VILLA ESPERANZA SERVICES

TABLE OF CONTENTS

	Page No.
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-16

GOEHNER
ACCOUNTANCY

CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

To the Governing Board
Villa Esperanza Services
Pasadena, California

We have audited the accompanying financial statements of Villa Esperanza Services, which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 assessing 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 Villa Esperanza Services as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Goehner Accountancy

November 19, 2018
Pasadena, California

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VILLA ESPERANZA SERVICES
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

ASSETS

	June 30, 2018	June 30, 2017
CURRENT ASSETS		
Cash and cash equivalents	$ 4,351,028	$ 7,563,128
Cash held in trust - client accounts	20,400	24,084
Investments	103,214	-
Accounts receivable - net	1,748,596	1,651,353
Pledges receivable, current portion - net	326,145	711,020
Grants receivable	-	30,000
Related party receivables, current portion - net of payables	422,151	391,719
Prepaid expenses	95,242	37,641
Total current assets	7,066,776	10,408,945
PROPERTY AND EQUIPMENT - NET	11,561,969	5,902,354
OTHER ASSETS		
Cash and cash equivalents - endowment	20,051	17,898
Investments - endowment	1,740,664	1,622,408
Loan fees - net	4,628	11,610
Deposits	6,555	10,306
Pledges receivable, long-term portion - net	168,533	440,860
Beneficial interest in split-interest agreement - net	2,180,957	2,095,041
Related party receivables, long-term portion - net of payables	188,754	248,484
Total other assets	4,310,142	4,446,607
TOTAL ASSETS	$ 22,938,887	$ 20,757,906

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,705,095	$ 320,607
Client trust liability	20,400	24,084
Due to regional center	-	3,501
Accrued payroll and vacation	780,436	846,468
Notes payable, current portion	78,855	1,684,163
Total current liabilities	2,584,786	2,878,823
LONG-TERM LIABILITIES		
Notes payable, less current portion	1,779,266	515,840
Total long-term liabilities	1,779,266	515,840
TOTAL LIABILITIES	4,364,052	3,394,663
NET ASSETS		
Unrestricted	6,360,097	5,510,021
Temporarily restricted	11,192,478	10,830,962
Permanently restricted	1,022,260	1,022,260
TOTAL NET ASSETS	18,574,835	17,363,243
TOTAL LIABILITIES AND NET ASSETS	$ 22,938,887	$ 20,757,906

The accompanying notes are an integral part of this statement.

VILLA ESPERANZA SERVICES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

	Years ended June 30,				
	2018				2017
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Total
SUPPORT AND REVENUE					
Program fees	$ 13,621,320	$ -	$ -	$ 13,621,320	$ 12,352,073
Contributions	787,991	115,321	-	903,312	452,010
Other income	13,643	-	-	13,643	111,038
Bad debts	(35,381)	-	-	(35,381)	(73,413)
Net assets released from restriction:					
Operations	61,204	(61,204)	-	-	-
	14,448,777	54,117	-	14,502,894	12,841,708
Special events revenue	467,937	59,613	-	527,550	732,395
Special events expenses	(146,175)	-	-	(146,175)	(135,230)
Net revenue from special events	321,762	59,613	-	381,375	597,165
Total support and revenue	14,770,539	113,730	-	14,884,269	13,438,873
EXPENSES					
Program services	11,431,033	-	-	11,431,033	10,675,283
Supporting services					
Management and general	1,912,447	-	-	1,912,447	1,790,423
Fundraising	539,946	-	-	539,946	465,824
Total supporting services	2,452,393	-	-	2,452,393	2,256,247
Total expenses before depreciation and amortization	13,883,426	-	-	13,883,426	12,931,530
Operating surplus before depreciation and amortization	887,113	113,730	-	1,000,843	507,343
Depreciation and amortization	132,548	-	-	132,548	139,967
Operating surplus	754,565	113,730	-	868,295	367,376
OTHER CHANGES IN NET ASSETS					
Contributions - capital campaign	-	172,679	-	172,679	2,457,230
Net investment income	1,472	120,409	-	121,881	186,213
Change in value of split-interest agreement	-	85,916	-	85,916	114,702
Loss on disposition of assets	(37,179)	-	-	(37,179)	-
Net assets released from restriction:					
Capital campaign	131,218	(131,218)	-	-	-
Total other changes in net assets	95,511	247,786	-	343,297	2,758,145
CHANGE IN NET ASSETS	850,076	361,516	-	1,211,592	3,125,521
NET ASSETS AT BEGINNING OF YEAR	5,510,021	10,830,962	1,022,260	17,363,243	14,237,722
NET ASSETS AT END OF YEAR	$ 6,360,097	$ 11,192,478	$ 1,022,260	$ 18,574,835	$ 17,363,243

