

# **CHAC**

Financial Statements

June 30, 2018  
(With Comparative Totals for 2017)



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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 organization) ("CHAC"), which comprise the statement of financial position as of June 30, 2018, 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited CHAC's 2017 financial statements, and our report dated December 22, 2017 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino<sup>LLP</sup>  
San Jose, California

December 14, 2018

CHAC  
Statement of Financial Position  
June 30, 2018  
(With Comparative Totals for 2017)

	2018	2017
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 99,681	\$ 336,881
Accounts receivable	647,623	310,795
Contributions receivable	322,500	236,000
Prepaid expenses	20,096	21,133
Total current assets	1,089,900	904,809
Other assets		
Deposits	16,199	9,744
Investments	521,157	545,840
Property and equipment, net	3,280,244	3,309,616
Total other assets	3,817,600	3,865,200
 Total assets	 \$ 4,907,500	 \$ 4,770,009
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 22,720	\$ 17,208
Accrued expenses	108,644	106,419
Total current liabilities	131,364	123,627
Funds held in trust	50,674	50,243
Total liabilities	182,038	173,870
Net assets		
Unrestricted	4,345,135	4,354,165
Temporarily restricted	380,327	241,974
Total net assets	4,725,462	4,596,139
 Total liabilities and net assets	 \$ 4,907,500	 \$ 4,770,009

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

CHAC  
Statement of Activities  
For the Year Ended June 30, 2018  
(With Comparative Totals for 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
Support and revenue				
Public support				
Corporate and foundation grants	\$ 127,520	\$ 412,150	\$ 539,670	\$ 466,896
Individual contributions	152,695	2,075	154,770	143,051
Special events	10,000	-	10,000	9,256
Miscellaneous	<u>923</u>	<u>-</u>	<u>923</u>	<u>50</u>
Total public support	<u>291,138</u>	<u>414,225</u>	<u>705,363</u>	<u>619,253</u>
Other support				
Contributed services	860,683	-	860,683	773,984
Joint Powers Agencies	611,786	-	611,786	317,258
First 5	465,606	-	465,606	517,663
Government grants	<u>211,375</u>	<u>-</u>	<u>211,375</u>	<u>223,715</u>
Total other support	<u>2,149,450</u>	<u>-</u>	<u>2,149,450</u>	<u>1,832,620</u>
Revenue				
Contract revenue	528,478	-	528,478	356,113
Program service fees	340,240	-	340,240	314,193
Interest and dividends	24,221	-	24,221	12,848
Realized gains on investments	11,201	-	11,201	11,574
Unrealized gains (losses) on investments	<u>(12,413)</u>	<u>-</u>	<u>(12,413)</u>	<u>29,218</u>
Total revenue	<u>891,727</u>	<u>-</u>	<u>891,727</u>	<u>723,946</u>
Net assets released from restriction	<u>275,872</u>	<u>(275,872)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,608,187</u>	<u>138,353</u>	<u>3,746,540</u>	<u>3,175,819</u>
Functional expenses				
Program services	2,993,989	-	2,993,989	2,755,285
Management and general	363,107	-	363,107	229,180
Fundraising	<u>260,121</u>	<u>-</u>	<u>260,121</u>	<u>207,263</u>
Total functional expenses	<u>3,617,217</u>	<u>-</u>	<u>3,617,217</u>	<u>3,191,728</u>
Change in net assets	(9,030)	138,353	129,323	(15,909)
Net assets, beginning of year	<u>4,354,165</u>	<u>241,974</u>	<u>4,596,139</u>	<u>4,612,048</u>
Net assets, end of year	<u>\$ 4,345,135</u>	<u>\$ 380,327</u>	<u>\$ 4,725,462</u>	<u>\$ 4,596,139</u>

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

CHAC  
Statement of Functional Expenses  
For the Year Ended June 30, 2018  
(With Comparative Totals for 2017)

