (loss) on investment	3,500	-	3,500	(1,640)	-	(1,640)
Unrealized gain (loss) on investment	8,862	-	8,862	(2,203)	-	(2,203)
Interest and dividends	8,390	-	8,390	10,183	-	10,183
Total revenue	1,365,032	-	1,365,032	192,411	-	192,411
Net assets released from restrictions:						
Satisfaction of usage restrictions	117,317	(117,317)	-	206,735	(206,735)	-
Total support and revenue	\$ 6,035,133	\$ 159,958	\$ 6,195,091	\$ 2,516,206	\$ (190,995)	\$ 2,325,211

Community Health Awareness Council

Statements of Activities
Years Ended June 30, 2013 and 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Functional expenses:						
Program services:						
First Five	\$ 529,876	\$ -	\$ 529,876	\$ 337,308	\$ -	\$ 337,308
In-House Prevention/Intervention	583,419	-	583,419	558,539	-	558,539
School Prevention/Intervention	930,338	-	930,338	865,940	-	865,940
Restorative Justice	80,710	-	80,710	68,178	-	68,178
Outlet	317,777	-	317,777	247,806	-	247,806
Youth Service Unit	-	-	-	126,263	-	126,263
Total program services	2,442,120	-	2,442,120	2,204,034	-	2,204,034
Support services:						
Management and general	222,463	-	222,463	183,741	-	183,741
Fundraising	244,799	-	244,799	233,535	-	233,535
Total support services	467,262	-	467,262	417,276	-	417,276
Total functional expenses	2,909,382	-	2,909,382	2,621,310	-	2,621,310
Change in net assets	3,125,751	159,958	3,285,709	(105,104)	(190,995)	(296,099)
Net assets, beginning of year	989,346	124,639	1,113,985	1,094,450	315,634	1,410,084
Net assets, end of year	\$ 4,115,097	\$ 284,597	\$ 4,399,694	\$ 989,346	\$ 124,639	\$ 1,113,985

Community Health Awareness Council

Statements of Functional Expenses

Year Ended June 30, 2013

	Program Services							Support Services			Total Expenses
	First Five	In-House Prevention/ Intervention	School Prevention/ Intervention	Restorative Justice	Youth Service Outlet	Youth Service Unit	Total	Management and General	Fundraising	Total	
Salaries	\$ 355,133	\$ 359,299	\$ 497,364	\$ 62,241	\$ 198,703	\$ -	\$ 1,472,740	\$ 157,710	\$ 116,412	\$ 274,122	\$ 1,746,862
Contributed services	-	119,322	316,710	-	-	-	436,032	-	-	-	436,032
Employee benefits	28,440	20,660	17,937	4,482	22,203	-	93,722	17,714	2,229	19,943	113,665
Workers' compensation	3,006	2,847	3,735	797	1,230	-	11,615	2,050	-	2,050	13,665
Payroll taxes	29,714	33,072	32,750	5,488	16,875	-	117,899	13,737	8,928	22,665	140,564
Total salaries and related expenses	416,293	535,200	868,496	73,008	239,011	-	2,132,008	191,211	127,569	318,780	2,450,788
Dues/miscellaneous	1,115	4,243	3,496	235	1,279	-	10,368	268	1,297	1,565	11,933
Insurance	3,322	3,138	4,139	874	1,359	-	12,832	607	-	607	13,439
Marketing/promotion	179	234	358	51	488	-	1,310	193	114,107	114,300	115,610
Mileage/parking	385	420	1,183	577	3,335	-	5,900	365	-	365	6,265
Office/computer equipment	3,005	2,777	3,820	714	1,068	-	11,384	1,997	202	2,199	13,583
Occupancy	10,350	9,474	13,562	2,154	2,564	-	38,104	16,753	23	16,776	54,880
Postage/printing	1,869	2,055	2,618	601	5,108	-	12,251	1,077	325	1,402	13,653
Professional fees	4,281	4,016	5,397	1,096	1,752	-	16,542	4,942	300	5,242	21,784
Program services	59,342	9,427	3,858	183	55,818	-	128,628	112	-	112	128,740
Service charges	33	285	275	41	3,634	-	4,268	1,935	596	2,531	6,799
Stipends/intern expense	16,557	89	12,471	20	94	-	29,231	49	-	49	29,280
Supplies	10,138	1,657	2,491	500	889	-	15,675	828	380	1,208	16,883
Telecommunications	1,272	1,116	1,807	270	511	-	4,976	777	-	777	5,753
Bad debt	-	7,553	-	-	-	-	7,553	-	-	-	7,553
Total expenses before depreciation	528,141	581,684	923,971	80,324	316,910	-	2,431,030	221,114	244,799	465,913	2,896,943
Depreciation	1,735	1,735	6,367	386	867	-	11,090	1,349	-	1,349	12,439
Total expenses	\$ 529,876	\$ 583,419	\$ 930,338	\$ 80,710	\$ 317,777	\$ -	\$ 2,442,120	\$ 222,463	\$ 244,799	\$ 467,262	\$ 2,909,382