The accompanying notes are an integral part of this statement.

VILLA ESPERANZA SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

	June 30,				
	2018				2017
	Program services	Management and general	Fundraising	Total	Total
PERSONNEL EXPENSES					
Salaries and wages	$ 8,295,727	$ 1,203,150	$ 306,070	$ 9,804,947	$ 8,929,132
Payroll taxes	692,271	87,493	24,086	803,850	746,977
Employee benefits	325,622	58,362	5,596	389,580	384,227
Retirement plan	70,633	67,351	13,917	151,901	122,102
Total personnel expenses	9,384,253	1,416,356	349,669	11,150,278	10,182,438
OTHER EXPENSES					
Workers' compensation	519,555	25,369	3,064	547,988	599,736
Rent expense	310,127	61,343	26,510	397,980	382,897
Professional fees	112,650	97,198	63,687	273,535	290,702
Food	161,344	9,739	2,369	173,452	183,845
Program supplies	145,361	22,954	22,692	191,007	216,435
Interest expense	30,460	22,403	-	52,863	84,651
Events and promotion	22,637	7,978	7,064	37,679	7,780
Repairs and maintenance	41,321	4,005	91	45,417	55,100
Telephone and other communication	74,947	21,283	4,737	100,967	83,841
Insurance	102,397	25,131	1,102	128,630	149,205
Legal and accounting	6,013	95,427	-	101,440	84,319
Utilities	72,178	8,823	326	81,327	75,551
Transportation costs	160,119	6,343	722	167,184	142,771
Travel	58,086	8,103	-	66,189	62,568
Quality assurance fees	74,859	-	-	74,859	60,076
Taxes and licenses	33,394	17,288	39	50,721	45,406
Printing and duplication	11,023	14,153	21,321	46,497	44,346
Training	27,165	2,361	1,397	30,923	32,680
Dues and subscriptions	13,988	16,848	8,633	39,469	37,057
Medical services	15,263	183	-	15,446	16,982
Equipment expense	26,990	6,534	1,382	34,906	29,800
Postage	3,255	4,671	7,377	15,303	15,600
Miscellaneous office expense	23,648	17,954	17,764	59,366	47,744
Total other expenses	2,046,780	496,091	190,277	2,733,148	2,749,092
Total expenses before depreciation and amortization	11,431,033	1,912,447	539,946	13,883,426	12,931,530
Depreciation and amortization	113,723	18,825	-	132,548	139,967
TOTAL EXPENSES	$ 11,544,756	$ 1,931,272	$ 539,946	$ 14,015,974	$ 13,071,497

The accompanying notes are an integral part of this statement.

