

CHAC

Financial Statements

June 30, 2019
(With Comparative Totals for 2018)



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
CHAC
Mountain View, California

We have audited the accompanying financial statements of CHAC (formerly known as Community Health Awareness Council) (a nonprofit corporation) ("CHAC"), which comprise the statement of financial position as of June 30, 2019, 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CHAC as of June 30, 2019, 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, CHAC has adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited CHAC's 2018 financial statements, and our report dated December 14, 2018 expressed an unmodified opinion on those audited financial statements. As part of our audit of the 2019 financial statements, we also audited the adjustments to the 2018 financial statements to apply the change in accounting principle discussed above. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, adjusted for the change in accounting principle discussed above, is consistent, in all material respects, with the audited financial statements from which it has been derived. Also, in our opinion, such adjustments are appropriate and have been properly applied.



Armanino^{LLP}
San Jose, California

January 5, 2020

CHAC
Statement of Financial Position
June 30, 2019
(With Comparative Totals for 2018)

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 364,955	\$ 99,681
Accounts receivable	227,479	647,623
Contributions receivable, current portion	324,000	322,500
Investments	554,638	521,157
Prepaid expenses	43,460	20,096
Total current assets	1,514,532	1,611,057
Other assets		
Deposits	28,857	16,199
Contributions receivable, net of current portion	25,000	-
Property and equipment, net	3,519,025	3,280,244
Total other assets	3,572,882	3,296,443
 Total assets	 \$ 5,087,414	 \$ 4,907,500
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 22,826	\$ 22,720
Accrued expenses	107,255	108,644
Total current liabilities	130,081	131,364
Funds held in trust	38,597	50,674
Total liabilities	168,678	182,038
Net assets		
Without donor restrictions		
Undesignated	208,017	1,064,891
Board designated scholarship fund	3,400	-
Board designated operating reserve	712,344	-
Board designated capital reserve	101,000	-
Invested in property and equipment	3,519,025	3,280,244
Total without donor restrictions	4,543,786	4,345,135
With donor restrictions	374,950	380,327
Total net assets	4,918,736	4,725,462
 Total liabilities and net assets	 \$ 5,087,414	 \$ 4,907,500

The accompanying notes are an integral part of these financial statements.

CHAC
Statement of Activities
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Support and revenue				
Public support				
Corporate and foundation grants	\$ 84,669	\$ 405,340	\$ 490,009	\$ 539,670
Individual contributions	283,394	1,300	284,694	154,770
Special events	14,000	-	14,000	10,000
Miscellaneous	2,126	-	2,126	923
Total public support	<u>384,189</u>	<u>406,640</u>	<u>790,829</u>	<u>705,363</u>
Other support				
Joint Powers Agencies	935,573	-	935,573	611,786
Contributed services	914,973	-	914,973	860,683
First 5	477,543	-	477,543	465,606
In-kind contributions - leasehold improvements	190,306	-	190,306	-
Other government grants	-	-	-	211,375
Total other support	<u>2,518,395</u>	<u>-</u>	<u>2,518,395</u>	<u>2,149,450</u>
Revenue				
Program service fees	364,165	-	364,165	340,240
Contract revenue	346,864	-	346,864	528,478
Unrealized gains (losses) on investments	20,402	-	20,402	(12,413)
Interest and dividends	13,993	-	13,993	24,221
Realized gains on investments	-	-	-	11,201
Total revenue	<u>745,424</u>	<u>-</u>	<u>745,424</u>	<u>891,727</u>
Net assets released from restriction	412,017	(412,017)	-	-
Total support and revenue	<u>4,060,025</u>	<u>(5,377)</u>	<u>4,054,648</u>	<u>3,746,540</u>
Functional expenses				
Program services	3,187,322	-	3,187,322	2,993,989
Management and general	507,087	-	507,087	363,107
Fundraising	166,965	-	166,965	260,121
Total functional expenses	<u>3,861,374</u>	<u>-</u>	<u>3,861,374</u>	<u>3,617,217</u>
Change in net assets	198,651	(5,377)	193,274	129,323
Net assets, beginning of year	<u>4,345,135</u>	<u>380,327</u>	<u>4,725,462</u>	<u>4,596,139</u>
Net assets, end of year	<u>\$ 4,543,786</u>	<u>\$ 374,950</u>	<u>\$ 4,918,736</u>	<u>\$ 4,725,462</u>

The accompanying notes are an integral part of these financial statements.

