

SUNNYVALE COMMUNITY SERVICES
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2010

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Sunnyvale Community Services:

We have audited the accompanying statement of financial position of Sunnyvale Community Services (a nonprofit organization) as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2009 financial statements and, in our report dated September 18, 2009 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sunnyvale Community Services as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2010, on our consideration of Sunnyvale Community Services's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Sunnyvale Community Services taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Pleasanton, California
September 30, 2010

Sunnyvale Community Services
Statement of Financial Position
June 30, 2010

	Unrestricted	Temporarily Restricted	Total 2010	Summarized 2009
ASSETS				
Cash	\$746,102	\$87,865	\$833,967	\$858,788
Grants & contracts receivable	20,710	60,600	81,310	68,585
Prepaid expenses	22,663		22,663	19,894
TOTAL CURRENT ASSETS	789,476	148,465	937,941	947,267
Investments	435,250		435,250	375,600
Deposits	1,576		1,576	1,111
Property and equipment, net	2,396,511		2,396,511	2,465,661
TOTAL ASSETS	<u>\$3,622,812</u>	<u>\$148,465</u>	<u>\$3,771,277</u>	<u>\$3,789,639</u>
LIABILITIES				
Accounts payable	\$5,808		\$5,808	\$12,344
Deferred revenue	55,536		55,536	
Agency transactions refundable	100,114		100,114	105,861
Accrued compensation	48,982		48,982	41,507
TOTAL CURRENT LIABILITIES	210,440		210,440	159,712
Accrued interest	84,000		84,000	72,000
Notes payable	400,000		400,000	400,000
TOTAL LIABILITIES	694,440		694,440	631,712
NET ASSETS				
Unrestricted	2,639,553		2,639,553	3,027,654
Board designated reserves	288,819		288,819	
Temporarily restricted		\$148,465	148,465	130,273
TOTAL NET ASSETS	2,928,372	148,465	3,076,837	3,157,927
TOTAL LIABILITIES & NET ASSETS	<u>\$3,622,812</u>	<u>\$148,465</u>	<u>\$3,771,277</u>	<u>\$3,789,639</u>

The accompanying notes are an integral part of this financial statement.

Sunnyvale Community Services
Statement of Activities
For the year ended June 30, 2010

	Unrestricted	Temporarily Restricted	Total 2010	Summarized 2009
Revenue and Support				
Foundation & corporate grants	\$153,335	\$525,725	\$679,060	\$619,585
Government contracts	972,405		972,405	231,096
Donations	641,435		641,435	606,778
In-kind donations	1,574,654		1,574,654	1,187,838
Fee for services	24,638		24,638	23,907
United Way		102,417	102,417	68,550
Donations from special events	40,475		40,475	36,665
Interest income	195		195	1,284
Investment income / (loss)	53,603		53,603	(83,936)
Loss on assets disposed	(351)		(351)	
Net assets released from restrictions				
Purpose & time restrictions released	609,950	(609,950)		
Total revenue, support, gains and losses	4,070,339	18,192	4,088,531	2,691,767
Expenses				
Program services				
Client services	3,848,611		3,848,611	2,483,453
Supporting services				
Management and general	181,556		181,556	137,013
Fundraising	139,454		139,454	148,994
Total expenses	4,169,621		4,169,621	2,769,460
Changes in net assets	(99,282)	18,192	(81,090)	(77,693)
Net assets at beginning of year	3,027,654	130,273	3,157,927	3,235,620
Net assets at end of year	\$2,928,372	\$148,465	\$3,076,837	\$3,157,927

The accompanying notes are an integral part of this financial statement.

Sunnyvale Community Services
Statement of Functional Expenses
For the year ended June 30, 2010