VILLA ESPERANZA SERVICES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

	June 30, 2018	June 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
CHANGE IN NET ASSETS	$ 1,211,592	$ 3,125,521
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	132,548	139,967
Change in value of split-interest agreement	(85,916)	(114,702)
Realized and unrealized gain on investments	(86,324)	(153,233)
Realized gain on sale of donated asset	-	(91,459)
Donated assets	(136,548)	(2,081,530)
Loss on disposition of assets	37,179	-
Changes in operating assets and liabilities:		
Accounts receivable	(97,243)	(320,773)
Pledges receivable	657,202	732,601
Grants receivable	30,000	95,000
Related party receivables, net of payables	29,298	40,612
Prepaid expenses	(57,601)	48,022
Loan fees	(3,000)	-
Deposits	3,751	3,803
Accounts payable and accrued expenses	(146,907)	(65,770)
Client trust liability	(3,684)	(4,785)
Due to regional center	(3,501)	3,501
Accrued payroll and vacation	(66,032)	229,838
CASH PROVIDED BY OPERATING ACTIVITIES	1,414,814	1,586,613
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	646,768	2,265,503
Proceeds from sale of property and equipment	3,130	-
Purchase of investments	(678,700)	(244,630)
Purchase of property and equipment	(2,917,249)	(920,146)
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(2,946,051)	1,100,727
CASH FLOWS USED FOR FINANCING ACTIVITIES		
Principal payments on notes payable	(1,682,394)	(73,862)
NET INCREASE (DECREASE) IN CASH	(3,213,631)	2,613,478
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,605,110	4,991,632
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 4,391,479	$ 7,605,110
SUMMARY OF CASH AND CASH EQUIVALENTS AT END OF YEAR:		
Cash and cash equivalents	$ 4,351,028	$ 7,563,128
Cash held in trust - client accounts	20,400	24,084
Cash and cash equivalents - endowment	20,051	17,898
	$ 4,391,479	$ 7,605,110
SUPPLEMENTARY SCHEDULE:		
CASH PAID FOR INTEREST	$ 52,863	$ 84,651
CASH PAID FOR INCOME TAXES	$ -	$ -
FIXED ASSETS ACQUIRED THROUGH DEBT	$ 1,340,512	$ -

The accompanying notes are an integral part of this statement.

THE ORGANIZATION

Villa Esperanza Services (Villa), is a nonprofit California corporation dedicated to the care and education of children, adults, and seniors with disabilities. Founded in 1961 by mothers who believed that their children with developmental disabilities deserved quality care and education, the program formerly named the Pasadena Retarded Children's Foundation was re-named Villa Esperanza (House of Hope) in 1966.

Currently, Villa serves over 750 children, adults and seniors each year from 47 cities in Southern California. Clients served range in age from 2 to 86 and include individuals with autism, cerebral palsy, Alzheimer's, dementia, Down syndrome, intellectual/developmental disabilities, and speech or communication difficulties. Villa serves individuals in Los Angeles and Ventura counties by offering:

A comprehensive school for children and youth ages 5 to 22, serving 24 school districts;

A speech and language center serving children, adults, and seniors at Villa and surrounding communities;

An occupational therapy clinic serving children, adults, and seniors at Villa and surrounding communities;

An employment program that provides inclusive, community-based employment for adults in group or individual placement;

Two community integrated adult day programs;

A transition-to-work program for young adults;

Seven adult residences, and;

An independent living services program and six independent living apartments.

In May 2012, the Governing Board voted to embark on a $9 million Phase 1 Capital Campaign. The Campaign includes rebuilding the majority of the School and the purchase of a new building for the Dimensions Adult Day Program.

Due to increased construction costs, the Phase 1 Capital Campaign has grown to $12.3 million. In 2014, Villa's Master Facilities Plan was approved by the Pasadena City Council. Villa purchased a building for the Dimensions Adult Day Program and they moved into the newly renovated space in 2016. Also, several buildings were demolished, modulars were installed, and classes moved into their temporary headquarters on Villa's main campus. The construction of Villa's new school was completed in 2018, and in September 2018, the students and teachers moved into their 7 new classrooms, multipurpose room, and 2 play areas.

SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Villa are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP). The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with Villa's financial statements for the year ended June 30, 2017, from which the summarized information was derived. Certain prior year amounts have been reclassified to conform with the current year presentation. A summary of significant accounting policies is described below:

SIGNIFICANT ACCOUNTING POLICIES (continued)

ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Liquid assets having a maturity of three months or less are included as cash.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts is recorded based on management's experience. At June 30, 2018 and 2017, the allowance for doubtful accounts was $50,000.

PLEDGES RECEIVABLE

Pledges consist of promises to pay cash or cash equivalents in the future. The pledges have been classified as temporarily restricted or permanently restricted as specified by donors. Villa discounts the pledges receivable by calculating the present value of estimated future cash flows. The discount rate used is the U.S. Treasury rate at the time of the pledge. In accordance with U.S. GAAP, pledges receivable are a level 3 classification measured on a nonrecurring basis (see FAIR VALUE MEASUREMENTS).