CHAC
Statement of Functional Expenses
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)

	Program Services				Support Services			2019 Total	2018 Total
	Family Resource Center	In-House Prevention/ Intervention	School Prevention/ Intervention	Total Program Services	Management and General	Fundraising	Total Support Services		
Salaries and related expenses									
Salaries and wages	\$ 366,863	\$ 474,256	\$ 695,395	\$ 1,536,514	\$ 267,131	\$ 88,460	\$ 355,591	\$ 1,892,105	\$ 1,912,979
Contributed services	-	-	914,973	914,973	3,861	-	3,861	918,834	860,683
Payroll taxes	26,722	34,729	51,492	112,943	18,325	6,832	25,157	138,100	142,617
Employee benefits	25,835	21,553	39,521	86,909	19,593	1,581	21,174	108,083	110,138
Total salaries and related expenses	419,420	530,538	1,701,381	2,651,339	308,910	96,873	405,783	3,057,122	3,026,417
Professional fees	22,008	81,186	38,766	141,960	139,368	51,636	191,004	332,964	267,945
Stipends/intern	16,759	-	142,745	159,504	-	-	-	159,504	44,399
Depreciation	9,096	33,560	26,635	69,291	23,873	-	23,873	93,164	60,560
Occupancy	25,984	24,249	17,529	67,762	5,142	4,035	9,177	76,939	74,836
Dues/miscellaneous	1,554	4,803	12,580	18,937	14,664	7,936	22,600	41,537	39,076
Supplies	6,161	6,013	7,276	19,450	3,547	1,190	4,737	24,187	34,744
Insurance	1,844	5,384	3,892	11,120	6,911	896	7,807	18,927	18,664
Bad debt expense	-	14,044	-	14,044	-	-	-	14,044	-
Telecommunications	4,997	3,395	2,886	11,278	1,123	574	1,697	12,975	15,589
Office/computer equipment	1,212	3,538	2,558	7,308	1,999	782	2,781	10,089	11,104
Service charges	30	8,393	-	8,423	440	871	1,311	9,734	11,257
Postage/printing	280	583	1,752	2,615	1,097	2,172	3,269	5,884	6,784
Mileage/parking/travel	3,883	204	204	4,291	13	-	13	4,304	5,842
	<u>\$ 513,228</u>	<u>\$ 715,890</u>	<u>\$ 1,958,204</u>	<u>\$ 3,187,322</u>	<u>\$ 507,087</u>	<u>\$ 166,965</u>	<u>\$ 674,052</u>	<u>\$ 3,861,374</u>	<u>\$ 3,617,217</u>
Percentage of total	<u>13 %</u>	<u>18 %</u>	<u>51 %</u>	<u>82 %</u>	<u>14 %</u>	<u>4 %</u>	<u>18 %</u>	<u>100 %</u>	

The accompanying notes are an integral part of these financial statements.

CHAC
Statement of Cash Flows
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 193,274	\$ 129,323
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	93,164	60,560
Realized gains on investments	-	(11,201)
Unrealized (gains) losses on investments	(20,402)	12,413
In-kind contributions - leasehold improvements	(190,306)	-
Changes in operating assets and liabilities		
Accounts receivable	420,144	(336,828)
Contributions receivable	(1,500)	(86,500)
Prepaid expenses	(48,364)	1,037
Deposits	(12,658)	(6,455)
Accounts payable	106	5,512
Accrued expenses	(1,389)	2,225
Funds held in trust	(12,077)	431
Net cash provided by (used in) operating activities	419,992	(229,483)
Cash flows from investing activities		
Reinvested dividends and interest from investments	(13,993)	(24,221)
Purchases of investments	-	(433,785)
Proceeds from sale of investments	914	481,477
Purchase of property and equipment	(141,639)	(31,188)
Net cash used in investing activities	(154,718)	(7,717)
Net increase (decrease) in cash and cash equivalents	265,274	(237,200)
Cash and cash equivalents, beginning of year	99,681	336,881
Cash and cash equivalents, end of year	\$ 364,955	\$ 99,681

The accompanying notes are an integral part of these financial statements.

CHAC
Notes to Financial Statements
June 30, 2019
(With Comparative Totals for 2018)

1. NATURE OF OPERATIONS

CHAC (formerly known as 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 self-destructive behaviors for the residents in the Los Altos, Los Altos Hills, Mountain View and surrounding communities. It also provides the supervision and practicum requirements for interns pursuing licensing as Marriage and Family Therapists, Licensed Clinical Social Workers, Ph.D. and Psy.D. psychologists.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

CHAC prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently support and revenue is recognized when earned, and expenses are recorded when the obligation is incurred. In accordance with accounting principles generally accepted in the United States of America, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- *Net assets without donor restrictions* - assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an operating fund plus any net assets designated by the Board for specific purposes and invested in property and equipment.
- *Board designated net assets* - assets that are not subject to donor-imposed restrictions that have been designated by the Board for specific purposes. These funds may be disbursed at the discretion of the Board.
- *Board designated capital reserve* - the purpose of the Capital Reserve is to provide the replacement of capital items that have reached the end of their useful life and any new capital items that are needed for operations.
- *Board designated operating reserve* - the purpose of the Operating Reserve is to help ensure the long-term ability of CHAC to meet its mission. CHAC will be maintain the Operating Reserve to achieve the following objectives:
 - To create an internal line of credit to manage cash flow and maintain financial flexibility
 - To enable CHAC to sustain operations through delays in payments of committed funding

CHAC
Notes to Financial Statements
June 30, 2019
(With Comparative Totals for 2018)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

- To pay for one-time, nonrecurring expenses that will build capacity, such as staff development

The Operating Reserve is not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of CHAC for the Operating Reserve to be used and replenished within a year. Its oversight is delegated to the Finance Committee.