	Program Services				Supporting Services	
	Client Services	Management & General	Fund - Raising	Total Support	2010 Total	2009 Summarized
Salaries & wages	\$386,637	\$78,083	\$77,607	\$155,689	\$542,327	\$483,492
Payroll taxes	31,536	4,828	6,154	10,982	42,518	37,362
Fringe benefits	63,318	4,113	12,768	16,881	80,199	73,988
Total salaries	481,491	87,023	96,529	183,552	665,043	594,842
Conferences and meetings	2,631	2,431	527	2,958	5,589	5,312
Dues, fees and other charges	1,595	10,037	320	10,356	11,951	12,424
Emergency assistance	1,638,957				1,638,957	717,283
Emergency assistance (In-kind)	1,570,118				1,570,118	1,182,382
Insurance	9,509	5,602	1,909	7,511	17,020	12,077
Interest		12,000		12,000	12,000	12,000
Maintenance & repair	5,492	1,591	1,094	2,685	8,177	6,214
Occupancy	22,104	10,415		10,415	32,519	31,249
Postage	3,950	1,034	9,844	10,878	14,829	13,547
Printing	1,515	286	19,435	19,720	21,236	21,681
Professional services	25,820	15,648	5,153	20,801	46,621	42,097
Professional services (In-kind)	2,786	1,192	559	1,751	4,537	3,675
Supplies	10,961	7,893	2,212	10,104	21,065	15,553
Telephone	9,244	2,549	1,856	4,405	13,649	8,640
Travel	91	349	17	367	458	601
Volunteer Expense	12,398				12,398	8,673
Subtotal before depreciation	3,798,661	158,051	139,454	297,504	4,096,166	2,688,150
Depreciation	49,950	23,506		23,506	73,455	81,310
Total expenses	<u>\$3,848,611</u>	<u>\$181,556</u>	<u>\$139,454</u>	<u>\$321,010</u>	<u>\$4,169,621</u>	<u>\$2,769,460</u>

The accompanying notes are an integral part of this financial statement.

Sunnyvale Community Services
Statement of Cash Flows
For the year ended June 30, 2010

	<u>Total 2010</u>	<u>Summarized 2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	(\$81,090)	(\$77,693)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	73,455	81,310
Unrealized changes in investments	(51,247)	31,772
Realized changes re-invested	8,125	67,666
(Increase) decrease in operating assets		
Grants & contracts receivable	(12,725)	32,399
Prepaid expenses	(2,769)	(2,485)
Deposits	(465)	
Increase (decrease) in operating liabilities		
Accounts payable	(6,536)	5,104
Deferred revenue	55,536	
Agency transactions refundable	(5,747)	(34,463)
Accrued compensation	7,475	1,760
Accrued interest expense	12,000	12,000
NET CASH PROVIDED / (USED) BY OPERATING ACTIVITIES	<u>(3,988)</u>	<u>117,370</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment (additions), net of disposals	(4,305)	(5,457)
Investment (deposits), net of withdrawals	<u>(16,528)</u>	<u>(19,127)</u>
NET CASH PROVIDED / (USED) BY INVESTING ACTIVITIES	<u>(20,833)</u>	<u>(24,584)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(24,821)	92,786
BEGINNING CASH AND CASH EQUIVALENTS	<u>858,788</u>	<u>766,002</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$833,967</u></u>	<u><u>\$858,788</u></u>
Supplemental disclosures:		
Interest expense (accrued, not paid)	\$12,000	\$12,000

The accompanying notes are an integral part of this financial statement.

SUNNYVALE COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE A - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities

Sunnyvale Community Services (Organization) is a non-profit community organization that administers and coordinates essential human services to promote and to create independence and self-sufficiency for low income, senior, and disabled individuals residing within the city and surrounding areas of Sunnyvale. Sunnyvale Community Services was incorporated on January 14, 1970.

Program Services

The Organization works closely with a variety of lower income families residing within the community to help them with emergency family needs. The Organization serves as the fiscal administrator for the San Francisco Chronicle's Season of Sharing to provide emergency assistance to qualified individuals. The Organization operates a food closet, which is supplied by Second Harvest Food Bank, local grocery stores, bakeries, churches, local groups, and individuals. The Organization accepts donations of clothing and toys that are passed through to individuals and families residing in the community on an as needed basis.

Summary of significant accounting policies

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting. The significant accounting policies that follow enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

The Organization prepares its financial statements in accordance with generally accepted accounting principles, which require the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. The Organization reports all restricted revenue received as an increase in restricted net assets. Once donor restrictions are satisfied, a reclassification to unrestricted revenue occurs. Temporary restricted net assets include those subject to donor restrictions not met at the end of the current reporting period. Permanently restricted net assets include those subject to non-expiring donor restrictions. The Organization does not presently have any permanently restricted assets.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America, require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Indirect Expense Allocations

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated to the various functional areas based on time studies of personnel as estimated by management.

Cash and Cash Equivalents

The Organization considers all cash accounts held in commercial accounts and money market funds regardless of maturity to be cash and cash equivalents.

SUNNYVALE COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Investments

The Organization carries investments in marketable securities, bonds, and other cash equivalents with readily determinable fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investment income and gains restricted by donors are reported as increases in restricted net assets and reclassified to unrestricted net assets as restrictions are met.