RELATED PARTY RECEIVABLES

Related party receivables consist of expenses paid by Villa on behalf of its affiliates. Villa discounts the related party receivables by calculating the present value of estimated future collections using a discount rate of approximately 2.85%.

PROPERTY AND EQUIPMENT

Property and equipment are reported at cost, or if donated, at the fair market value on the date received. Depreciation is computed on a straight-line basis over estimated useful lives of 3 to 40 years. Maintenance and repairs are recorded as expenses in the year incurred, and renewals and betterments exceeding $1,000 are capitalized.

LOAN FEES

Costs incurred with obtaining financing through banks are capitalized and amortized over the lives of the respective financing arrangements using the straight-line method. Loan fees as of June 30, 2018 and 2017 are reflected net of accumulated amortization of $5,695 and $25,731, respectively. Amortization expense for the years ended June 30, 2018 and 2017 was $9,982 and $11,257, respectively.

FAIR VALUE MEASUREMENTS

GAAP requires that items recorded at fair market value be valued as level one, two or three, based on various inputs and methodologies as described below:

Level 1 - quoted prices and active markets for identical holdings

Level 2 - significant observable market-based inputs, other than Level 1 quoted prices, or unobservable inputs that are based on comparable market data

Level 3 - significant observable inputs that are not based on comparable market data

SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME AND SUPPORT RECOGNITION

All donations received are considered available for unrestricted use unless restricted by the donor. Noncash contributions (gifts-in-kind) are recorded at fair market value on the date received and when there is a reasonable basis for valuation. Conditional promises to give are not reflected as contributions until the conditions are substantially met.

Program service fees are principally special education tuition earned from contractual agreements between Villa and the school districts or the regional centers. Villa recognizes tuition income only after the students have attended the school. In most instances, there is a base fee for a program and several categorical program fee components paid only if the students have attended those programs. Program service fees also include income from housing projects for adults with built-in levels of support and assistance.

OPERATING REVENUES AND EXPENSES

Villa reports operating revenues and expenses in the unrestricted net assets section of the Statement of Activities. Operations are those annual activities which support the core mission of Villa. Operating revenues include program fees, bad debt expense, gifts, grants, investment income, releases of temporarily restricted net assets for operations and miscellaneous income. Operating expenses (for which the operating revenues are used) include salaries, departmental expenses, depreciation, and interest.

BASIS OF PRESENTATION

In accordance with U.S. GAAP, Villa is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets as described below:

Unrestricted net assets represent expendable net assets that are neither permanently nor temporarily restricted by donor-imposed restrictions and are available to support the program, administrating and fundraising of Villa.

Temporarily restricted net assets represent funds which donors have restricted for specific purposes or for use according to certain time schedules or both.

Permanently restricted net assets represent funds that are subject to restrictions set forth in gift instruments requiring that principal be invested in perpetuity and income be expended for unrestricted operating purposes, in accordance with the Uniform Prudent Management of Institutional Funds Act. Unless prohibited by donor stipulation, up to seven percent of the average net fair market value as of the first business day of the fiscal year may be used for operating needs.

INCOME TAXES

Villa operates as a California nonprofit corporation under section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes; accordingly, no provision is made for current or deferred income taxes. Villa uses the same accounting methods for tax and financial reporting.

JOINT COST ALLOCATION

Villa incurs costs that are shared by program services, management and general, and fundraising activities. The amount allocated to each area depends upon the purpose, audience and content of each medium used. Villa determined the allocation based on both current and historical data.

SIGNIFICANT ACCOUNTING POLICIES (continued)

DONATED SERVICES

GAAP requires the value of donated services be recorded if those donated services create or enhance nonfinancial assets or require specialized skills. Many volunteers have contributed significant amounts of their time to activities of Villa. However, since the above requirements were not met, the value of the contributed services is not recorded in the accompanying financial statements.