Community Health Awareness Council

Statements of Functional Expenses

Year Ended June 30, 2012

	Program Services							Support Services			Total Expenses
	In-House Prevention/ First Five	School Prevention/ Intervention	Restorative Justice	Youth Service Outlet	Youth Service Unit	Total	Management and General	Fundraising	Total		
	First Five	Intervention	Intervention	Justice	Outlet	Unit	Total	Management and General	Fundraising	Total	
Salaries	\$ 230,830	\$ 333,389	\$ 414,839	\$ 52,787	\$ 155,985	\$ 94,250	\$ 1,282,080	\$ 126,568	\$ 144,432	\$ 271,000	\$ 1,553,080
Contributed services	-	103,464	312,678	-	-	-	416,142	-	-	-	416,142
Employee benefits	20,176	18,680	11,681	3,351	14,185	6,075	74,148	21,588	2,289	23,877	98,025
Workers' compensation	2,548	2,972	4,831	424	1,487	1,115	13,377	1,988	-	1,988	15,365
Payroll taxes	17,722	26,856	28,546	3,011	12,289	9,430	97,854	10,880	9,013	19,893	117,747
Total salaries and related expenses	271,276	485,361	772,575	59,573	183,946	110,870	1,883,601	161,024	155,734	316,758	2,200,359
Dues/miscellaneous	775	3,401	1,790	275	789	580	7,610	1,026	892	1,918	9,528
Insurance	2,461	2,678	4,081	532	1,186	826	11,764	24	-	24	11,788
Marketing/promotion	1,589	2,326	3,072	759	937	238	8,921	(1,611)	76,891	75,280	84,201
Mileage/parking	299	455	1,416	658	3,392	482	6,702	331	3	334	7,036
Office/computer equipment	2,110	3,017	3,419	1,187	1,041	573	11,347	2,004	-	2,004	13,351
Occupancy	2,801	3,455	5,809	1,159	1,658	923	15,805	2,858	-	2,858	18,663
Postage/printing	2,187	2,847	4,274	722	4,286	708	15,024	2,112	3	2,115	17,139
Professional fees	3,873	4,644	7,268	824	2,196	1,594	20,399	5,547	-	5,547	25,946
Program services	40,444	6,052	5,063	183	40,478	7,019	99,239	59	-	59	99,298
Service charges	50	121	95	12	5,259	44	5,581	2,268	-	2,268	7,849
Stipends/intern expense	1,073	24,457	49,388	123	123	114	75,278	173	-	173	75,451
Supplies	5,217	1,382	2,087	416	632	371	10,105	942	12	954	11,059
Telecommunications	667	785	1,293	263	391	1,921	5,320	925	-	925	6,245
Bad debt	-	13,248	-	-	-	-	13,248	5,026	-	5,026	18,274
Total expenses before depreciation	334,822	554,229	861,630	66,686	246,314	126,263	2,189,944	182,708	233,535	416,243	2,606,187
Depreciation	2,486	4,310	4,310	1,492	1,492	-	14,090	1,033	-	1,033	15,123
Total expenses	<u>\$ 337,308</u>	<u>\$ 558,539</u>	<u>\$ 865,940</u>	<u>\$ 68,178</u>	<u>\$ 247,806</u>	<u>\$ 126,263</u>	<u>\$ 2,204,034</u>	<u>\$ 183,741</u>	<u>\$ 233,535</u>	<u>\$ 417,276</u>	<u>\$ 2,621,310</u>