	Program Services			Support Services			2018 Total	2017 Total	
	First 5	In-House Prevention/ Intervention	School Prevention/ Intervention	Total Program Services	Management and General	Fundraising			Total Support Services
Salaries and related expenses									
Salaries and wages	\$ 360,011	\$ 480,426	\$ 736,936	\$ 1,577,373	\$ 148,654	\$ 186,952	\$ 335,606	\$ 1,912,979	\$ 1,757,073
Contributed services	-	-	854,548	854,548	175	5,960	6,135	860,683	773,984
Payroll taxes	26,624	35,628	56,681	118,933	10,522	13,162	23,684	142,617	132,986
Employee benefits	26,982	28,857	42,455	98,294	6,263	5,581	11,844	110,138	119,185
Total salaries and related expenses	413,617	544,911	1,690,620	2,649,148	165,614	211,655	377,269	3,026,417	2,783,228
Professional fees	16,632	42,353	18,314	77,299	160,503	30,143	190,646	267,945	131,714
Occupancy	29,431	20,600	19,124	69,155	3,854	1,827	5,681	74,836	66,755
Depreciation	18,694	10,447	21,496	50,637	9,923	-	9,923	60,560	60,560
Stipends/intern	44,399	-	-	44,399	-	-	-	44,399	27,760
Dues/miscellaneous	1,866	11,818	8,156	21,840	7,033	10,203	17,236	39,076	28,043
Supplies	18,031	7,707	5,967	31,705	2,016	1,023	3,039	34,744	29,095
Insurance	2,267	4,626	4,277	11,170	7,084	410	7,494	18,664	19,184
Telecommunications	5,680	3,841	3,626	13,147	2,094	348	2,442	15,589	12,872
Service charges	-	7,395	-	7,395	3,236	626	3,862	11,257	6,952
Office/computer equipment	1,869	3,746	3,513	9,128	1,643	333	1,976	11,104	8,435
Postage/printing	22	1,867	1,253	3,142	89	3,553	3,642	6,784	9,407
Mileage/parking	4,140	1,684	-	5,824	18	-	18	5,842	7,723
	<u>\$ 556,648</u>	<u>\$ 660,995</u>	<u>\$ 1,776,346</u>	<u>\$ 2,993,989</u>	<u>\$ 363,107</u>	<u>\$ 260,121</u>	<u>\$ 623,228</u>	<u>\$ 3,617,217</u>	<u>\$ 3,191,728</u>
Percentage of total	<u>16 %</u>	<u>18 %</u>	<u>49 %</u>	<u>83 %</u>	<u>10 %</u>	<u>7 %</u>	<u>17 %</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, 2018  
(With Comparative Totals for 2017)

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 129,323	\$ (15,909)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	60,560	60,560
Realized gains on investments	(11,201)	(11,574)
Unrealized (gains) losses on investments	12,413	(29,218)
Changes in operating assets and liabilities		
Accounts receivable	(336,828)	233,024
Contributions receivable	(86,500)	(19,300)
Prepaid expenses	1,037	(7,052)
Deposits	(6,455)	3,257
Accounts payable	5,512	(12,589)
Accrued expenses	2,225	(5,561)
Funds held in trust	431	(3,704)
Net cash provided by (used in) operating activities	(229,483)	191,934
Cash flows from investing activities		
Reinvested dividends and interest from investments	(24,221)	(12,848)
Purchases of investments	(433,785)	-
Proceeds from sale of investments	481,477	4,131
Purchase of property and equipment	(31,188)	(1,596)
Net cash used in investing activities	(7,717)	(10,313)
Net increase (decrease) in cash and cash equivalents	(237,200)	181,621
Cash and cash equivalents, beginning of year	336,881	155,260
Cash and cash equivalents, end of year	\$ 99,681	\$ 336,881

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



CHAC  
Notes to Financial Statements  
June 30, 2018  
(With Comparative Totals for 2017)

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 health abuse and 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 and 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 three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets.

- *Unrestricted net assets* - Net assets that are not subject to donor-imposed stipulations and net assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization.
- *Board-designated net assets* - Net 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.
- *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 restriction.
- *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.

CHAC  
Notes to Financial Statements  
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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. Management has determined that no allowance for doubtful accounts is required at June 30, 2018 and 2017.

CHAC has elected to record bad debt for contracts and 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.

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.

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Notes to Financial Statements  
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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 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.

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.

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Notes to Financial Statements  
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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 previous.

Silicon Valley Community Foundation Investment Pool

The Silicon Valley Community Foundation Investment Pool 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 Silicon Valley Community Foundation's consultant, staff and investment committee. CHAC's fair value of the investment in the Silicon Valley Community Foundation Investment Pool is based on reviewing and monitoring Silicon Valley Community Foundation's Investment Pool valuation and assessing if the fair value is reasonable.

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, 2018 and 2017, compensated absences liabilities were \$72,399 and \$81,869, 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. If the restrictions have not been met by fiscal year end, the amounts are reported as increases in temporarily or permanently restricted net assets.

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Notes to Financial Statements  
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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 29,376 and 27,196 hours for the years ended June 30, 2018 and 2017, 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 \$860,683 and \$773,984 for the years ended June 30, 2018 and 2017, 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, 2018, 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, 2017, 2016 and 2015 could be subject to examination by federal taxing authorities. CHAC's state returns for the years ended June 30, 2017, 2016, 2015, and 2014 could be subject to 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 payroll 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.