PLEDGES RECEIVABLE

Pledges receivable are scheduled to be collected as follows:

	June 30, 2018	June 30, 2017
Less than one year	$ 326,145	$ 711,020
One to five years	174,102	442,426
Greater than five years	-	6,000
Less discount to net present value	(5,569)	(7,566)
	$ 494,678	$ 1,151,880
Current pledges receivable, net	$ 326,145	$ 711,020
Long-term pledges receivable, net	168,533	440,860
	$ 494,678	$ 1,151,880

PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	June 30, 2018	June 30, 2017
Land	$ 1,878,324	$ 1,878,324
Buildings and improvements	2,307,247	3,057,076
Equipment	290,240	302,583
Furniture and fixtures	34,330	34,330
Vehicles	798,445	643,798
Leasehold improvements	33,898	36,048
Construction in progress	8,343,897	2,547,269
	13,686,381	8,499,428
Less accumulated depreciation	(2,124,412)	(2,597,074)
	11,561,969	5,902,354
Less debt secured by property	(1,858,121)	(2,200,003)
Net investment in property and equipment	$ 9,703,848	$ 3,702,351

PROPERTY AND EQUIPMENT (continued)

Depreciation expense for the years ended June 30, 2018 and 2017 was $122,566 and $128,710, respectively.

INVESTMENTS

Investments are summarized as follows:

At June 30, 2018:

	Market Value	Cost Basis
Equities and equity funds	$ 1,622,298	$ 1,138,033
Fixed income and fixed income funds	221,580	536,353
	$ 1,843,878	$ 1,674,386

At June 30, 2017:

	Market Value	Cost Basis
Equities and equity funds	$ 1,144,602	$ 940,411
Fixed income and fixed income funds	477,806	486,405
	$ 1,622,408	$ 1,426,816

Investment returns are summarized as follows:

	June 30,	
	2018	2017
Interest and dividends	$ 45,279	$ 42,836
Net realized and unrealized gain	86,324	153,233
Investment fees	(9,722)	(9,856)
	$ 121,881	$ 186,213

BENEFICIAL INTEREST IN SPLIT-INTEREST AGREEMENT

Villa is a beneficiary of a split-interest agreement. A split-interest agreement generally provides for the payment of distributions to the grantor or other designated beneficiaries over the agreement's term. At the end of the agreement's term, Villa will receive a portion of the remaining assets covered by the agreement. The portion of the agreement attributable to the present value of the future benefits to be received by Villa is recorded in the statement of activities as a temporarily restricted net asset in the period the agreement is established. The beneficial interest in the split-interest agreement is reported at fair value on Villa's statement of financial position, re-measured on an annual basis. The present value for the estimated future payments was calculated using a discount rate of 4% in both 2018 and 2017, and applicable mortality tables. In accordance with U.S. GAAP, the asset is considered a level 3 classification measured on a recurring basis.

BENEFICIAL INTEREST IN SPLIT-INTEREST AGREEMENT (continued)

The split interest agreement at June 30, 2018 and 2017 consisted of the following:

	June 30,	
	2018	2017
Assets	$ 2,352,042	$ 2,280,424
Liabilities	(171,085)	(185,383)
	$ 2,180,957	$ 2,095,041

NOTES PAYABLE

As of June 30, 2018, Villa had a note secured by property bearing interest at the bank's reference rate. Monthly principal and interest payments of $2,080 were made, with a balloon payment of $502,683 due in February 2019. In July 2018, Villa refinanced the note referenced above. The refinanced note is secured by property located in Pasadena, California. The note bears interest at a rate of 5.02% with monthly principal and interest payments of $4,217. The future maturities below are reflected based on the terms of the refinanced note payable.

In May 2017, Villa signed a construction note up to a maximum of $4,100,000 to be drawn upon as necessary through February 1, 2019 (the "Conversion Date"). Beginning September 1, 2017 up to the Conversion Date, monthly interest payments are due. Beginning February 1, 2019, monthly principal payments of $13,667 plus interest are due through the maturity date of February 1, 2029. As of June 30, 2018, the balance drawn was $1,340,512.

Current	$ 78,855
Long term	1,779,266
	$ 1,858,121

Payment of principal on the notes payable is scheduled as follows:

2019	$ 78,855
2020	189,379
2021	190,591
2022	192,165
2023	193,633
Thereafter	1,013,498
	$ 1,858,121

Interest expense for the years ended June 30, 2018 and 2017 was $52,863 and $84,651, respectively.