Community Health Awareness Council

Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
Cash Flows From Operating Activities		
Change in net assets	\$ 3,285,709	\$ (296,099)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt	7,553	18,274
Depreciation	12,439	15,123
Gain on exchange of land and building	(1,168,577)	-
Noncash contribution of land and building	(1,983,249)	-
Realized (gain) loss on investments	(1,177)	3,693
Unrealized (gain) loss on investments	(8,862)	1,870
Decrease (increase) in:		
Accounts receivable	(68,639)	326,597
Contributions receivable	(219,858)	(11,483)
Prepaid expenses	218	5,345
Deposits	(1,573)	(10,356)
Increase (decrease) in:		
Accounts payable	64,384	4,771
Accrued liabilities	6,033	14,292
Funds held in trust	4,980	(777)
Net cash provided by (used in) operating activities	(70,619)	71,250
Cash Flows From Investing Activities		
Purchase of property and equipment	(108,799)	-
Redemption (investment) in certificates of deposit	-	41,351
Reinvested interest from certificates of deposit	(3,506)	(6,103)
Reinvested dividends and interest from investments	(4,512)	(3,710)
Net cash provided by (used in) investing activities	(116,817)	31,538
Net increase (decrease) in cash	(187,436)	102,788
Cash, beginning of year	279,215	176,427
Cash, end of year	\$ 91,779	\$ 279,215
Noncash Investing Activities		
Noncash contribution of land and building	\$ 1,983,249	\$ -

Community Health Awareness Council

Notes to Financial Statements

June 30, 2013 and 2012

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

Nature of organization

Community Health Awareness Council (CHAC) 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 Counselors.

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, 2010 and forward. The State of California tax jurisdiction is subject to potential examination for fiscal tax years June 30, 2009 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.

Community Health Awareness Council

Notes to Financial Statements

June 30, 2013 and 2012

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, 2013 and 2012.

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.

Community Health Awareness Council

Notes to Financial Statements

June 30, 2013 and 2012

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, 2013 and 2012, compensated absences liabilities were \$106,828 and \$100,333, 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 27,387 and 29,565 hours for the years ended June 30, 2013 and 2012, 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 \$436,032 and \$416,142 for the years ended June 30, 2013 and 2012, respectively. Additionally, no hours or value is recognized

Community Health Awareness Council

Notes to Financial Statements

June 30, 2013 and 2012

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, 2013. 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>2013</u>	<u>2012</u>
Client fees	\$ 11,267	\$ 11,633
Contracts and grants	197,351	135,899
	<u>\$ 208,618</u>	<u>\$ 147,532</u>

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

Community Health Awareness Council

Notes to Financial Statements

June 30, 2013 and 2012

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.

