

CHILD ADVOCATES OF SILICON VALLEY, INC.
(A California Nonprofit Public Benefit Corporation)

* * *

FINANCIAL STATEMENTS

Year Ended June 30, 2009 with Comparative Totals
for the Year Ended June 30, 2008

CHILD ADVOCATES OF SILICON VALLEY, INC.
(A California Nonprofit Public Benefit Corporation)

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CHILD ADVOCATES OF SILICON VALLEY, INC.
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FINANCIAL POSITION

June 30, 2009 with Comparative Totals as of June 30, 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 5,283	\$ 26,657
Short-Term Investments	501,002	763,743
Grants and Pledges Receivable	45,774	86,469
Prepaid Expenses	<u>8,951</u>	<u>20</u>
Total Current Assets	<u>561,010</u>	<u>876,889</u>
PROPERTY AND EQUIPMENT, NET	<u>41,950</u>	<u>40,192</u>
OTHER ASSETS:		
Deposits	7,638	7,638
Investments Held for Endowment Purposes	<u>966,621</u>	<u>1,200,252</u>
Total Other Assets	<u>974,259</u>	<u>1,207,890</u>
TOTAL ASSETS	<u>\$ 1,577,219</u>	<u>\$ 2,124,971</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 8,594	\$ 11,979
Accrued Vacation	<u>48,466</u>	<u>62,602</u>
Total Current Liabilities	<u>57,060</u>	<u>74,581</u>
NET ASSETS:		
Unrestricted Net Assets:		
Undesignated	35,071	4,147
Board Designated Operating Reserve	460,000	760,000
Board Designated Endowment	466,621	700,252
Net Investment in Property and Equipment	<u>41,950</u>	<u>40,192</u>
Total Unrestricted Net Assets	1,003,642	1,504,591
Temporarily Restricted Net Assets	16,517	45,799
Permanently Restricted Net Assets	<u>500,000</u>	<u>500,000</u>
Total Net Assets	<u>1,520,159</u>	<u>2,050,390</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,577,219</u>	<u>\$ 2,124,971</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

CHILD ADVOCATES OF SILICON VALLEY, INC.
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF ACTIVITIES

Year Ended June 30, 2009 with Comparative Totals for the Year Ended June 30, 2008

	2009						2008	
	Unrestricted			Temporarily Restricted	Permanently Restricted	TOTAL	TOTAL	
	Operating Activities	Investing Activities	TOTAL					
PUBLIC SUPPORT AND REVENUE:								
Contributions	\$ 255,132	\$ -	\$ 255,132	\$ 22,100	\$ -	\$ 277,232	\$ 395,937	
Special Events (Includes In-Kind Income of \$25,631 and \$5,578)	387,291	-	387,291	-	-	387,291	488,955	
Less: Special Event Costs (Includes In-Kind Expenses of \$25,631 and \$5,578)	(123,543)	-	(123,543)	-	-	(123,543)	(103,013)	
Foundation Grants	93,200	-	93,200	47,000	-	140,200	152,275	
Contributions In-Kind	233,497	-	233,497	-	-	233,497	238,758	
Corporate Grants	87,475	-	87,475	63,850	-	151,325	149,875	
Government Grants and Fees	234,767	-	234,767	-	-	234,767	241,709	
Net Realized/Unrealized Loss on Investments	-	(269,807)	(269,807)	-	-	(269,807)	(163,425)	
Interest and Dividends, Net of Investment Fees of \$9,403 and \$3,145	-	31,137	31,137	-	-	31,137	94,523	
Other Income	4,577	-	4,577	-	-	4,577	4,940	
Workshop Revenue	8,014	-	8,014	-	-	8,014	2,969	
Total Public Support and Revenue	1,180,410	(238,670)	941,740	132,950	-	1,074,690	1,503,503	
Net Assets Released from Restrictions	162,232	-	162,232	(162,232)	-	-	-	
Total Public Support, Revenue and Net Assets Released from Restrictions	1,342,642	(238,670)	1,103,972	(29,282)	-	1,074,690	1,503,503	
EXPENSES:								
Programs Services:								
Children Services	1,216,931	-	1,216,931	-	-	1,216,931	1,519,171	
Supporting Services:								
Management and General	220,996	-	220,996	-	-	220,996	261,273	
Fundraising	166,994	-	166,994	-	-	166,994	157,660	
Total Supporting Services	387,990	-	387,990	-	-	387,990	418,933	
Total Expenses	1,604,921	-	1,604,921	-	-	1,604,921	1,938,104	
CHANGE IN NET ASSETS (See Note 2)	\$ (262,279)	\$ (238,670)	(500,949)	(29,282)	-	(530,231)	(434,601)	
NET ASSETS, Beginning of Year			1,504,591	45,799	500,000	2,050,390	2,484,991	
NET ASSETS, End of Year			\$ 1,003,642	\$ 16,517	\$ 500,000	\$ 1,520,159	\$ 2,050,390	