LINE OF CREDIT

Villa maintains a line of credit with East West Bank in an amount not to exceed $500,000 with a maturity date of February 2020. The credit line bears interest at the bank's prime rate of interest with a floor rate of 5%, and is secured by substantially all of Villa's assets. As of June 30, 2018 and 2017, there was no outstanding balance on the line of credit.

LEASE COMMITMENTS

Villa leases various equipment and property located in several southern California cities. Monthly payments on equipment total $2,227 and monthly payments on property total $16,235. The leases expire from December 2018 to October 2023. Future minimum lease payments at June 30, 2018 are as follows:

	Facilities	Equipment	Total
2019	$ 164,182	$ 21,499	$ 185,681
2020	125,596	21,049	146,645
2021	19,099	16,644	35,743
2022	-	12,812	12,812
2023	-	4,455	4,455
Thereafter	-	477	477
	$ 308,877	$ 76,936	$ 385,813

Villa also rents other administrative and program facilities on a month-to-month basis. Total rent expense for the years ended June 30, 2018 and 2017 was $397,980 and $382,897, respectively.

CONCENTRATION OF RISK

Financial instruments that potentially subject Villa to concentrations of credit risk consist principally of cash deposits at financial institutions and investments in marketable securities. At times, balances in Villa's cash and investment accounts may exceed the Federal Deposit Insurance Corporation (FDIC) or Securities Investors Protection Corporation (SIPC) limits.

FAIR VALUE MEASUREMENTS

Assets measured at fair value are as follows:

Measured on a recurring basis at June 30, 2018:

	Level 1	Level 2	Level 3	Total
Investments				
Equities and equity funds	$ 1,622,298	$ -	$ -	$ 1,622,298
Bonds and bond funds	221,580	-	-	221,580
Beneficial interest in split-interest agreement	-	-	2,180,957	2,180,957
	$ 1,843,878	$ -	$ 2,180,957	$ 4,024,835

Measured on a nonrecurring basis at June 30, 2018:

	Level 1	Level 2	Level 3	Total
Pledges receivable	$ -	$ -	$ 494,678	$ 494,678

FAIR VALUE MEASUREMENTS (continued)

Measured on a recurring basis at June 30, 2017:

	Level 1	Level 2	Level 3	Total
Investments				
Equities and equity funds	$ 1,144,602	$ -	$ -	$ 1,144,602
Bonds and bond funds	477,806	-	-	477,806
Beneficial interest in split-interest agreement	-	-	2,095,041	2,095,041
	$ 1,622,408	$ -	$ 2,095,041	$ 3,717,449

Measured on a nonrecurring basis at June 30, 2017:

	Level 1	Level 2	Level 3	Total
Pledges receivable	$ -	$ -	$ 1,151,880	$ 1,151,880

Assets measured at fair value using significant unobservable inputs (level 3 inputs) on a recurring basis are as follows:

	Beneficial interest
Balance at June 30, 2016	$ 1,980,339
Change in value of split-interest agreement	114,702
Balance at June 30, 2017	2,095,041
Change in value of split-interest agreement	85,916
Balance at June 30, 2018	$ 2,180,957

ENDOWMENT

Villa has a donor-restricted endowment fund, which is classified as permanently restricted in the statement of net assets. The donors require the historical dollar amount of a donor-restricted endowment fund to be preserved. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment is spendable. Villa's donors have not placed restrictions on the use of the investment income or net appreciation resulting from the donor-restricted endowment fund.

ENDOWMENT (continued)

INVESTMENT POLICY

The primary goal is to build the real value of the endowment by achieving a growth rate of not less than 4%, plus the rate of inflation on the amount of the plan assets as measured by the Consumer Price Index over a market cycle (3 to 5 years). To the extent compatible with this objective, the secondary goal is to maximize long-term total return, while assuming a prudent level of investment risk.

Endowment assets are managed on a total return basis with an emphasis on balanced growth. The total return objective for the portfolio (net of fees), measured over a full market cycle, is to approximate market performance as defined by a market index composed of the Standard & Poor's 500, Russell 2000, Lehman Brothers Government/Corporate Bond index, and the Morgan Stanley Capital International EAFE index.