Community Health Awareness Council

Notes to Financial Statements

June 30, 2013 and 2012

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:

	2013			
	Total	Level 1	Level 2	Level 3
Marketable bonds	\$ 98,820	\$ 98,820	\$ -	\$ -
Community Foundation investment pool	175,507	-	-	175,507
	\$ 274,327	\$ 98,820	\$ -	\$ 175,507

	2012			
	Total	Level 1	Level 2	Level 3
Marketable bonds	\$ 102,266	\$ 102,266	\$ -	\$ -
Community Foundation investment pool	157,510	-	-	157,510
	\$ 259,776	\$ 102,266	\$ -	\$ 157,510

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

	2013	2012
Beginning balance, July 1,	\$ 157,510	\$ 161,629
Interest and dividends	2,390	2,709
Net realized gains (loss)	3,500	(1,640)
Unrealized gains (loss)	14,370	(3,135)
Management fees	(2,263)	(2,053)
Ending balance, June 30,	\$ 175,507	\$ 157,510

Community Health Awareness Council

Notes to Financial Statements

June 30, 2013 and 2012

Note D - Fair Value of Investments, continued

At June 30, 2013 and 2012, 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:

	2013		2012	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Marketable bonds	\$ 103,345	\$ 98,820	\$ 101,284	\$ 102,266
Community Foundation investment pool	161,137	175,507	160,645	157,510
Total investments	\$ 264,482	\$ 274,327	\$ 261,929	\$ 259,776

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

	2013	2012
Interest and dividends	\$ 4,512	\$ 3,710
Net realized gain (loss)	1,177	(3,693)
Unrealized gain (loss)	8,862	(1,870)
Total unrestricted investment income	\$ 14,551	\$ (1,853)

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Notes to Financial Statements

June 30, 2013 and 2012

Note E - Property and Equipment

Property and equipment at June 30 consisted of:

	2013		
	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	(13,401)	37,638
	<u>\$ 3,563,662</u>	<u>\$ (13,401)</u>	<u>\$ 3,550,261</u>

	2012		
	Cost	Accumulated Depreciation	Net
Land	\$ 182,282	\$ -	\$ 182,282
Building and improvements	315,635	(215,544)	100,091
Furniture and equipment	49,857	(30,155)	19,702
	<u>\$ 547,774</u>	<u>\$ (245,699)</u>	<u>\$ 302,075</u>

Depreciation expense is \$12,439 and \$15,123 as of June 30, 2013 and 2012, respectively.

Note F – Nonmonetary Transactions

In February 2013, CHAC entered into an agreement for an exchange of commercial real property with an individual. The nonmonetary exchange transaction was finalized in May 2013. The fair market value of the property received from the exchange for the CHAC property was \$3,420,000. The fair market value of the CHAC property at the date of exchange was \$1,440,000. CHAC agreed that the difference in fair market value of \$1,980,000 will be a charitable contribution to CHAC. CHAC also agreed that the individual shall pay for all closing costs for each transfer of title. \$14,269 and CHAC's moving and relocation costs of \$10,000. CHAC recorded the property received at the fair market value at the date of exchange. In connection with the exchange, CHAC recorded a gain of \$1,168,577 and is included in the Statement of Activities for the year ended June 30, 2013.

Note G - 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 \$46,497 and \$41,517 as of June 30, 2013 and 2012, respectively.

Community Health Awareness Council

Notes to Financial Statements

June 30, 2013 and 2012

Note H - 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.

Note I - 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>2013</u>	<u>2012</u>
Temporarily restricted net assets:		
Prevention plus program - Sunnyvale School District	\$ 167,700	\$ -
Teen talk program	50,000	-
General support	47,950	-
Psychology fund	18,947	15,473
Outlet	-	109,166
	<u>\$ 284,597</u>	<u>\$ 124,639</u>

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

	<u>2013</u>	<u>2012</u>
Temporarily restricted net assets:		
Outlet	\$ 109,166	\$ -
Psychology fund	8,151	4,729
Gang prevention	-	202,006
	<u>\$ 117,317</u>	<u>\$ 206,735</u>

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Notes to Financial Statements

June 30, 2013 and 2012

Note J - 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.