Contributions

The Organization accounts for contributions received and contributions made in accordance with Accounting Standards for Not-for-profit Organizations. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and, or nature of any donor restrictions. Restricted contributions are reported as an increase in temporarily or permanently restricted net assets. When the restriction is met, the amount is shown as a reclassification from restricted net assets to unrestricted net assets.

Contributions In-Kind

Donated equipment, food, and other goods are recorded at their estimated fair market value on the day of donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at their estimated fair market value at the time the services are rendered. In addition, the Organization receives other contributed services that do not meet the criteria for recognition, but which are, nonetheless, central to the Organization's operations. These contributed services are not reflected in the accompanying financial statements.

Revenue Recognition

The Organization recognizes revenue on the accrual basis of accounting. Government awards are recognized as revenue in the period in which the service is provided. Grants are recognized as revenue when received in writing. The Organization's primary revenue sources are grants and awards from local governments and foundations, and donations from individuals and corporations.

Allowance for Doubtful Accounts

The Organization does not maintain an allowance on grants receivable, as reimbursements from funding sources for costs incurred on the various programs are likely to be received.

Property, Equipment and Depreciation

Property and equipment is recorded at cost when purchased or, if contributed, at estimated fair market value when donated. It is the Organization's policy to capitalize items costing more than \$1,000. Depreciation is computed using the macrs method over the assets estimated useful lives, which range from five to thirty nine years. Depreciation is charged to the activity benefiting from the use of the facilities or equipment.

Comparative Financial Information

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 Generally Accepted Accounting Principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2009, from which the summarized information was obtained. Certain information in the prior year presentation has changed to conform to the current year presentation, as follows: Volunteer expenses have been reclassified out of dues, fees and other charges and into volunteer expenses.

Income Taxes

Since the Organization is exempt from federal and state income taxes under section 501(c)3 of the Internal Revenue Code and Section 23701 of the California Code, income taxes are not provided for in the financials. The Organization is not classified as a private foundation.

SUNNYVALE COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Fair Value Measurements

The Organization adopted the provisions of SFAS 157, Fair Value Measurements on July 1, 2008, subsequently included in the Codification as ASC 820. ASC 820 applies to all financial instruments that are being measured and reported on a fair value basis. Under ASC 820 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.

In determining fair value, the Organization uses various valuation approaches. ASC 820 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization'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 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on inputs that are less observable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market exist. Accordingly, the degree of judgment exercised by the Organization in determining fair value is greatest for assets and liabilities categorized in Level 3.

The carrying amounts of cash and accounts receivables that are expected to be received in less than one year approximate fair value because of the short maturity of these financial instruments. The Organization values its investments using quoted market prices and other relevant information generated by market transactions. The Organization values long term debt based on using current borrowing rates for similar types of debt as quoted in the loan document. The Organization's financial instruments at June 30, 2010 are summarized as follows:

<u>Assets</u>	<u>Fair Value</u>	<u>Level 1</u>
Cash	\$757,114	\$757,114
Certificates of Deposits	\$76,853	\$76,853
Investments in Equities	\$187,932	\$187,932
Investments in Bonds	\$247,318	\$247,318
Liabilities		
Notes Payable	\$484,000	\$484,000

Accounting Standards Codification

FASB Accounting Standards Codification - On July 1, 2009, the Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Codification (ASC) 105-10, *Generally Accepted Accounting Principles* (Codification). ASC 105-10 establishes the exclusive authoritative reference for U.S. GAAP in financial statements, except for SEC rules and interpretive releases, which are also authoritative for SEC registrants. The Codification supersedes all existing non-SEC accounting and reporting standards. The Organization has included the references to the Codification, as appropriate, in these financial statements.

SUNNYVALE COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Accounting for Uncertainty in Income Taxes

In July 2006, the Financial Accounting Standards Board issued Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), subsequently included in the Codification as ASC 740. In December 2008, the FASB deferred the effective date of FIN 48 for nonpublic enterprises to the annual financial statements for fiscal years beginning after December 15, 2007. ASC 740 establishes standards for the recognition of income taxes for tax positions taken, in income tax returns. The Organization has adopted the provisions of ASC 740; there was no impact on the financial statements.

Fair Value Measurements

In September 2006, the Financial Accounting Standards Board issued ASC 820 (formerly SFAS No. 157, *Fair Value Measurements*) which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This statement applies under other accounting pronouncements that require or permit fair value measurements. FASB has previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this statement does not require any new fair value measurements. This statement is effective for fiscal years beginning after November 15, 2007, except for non-financial assets and liabilities measured at fair value on a non-recurring basis for which the effective date will be for fiscal years beginning after November 15, 2008. The adoption of ASC 820 for financial assets and liabilities and non-financial assets did not have an impact on the Organization's financial statements.