The Accompanying Notes are an Integral Part of these Financial Statements.

CHILD ADVOCATES OF SILICON VALLEY, INC.
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2009 with Comparative Totals for the Year Ended June 30, 2008

	2009				2008	
	PROGRAM SERVICES	SUPPORTING SERVICES			TOTALS	TOTALS
	Children Services	Management and General	Fundraising	Total		
EXPENSES:						
Salaries	\$ 736,358	\$ 93,621	\$ 122,682	\$ 216,303	\$ 952,661	\$ 1,145,156
Employee Benefits	76,572	10,961	4,411	15,372	91,944	128,518
Payroll Taxes	68,265	8,263	11,300	19,563	87,828	97,339
Severance	26,801	20,258	818	21,076	47,877	-
Total Salaries and Related Expenses	907,996	133,103	139,211	272,314	1,180,310	1,371,013
Rent, Including In-Kind	130,513	7,093	4,256	11,349	141,862	141,863
Professional Fees, Including In-Kind	29,695	62,026	15,080	77,106	106,801	139,772
Supplies, Including In-Kind	29,367	1,107	633	1,740	31,107	44,908
Recruitment and Training	28,178	-	-	-	28,178	59,148
Children Programs	13,650	-	-	-	13,650	34,475
Telephone	10,199	1,831	1,046	2,877	13,076	13,553
Utilities	10,319	535	290	825	11,144	12,177
Postage	5,890	1,057	3,581	4,638	10,528	8,160
Printing and Publications	6,591	1,183	676	1,859	8,450	18,350
Janitorial Services	7,223	374	203	577	7,800	8,620
Bank Fees	-	6,735	-	6,735	6,735	9,355
Travel	5,321	120	556	676	5,997	4,823
Insurance	3,747	2,020	122	2,142	5,889	10,065
Conferences and Meetings	3,247	1,033	302	1,335	4,582	5,282
Dues and Subscriptions	1,801	989	355	1,344	3,145	1,909
Equipment, Including In-Kind	2,544	53	53	106	2,650	4,903
Repairs and Maintenance	1,732	18	18	36	1,768	2,443
Bad Debt	-	700	-	700	700	2,500
Marketing	160	-	-	-	160	3,097
Contribution	-	-	-	-	-	1,500
Total Expenses Before Depreciation	1,198,173	219,977	166,382	386,359	1,584,532	1,897,916
Depreciation	18,758	1,019	612	1,631	20,389	40,188
Total Expenses	<u>\$ 1,216,931</u>	<u>\$ 220,996</u>	<u>\$ 166,994</u>	<u>\$ 387,990</u>	<u>\$ 1,604,921</u>	<u>\$ 1,938,104</u>
Percentage of Total	<u>75.8 %</u>	<u>13.8 %</u>	<u>10.4 %</u>	<u>24.2 %</u>	<u>100.0 %</u>	

The Accompanying Notes are an Integral Part of these Financial Statements.