- *Board designated scholarship fund* - the purpose of the Scholarship Fund is to accumulate reserves to fund future scholarships
- *Net assets with donor restrictions* - assets which are subject to donor restrictions and for which the applicable restriction was not met as of the end of the current reporting period.

Change in accounting principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU makes certain improvements to current reporting requirements, including:

1. Reducing the classes of net assets from three (unrestricted, temporarily restricted, and permanently restricted) to two (without donor restrictions and with donor restrictions).
2. Enhancing disclosures about:
 - Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions.
 - Composition of net assets with donor restrictions and how the restrictions affect the use of resources.
 - Qualitative information about management of liquid resources and quantitative information about the availability of liquid resources to meet cash needs for general expenditures within one year of the statement of financial position date.
 - Methods used to allocate costs among program and support functions.
3. Reporting investment return net of external and direct internal investment expenses.

The amendments have been applied on a retrospective basis with the option to omit the disclosures about liquidity and availability of resources for the prior year comparative period.

CHAC
Notes to Financial Statements
June 30, 2019
(With Comparative Totals for 2018)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of 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 support, revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments and investments with a maturity of three months or less. Management believes it is not exposed to any significant risk on cash accounts.

Accounts receivable

Accounts receivable for amounts due from grants, contracts and client fees are carried at the original invoice amount less an estimate made for doubtful accounts 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. As of June 30, 2019 and 2018, the allowance for doubtful accounts was \$14,044 and \$0, respectively.

CHAC has elected to record bad debt for contracts and client service fees using the direct write-off method as of June 30, 2018 and the allowance method as of June 30, 2019. 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.

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.

CHAC
Notes to Financial Statements
June 30, 2019
(With Comparative Totals for 2018)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

Dividends, interest and other investment income are reported in the period earned as an increase in net assets without donor restrictions unless the use of the income is limited by donor-imposed restrictions, in which case it is reported as an increase in net assets with donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulation or law.

Fair value measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. CHAC determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2, and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that CHAC has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect CHAC's own assumptions about what market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include CHAC's own data.

The following methods and assumptions were used to estimate the fair value of financial assets and liabilities:

- *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.

CHAC
Notes to Financial Statements
June 30, 2019
(With Comparative Totals for 2018)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

Valuation techniques utilized during the reporting period in the fair value measurement of assets and liabilities presented on CHAC's statement of financial position were not changed from the previous year.

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 support without donor restrictions. 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, 2019 and 2018, compensated absences liabilities were \$76,572 and \$72,399, 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 donor restricted revenues when received, if applicable, and released from those restrictions when the usage restrictions have been satisfied.

CHAC
Notes to Financial Statements
June 30, 2019
(With Comparative Totals for 2018)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 30,550 and 29,376 hours for the years ended June 30, 2019 and 2018, 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 \$914,973 and \$860,683 for the years ended June 30, 2019 and 2018, respectively. Additionally, no hours or value is recognized 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.

Income tax status

CHAC is a qualified organization exempt from federal and California income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC) and 23701(d) of the State of California Revenue and Taxation Code. As such, CHAC qualifies for the maximum charitable contribution deduction by donors.

CHAC has evaluated its current tax positions and has concluded that as of June 30, 2019, CHAC does not have any significant uncertain tax positions for which a reserve would be necessary. CHAC's federal and state income tax returns are subject to possible examination by taxing authorities for three years after they are filed for federal returns and four years after they are filed for state returns. CHAC's federal returns for the years ended June 30, 2018, 2017 and 2016 could be subject to possible examination by federal taxing authorities. CHAC's state returns for the years ended June 30, 2018, 2017, 2016, and 2015 could be subject to possible examination by state taxing authorities.

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 full-time equivalents.

Joint cost allocation

Expenses that have the result of furthering fundraising as well as the program services 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.

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Notes to Financial Statements
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative financial information

The financial statements include certain prior year summarized comparative information in total but not by net asset class of functional expenses categories. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with CHAC's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Reclassifications

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.

Subsequent events

Subsequent events have been evaluated through January 5, 2020, which is the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of CHAC's financial statements.