Fair Value Option

In February 2007, the Financial Accounting Standards Board issued ASC 825-10 (formerly SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*) which permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of this statement is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings, caused by measuring related assets and liabilities without having to apply complex hedge accounting provisions. This statement is effective for an entity's first fiscal year that begins after November 15, 2007. The management of the Organization has evaluated this statement and there was no impact on its financial statements.

NOTE B - CONCENTRATION OF CREDIT RISK

The Organization maintains cash at local financial institutions that, at times, may exceed the Federal Deposit Insurance Corporation limit. At June 30, 2010, the Organization's uninsured cash balance is \$0. In addition, the Organization maintains cash, certificates of deposits, and investments, \$1,005,094, at a financial institution that is a SPIC member. Certificates of deposits have maturities ranging from September 2010 to July 2011, with interest ranging from 4.2% to 5.35%. Management believes the organization is not exposed to any significant credit risk related to cash.

NOTE C - INVESTMENTS

Investments at June 30, 2010 are carried at fair value in the statement of financial position, and consist of the following:

Equities	\$187,932
Bonds	<u>\$247,318</u>
Total	<u><u>\$435,250</u></u>

Investment income consists of the following:

Realized changes	(\$3,012)
Unrealized changes	51,247
Investment fees	(5,113)
Dividends & interest	<u>10,481</u>
Total	<u><u>\$53,603</u></u>

SUNNYVALE COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE D – GRANTS and CONTRACTS RECEIVABLE

At June 30, 2010 grants and contracts receivable consist of unrestricted \$20,710, and restricted - United Way \$60,600, all due within one year. Approximately 75% of the account balance is receivable from the United Way.

NOTE E - PROPERTY AND EQUIPMENT

At June 30, 2010 property and equipment and related accumulated depreciation is as follows:

Land	\$500,000
Building	\$1,905,064
Building improvements	\$406,333
Furniture & equipment	\$215,366
Vehicles	\$5,925
Software	\$2,472
Subtotal	\$3,035,160
Accumulated depreciation	(\$638,649)
Net Book Value	\$2,396,511

NOTE F - CONTINGENT LIABILITIES

Conditions contained within the various contracts awarded to the Organization, are subject to the funding agencies' criteria under which expenditures may be charged against and are subject to audit under such criteria. Occasionally, such audits may determine that certain costs incurred against the grants may not comply with the established criteria governing them. In such cases, the Organization could be held responsible for repayments to the funding agency for the costs or be subject to reductions of future funding in the amount of such costs. Management does not anticipate any material questioned costs for the contracts and grants administered during the period.

NOTE G – AGENCY TRANSACTIONS

The Organization serves as Santa Clara County's fiscal agent for the San Francisco Chronicle's Season of Sharing Fund. These funds are maintained in a separate custodial account and are held for use in accordance with the fiscal agent agreement with the San Francisco Chronicle. The Organization is also a beneficiary of part of the funds, which are reported as restricted grants. At June 30, 2010, the Organization reported agency transaction refundable, in the statement of financial position, \$100,114.

NOTE H – DEBT

Long-term debt at June 30, 2010 is as follows:

<u>Description</u>	<u>Interest</u>	<u>Date Due</u>	<u>Secured by Real Property</u>	<u>Amount Due</u>
City of Sunnyvale	3.00%	Apr-38	Kifer Road, Sunnyvale	\$400,000

The \$400,000 loan contains a restriction that the building must be used for the purpose of providing emergency assistance for 35 years; otherwise without pre-approval by the City of Sunnyvale, the loan would be considered in default. Interest accrued on this note at June 30, 2010 is \$84,000.

NOTE I – OPERATING LEASES

The Organization leases a photocopier and a postage machine under operating leases that expire in 2013 and 2012, respectively. Future minimum payments under these agreements are as follows: \$2,969 for the year ended June 30, 2011, \$2,675 for the year ended June 30, 2012, and \$1,494 for the year ended June 30, 2013.

SUNNYVALE COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE J - CONTRIBUTIONS IN-KIND

The Organization received the following in-kind donations that would not have been paid for had they not been contributed, and as such are not recorded as a contribution or an expense: Pass through direct assistance \$10,554.