CHILD ADVOCATES OF SILICON VALLEY, INC.
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF CASH FLOWS

Year Ended June 30, 2009 with Comparative Totals for the Year Ended June 30, 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (530,231)	\$ (434,601)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Used by Operating Activities:		
Depreciation	20,389	40,188
Donated Equipment	(19,149)	-
Net Realized/Unrealized Loss on Investments	269,807	163,425
(Increase) Decrease in Assets:		
Grants and Pledges Receivable	40,695	(43,048)
Prepaid Expenses	(8,931)	10,510
Increase (Decrease) in Liabilities:		
Accounts Payable	(3,385)	(13,641)
Accrued Vacation	(14,136)	8,685
Accrued Expenses	-	(330)
Deferred Revenue	-	(5,500)
Net Cash Used by Operating Activities	(244,941)	(274,312)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(2,998)	(928)
Purchase of Pooled Investment Funds	(293,061)	(334,494)
Proceeds from Sales of Investments	269,626	269,833
Net Proceeds from Sales of Money Market Investments	250,000	283,382
Net Cash Provided by Investing Activities	223,567	217,793
NET DECREASE IN CASH AND CASH EQUIVALENTS	(21,374)	(56,519)
CASH AND CASH EQUIVALENTS, Beginning of Year	26,657	83,176
CASH AND CASH EQUIVALENTS, End of Year	\$ 5,283	\$ 26,657

The Accompanying Notes are an Integral Part of these Financial Statements.

CHILD ADVOCATES OF SILICON VALLEY, INC.
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NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES:

Child Advocates of Silicon Valley, Inc. (the "Agency") trains and supports Court Appointed Special Advocates to serve the needs of children in the foster care system by providing a powerful, independent voice for the child. These dedicated community volunteers spend time with a child and become a trusted friend, mentor, and constant adult presence. They work with the foster parents, teachers, social workers, counselors, and others to get a complete picture of the child's life and needs. And they make regular reports and attend hearings in dependency court to advise the judge on the child's best interests when key decisions are being made.

Founded in 1986, Child Advocates of Silicon Valley, Inc. works in partnership with the Santa Clara County Juvenile Dependency Court, a nationally recognized model court. The Court is changing the way the child dependency system has traditionally worked, focusing on healing the family, instead of just taking the child away. In addition to Court Appointed Special Advocates, who undergo 30+ hours of training and spend three to four hours a week with the child or working on the case, the Agency also recruits Education Advocates, who help ensure the academic success of foster children by following a child's progress in school, identifying available academic and enrichment resources, and making sure that school records are transferred in entirety when the child changes schools. Child Advocates of Silicon Valley, Inc. is a member of the National CASA Association and is one of the largest of over 1,000 programs nationwide.

The Agency's volunteer Advocates are usually the most consistent adult relationship in the lives of these vulnerable children. Advocates meet weekly with their child(ren) and are their champion, giving voice to their issues and making their concerns "real" to the courts. Santa Clara County's Dependency Court Supervising Judge Katherine Lucero says, "Advocate volunteers are invaluable in helping judges make better decisions for abused children. I know that with an Advocate volunteer on his or her side, an abused child has a better chance of ending up in a safe, permanent, loving home."

During the year ended June 30, 2009, the Agency supported 474 Advocates in their work with 601 children. Child Advocates of Silicon Valley, Inc. also supervised 29 Education Advocates in their work with 45 children and continued its active participation in the Dependency Drug Treatment Court, Teen Court and Family Wellness Court, an exciting new program working to reunite children with clean and sober parents.

NOTE 2 - CHANGE IN NET ASSETS:

The Agency reported a loss of \$(530,231) during this fiscal year. The loss reflected a decline in the value of the Agency's investments (\$238,670) as well as a loss from operations (\$262,279). The loss from operations resulted from a decline in income from contributions, events and other sources partially offset by a reduction in operating expenses. In light of the economic uncertainties, the Agency reduced its staff mid-year and developed a plan to bring spending into balance with the lower level of income. The Agency's operating reserves remain sufficient to support ongoing programs and operations during the period and for the foreseeable future.

The Agency's finance committee and the Board of Directors have an ongoing process to evaluate the investment results, performance, future goals and targets.

CHILD ADVOCATES OF SILICON VALLEY, INC.
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NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 2 - CHANGE IN NET ASSETS (Continued):

The Agency receives public support from a variety of sources, including individuals, corporations, government entities and foundations. While fundraising efforts are ongoing, levels of support from these sources can vary from year-to-year. The Agency addresses these fluctuations in income by diversifying its sources, maintaining an operating reserve and continuously researching and cultivating new sources of support.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting - The financial statements of Child Advocates of Silicon Valley, Inc. have been prepared on the accrual basis of accounting.