ENDOWMENT ASSET ALLOCATION

The endowment asset portfolio is divided into three basic asset classes as follows:

	Range
Equities	30% to 70%
Fixed income	20% to 60%
Cash and cash equivalents	0% to 20%

SPENDING POLICY

Endowment assets are invested with the intent of distributing reasonable earnings on an as-needed basis.

For the year ended June 30, 2018:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Investment return				
Investment income	$ -	$ 41,978	$ -	$ 41,978
Investment fees	-	(9,287)	-	(9,287)
Net appreciation (realized and unrealized)	-	87,718	-	87,718
Total investment return	-	120,409	-	120,409
Appropriation of endowment assets for expenditure	-	-	-	-
Change in endowment net assets	-	120,409	-	120,409
Endowment net assets at June 30, 2017	-	618,046	1,022,260	1,640,306
Endowment net assets at June 30, 2018	$ -	$ 738,455	$ 1,022,260	$ 1,760,715

Endowment net assets as of June 30, 2018 consist of:

Cash and cash equivalents	$ 20,051
Investments	1,740,664
	$ 1,760,715

ENDOWMENT (continued)

For the year ended June 30, 2017:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Investment return				
Investment income	$ -	$ 41,931	$ -	$ 41,931
Investment fees	-	(7,726)	-	(7,726)
Net appreciation (realized and unrealized)	-	124,863	-	124,863
Total investment return	-	159,068	-	159,068
Appropriation of endowment assets for expenditure	-	-	-	-
Change in endowment net assets	-	159,068	-	159,068
Endowment net assets at June 30, 2016	-	458,978	1,022,260	1,481,238
Endowment net assets at June 30, 2017	$ -	$ 618,046	$ 1,022,260	$ 1,640,306

Endowment net assets as of June 30, 2017 consist of:

Cash and cash equivalents	$ 17,898
Investments	1,622,408
	$ 1,640,306

NONCASH TRANSACTIONS

GIFTS-IN-KIND

During the years ended June 30, 2018 and 2017, Villa recorded gift-in-kind revenue and related expense for the use of facilities in Thousand Oaks, California. The value of the free rent for the years ended June 30, 2018 and 2017 was $20,941 and $20,941, respectively, and is considered a level 2 classicication measured on a nonrecurring basis. The value of the free rent is is included in contributions.

During the years ended June 30, 2018 and 2017, Villa received various donated items, such as assets, food and supplies. Donated assets for the years ended June 30, 2018 and 2017 were $33,334 and $1,821,485, and other gifts-in-kind used in operations or special events were $31,761 and $56,125, respectively, and are included in various expense accounts. In addition, stock valued at $103,214 and $260,045 was donated during the years ended June 30, 2018 and 2017, respectively. The fair value of the gifts-in-kind is considered a level 2 classification measured on a nonrecurring basis.

RELATED PARTY TRANSACTIONS

Villa is affiliated through shared management and personnel with several nonprofit foundations which operate programs subject to requirements of the U.S. Department of Housing and Urban Development (HUD). Villa provides services to these affiliates and bills them at its standard rates. Villa recognized program fee income from these affiliates for the years ended June 30, 2018 and 2017 of $274,566 and $249,581, respectively. Total related party receivables at June 30, 2018 and 2017 were $610,905 and $640,203, respectively.

Villa rents various administrative and program facilities from several of its affiliates on a month-to-month basis. Total payments made to Villa's affiliates for the years ended June 30, 2018 and 2017 were $151,807 and $143,097, respectively, and are included in rent expense.

RETIREMENT PLAN

Effective September 1, 2009, Villa established a tax shelter annuity 403(b) defined contribution plan for qualified participants. Villa's employees are eligible to make elective deferrals beginning on the date of hire. Villa's matching contribution is discretionary. Contributions made by Villa during the years ended June 30, 2018 and 2017 were $151,901 and $122,102, respectively.

SUBSEQUENT EVENTS

In July 2018, Villa refinanced its existing note payable (see NOTES PAYABLE).

In September 2018, a building under construction as of June 30, 2018 was placed in service.

Villa has evaluated subsequent events through November 19, 2018, which is the date these financial statements were issued. All subsequent events requiring recognition as of June 30, 2018, have been incorporated into these financial statements.