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

		2013	
		Unrestricted	Total
	Board-designated endowment fund	\$ 251,645	\$ 251,645
	Total funds	\$ 251,645	\$ 251,645
		2012	
		Unrestricted	Total
	Board-designated endowment fund	\$ 233,465	\$ 233,465
	Total funds	\$ 233,465	\$ 233,465

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

		2013	
		Unrestricted	Total
	Endowment net assets, beginning of year	\$ 233,465	\$ 233,465
	Investment return:		
	Investment income	2,573	2,573
	Net appreciation (realized and unrealized)	17,870	17,870
	Total investment return	20,443	20,443
	Appropriation of endowment assets for expenditures	(2,263)	(2,263)
	Endowment net assets, end of year	\$ 251,645	\$ 251,645

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Notes to Financial Statements

June 30, 2013 and 2012

Note J - Endowments and Net Asset Classifications, continued

	2012	
	Unrestricted	Total
Endowment net assets, beginning of year	\$ 237,277	\$ 237,277
Investment return:		
Investment income	3,016	3,016
Net appreciation (realized and unrealized)	(4,775)	(4,775)
Total investment return	(1,759)	(1,759)
Appropriation of endowment assets for expenditures	(2,053)	(2,053)
Endowment net assets, end of year	\$ 233,465	\$ 233,465

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.

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Notes to Financial Statements

June 30, 2013 and 2012

Note K - Revenue from Joint Powers

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

	<u>2013</u>	<u>2012</u>
School districts:		
Los Altos School District	\$ 45,000	\$ 31,476
Mountain View/Whisman School District	64,484	64,483
Mountain View/Los Altos Union High School District	44,800	44,800
Cities:		
City of Los Altos	32,551	32,551
Town of Los Altos Hills	9,500	9,500
City of Mountain View	89,332	89,329
	<u>\$ 285,667</u>	<u>\$ 272,139</u>

Note L - 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, 2013 and 2012 were \$14,453 and \$17,771, respectively. Claims paid for the years ended June 30, 2013 and 2012 were \$13,697 and \$10,472, respectively. The policy calls for a reserve account to provide for future claims based on a profile. The reserve balances at June 30, 2013 and 2012 were \$32,713 and \$31,140, respectively.

Note M - 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, 2013 and 2012 were \$17,762 and \$15,706, respectively.

Community Health Awareness Council

Notes to Financial Statements

June 30, 2013 and 2012

Note N - Outlet Program

The Outlet program operates as a distinct program within CHAC. It is self supporting with contributions and revenue restricted solely for this program's mission. It allocates a specific administrative fee to compensate CHAC for overhead and general services. Activities for Outlet and all other programs are as follows:

	2013			2012		
	Outlet	Other	Total	Outlet	Other	Total
Support and revenue:						
Public support	\$ 281,230	\$ 2,905,210	\$ 3,186,440	\$ 327,136	\$ 575,896	\$ 903,032
Other support	57,108	1,586,511	1,643,619	18,750	1,211,018	1,229,768
Revenue	3,150	1,361,882	1,365,032	3,917	188,494	192,411
Total support and revenue	341,488	5,853,603	6,195,091	349,803	1,975,408	2,325,211
Functional expenses:						
Program	317,777	2,124,343	2,442,120	247,806	1,956,228	2,204,034
Management and general	-	222,463	222,463	-	183,741	183,741
Fundraising	107,877	136,922	244,799	76,257	157,278	233,535
Administrative fee	25,000	(25,000)	-	25,000	(25,000)	-
	450,654	2,458,728	2,909,382	349,063	2,272,247	2,621,310
	\$ (109,166)	\$ 3,394,875	\$ 3,285,709	\$ 740	\$ (296,839)	\$ (296,099)

Effective July 1, 2013, CHAC no longer operates the Outlet program. As of June 30, 2013 a liability was recorded for \$46,206, the balance of the Temporarily Restricted for Outlet.

Note O - Subsequent Events

In preparing these financial statements, CHAC has evaluated subsequent events and transactions for potential recognition or disclosure through October 16, 2013, 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.