Basis of Presentation - The Agency follows standards of accounting and financial reporting for voluntary health and welfare organizations as prescribed by the American Institute of Certified Public Accountants. In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, the Agency reports its financial position and operating activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Agency. Under this category, the Agency maintains an operating fund, a property and equipment fund plus any net assets designated by the Board for specific purposes.

Temporarily restricted net assets include those assets which are subject to donor restriction and for which the applicable restriction was not met as of the year end of the current reporting period.

Permanently restricted net assets include those assets which are subject to a non-expiring donor restriction, such as endowments.

Comparative Financial Information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense 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 the Agency's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 period. Accordingly, actual results could differ from those estimates.

CHILD ADVOCATES OF SILICON VALLEY, INC.
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NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Cash and Cash Equivalents - Cash and cash equivalents include highly liquid investments and investments with a maturity of three months or less, and exclude donor restricted receipts and amounts designated for long-term purposes. The Agency maintains its cash in bank deposit accounts which, at times, may exceed Federally insured limits. The Agency has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

The Agency adopted the provisions of SFAS No. 157, *Fair Value Measurements*, effective July 1, 2008. Under SFAS No. 157, fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

SFAS No. 157 establishes a hierarchy to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Agency. Unobservable inputs reflect the Agency's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Grants Receivable - The Agency considers all grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

Promises to Give - Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as support in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. All unconditional promises to give are receivable in less than one year. The Agency considers all unconditional promises to give to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

CHILD ADVOCATES OF SILICON VALLEY, INC.
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NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Property and Equipment - Property and equipment are recorded at cost or estimated fair value for donated items. Equipment purchases over \$500 are capitalized. The cost of maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, which range from 5 to 7 years. Depreciation is charged to the activity benefiting from the use of the property or equipment.

Accrued Vacation - Accrued vacation represents vacation earned, but not taken as of June 30, 2009 and 2008. The accrued vacation balance as of June 30, 2009 and 2008 was \$48,466 and \$62,602, respectively.

Revenue Recognition - The Agency recognizes support and revenue on the accrual basis of accounting. Revenue from grants which have been classified as "exchange transactions" and program fees are recognized as revenue in the period in which the service is provided.

Contributions - Contributions are reported in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the nature of donor restrictions. Restricted contributions are reported as increases in restricted net assets. When the restriction is met the amount is shown as a reclassification of restricted net assets to unrestricted net assets.

Contributions In-Kind - Contributions in-kind are also recognized in accordance with the provisions of SFAS No. 116. Donated office space, donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which the Agency would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. The Agency also receives donated services that do not require specific expertise but which are nonetheless central to the Agency's operations. While these contributed services are not reflected in the financial statements the estimated value of these services is disclosed in note 11.

Expense Allocation - Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and supporting services on the basis of salary expense, square footage and use studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Agency.

Income Taxes - Child Advocates of Silicon Valley, Inc. is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying statements. In addition, the Agency qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code.

Advertising - The Agency's policy is to expense marketing and advertising costs as the costs are incurred. Advertising expenses for the years ended June 30, 2009 and 2008 was \$9,877 and \$35,094, respectively. Marketing and advertising costs was included in "recruitment and training" in the statement of functional expenses.

CHILD ADVOCATES OF SILICON VALLEY, INC.
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Reclassifications - Certain amounts in the prior year have been reclassified in order to be consistent with the current year presentation.

Subsequent Events - Management of the Agency has evaluated events and transactions subsequent to June 30, 2009 for potential recognition or disclosure in the financial statements. The Agency had one subsequent event that required recognition or disclosure in the financial statements for the year ended June 30, 2009 (see Note 16). Subsequent events have been evaluated through the date the financial statements became available to be issued, October 20, 2009. The entity has not evaluated subsequent events after October 20, 2009.

