

SUNNYVALE COMMUNITY SERVICES
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2011

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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, 2011, 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 2010 financial statements and, in our report dated September 30, 2010 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 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, 2011, 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 October 1, 2011, on our consideration of Sunnyvale Community Services' 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Pleasanton, California
October 1, 2011

Sunnyvale Community Services
Statement of Financial Position
June 30, 2011

	Unrestricted	Temporarily Restricted	Total 2011	Summarized 2010
ASSETS				
Cash	\$512,429	\$53,725	\$566,154	\$833,967
Awards and grants receivable	83,260	73,250	156,510	81,310
Prepaid expenses	19,996		19,996	22,663
TOTAL CURRENT ASSETS	615,685	126,975	742,660	937,941
Investments	526,246		526,246	435,250
Deposits	1,576		1,576	1,576
Property and equipment, net	2,335,875		2,335,875	2,396,511
TOTAL ASSETS	\$3,479,382	\$126,975	\$3,606,357	\$3,771,277
LIABILITIES				
Accounts payable	\$11,706		\$11,706	\$5,808
Deferred revenue				55,536
Agency transactions refundable	126,343		126,343	100,114
Accrued compensation	45,560		45,560	48,982
TOTAL CURRENT LIABILITIES	183,609		183,609	210,440
Accrued interest	96,000		96,000	84,000
Notes payable	400,000		400,000	400,000
TOTAL LIABILITIES	679,609		679,609	694,440
NET ASSETS				
Unrestricted	2,510,954		2,510,954	2,639,553
Board designated reserves	288,819		288,819	288,819
Temporarily restricted		\$126,975	126,975	148,465
TOTAL NET ASSETS	2,799,773	126,975	2,926,748	3,076,837
TOTAL LIABILITIES & NET ASSETS	\$3,479,382	\$126,975	\$3,606,357	\$3,771,277

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

Sunnyvale Community Services
Statement of Activities
For the year ended June 30, 2011

	Unrestricted	Temporarily Restricted	Total 2011	Summarized 2010
Revenue and Support				
Foundation & corporate grants	\$200,161	\$400,142	\$600,303	\$679,060
Government contracts	308,550		308,550	972,405
Donations	592,845		592,845	641,435
In-kind donations	1,799,089		1,799,089	1,574,654
Fee for services	30,668		30,668	24,638
United Way		74,575	74,575	102,417
Donations from special events	53,478		53,478	40,475
Interest income	90		90	195
Investment income	94,194		94,194	53,603
Net assets released from restrictions				
Purpose & time restrictions released	496,207	(496,207)		
Total revenue, support and gains	3,575,282	(21,490)	3,553,792	4,088,882
Expenses				
Program services				
Client services	3,304,479		3,304,479	3,848,611
Supporting services				
Management and general	168,641		168,641	181,556
Fundraising	181,498		181,498	139,454
Total expenses	3,654,618		3,654,618	4,169,621
Loss on sale of assets disposed	97		97	351
Loss related to unpaid payroll tax deposits	49,165		49,165	
Total expenses and losses	3,703,880		3,703,880	4,169,972
Changes in net assets	(128,598)	(21,490)	(150,088)	(81,090)
Net assets at beginning of year	2,928,372	148,465	3,076,837	3,157,927
Net assets at end of year	<u>\$2,799,773</u>	<u>\$126,975</u>	<u>\$2,926,748</u>	<u>\$3,076,837</u>

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

Sunnyvale Community Services
Statement of Functional Expenses
For the year ended June 30, 2011