CHAC  
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, 2017, 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 December 14, 2018, 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 consist of the following:

	2018	2017
Contracts and grants	\$ 622,176	\$ 291,327
Client fees	25,447	19,468
	\$ 647,623	\$ 310,795

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4. INVESTMENTS

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>Total</u>
Exchange traded funds	<u>\$ 521,157</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 521,157</u>

The following table sets forth by level, within the fair value hierarchy, CHAC's investments at fair value as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bond funds	\$ 148,373	\$ -	\$ -	\$ 148,373
Equity funds	161,240	-	-	161,240
Silicon Valley Community Foundation Investment Pool	<u>-</u>	<u>-</u>	<u>236,227</u>	<u>236,227</u>
	<u>\$ 309,613</u>	<u>\$ -</u>	<u>\$ 236,227</u>	<u>\$ 545,840</u>

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

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 236,227	\$ 207,649
Interest and dividends	-	2,222
Realized gains	-	11,574
Unrealized gains	-	17,882
Management fees	-	(3,100)
Transfer from level 3 to level 1	<u>(236,227)</u>	<u>-</u>
Balance, end of year	<u>\$ -</u>	<u>\$ 236,227</u>

Investment earnings (losses) consist of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 24,221	\$ 12,848
Realized gains	11,201	11,574
Unrealized gains (losses)	<u>(12,413)</u>	<u>29,218</u>
	<u>\$ 23,009</u>	<u>\$ 53,640</u>

CHAC  
Notes to Financial Statements  
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(With Comparative Totals for 2017)

5. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2018 consisted of:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$ 1,371,249	\$ -	\$ 1,371,249
Building and improvements	2,141,374	(274,918)	1,866,456
Furniture and equipment	<u>83,825</u>	<u>(41,286)</u>	<u>42,539</u>
	<u>\$ 3,596,448</u>	<u>\$ (316,204)</u>	<u>\$ 3,280,244</u>

Property and equipment at June 30, 2017 consisted of:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$ 1,371,249	\$ -	\$ 1,371,249
Building and improvements	2,141,374	(210,461)	1,930,913
Furniture and equipment	<u>52,637</u>	<u>(45,183)</u>	<u>7,454</u>
	<u>\$ 3,565,260</u>	<u>\$ (255,644)</u>	<u>\$ 3,309,616</u>

Depreciation expense is \$60,560 and \$60,560 as of June 30, 2018 and 2017, respectively.

6. FUNDS HELD IN TRUST

The funds held in trust were set up and are maintained for the Cops and Gobblers Thanksgiving gifts and the Challenge Team, a not-for-profit organization organized by the local community groups, including CHAC. The balance was \$6,400 and \$7,150 for Cops and Gobblers as of June 30, 2018 and 2017, respectively; and the balance was \$44,274 and \$43,093 for the Challenge Team as of June 30, 2018 and 2017, 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.



CHAC  
Notes to Financial Statements  
June 30, 2018  
(With Comparative Totals for 2017)

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	2018	2017
Prevention plus program	\$ 328,000	\$ 236,000
Other	34,017	-
In-house services	18,310	5,974
	\$ 380,327	\$ 241,974

Temporarily restricted net assets released from restriction during the years ended June 30 were as follows:

	2018	2017
Prevention plus program	\$ 236,000	\$ 346,800
Other	37,983	4,083
In-house services	1,889	26,874
	\$ 275,872	\$ 377,757

9. REVENUE FROM JOINT POWERS AGENCIES

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

	2018	2017
School districts:		
Mountain View / Whisman School District	\$ 238,000	\$ 51,081
Mountain View / Los Altos Union High School District	119,000	51,381
Los Altos School District	100,000	73,197
	457,000	175,659
Cities:		
City of Mountain View	104,300	94,793
City of Los Altos	40,486	36,806
Town of Los Altos Hills	10,000	10,000
	154,786	141,599
Total	\$ 611,786	\$ 317,258

CHAC  
Notes to Financial Statements  
June 30, 2018  
(With Comparative Totals for 2017)

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, 2018 and 2017 were \$3,523 and \$4,652, respectively. Claims paid for the years ended June 30, 2018 and 2017 were \$31 and \$11,700, respectively. The policy calls for a reserve account to provide for future claims based on a profile. The reserve balances at June 30, 2018 and 2017 were \$16,199 and \$9,744, respectively.

11. 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, 2018 and 2017 were \$15,695 and \$12,523, respectively.