Recent Accounting Pronouncements

FIN 48 - In June 2006, the Financial Accounting Standards Boards (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109*, (FIN 48). FIN 48 provides guidance on recognition and measurement of uncertainties in income taxes recognized in financial statements by prescribing a more-likely-than-not recognition threshold and measurement attribute of tax positions taken or expected to be taken on a tax return. On December 30, 2008 FASB Staff Position (FSP) FIN 48-3 was issued and allows for the deferral of FIN 48 for fiscal years beginning after December 15, 2008.

In accordance with this provision, the Agency elected to defer the application of FIN 48. Based on management's analysis of the Agency's tax positions, the accounting for any uncertainty in its tax positions is not expected to have a material impact on the financial statements.

SFAS No. 157 - In September 2006, FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157) which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements. FASB previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, SFAS No. 157 does not require any new fair value measurements. However, for some entities, application of SFAS No. 157 will change current practice. In February 2008, FASB issued Staff Position No. 157-2 that defers the effective date of SFAS No. 157 for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in financial statements on a recurring basis for fiscal years beginning after November 15, 2008. In addition, FASB also agreed to exclude from scope of SFAS No. 157 fair value measurements made for purposes of applying SFAS No. 13, *Accounting for Leases*, and related interpretive accounting pronouncements. The adoption of SFAS No. 157 for financial assets and liabilities did not have a significant impact on the Agency's results of operations, cash flows or financial position. The Agency is assessing the impact of adopting SFAS No. 157 on non-financial assets and liabilities, but do not expect it to have a material impact on its results of operations, cash flows or financial position.

CHILD ADVOCATES OF SILICON VALLEY, INC.
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NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

SFAS No. 159 - In February 2007, FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159) which permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of SFAS No. 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is effective for an entity's first fiscal year that begins after November 15, 2007. The Agency has adopted SFAS No. 159 but did not elect to measure any eligible financial instruments at fair value under this guidance.

NOTE 4 - INVESTMENTS:

The Agency has entered into agreements with Silicon Valley Community Foundation (pooled investment funds) and Sanford C. Bernstein & Co., LLC (managed fund), to manage, hold in trust, and invest certain assets according to the their investment policy guidelines. In accordance with the Agency's investment policy, annual distributions equal to the lesser of 5% of the Fund value on the last day of the previous fiscal year or the average return produced by the Fund, net of inflation (CPI), over the 3 previous years, will be available for operating activities. Investments are recorded at fair value. Donated investments are recorded at their estimated fair value at the donation date.

In accordance with SFAS No. 157 investments held with the Silicon Valley Community Foundation are classified as Level 3 investments and investments held with Sanford C. Bernstein & Co., LLC are classified as Level 1 investments (See Note 3). The fair values of the Agency's investments as of June 30, consisted of the following:

	<u>2009</u>	<u>2008</u>
Short-Term Investments:		
Money Market Investments	\$ 450,127	\$ 700,572
Pooled Investment Funds	9,913	12,016
Managed Fund (36% Fixed Income/60% Equities/4% Real Estate)	<u>40,962</u>	<u>51,155</u>
Total Short-Term Investments	<u>\$ 501,002</u>	<u>\$ 763,743</u>
Investments Held for Endowment Purposes:		
Pooled Investment Funds	\$ 188,343	\$ 228,303
Managed Fund (36% Fixed Income/60% Equities/4% Real Estate)	<u>778,278</u>	<u>971,949</u>
Total Investments Held for Endowment Purposes	<u>\$ 966,621</u>	<u>\$ 1,200,252</u>

CHILD ADVOCATES OF SILICON VALLEY, INC.
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 4 - INVESTMENTS (Continued):

Net Investment Loss:		
Interest and Dividends, Net of Investment Fees of \$9,403 and \$3,145	\$ 31,137	\$ 94,523
Net Realized and Unrealized Loss	<u>(269,807)</u>	<u>(163,425)</u>
Total Net Investment Loss	<u>\$ (238,670)</u>	<u>\$ (68,902)</u>

The underlying investments of the Silicon Valley Community Foundation as of June 30, 2009 consisted of the following:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and Cash Equivalents	\$ 2,379	\$ 2,379	\$ -	\$ -
Stocks	85,845	74,743	11,102	-
Bonds	34,893	34,893	-	-
U.S. Treasury Securities	7,733	7,733	-	-
Hedge Funds	51,348	-	51,348	-
Private Equity	13,481	-	-	13,481
Real Estate Funds	<u>2,577</u>	<u>-</u>	<u>-</u>	<u>2,577</u>
Total Funds	<u>\$ 198,256</u>	<u>\$ 119,748</u>	<u>\$ 62,450</u>	<u>\$ 16,058</u>