	Program Services				Supporting Services	
	Client Services	Management & General	Fund - Raising	Total Support	2011 Total	2010 Summarized
Salaries & wages	\$434,523	\$60,121	\$85,758	\$145,879	\$580,402	\$542,327
Payroll taxes	34,844	6,249	6,804	13,053	47,897	42,518
Fringe benefits	64,403	17,129	12,192	29,321	93,724	80,199
Total salaries	<u>533,770</u>	<u>83,499</u>	<u>104,754</u>	<u>188,253</u>	<u>722,023</u>	<u>665,043</u>
Conferences and meetings	3,605	2,311	1,413	3,724	7,329	5,589
Dues, fees and other charges		11,853	3,223	15,076	15,076	11,951
Emergency assistance	825,310				825,310	1,638,957
Emergency assistance (In-kind)	1,786,080				1,786,080	1,570,118
Insurance	14,585	4,936	2,547	7,483	22,068	17,020
Interest Expense	9,592	1,156	1,252	2,408	12,000	12,000
Maintenance & repair	6,043	910	965	1,875	7,918	8,177
Occupancy	26,926	4,308	4,667	8,975	35,901	32,519
Postage		3,311	11,765	15,076	15,076	14,829
Printing		921	26,072	26,993	26,993	21,236
Professional services	12,550	30,856	12,361	43,217	55,767	46,621
Professional services (In-kind)	5,095	4,020	694	4,714	9,809	4,537
Supplies	6,886	11,904	3,736	15,640	22,526	21,065
Telephone	7,195	2,508	1,393	3,901	11,096	13,649
Travel	40	7	8	15	55	458
Volunteer Expense	15,852				15,852	12,398
Subtotal before depreciation	<u>3,253,529</u>	<u>162,500</u>	<u>174,850</u>	<u>337,350</u>	<u>3,590,879</u>	<u>4,096,166</u>
Depreciation	50,950	6,141	6,648	12,789	63,739	73,455
Total expenses:	<u>\$3,304,479</u>	<u>\$168,641</u>	<u>\$181,498</u>	<u>\$350,139</u>	<u>\$3,654,618</u>	<u>\$4,169,621</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, 2011

	<u>Total 2011</u>	<u>Summarized 2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	(\$150,088)	(\$81,090)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	63,739	73,455
Unrealized changes in investments	(80,367)	(51,247)
Realized changes re-invested	(13,827)	8,125
(Increase) decrease in operating assets		
Awards and grants receivable	(75,200)	(12,725)
Prepaid expenses	2,667	(2,769)
Deposits		(465)
Increase (decrease) in operating liabilities		
Accounts payable	5,898	(6,536)
Deferred revenue	(55,536)	55,536
Agency transactions refundable	26,229	(5,747)
Accrued compensation	(3,422)	7,475
Accrued interest expense	12,000	12,000
<u>NET CASH PROVIDED / (USED) BY OPERATING ACTIVITIES</u>	<u>(267,907)</u>	<u>(3,988)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment additions	(3,103)	(4,305)
Investment sales / (purchases), net	3,198	(16,528)
<u>NET CASH PROVIDED / (USED) BY INVESTING ACTIVITIES</u>	<u>94</u>	<u>(20,833)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(267,813)	(24,821)
BEGINNING CASH AND CASH EQUIVALENTS	<u>833,967</u>	<u>858,788</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$566,154</u></u>	<u><u>\$833,967</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, 2011

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 regardless of maturity to be cash and cash equivalents.

SUNNYVALE COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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 when 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 awards and 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 asset's estimated useful life, which ranges 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, 2010, 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: Losses have been reclassified below expenses in the statement of activities.

Income Taxes

The Organization 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 Code; accordingly, income taxes are not provided for in the financials. The Organization is not classified as a private foundation. The Financial Accounting Standards Boards, *Accounting for Uncertainty in Income Taxes*, prescribes a recognition threshold and a measurement attribute for financial statement recognition of tax positions taken or expected to be taken on a tax return. Management has evaluated its uncertain tax positions and related income tax contingencies and does not believe any material uncertain tax positions exist.

SUNNYVALE COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Fair Value Measurements

The Organization adopted the provisions of Fair Value Measurements ASC 820 which 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 a fair value hierarchy which is categorized into three levels 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 Organization's financial assets measured at fair value, at June 30, 2011, are summarized as follows:

<u>Assets</u>	<u>Fair Value</u>	<u>Level 1</u>
Investments	\$526,246	\$526,246

NOTE B - CONCENTRATION OF CREDIT RISK

The Organization maintains cash at local financial institutions that may, at times, exceed the Federal Deposit Insurance Corporation limit. At June 30, 2011, the Organization's uninsured cash balance is \$381,052. In addition, the Organization maintains cash, certificates of deposits, and investments, \$631,052, at a financial institution that is a SPIC member. Certificates of deposits have maturities ranging from September 2010 to October 2012, with interest ranging from .8% to 5.35%. Management believes the organization is not exposed to any significant credit risk related to cash. The Organization receives funds from the San Francisco Chronicle's "Season of Sharing" Fund that are required to be held in a separate bank account. At June 30, 2011 the amount set aside is \$183,854.