In addition, the Organization received and recognized in the financial statements, the following in-kind donations:

Emergency assistance	\$1,570,118
Professional services	<u>\$4,537</u>
Total	<u><u>\$1,574,654</u></u>

NOTE K – TEMPORARY RESTRICTED NET ASSETS

At June 30, 2010 the Organization's temporary restricted net assets consist of the following activity:

<u>Purpose</u>	<u>Beginning</u>	<u>Additions</u>	<u>Released</u>	<u>Ending</u>
Basic Needs	\$31,250	\$253,317	(\$272,654)	\$11,913
Community		\$143,000	(\$140,912)	\$2,088
Time Restricted	\$60,600	\$60,600	(\$60,600)	\$60,600
Season of Sharing	<u>\$38,423</u>	<u>\$171,225</u>	<u>(\$135,784)</u>	<u>\$73,864</u>
Total	<u><u>\$130,273</u></u>	<u><u>\$628,142</u></u>	<u><u>(\$609,950)</u></u>	<u><u>\$148,465</u></u>

NOTE L – BOARD DESIGNATED NET ASSETS

The board of directors has designated the Organization's unrestricted net assets for general operating reserves, The amount designated at June 30, 2010 is \$288,819.

NOTE M – FINANCIAL INSTRUMENTS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments and contracts and grants receivable.

NOTE N – SUBSEQUENT EVENTS

The management of the Organization have reviewed the results of operations for the period of time from its year end June 30, 2010 through September 30, 2010, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Sunnyvale Community Services:

We have audited the financial statements of Sunnyvale Community Services (a nonprofit Organization) for the year ended June 30, 2010, and have issued our report thereon dated September 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Sunnyvale Community Services internal control over financial reporting as a basis for designing our auditing procedures for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sunnyvale Community Services' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sunnyvale Community Services' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sunnyvale Community Services' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Pleasanton, California
September 30, 2010

Sunnyvale Community Services
 Supplemental Schedule of Expenditures of Federal Awards
 June 30, 2009

<u>Federal Grantor and Program Title</u>	<u>Federal CFDA#</u>	<u>Total Expended</u>
City of Sunnyvale Rapid Re-housing Program*	14.262	\$490,152
Santa Clara County Local Board Emergency Food & Shelter Program	97.024	\$111,428
City of Sunnyvale Comm Dev Block Grant Funds	14.218	\$54,926
Santa Clara County Emergency Contingency Funds	93.714	\$272,612
Total expenditures of Federal Award		<u><u>\$929,118</u></u>

* Major Program

The accompanying notes are an integral part of this financial statement.

Sunnyvale Community Services
Notes to Schedule of Expenditures of Federal Awards
Years ended June 30, 2010

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Sunnyvale Community Services is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OFFICE OF MANAGEMENT AND BUDGET
CIRCULAR A-133

To the Board of Directors of
Sunnyvale Community Services:

Compliance

We have audited the compliance of Sunnyvale Community Services with the types of compliance Requirement's described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2010. Sunnyvale Community Services' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Sunnyvale Community Services' management. Our responsibility is to express an opinion on the Sunnyvale Community Services' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sunnyvale Community Services' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Sunnyvale Community Services' compliance with those requirements.

In our opinion, Sunnyvale Community Services complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Sunnyvale Community Services is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Sunnyvale Community Services' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sunnyvale Community Services' internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Pleasanton, California
September 30, 2010

Sunnyvale Community Services
 Schedule of Findings and Questioned Costs
 June 30, 2010

<u>Section I Summary of Auditor Results:</u>	<u>Yes</u>	<u>No</u>
 Financial Statement:		
Type of Auditor's Report:	Unqualified	
Internal Control Over Financial Reporting:		
Material Weaknesses Identified:		X
Significant Deficiencies Identified, that are not considered Material Weaknesses:		X
Noncompliance material to the Financial Statements:		X
 Federal Awards:		
Internal Control Over Major Program:		
Material Weaknesses Identified:		X
Significant Deficiencies Identified, that are not considered Material Weaknesses:		X
Type of Auditor Report issued on Compliance for Major Program:	Unqualified	
Any Audit Findings Disclosed that are required to be reported in accordance with 510A of Circular A-133?		X
Identification of Major Program:		
CFDA#	14.262	
Name of Federal Program	Rapid Re-housing Program	
Dollar threshold to distinguish between Type A and Type B programs:	\$300,000	
Auditee qualify as low risk?		X
 <u>Section II Financial Statement Finding</u>		
No matters were reported		
 <u>Section III Federal Award Findings and Questioned Cost</u>		
No matters were reported		
 <u>Section IV Summary Schedule of Prior Year Audit Finding</u>		
No matters were reported		