NOTE 5 - PROPERTY AND EQUIPMENT:

The cost and accumulated depreciation of property and equipment as of June 30, consisted of the following:

	2009	2008
Leasehold Improvements	\$ 194,332	\$ 172,185
Furniture and Fixtures	75,716	75,716
Computer Equipment	63,513	63,513
Machinery and Equipment	<u>35,643</u>	<u>35,643</u>
	369,204	347,057
Less Accumulated Depreciation	<u>(327,254)</u>	<u>(306,865)</u>
Property and Equipment, Net	<u>\$ 41,950</u>	<u>\$ 40,192</u>

CHILD ADVOCATES OF SILICON VALLEY, INC.
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NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 5 - PROPERTY AND EQUIPMENT (Continued):

Depreciation expense for the years ended June 30, 2009 and 2008 was \$20,389 and \$40,188, respectively.

NOTE 6 - LEASES:

In October 2002, the Agency moved into lease-free office space located at 509 Valley Way, Milpitas, California. Base rent for the lease is \$1 per month. The value of this lease is shown on the financial statements as a contribution of \$11,821 per month, for an annual contribution value of \$141,850. The term of the lease was three years ending April 30, 2005, with a one year renewal option commencing May 1, 2005. The lease was extended for three years ending April 30, 2008. Effective May 1, 2008, the Agency is leasing the space on a month-to-month basis. In the event that the premises are sold, the Agency has the option to commence paying market rent for the space. Rent expense was \$141,862 (of which \$141,850 was contributed) for the year ended June 30, 2009, and \$141,863 (of which \$141,850 was contributed) for the year ended June 30, 2008.

During the years ended June 30, 2009 and 2008, the Agency leased two photocopiers on a month-to-month basis.

NOTE 7 - BOARD DESIGNATED NET ASSETS:

Board Designated Operating Reserve

The Agency maintains a reserve to stabilize cash flow and cover any revenue shortfalls that occur because of grant delays and seasonal variation in fundraising receipts that do not meet budgeted expenditures. Government, foundation, and corporation grants make up nearly half of the Agency's revenues, and there can be significant delays in the receipt of these monies after an award. The reserve target, according to the Agency's *Financial Procedures and Internal Controls Policies*, represents six months of budgeted operating expenditures.

Board Designated Endowment

The Agency has established a board designated endowment fund to solidify its long-term financial health. In accordance with the Agency's investment policy, annual distributions equal to the lesser of 5% of the Fund value on the last day of the previous fiscal year or the average return produced by the Fund, net of inflation (CPI), over the 3 previous years, will be available for operating activities. The board designated endowment has been included in unrestricted net assets as it is a board of directors' imposed designation not a donor designated restriction.

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(Continued)

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS:

The Agency's donor restricted net assets as of June 30, were available for the following purposes:

	2009	2008
Purpose Restriction:		
Special Needs of Children	\$ 14,517	\$ 19,493
Video Equipment	2,000	-
Quinceanera (Children's 15th Birthday Party)	-	11,306
School Age Program (Also Time Restricted for Future Period)	-	10,000
Golf Tournament	-	5,000
Total Temporarily Restricted Net Assets	\$ 16,517	\$ 45,799

NOTE 9 - PERMANENTLY RESTRICTED NET ASSETS:

The Agency's permanently restricted net assets as of June 30, consisted of the following:

	2009	2008
Endowment Fund	\$ 500,000	\$ 500,000

Income from the endowment fund is available to support operations.

NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets were released from restrictions during the year by incurring expenses satisfying the restricted purpose or by the expiration of time as follows:

Net Assets Released from Restrictions:

	2009
Advocacy Initiative	\$ 68,000
Early Childhood Program	57,000
Quinceanera (Children's 15th Birthday Party)	11,306
School Age Program	10,000
Golf Tournament	5,000
Special Needs of Children	4,746
Teen Program	3,000
Training Program	2,500
Gifts Cards/Boys2Men	350
Miscellaneous	330
Total Net Assets Released from Restrictions	\$ 162,232

CHILD ADVOCATES OF SILICON VALLEY, INC.
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NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 11 - CONTRIBUTIONS IN-KIND:

The estimated fair value of donated supplies, equipment, expert services and facilities are recorded as contributions. During fiscal years ended June 30, 2009 and 2008, the following in-kind contributions were received by the Agency:

	<u>2009</u>	<u>2008</u>
Rent	\$ 141,850	\$ 141,850
Professional Services	28,527	31,716
Supplies	23,201	34,926
Legal Services	20,770	27,062
Equipment	19,149	1,600
Quinceanera (Children's 15th Birthday Party) Supplies	<u>-</u>	<u>1,604</u>
In-Kind Contributions for Operations	233,497	238,758
Special Event Supplies	<u>25,631</u>	<u>5,578</u>
Total Contributions In-Kind	<u>\$ 259,128</u>	<u>\$ 244,336</u>

During the years ended June 30, 2009 and 2008, the Agency also received donated services from volunteers. For the years ended June 30, 2009 and 2008, 474 and 466 advocates dedicated an average of 120 hours each to the children they served, estimated valued at approximately \$1,296,000 and \$1,138,000, respectively. The volunteer rate used was \$22.79 and \$20.35, respectively, which was the California rate provided by Independent Sector. No amounts have been recognized in the accompanying financial statements as these services do not meet the generally accepted accounting principles reporting requirements.

In addition, during the years ended June 30, 2009 and 2008, the Agency received tickets to amusement parks, sporting events and other venues, valued at \$19,505 and \$31,107, providing at-risk children the opportunity to experience entertainment they might not otherwise experience. No amounts have been recognized in the accompanying financial statements as the Agency would have not purchased the tickets if they had not been donated.

In addition, during the year ended June 30, 2009 the Agency received donated services to help to develop and communicate its key messages and brand strategy. Also, during the year ended June 30, 2008, the Agency received donated services to help it prepare for a strategic planning process. Both these services, valued at \$50,000 each, were provided by Taproot Foundation. No amounts have been recognized in the accompanying financial statements as the Agency would have not purchased these services during these periods.

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NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 12 - SPECIAL EVENTS:

The following special events took place during the year ended June 30, 2009:

	<u>Income</u>	<u>Expenses</u>	<u>Net Income</u>
Annual Gala	\$ 219,331	\$ 48,095	\$ 171,236
Birdhouse Bash	46,310	18,878	27,432
Golf Tournament	121,635	56,570	65,065
Other	15	-	15
Total	<u>\$ 387,291</u>	<u>\$ 123,543</u>	<u>\$ 263,748</u>

The following special events took place during the year ended June 30, 2008:

	<u>Income</u>	<u>Expenses</u>	<u>Net Income</u>
Annual Gala	\$ 292,049	\$ 48,633	\$ 243,416
Birdhouse Bash	75,331	9,842	65,489
Golf Tournament	121,335	44,538	76,797
Other	240	-	240
Total	<u>\$ 488,955</u>	<u>\$ 103,013</u>	<u>\$ 385,942</u>

The preceding schedules include in-kind income and expenses of \$25,631 and \$5,578 for the years ended June 30, 2009 and 2008, respectively.

NOTE 13 - ENDOWMENT:

Child Advocates of Silicon Valley, Inc.'s endowment consists of funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by Generally Accepted Accounting Principles (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.

CHILD ADVOCATES OF SILICON VALLEY, INC.
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NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 13 - ENDOWMENT (Continued):

Interpretation of Relevant Law - The Board of Directors of Child Advocates of Silicon Valley, Inc. has interpreted the California version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Child Advocates of Silicon Valley, Inc. classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard of prudence prescribed by the California version of UPMIFA. In accordance with the California version of UPMIFA, the Agency considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Agency and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Agency
- (7) The investment policies of the Agency

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the permanently restricted net assets balance. In accordance with Generally Accepted Accounting Principles (GAAP), deficiencies of this nature are required to be reported in unrestricted net assets. There were no such deficiencies as of June 30, 2009 and 2008.