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	<u>2019</u>	<u>2018</u>
Contracts and grants	\$ 201,157	\$ 622,176
Client fees	<u>40,366</u>	<u>25,447</u>
	241,523	647,623
Allowance for doubtful accounts	<u>(14,044)</u>	<u>-</u>
	<u><u>\$ 227,479</u></u>	<u><u>\$ 647,623</u></u>

CHAC
Notes to Financial Statements
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(With Comparative Totals for 2018)

4. INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, CHAC's investments at fair value as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Exchange traded funds	<u>\$ 554,638</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 554,638</u>

The following table sets forth by level, within the fair value hierarchy, CHAC's investments at fair value as of June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Exchange traded funds	<u>\$ 521,157</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 521,157</u>

Investment earnings (losses) consisted of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 13,993	\$ 24,221
Realized gains	-	11,201
Unrealized gains (losses)	<u>20,402</u>	<u>(12,413)</u>
	<u>\$ 34,395</u>	<u>\$ 23,009</u>

5. PROPERTY AND EQUIPMENT

Property and equipment at cost consisted of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 1,371,249	\$ 1,371,249
Buildings and improvements	2,321,694	2,141,374
Furniture and equipment	<u>235,450</u>	<u>83,825</u>
	3,928,393	3,596,448
Accumulated depreciation	<u>(409,368)</u>	<u>(316,204)</u>
	<u>\$ 3,519,025</u>	<u>\$ 3,280,244</u>

Depreciation expense was \$93,164 and \$60,560 for the year ended June 30, 2019 and 2018, respectively.

CHAC
Notes to Financial Statements
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(With Comparative Totals for 2018)

6. FUNDS HELD IN TRUST

The funds held in trust were set up and are maintained for Cops and Gobblers Thanksgiving gifts and the Challenge Team, a not-for-profit organization organized by the local community groups, including CHAC. The funds held in trust for Cops and Gobblers were used in full during the year ended June 30, 2019 and the balance was \$6,400 as of June 30, 2018. As of June 30, 2019 and 2018, the balance for the Challenge Team was \$38,597 and \$44,274, respectively.

7. 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.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	<u>2019</u>	<u>2018</u>
Prevention plus program	\$ 339,000	\$ 328,000
In-house services	35,950	18,310
Other	<u>-</u>	<u>34,017</u>
	<u>\$ 374,950</u>	<u>\$ 380,327</u>

Net assets with donor restrictions released from restriction during the year were as follows:

	<u>2019</u>	<u>2018</u>
Prevention plus program	\$ 358,560	\$ 236,000
Other	34,897	37,983
In-house services	<u>18,560</u>	<u>1,889</u>
	<u>\$ 412,017</u>	<u>\$ 275,872</u>

CHAC
Notes to Financial Statements
June 30, 2019
(With Comparative Totals for 2018)

9. REVENUE FROM JOINT POWERS AGENCIES

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

	2019	2018
School districts:		
Mountain View / Whisman School District	\$ 447,300	\$ 238,000
Mountain View / Los Altos Union High School District	172,000	119,000
Los Altos School District	160,000	100,000
	779,300	457,000
Cities and towns:		
City of Mountain View	104,273	104,300
City of Los Altos	42,000	40,486
Town of Los Altos Hills	10,000	10,000
	156,273	154,786
	\$ 935,573	\$ 611,786

10. 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, 2019 and 2018 were \$12,526 and \$3,523, respectively. Claims paid for the years ended June 30, 2019 and 2018 were \$1,693 and \$31, respectively. The policy calls for a reserve account to provide for future claims based on a profile. The reserve balances at June 30, 2019 and 2018 were \$28,857 and \$16,199, respectively.

11. RETIREMENT PLAN

Effective January 1, 2009, CHAC started its 401(k) plan that is managed by Paychex Retirement Services. A selection of investments is offered that enables employees to diversify their retirement plan accounts. Paychex 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 3 percent of employee earnings. Employee contributions are subject to the IRS limitations for each year. Matching contributions for the years ended June 30, 2019 and 2018 were \$21,059 and \$15,695, respectively.

CHAC
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12. LIQUIDITY AND AVAILABILITY OF RESOURCES

As part of its liquidity management CHAC has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Accounts receivable consist of amounts expected to be received within one year from June 30, 2019. These receivables will be available to support the general operations of CHAC.

The following is a quantitative disclosure which describes assets and liquid resources that are available as of June 30, 2019 to fund general expenditures and other obligations when they become due:

Financial assets	
Cash and cash equivalents	\$ 364,955
Accounts receivable	227,479
Contributions receivable	349,000
Investments	<u>554,638</u>
	<u>1,496,072</u>
Less: amounts unavailable for general expenditures within one year	
Net assets restricted for a specified purpose	(374,950)
Funds held in trust	(38,597)
Board designated scholarship fund	(3,400)
Board designated capital reserve	<u>(101,000)</u>
	<u>(517,947)</u>
	<u>\$ 978,125</u>