NOTE C - INVESTMENTS

Investments at June 30, 2011 are carried at fair value in the statement of financial position, and consist of the following:

Money Funds	\$28,872
Equities & CD's	\$342,434
Bonds	<u>\$154,940</u>
Total	<u><u>\$526,246</u></u>

Investment income consists of the following:

Realized changes	\$10,346
Unrealized changes	80,367
Investment fees	(5,897)
Dividends & interest	<u>9,378</u>
Total	<u><u>\$94,194</u></u>

SUNNYVALE COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE D – GRANTS and CONTRACTS RECEIVABLE

At June 30, 2011 grants and contracts receivable consist of unrestricted \$83,260, and restricted \$73,250, all due within one year. Approximately 40% of the account balance is receivable from the United Way of Silicon Valley.

NOTE E - PROPERTY AND EQUIPMENT

At June 30, 2011 property and equipment and related accumulated depreciation is as follows:

Land	\$500,000
Building	\$1,905,064
Building improvements	\$406,333
Furniture & equipment	\$207,859
Vehicles	\$5,925
Software	\$740
Subtotal	\$3,025,921
Accumulated depreciation	(\$690,046)
Net Book Value	\$2,335,875

Depreciation expense for the year ending June 30, 2011 is \$63,739.

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, 2011, the agency transaction refundable is \$130,169.

NOTE H – DEBT

Long-term debt at June 30, 2011 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, 2011 is \$96,000.

NOTE I – OPERATING LEASES

The Organization leases a photocopier and a postage machine under operating lease agreements that expire in 2013 and 2012, respectively. Future minimum payments under these lease agreements are \$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, 2011

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 \$18,926. In addition, the Organization received and recognized in the financial statements, the following in-kind donations:

Equipment, refrigerator	\$3,200
Emergency assistance	\$1,786,080
Professional services	<u>\$9,809</u>
Total	<u><u>\$1,799,089</u></u>

NOTE K – TEMPORARY RESTRICTED NET ASSETS

At June 30, 2011 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	\$14,001	\$223,325	\$226,746	\$10,580
Time Restricted	\$60,600	\$63,250	\$60,600	\$63,250
Season of Sharing	<u>\$73,864</u>	<u>\$186,817</u>	<u>\$207,536</u>	<u>\$53,145</u>
Total	<u><u>\$148,465</u></u>	<u><u>\$473,392</u></u>	<u><u>\$494,882</u></u>	<u><u>\$126,975</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, 2011 is \$288,819.

NOTE M – LOSS ON UNPAID PAYROLL TAXES

During the year ended June 30, 2011 management received notification from the Internal Revenue Service and the State of California that payroll tax deposits had not been received in the last quarter of 2009 and the first half of 2010. During this time, management transferred funds to its payroll service provider, who had authority to make such deposits with the respective agencies. Upon receiving notice of nonpayment of employment taxes, management determined the payroll service provider had filed for bankruptcy under the provisions of chapter 13 of the bankruptcy code. The bankruptcy court has classified the Organization as an unsecured general creditor. Unsecured general creditor status is placed behind dischargeable debts, amounts owed for taxes to government agencies, and legal fees to those involved in handling these proceedings. Management has been notified that they could, potentially, receive payments, if any, under a repayment plan, which remains to be confirmed, by the bankruptcy court, at the date of this audit report, October 1, 2011. For the year ended June 30, 2011 management recorded a loss of \$49,165, for unpaid payroll tax deposits \$43,751 and for related penalty and interest assessments \$5,414. Subsequently, management switched payroll service providers and now electronically transfers their payroll tax deposits directly to both the Internal Revenue Service and the State of California.

NOTE N – SUBSEQUENT EVENTS

The management of the Organization has reviewed the results of operations for the period of time from its year end June 30, 2011 through October 1, 2011, 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. Management determined a subsequent event occurred, which requires disclosure in the footnotes, as follows: the investment balance has decreased in value by 12% or \$74,334 at September 30, 2011.