Return Objectives and Risk Parameters - Child Advocates of Silicon Valley, Inc. has adopted investment and spending policies for endowment assets that attempt to provide for the Agency's future financial security. Secondly, the endowment fund will help fund the future growth of the Agency and those parties it serves.

The primary investment objectives of the endowment fund are long-term growth of assets, with the preservation of capital and purchasing power. The endowment fund shall seek to achieve a total annual return (net of fees and expenses) of at least 3% in excess of the inflation rate, as measured by the Consumer Price Index (CPI), on an annualized basis. Achievement of this goal is to be measured over a period of 5 years.

CHILD ADVOCATES OF SILICON VALLEY, INC.
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NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 13 - ENDOWMENT (Continued):

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives the endowment assets shall be invested across a diversified portfolio of assets classes, which may include domestic and foreign equities, fixed income securities, real estate investment trusts (REITs), private equity, hedge funds, venture capital, and cash equivalents and/or short-term investments. The Investment Manager(s) shall use their best efforts to limit investments in the private equity, hedge funds, and venture capital classes to a total of no more than 10% of the endowment fund balance. Assets in the endowment fund shall be managed in a moderately conservative manner. Conservative relates to such issues as expected long-term rates of return and return volatility, investment vehicles, and diversification among asset classes and individual securities in multiple economic and industry sectors.

Spending Policy - Child Advocates of Silicon Valley, Inc. has a policy of appropriating for distribution each year the lessor of 5% of its endowment fund's fair value on the most recent April 30th, or the average return produced by the endowment fund, net of inflation (CPI), over the 3 previous years. However, in no case shall the principal of the donor-designated gifts to the endowment fund be expended. The Board of Directors, on recommendation from the Finance and Human Resources Committee, may otherwise reduce the payout rate below 5%, but never increase it above 5%. Over time, it is expected that the annual payout will constitute only a portion of the endowment funds total return (income and appreciation), thus building up the endowment fund over time, offsetting inflation, and preserving the purchasing power of the endowment fund.

Endowment net asset composition by type of fund as of June 30, 2009 consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ -	\$ 500,000	\$ 500,000
Board Designated Endowment Fund	<u>466,621</u>	<u>-</u>	<u>-</u>	<u>466,621</u>
Total Funds	<u>\$ 466,621</u>	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ 966,621</u>

CHILD ADVOCATES OF SILICON VALLEY, INC.
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NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 13 - ENDOWMENT (Continued):

Changes in endowment net assets for the fiscal year ended June 30, 2009 consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 700,252	\$ -	\$ 500,000	\$ 1,200,252
Contributions	3,955	-	-	3,955
Investment Loss	(228,520)	-	-	(228,520)
Fees	(9,066)	-	-	(9,066)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Endowment Net Assets, End of Year	<u>\$ 466,621</u>	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ 966,621</u>

NOTE 14 - EMPLOYEE BENEFIT PLAN:

The Agency has a defined contribution plan (the Plan) covering substantially all employees completing 750 or more hours of service during the year. The Agency makes contributions to the Plan each year based on participants' compensation and years of employment (starting July 1, 2001). In addition, the Agency may choose to make additional contributions depending on various factors including availability of the budget for that year. Employer contributions for the years ended June 30, 2009 and 2008 totaled \$25,451 and \$43,926, respectively.

NOTE 15 - CONTINGENCIES:

Grants and contracts awarded to Child Advocates of Silicon Valley, Inc. are subject to the funding agencies' criteria, contract terms and regulations under which expenditures may be charged and are subject to audit under such terms, regulations and criteria. Occasionally, such audits may determine that certain costs incurred against the grants do not comply with the established criteria that govern them. In such cases, the Agency could be held responsible for repayments to the funding agency for the costs or be subject to the reductions of future funding in the amount of the costs. Management does not anticipate any material questioned costs for the contracts and grants administered during the period.

NOTE 16 - SUBSEQUENT EVENT:

Subsequent to June 30, 2009 the fair value of the Agency's investments increased. During the period from July 1, 2009 to September 30, 2009, the Agency's investments increased in fair value by approximately \$140,000.